

**Dambulla Pradeshiya Sabha**

**Matale District**

**1. Financial Statements**

**1.1 Presentation Of Financial Statements**

Financial Statements for the year under review had been presented for audit on 23 May 2011 and the financial statements for the preceding year had been presented for audit on 04 May 2010.

**1.2 Opinion**

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In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of Dambulla Pradeshiya Sbha presented for audit for the year ended 31 December 2010.

**1.3 Comments on Financial statements**

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**1.3.1 Accounting Deficiencies**

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The Following matters were observed

- (a) Revenue collected in 18 instances in respect of preceding year amounting to Rs. 72,231 had been accounted for as revenue of the year under review in that revenue of the year had been overstated by that amount.
- (b) Provision had not been made under creditors for expenditure payable amounting to Rs. 946,386 in respect of the year 2010 in that the expenditure of the year and expenditure creditors had been understated by that amount.
- (c) Provision had not been made in the accounts in respect of audit fees for the year under review and preceding year.
- (d) The value of 06 blocks of lands belonging to the Sabha had not been assessed and brought to account.

- (e) Discount allowed amounting to Rs. 388 and discount received amounting to Rs. 138,286 relating to the year under review and preceding years had been shown in the balance sheet without being adjusted to Income and Expenditure accounts of the years concerned.
- (F) Even though revenue gained in 09 instances amounting to Rs.1,569,745 should have been taken in to revenue, it had been kept in the deposit account.
- (g) Loan installments and interest thereon aggregating Rs.75,393,722 payable for the year under review in respect of loans obtained from Local Loan and Development Fund for the construction of Dambulla bus stand had not been accounted for and as a result expenditure of the year had been understated by that amount.
- (h) The microphone valued at Rs. 890 purchased in the year 2010 had not been accounted for under fixed assets.
- (i) Even though transactions relating to previous years should be adjusted to Accumulated Fund, Rs. 146,237 being the value of fuel bills paid in 04 instances relating to the year 2009 had been show as expenditure of the year without being adjusted to Accumulated Fund.
- (j) Action had not been taken to account the advances of Rs. 23,106 given in 02 instances.

### 1.3.2. Unreconciled Control Accounts

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According to Control Accounts relating to 03 items of accounts, the balances totalled Rs. 60,077,161 where as according to subsidiary registers / reports account balances totalled Rs. 110,981,823

### 1.3.3 Bank Reconciliations

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- (a) Follow up action had not been taken after making enquires from the bank with regard to unrealized deposits of Rs. 19,574 remained for over a period of 20 years.
- (b) Action had not been taken in terms of provisions in Financial Regulations 189 and 486 with regard to dishonoured cheques to the value of Rs. 51,750.

1.3.4 **Accounts Payable**

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The value of account payable balances remained for over a period of 01 year as at 31 December 2010 was Rs. 300,256,871.

1.3.5 **Lack of Evidence for Audit**

(a) **Un-answered Audit Queries**

Replies to 13 audit queries had not been submitted as at 31 December 2010 . The quantifiable value of transactions referred to in those queries was Rs. 39,513,287

(b) **Non- rendition of Information for Audit**

Transaction totalling Rs. 182,476,446 could not be satisfactorily vouched in audit due to non -rendition of required information for audit.

(c) **Non- maintenance of Registers**

The following registers had not been maintained.

- i. Register of Creditors
- ii. Register of Debtors

1.3.6 **Non - compliances**

The following non -compliances with provisions in laws, rules, regulations had management decisions were observed in audit .

**Reference to laws, rules ,Regulations**

**Non - compliances**

(a) **Pradeshiya Sabha (Finance and Administration ) Rules -1988**

Rule - 99

Even though all the paid vouchers should be certified by the Chairman or Vice Chairman if he is authorized to do so, 06 vouchers to the value of Rs. 349,908 had been paid without such certification.

**(b) Financial Regulation Code of  
Republic of Sri Lanka**

**(1) F.R.371(d)**

Although advances granted should be settled immediately after completion of the work concerned, advance amounting to Rs. 14,375 granted to outside parties in 02 instances in the year 2007 and a sum of Rs. 293,850 paid to officers in the year 2007 in respect of availed leave in the year 2006 had not get reimbursed from the Commissioner of Local Government even as at 30 September 2010.

**(ii) F.R 1646**

Even though daily running charts and monthly summaries should be forwarded to the Auditor General before 15 of ensuing month, running charts of 06 vehicles belonging to the Sabha in respect of the year 2010 had not been forwarded for audit.

**(c) Public Finance Circular No PS. 437 of  
18 September 2009**

Even though insurance coverage for Government vehicles should be obtained directly from National Insurance Trust Fund of Sri Lanka Insurance Corporation, insurance coverage for 03 vehicles of the Sabha had been obtained from a private insurance company.

**(d) Central Province Commissioner of  
Revenue Circular No -1/2001 of 17  
July 2001**

Even though 23 plastic chairs had been purchased spending a sum of Rs. 18,400 Turnore Tax of 5% had not been deducted in terms of the Circular .

**(e) Procurement Guideline Code**

**Paragraph 1.2.1(c)**

The Contract for cleaning of trade complex at Dambulla bus stand during the period 01 September 2008 to 30 August 2009 had been entrusted to a contractor by calling for tenders . After completion of the contract period a contractor should be selected again only after following the open tender procedure. Nevertheless, the same contractor was allowed to carry out the service continuously and payments were being made. In these circumstances opportunity for other qualified and interested parties had been obstructed. Also objectives of the procurement procedure could not be achieved.

**2. Financial and Operating Review**  
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**2.1 Financial Results**  
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According to the Financial Statements presented, the revenue of the Sabha over the recurrent expenditure for the year ended 31 December 2010 was Rs. 25,532,920 and the corresponding revenue over the recurrent expenditure for the preceding year was Rs. 15,215,187.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**  
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Particulars of estimated revenue, actual revenue and arrears of revenue submitted by the Chairman in respect of the year under review and the preceding year are given below.

Revenue item	2010			2009		
	Estimated	Actual	Accumulated arrears as at 31 December	Estimated	Actual	Accumulated arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	'000	'000	'000	'000	'000	'000
(i) Rates and Taxes	6,000	3,908	2,092	5,800	2,749	3,051
(ii) Lease Rent	7,495	5,880	1,615,	7,406	3,137	4,263
(iii) Licence Fees	5,370	3,905	1,465	5,846	4,082	1,764
(iv) Other Income	34,600	27,729	6,871	98,694	29,491	69,204

### 2.2.2 Rates

Even though outstanding rates should be collected by seizure and sale of property concerned in terms of Section 158(1) (a) of Pradeshiya Sabha Act No 15 of 1987, actions had not been taken accordingly in respect of arrears of Rs. 2,896,218 remained as at 31 December 2010.

### 2.2.3 Court fines

Court fines of Rs. 5,213,059 recovered by a Magistrate Court up to 31 December 2010 under various Ordinances and remitted to Provincial Commissioner of Revenue had remained as receivable to the Sabha.

### 2.2.4 Stamp Fees

Action had not been taken to collect stamp fees of Rs. 6,027,300 from the Registrar General as at 31 December 2010.

### 2.2.5 Other Arrears of Revenue

It is the responsibility of the Chairman to assure the revenue and other charges that should collected on due period are collected and accounted for in terms of Rule No. 5(3) , 5(6) of Pradeshiya Sabha Rule (Finance and Administration) 1988, But action had not been taken accordingly and as a result arrears, lease rent Rs. 260,870,

licence fees Rs.309,050, warrant charges Rs. 6,027,300, fines Rs. 5,213,059 and other income Rs. 12,943,049 had remained unrecovered as at 31 December 2010.

### 2.2.6 Crematorium Service Charges

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Even though Charges of Rs. 636,000 for undertaking services and Rs. 600,000 for reservation of a place to keep ashes had been intimated, any income had not been gained in this regard.

### 2.3 Expenditure Structure

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Estimated and actual expenditure of the Sabha for the year under review and the preceding year, along with the relevant variances are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	000'	000'	000'	000'	000'	000'
<u>Recurrent Expenditure</u>						
Personal						
Emoluments	43,647	23,222	20,425	44,031	21,000	23,031
Other	<u>27,112</u>	<u>8,173</u>	<u>18,939</u>	<u>28,872</u>	<u>9,589</u>	<u>19,283</u>
Sub Total	70,759	31,395	39,364	72,903	30,589	42,314
Capital						
Expenditure	<u>94,832</u>	<u>94,012</u>	<u>820</u>	<u>95,623</u>	<u>29,394</u>	<u>66,229</u>
Grand Total	165,591	125,407	40,184	168,526	59,983	108,543
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### 2.4 Human Resources Management

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#### Approved and Actual Cadre

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Particulars of approved and actual cadre of the Sabha as at 31 December 2010 are Given below.

<u>Category</u>	<u>Approved</u>	<u>Actual</u>
Staff	01	-
Secondary	33	18
Primary	42	38
Other(Casual/Temporary)	-	31

## **2.5 Assets Management**

### **2.5.1 Idle and Underutilized Physical Resources**

Audit test checks ,carried out disclosed that there had been physical resources to the value of Rs. 15,215,538 were lying idled and underutilized.

### **2.5.2 Staff Loans Recoverable**

Staff loan advance balances to be recovered as at 31 December 2010 totalled Rs. 1,685,713 and the outstanding account balances remained for over a period of 01 year totalled Rs. 108,602.

### **2.5.3 Non-moving Current Assets**

The value of non-moving assets remaining for over a period of 01 year as at 31 December 2010 was Rs. 1,816,121.

### **2.5.4 Assets not verified**

The value of assets not confirmed by board of survey report but taken in to account on book value as at 31 December 2010 was Rs. 255,185,239.

## **2.6 Irregular Transactions**

The following observations are made.

- (a) Eleven employees had been appointed and paid a sum of Rs. 1,550,647 as salaries for the year 2010 without the approval of the Commissioner of Local Government in terms of provision in Section 19(1)(1) of Pradeshiya Sabha Act No. 15 of 1987.



- (b) A sum of Rs. 41,850 had been paid for printing of greeting cards and purchase of uniforms for officers and Rs. 18,400 for purchase of 23 chairs for Puwakaththawala community centre had been paid for which legal provisions had not been made in Section 12 of Pradeshiya Sabha Act No. 15 of 1987.
- (c) According to District Price Fixing Committee report, Rs. 800 for an hour with 8 litres of fuel or Rs. 1,400 for an hour without fuel had been fixed for backhoe machine. Nevertheless, a sum of Rs. 40,000 for 8 hours at a rate of Rs. 5,000 for an hour had been paid for digging a public well at Atubendiyawa without considering above rates.

## 2.7 Operating Inefficiencies

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- (a) The Director of Urban Development Authority had informed the Chairman that preliminary training required to carry out production activities of the Compost Project would be given within three months. Nevertheless, commencement of the compost project had been avoided continuously due to non - availability of a land for the Sabha for this project.
- (b) According to annual budget, a sum of Rs. 10,195,000 had been estimated as service charges in respect of providing fire service facilities for business premises of Sabha areas categorizing according to extent and nature of such areas. But any action had not been taken to gain income accordingly.
- (c) A physical check carried out in respect of 12 items of stores, revealed an excess of 04 items valued at Rs. 2,900 and a shortage of 04 items to the value of Rs. 15,175.

## 2.8 Identified Losses

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The number of cement blocks manufactured during the period February to September 2010 by the project conducted by the Sabha for this purpose was 9000 and the cost incurred thereon was Rs. 247,398 Accordingly, cost per cement block amounted to Rs. 27.49. A sum of Rs. 20 had been fixed as selling price of a cement

block and supplied to contractors and as a result, a loss of Rs. 67,398 had been occurred at a rate of Rs. 7.49 per cement block.

## 2.9 Contract Administration

### ----- Constructions -----

#### (a) Constructions of a Wall around Crematorium

- (i) According to work item No 03 of the approved estimate under stage I of construction of a wall around the crematorium, drain should be excavated to a depth of 0.06m for foundation of the wall and according to measurement report a sum of Rs. 18,597 had been paid for the removal of 31.52 cubic m. of soil. But the depth of the drain was .045 m only and such quantity of soil removed was 23.64 cu.m in that the over payment in this regard amounted to Rs.4,649. Also, according to work item No 04, a sum at Rs. 95,534 had been paid for 7.85 cu.m at a rate of Rs. 12,170 per cubic meter in respect of placing concrete base of the bottom of the rubble wall. Nevertheless ,it was revealed in audit that the wall had been constructed without placing concrete base.
- (ii) According to work item No 02 of the estimate under stage 2 -construction of a wall around the crematorium, a sum of Rs. 9,171 had been paid in respect of plastering of rubble wall. But it had not been done. Further, according to item No 05, Rs.26,711 had been paid for painting of wall and pillars, but it was observed at physical examination painting had not been done. Accordingly, a sum of Rs. 35,882 had been over paid for work items not executed.
- (iii) The iron rims and pipes of the gate at the entrance had become rusty and section of plaster of one pillar had detached.

#### (b) Reconstruction of one Section of Kottawela Road

- (i) According to work item 04 in respect of construction of a section of Kottawela road, a sum of Rs. 58,054 had been paid for supply and piling up of 171 cu.m of gravel to spread on the road. But date on which measurement of gravel had been checked and quantity had not been shown in the measurement sheet separately. Also, according to work item No 05, a sum

of Rs. 59,123 had been paid in respect of transportation of 171 cu.m of gravel. Nevertheless, details such as the place where from the gravel had been transported and the distance to that place had not been given .

- (ii) After Completion of the contract concreting and laying of concrete blocks on two places of the same road had been done spending Rs. 480,000 and Rs. 500,000 under some other provisions in that the expenditure of Rs. 200,000 incurred by the sabha for spreading gravel on those areas had become fruitless .

**(c) Cleaning of Trade Complex at Dambulla Bus Stand**  
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- (i) According to agreement entered in to with Shine Cleaning Service institution on 01 September 2009 for cleaning of trade complex at Dambulla Bus Stands , it was agreed on the basis of making payment for cleaning of Trade Complex at Dambulla Bus stands and for removal of garbage collects. Even though the contractor should remove garbage according to condition 09 of the agreement, removal of garbage had been done by the Sabha obtaining a monthly charge of Rs. 3,000 from the contractor for this service contradicting the agreement . According to prices of the price fixing Committee, a sum of Rs. 33,720 at a rate of Rs. 1,124, per day for a month should have been recovered according to the distance as rent for the tractor. But a sum of Rs 3,000 had only been recovered for a month .
- (ii) Even though this institution had been registered as a sole trader, bills had been signed by four other persons as Managing Directors of the institution in respect of the year 2010 for this service.

**03. Systems and Controls**  
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Special attention is drawn to following areas of systems and controls.

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