

Bingiriya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented to audit on 25 February 2020 and the Summary Report of the Auditor General on those financial statements on 30 June 2020 and Detailed Management Audit Report on 24 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The value of 09 lands had not been assessed and brought to accounts.</p>	<p>Actions should be taken to assess the value and accounted for.</p>	<p>It is informed that the actions will be taken to appoint a Board of Survey and assess the value of these lands and submit them through the final accounts for the year 2020.</p>
<p>(b) The value of 958 water pipes and equipment received as donations to the Sabha had not been assessed and accounted for.</p>	<p>Actions should be taken to assess the value and accounted for</p>	<p>It is informed that actions will be taken to look into the equipment mentioned and evaluate the value and include it in the final account for the year 2020.</p>

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| <p>(c) The reasons for the uncertain credit balance of Rs. 2,541,472 at the beginning of the year under review had not been disclosed and corrected.</p> | <p>The causes for the suspense account balances should be identified and rectified.</p> | <p>The reasons for the credit balance in the suspense account are being disclosed and steps will be taken to rectify the errors in future.</p> |
| <p>(d) The tender rent arrears amounted to Rs.768,642 had been understated in the accounts.</p> | <p>It should be accurately accounted for.</p> | <p>The error occurred is accepted and it is informed that the actions will be taken to correct through the final accounts of the year 2020 .</p> |
| <p>(e) Cars and carts amounted to Rs. 5,076,000 had been overstated in the financial statements.</p> | <p>It should be accurately accounted for.</p> | <p>The error occurred is accepted and it is informed that the actions will be taken to correct through the final accounts of the year 2020 .</p> |
| <p>(f) The amount of Rs.145,309 paid to the Local Credit and Development Fund as per Standing Orders had not been accounted for.</p> | <p>It should be accurately accounted for.</p> | <p>The loan installment of Local Debt and Development Fund amounted to Rs. 145,309 has been made as creditor and accounted for in December 2019.</p> |
| <p>(g) There were discrepancies in 04 accounting items amounting to Rs.63,286,672 at the end of the year under review.</p> | <p>Actions should be taken to correct the accounts by reconciling the changes in the relevant balances.</p> | <p>It is informed that the actions will be taken to check the relevant schedules and make the relevant updates to minimize this difference.</p> |
| <p>(h) Due to non-submission of detailed schedules and documents pertaining to 11 accounting items valued at Rs. 312,188,596, it could not be satisfactorily verified.</p> | <p>Evidences confirming the account balance shown in the financial statements should be submitted.</p> | <p>It is apologized for the inconvenience occurred and it is kindly informed that the actions will be taken to submit the relevant documents and information for future audits.</p> |

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| (i) | Actions had not been taken to identify the values of 04 lands received from land auctions as donations to the Sabha in the account during the year under review. | The cost of the land should be brought to accounts. | It is informed that, this shortcoming will be rectified in the final accounts in the year 2020. |
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1.4 Non-compliances

1.4.1 Non-compliance with Laws, Rules, Regulations, and Management Decisions

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Officer Accounting
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(a) Rules of Pradeshiya Sabha (Finance and Administration) 1988			
(i) Rule 60	The officer surveying the business tax had not mentioned the Grama Niladhari Division, the rate number and the annual value in the list of business taxes.	The basic information should be mentioned in the relevant list.	It is informed that the actions will be taken to rectify the shortcomings pointed out by the audit.

(ii)	Rule 218	Actions had not been taken to survey all the lands and buildings owned by the Sabha.	Surveys should be conducted in accordance with the Rules and actions should be taken to update the Registers of Fixed Assets.	It is informed that the actions will be taken to survey all the lands and buildings owned by the Sabha by a Board of Survey on Land and Building from the year 2020 .
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(b) National Procurement Guidelines - 2006
Sub-section 6.2.2

Although the minimum period for calling National Competitive Bidding is 21 days, only 15 days had been given to submit bids for the lease of assets for the year 2019.	Procurement Guidelines should be followed.	The minimum bidding period for the year 2020 is from 10 September 2019 to 09 October 2019. Accordingly, it is informed that this shortcoming has been rectified by now.
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02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 18,894,646, and the corresponding income over the recurrent expenditure of the preceding year was Rs. 29,137,196as per the financial statements presented .

2.2 Revenue Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken in respect of returned cheques remaining for many years valued at Rs.53,717 in terms of Financial Regulations 189 and 486.	Actions should be taken in accordance with Financial Regulations .	There is a difficulty in finding information regarding this cheque. It is informed that the actions will be taken to look into this furthermore.
(b) Actions had not been taken to settle the unidentified difference of Rs.181,846 in the Bank Reconciliation Statement in December 2019.	Actions should be taken to resolve unrecognized differences.	This unrecognized difference is inherited from previous years and it is difficult to find relevant information. Because of this reason, it is has been impossible to resolve this difference.
(c) Eleven major financial activities such as maintaining cash book, writing and issuing checks, maintaining payment vouchers, balancing expenditure heads etc. had been assigned to one officer.	Actions should be taken to delegate duties in a manner of one transaction is checked by several officers.	This shortcoming has occurred due to the assignment of duties based on the number of employees available. There is a vacancy in Management Assistant post. It is informed that the actions will be taken to rectify the shortcomings pointed out making amendments regarding the assigning of duties in future.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Actual Income and Arrears Income

The information on estimated income, collected income and arrears income submitted pertaining to the year under review and the preceding year are shown below.

Sourc of Income	Estimated Income	Year 2019			Year 2018			Total Arrears as at 31 December Rs.
		Billed Income Rs.	Income Collected Rs.	Total Arrears as at 31 December Rs.	Estimated Income Rs.	Billed Income Rs.	Income Collected Rs.	
I. Rates and Taxes	2,864,307	4,352,704	4,091,970	182,764	2,879,307	3,621,293	3,752,289	78,938
II. Lease Rent	14,702,060	16,028,377	16,028,377	764,557	14,702,060	13,618,791	13,819,122	768,007
III. Licen se Fee	910,036	1,201,008	1,201,008	-	910,000	814,005	815,005	-
IV. Other Inco me	99,398,660	83,302,085	83,302,085	67,369,368	70,616,700	89,695,292	76,819,273	44,712,708
Total	117,875,063	104,884,174	104,623,440	68,316,689	89,108,067	107,749,381	95,205,689	45,559,653

Note

Arrears receipts for previous years were also included in the revenue value collected in 2018 and 2019 .

2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A rate amounted to Rs. 81,376 was receivable on 35 properties as at 31 December of the year under review.	Actions should be taken to recover the arrears.	It is informed that other arrears balances are currently being recovered.
(b) An acreage tax amounted to Rs. 36,587 had to be received from 131 landowners at the end of the year under review.	Actions should be taken to recover the arrears.	As the Register of Acreage Tax was maintained irregularly, this amount is being recovered after correcting the register in the year 2020.

- (c) A business tax amounted to Rs. 64,800 was receivable as at the end of the year under review. Actions should be taken to collect business taxes in a timely manner. Cases have been filed for these arrears. Verdicts have been received currently for 13 cases. It is informed that the future trial dates are in place for other cases.

2.3.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer		
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Action had not been taken to recover the rent amounting Rs.764,557 in relation with the annual tender property leases related to 05 instances remaining before the year under review.	Actions should be taken to recover the arrears.	2012	241,037.91	The verdict has been received. Because of the lessee was imprisoned, it has not been able to recover .
		2012	37,557.68	Investigations are currently being carried out after the Local Government Commissioner was instructed to write off the arrears as the person had died.
		2013	228,600.00	The verdict has been received. Because of the lessee was imprisoned for a drug-related offense it has not been able to recover.
		2016	176,472.20	Cases have been filed.
		2016	80,889.20	Cases have been filed.

2.3.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The estimated court fines receivable from the Chief Secretary of the Provincial Council as at 31 December of the year under review was Rs. 8,235,964 and the stamp fees was Rs.30,279,147 .	The arrears should be collected and utilized efficiently and effectively.	It is informed that these court fines and stamp fees are being recovered.

03. Operating Review

3.1 Performance

The matters revealed in respect of executing of functions that should have been performed by the Sabha such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 3 of the Pradeshiya Sabha Act are as follows.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Since by-laws had to be enacted to fulfill 29 main matters under Section 126 of the Pradeshiya Sabha Act, the by-laws imposed by the North Western Provincial Council on these matters had been adopted by the Sabha.	Actions should be taken to enact by-laws in accordance with the provisions of the Act as required by the Sabha and to act in accordance with the by-laws adopted.	Comments have not been given.

(b) Failure to Obtain the Expected Benefits

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) The Bowatta bus stand which was constructed with consists of 8 shops in 2018 at a cost of Rs. 9,400,000, had not been utilized for the relevant purposes.</p>	<p>Actions should be taken to provide benefits to those assets to the public.</p>	<p>It is informed that necessary arrangements will be made this year to obtain necessary allocations and to make the bus stand functional condition and open to the public.</p>
<p>(ii) Although it had elapsed 03 years incurring a sum of Rs.7,189,225 on the Kahawalawatta Drinking Water Project in 2017 and 2018 under the provisions of the Ministry of Provincial Roads, Transport Development and Housing Construction Industries and Rural Development, action had not been taken to provide water to the people.</p>	<p>Actions should be taken to provide benefits to those assets to the public.</p>	<p>The completion of the Project was interrupted until the end of 2018 and in particular (obtaining electricity, constructing a cover for the constructed well) it is intended to make it operational by 2020 by allocating funds.</p>

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The Sabha was aware of the “Sustainable Development Agenda 2030” and the sustainable development goals and objectives had been identified. The Sabha had implemented 11 programmes to achieve the Sustainable Development Goals during the year under review.</p>	<p>The budget should be prepared and implemented focusing on sustainable development goals and objectives</p>	<p>Comments have not been given.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the applications related to the issuance of trade licenses for the year 2019 had been sent to the Medical Officer of Health for obtaining recommendations, it had not been able to collect license fees during the year 2019 from 497 business units that had not been approved and sent even by 28 February 2020.	Actions should be taken to settle after carrying out discussions regarding the existing issue with the relevant authorities to resolve it.	The Local Government Department has been contacted in this regard. It has not been informed on the future course of action so far.
(b) Actions had not been taken to recover a total of Rs.17,096,279 which had exceeded an year and more than that included in the account balances receivable as at 31 December of the year under review.	Actions should be taken to recover the arrears.	It is informed that the actions will be taken to look into in respect of the arrears balances and to recover the recoverable balances.
(c) Actions had not been taken to make the payments and settle the balances within the account balances payable totalled to Rs.3,314,087 which had exceeded an year and more than that as at 31 December of the year under review.	Action should be taken to settle the creditor balances.	A sum of Rs. 2,424,763 had remained without pay as local government pension contributions for many years and arrangements will be made to look into this balance further and to settle in future.
(d) Actions had not been taken to identify the refundable deposits amounted to Rs. 12,747,034 and to pay or to earn income at the end of the year under review.	Actions should be taken in accordance with Financial Regulation 571.	It is informed that the actions will be taken to look into identify the refundable deposits and make payments or taken into income in future out of deposits amounted to Rs.12,747,034 at the end of the year.

3.3 Human Resource Management

(a) Employee Vacancies and Excesses

Audit Observation

There were 34 vacancies and 19 excesses at the end of the year under review.

Recommendation

Actions should be taken to analyze requirements and to fill the vacancies relating to the essential posts.

Comments of the Accounting Officer

Comments have not been given.

(b) Employee Securities

Audit Observation

Securities amounted to Rs. 106,575 had been obtained from 40 officers as at the end of the year under review and those securities had not been deposited by opening accounts in the name of the officers as per Paragraph 2.1 of the Chief Secretary's Circular No. 15/2011/5/4/1/8 dated 15 December 2011 .

Recommendation

Actions should be taken to act in accordance with the circulars and to balance the accounts and to account for accurately by balancing at the end of the year.

Comments of the Accounting Officer

Applications have been filled and handed over to the bank to open deposits in the name of the relevant officers. It is informed that the actions will be taken to expedite other activities in this regard.

3.4 Operational Inefficiencies

Audit Observation

A sum of Rs. 64,058 was receivable from 14 properties which were in arrears for more than 03 quarters from the arrears of rates and actions had not been taken to recover the arrears.

Recommendation

The arrears should be recovered and the documents should be updated accordingly.

Comments of the Accounting Officer

These arrears properties are state-owned organizations and the relevant agencies have been notified in writing.

3.5 Assets Management

3.5.1 Idle / Underutilized Assets

Audit Observation

The community hall and toilet system built on the Green Estate land at a cost of Rs. 3,100,000 in 2017 had remained idle.

Recommendation

Public money should be spent economically, efficiently and effectively.

Comments of the Accounting Officer

There is also a problem in obtaining water for this construction which is being constructed in an uninhabited area. Actions will be taken to upgrade this place as a Function Hall and open this toilet system in future.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

A Procurement Plan for the year 2019 had not been prepared as per Procurement Guidelines 4.2.1.

Recommendation

A Procurement Plan should be prepared as per the relevant Guidelines.

Comments of the Accounting Officer

A Procurement Plan for the year 2020 has been prepared.

3.6.2 Supplies and Services

Audit Observation

The Purchases which were not complied with the specifications had been made when purchasing of 03 laptops valued at Rs. 422,000 for 03 libraries and office functions of the Sabha and the recommendations of the Technical Evaluation Committee had also not been received.

Recommendation

It should check whether it meets the specifications before making payments for purchased items.

Comments of the Accounting Officer

The relevant institution has been made aware of this issue and in response, a letter was submitted to us in this regard. According to the relevant letter, a technical justification has been made regarding the facts pointed out by the auditor.