

**Dambulla Municipal Council**

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**Matale District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Dambulla Municipal Council had been established with effect from 01 April 2011 by a notification published in the Gazette Extra – ordinary of the Democratic Socialist Republic of Sri Lanka dated 02 February 2010 in terms of the powers vested with the Minister by Sections 2,3,5 and 9 of the Municipal Councils Ordinance (Chapter 252). The financial statements of this Municipal Council for the 09 months period of 01 April 2011 to 31 December 2011 had not been furnished to audit even by 30 September 2012. The report of the Auditor General for the period under review was issued to the Mayor of the Municipal Council on 05 November 2012.

**1.2 Comments on Transactions, Operations and Performance**

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**1.2.1 Lack of Evidence for Audit**

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Replies to 10 audit queries had not been furnished even by 31 August 2012. The value of quantifiable transactions relating to the audit queries amounted to Rs. 4,982,628.

**1.2.2 Financial Control**

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Bank Reconciliation Statements relating to the Bank Account No. 1381001000017068 had not been presented in terms of 396(d) of the Financial Regulations of the Republic of Sri Lanka to audit from April 2011, the date of establishment of the Municipal Council up to September 2012, the date of audit examination.

**1.2.3 Uneconomic Transactions**

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The water supply of the Dambulla Crematorium and the Dambulla New Bus Stand had been disconnected due to delay in settlement of water bills and a sum of Rs. 18,480 had been spent during the year under review to re-connect the water supply.

#### **1.2.4 Transactions Not Supported by Adequate Authority**

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According to Section 28 of the Municipal Councils Ordinance, a Municipal Council should not finalize any financial matter until it is considered by the Standing Committee on Finance and reported to the Council. But, this procedure had not been followed in respect of expenditure amounting to Rs. 1,045,248 incurred on purchases made on 05 instances during the year under review.

#### **1.2.5 Irregular Transactions**

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- (a) Receipts had not been obtained for payments amounting to Rs. 28,519 made during the year under review in terms of 139(4) of the Financial Regulation of the Republic of Sri Lanka and the signature of the recipient also had not been obtained on the payment vouchers.
  
- (b) A sum of Rs. 760,698 had been paid for purchases made on 18 instances in the year under review without a certificate to support that the goods had been received and had been recorded in the respective inventory, stock book in terms of 237(b) of the Financial Regulations of the Republic of Sri Lanka.
  
- (c) A sum of Rs. 1,932,148 had been spent on 09 instances during the year under review without approving and certifying the payments in terms of Financial Regulations 137 and 138 of the Republic of Sri Lanka.
  
- (d) Expenditure amounting to Rs. 1,305,252 incurred on purchase of furniture and fittings during the year under review had been debited to an erroneous item of expenditure bearing No. 11511 without obtaining provision through the budget for the year 2011.

### **1.2.6 Operating Inefficiencies**

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- (a) Value Added Tax amounting to Rs. 137,820 recovered on licence fees during the year under review had been taken to the revenue of the Council, without being remitted to the Commissioner General of Inland Revenue.
  
- (b) The Motor Grader of the Dambulla Pradeshiya Sabha had collided with the Gully bearing No. CPGU3007 owned by the Dambulla Municipal Council on 29 December 2011 and the damage occurred to the Gully amounted to Rs.87,500. Action had not been taken in terms of Financial Regulation 104(i) of the Financial Regulation of the Republic of Sri Lanka in this connection.

### **2. Systems and Controls**

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Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Stores Control.