

## **Bingiriya Pradeshiya Sabha**

### **Kurunegala District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 03 April 2017 while Financial Statements relating to the preceding year had been submitted on 30 March 2016. The Auditor General's Report relating to the year under review has been sent to the Secretary of the Sabha on 29 September 2017.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Policies**

Accounting policies followed in the preparation of financial statements had not been disclosed.

###### **1.3.2 Accounting Deficiencies**

The following matters were observed.

- (a) Capital aid had been understated by Rs.1,000,000 in the financial statements.
- (b) The balance of Rs.3,186,156 payable to the Local Government Pensions Fund as at 31 December 2016 had been shown as Rs.3,548,578 in the financial statements.
- (c) Sundry creditors valued at Rs.13,813,750 as at 31 December of the year under review, had been shown as Rs.24,353,365 in the financial statements.
- (d) Prepayments amounting to Rs.326,136 and expenditure relating to the year amounting to Rs.122,927 had been brought to account by transferring each other.
- (e) The Motor Grader valued at Rs.6,429,375 and the Garbage Trailer valued at Rs.276,000 had not been shown in the financial statements.
- (f) Furniture and fittings had been understated by Rs.182,385 in the financial statements.

(g) Business tax amounting to Rs.8,400 receivable as at 31 December of the year under review had been shown as Rs.46,800 in the financial statements.

(h) Lands and buildings valued at Rs.150,745,629 as at 31 December of the year under review had been shown as Rs.155,745,629 in the financial statements.

### **1.3.3 Unreconciled Control Accounts**

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Non-reconciliations amounting to Rs.17,314,853 existed between the balances relating to 03 Items of Accounts valued at Rs.188,936,704 shown in the financial statements as at 31 December of the year under review and balances indicated in subsidiary registers.

### **1.3.4 Suspense Accounts**

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The credit balance of the Suspense Account amounting to Rs.1,539,706 as at 01 January 2016 had converted into a debit balance of Rs.7,411,282 as at 31 December 2016.

### **1.3.5 Receivable and Payable Accounts**

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The following matters were observed.

(a) A sum of Rs.14,746,596 out of the receivable accounts valued at Rs.58,653,000 as at the end of the year under review, had been in arrears over a period of 03 years and action for the recovery of those amounts had been at a weak level.

(b) A balance of advances amounting to Rs.1,407,026 had not been settled over a period of 05 years.

(c) A sum of Rs.38,417,376 out of the payable accounts valued at Rs.46,554,379 as at 31 December of the year under review, had remained unsettled over a period of 03 years.

### **1.3.6 Lack of Evidence for Audit**

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Detailed schedules, confirmation of balances and reconciliation reports relating to 07 Items of Accounts valued at Rs.122,173,462 had not been made available. As such, those items could not be satisfactorily examined.

## **02 Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 had been Rs.21,015,363 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.6,035,048 for the preceding year, thus indicating an improvement of Rs.14,980,315 in the financial result.

## **2.2 Analytical Financial Review**

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The increase in the total revenue from operations by Rs.17,292,191 had been the main reason for the improvement of the financial result.

## **2.3 Revenue Administration**

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### **2.3.1 Performance in Collection of Revenue**

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Out of the estimated revenue amounting to Rs.92.6 million, a sum of Rs.89.6 million had been collected. The arrears of revenue amounting to Rs.29.6 million as at 31 December of the preceding year, had increased to Rs.57 million as at 31 December of the year under review.

### **2.3.2 Lease Rent**

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The following matters were observed.

- (a) Action had not been taken over a period of many years to lease out 05 meat stalls of which the minimum bid was Rs.655,830 and 06 coconut lands with yeild.
- (b) A sum of Rs.322,118 relating to **lease out of the trade ownership** had been in arrears as at the end of the year under review.
- (c) Even though the arrears of installments of 03 assets leased out for the year under review had been set off against the security bonds, action had not been taken to recover a sum of Rs.18,514 for delays.
- (d) Action had not been taken to recover arrears of lease rent amounting to Rs.550,159 from 04 assets leased out from the year 2012 to the year 2015.

### **2.3.3 Court Fines and Stamp Fees**

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Court fines and stamp fees amounting to Rs.11,500,000 and Rs.12,943,672 respectively should have been recovered as at the end of the year under review from the Chief Secretary to the Provincial Council.

## **03. Operating Review**

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### **3.1 Management Inefficiencies**

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The following matters were observed.

- (a) Two bank accounts valued at Rs.1,001,767 had remained dormant as at 31 December 2015 and information on these accounts had not been disclosed through the Registers of the Sabha.
- (b) Details relating to arrival at and departure of the Cab Motor Vehicle bearing No.PF-3337 from the Sabha premises had not been recorded in the Register of Daily Arrival and Departure of Motor Vehicles.

- (c) In physical checking of Milometers in 06 motor vehicles owned by the Sabha, at 9.00 a.m. on 05 September 2016, differences from 11 kilometers to 348 kilometers were observed between the distances indicated in the Meter and the Running Charts.
- (d) According to the Bank Reconciliations, an unidentified difference of Rs.181,846 had not been rectified during the year.

### **3.2 Operating Inefficiencies**

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The following matters were observed in respect of allotment and sale of lands.

- (a) The persons who had purchased blocks of lands, had been unable to obtain Street Line Certificates due to various shortcomings such as width of internal roads of 20 feet instead of 30 feet in extent, of the lands allotted according to By-Laws of allotment and sale of lands.
- (b) A block of land of 24.2 perches in extent had been divided and removed from the Allotment Plan of the Thalghamulahena land and as such, the extent of the said land stood at 0.978 hectares. As a result, an extent of 35.42 perches receivable for public utilities had been deprived of to the Sabha.
- (c) In approving the Allotment Plan of the Thalghamulahena land, it had not been examined whether the water supply had been provided and roads were constructed with the standard width.
- (d) Instead of obtaining sales tax to the Sabha on the sales value of the land called Dalupotha Godanegille Watta of 01 Acres 01 Rood 33 Perches, that amount had been obtained on quotations of various estimate.

### **3.3 Transactions of Contentious Nature**

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The following matters were observed.

- (a) In the computation of payments of allowances for engineering consultancy services, a sum of Rs.108,852 had been overpaid as consultancy allowances by considering the sum of Rs.3,923,447 allocated for expenditure on administration, electricity and consultancy and tax and contingencies.
- (b) A sum of Rs.2,064,200 had been paid on 06 April 2017 to a private garage for repairs of a Tipper vehicle bearing number GC-4267 deviating from the Procurement process and circular instructions in the year 2014 and a period of 03 years had lapsed for those repairs.

### **3.4 Contract Administration**

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The following matters were observed.

- (a) According to the inspection carried out on 09 September 2016 in respect of the constructions of building of the Fitness Centre, Halmillawewa at an estimated cost of Rs.510,874, it was observed that the cement blocks used, were of substandard, that the

finish of formwork were at an extremely weak level and that a portion of about 04 feet of the beam had become crooked and the concrete thereof had cracked and iron rods had appeared on places where the beams had been joined to the wall. As such, the longevity of the building constructed, was uncertain.

- (b) Tender Formats had been issued to two unqualified contractors for obtaining bids for the Project of construction of the ground floor of the Bingiriya, Bus Station, valued at Rs.5,153,415.

### **3.5 Solid Waste Management**

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About 45 Tons out of 170 Tons of waste collected monthly by the Bingiriya Pradeshiya Sabha, are used for manufacturing of fertilizer and the remaining comprised of other recyclable materials such as paper, polythene and glass. However, 13,230 kg of fertilizer had been manufactured in the year 2016 and a sum of Rs.96,640 had been earned by selling 12,080 kg out of the said quantity of fertilizer.

## **04. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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The following matters were observed.

- (a) Savings out of the estimated provisions relating to 10 Items of works ranged from 48 per cent to 100 per cent.
- (b) Out of 44 projects based on public requests, 24 road development projects valued at Rs.240,000 had not been completed during the year under review.
- (c) Savings, out of the provisions of Rs.300,000 made for medical aid amounted to Rs.290,000 and out of that, a sum of Rs.250,000 had been transferred to another Object. Moreover, the relevant provisions had not been made for the intended purposes even in the preceding year.

## **05. Systems and Controls**

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Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time. Special attention is needed in respect of the following areas of control.

**System**

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**Deficiencies of the System**

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(a) Accounting	<ul style="list-style-type: none"><li>i. Failure in identifying the write off of balances and rectifications separately with specific reasons.</li><li>ii. Failure in disclosure of special accounting policies.(Cash Basis)</li> <li>iii. Failure in making confirmations by schedules(A portion of revenue debtors)</li></ul>
(b) Development and Sale of Houses and Properties	Failure in completion of water and electricity facilities and other requirements in terms of the By-Law.
(c) Revenue	Failure in taking action to collect the arrears of revenue.
(d) Waste Management	Failure in taking action to meet the demand for organic fertilizer.