

Dambulla Municipal Council
Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 25 October 2014 while Financial Statements relating to the preceding year had been submitted on 11 September 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Council on 23 December 2014.

1.2 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 Dambulla Municipal Council as at 31 December 2013, its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Principles

Following matters are observed.

- (a) The balance as at the end of the year had been accounted without following the Stores Advance System with regard to goods in stores.
- (b) Cash Flow Statements had not been submitted together with the financial statements.
- (c) Comparative figures of the preceding year had not been submitted together with the statement of financial performance.

1.3.2 Accounting Deficiencies

Following Accounting Deficiencies are observed.

- (a) Provision for depreciation had not been made in respect of 36 Machinery and Equipment valued at Rs. 146,345 purchased during the year under review.
- (b) Stamp Charges Revenue amounting to Rs. 5,031,655 relevant to the year under review had been under stated.
- (c) Retention money amounting to Rs. 25,000 of the work relating spreading gravel on the road from Pahala Wewa to Kandalama Road had been shown under Works Creditors as well as Deposits Account.
- (d) While vouchers had not been prepared relevant to journal entries, a Register containing the journal entries too had not been prepared
- (e) The value of the three wheeler vehicle amounting to Rs. 460,880 purchased during the year under review had not been accounted under Motor Vehicles.

1.3.3 Un-reconciled Control Accounts

A negative value of Rs. 178,577 was observed between the balances of 03 Items of Accounts totaling Rs. 5,797,221 shown in the financial statements and the balances shown in the relevant subsidiary registers.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 290,919,207 relating to 06 Items of Accounts could not be satisfactorily examined in audit due to non-availability of required information to audit

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2013 amounted to Rs. 10,969,900 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 18,320,559. An improvement of Rs. 29,290,459 was reflected in the financial results for the year under review when compared with the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Following observations are made.

(a) Rates and Lease Rent

While the total of balances in arrears of Rates at the commencement of the year under review and the Rates billed during the year was 7,825,576, only a sum of Rs. 374,177 or 48 percent of that had been recovered. Accordingly, the arrears amount outstanding as at the end of the year under review amounted to Rs. 4,079,369.

(b) Stalls Rent

While balances in arrears of Stalls Rent at the commencement of the year under review had been Rs. 38,545,940, the total amount outstanding together with the amount billed during the year had been Rs. 44,301,323. A sum of Rs. 4,828,400 or 11 percent out of that only had been recovered within the year. Accordingly, the amount in arrears outstanding had taken a high value of Rs. 39,472,923 at the end of year.

2.2.2 Court Fines and Stamp Fees

A sum of Rs. 1,274,165 as Court Fines and a sum of Rs. 5,627,210 as Stamp Fees were outstanding from the Chief Secretary of the Central Provincial Council and other

authorities as at 31 December 2013.

2.2.3 Other Revenue

Following matters are observed.

- (a) Although the validity period of Environmental License should be updated before three months of the date of expiry, in terms of Clause 4.2 in Part “C” of the Gazette Notification (Extra Ordinary) No. 1523/16 dated 25 January 2008 of the Republic of Sri Lanka, action had not been taken in compliance with that and a revenue of Rs. 92,000 had been lost due to that.
- (b) Although a separate Revenue Head should be kept for charges to be recovered for the activities of the Environmental Protection License Methodology including inspection fees in terms of Clause 1.3.2 in Part “C” of the Gazette referred to above, the Municipal Council had not acted accordingly. Due to that it had been difficult compute specifically the revenue on account of Environmental Protection License Fee.
- (c) A revenue of Rs. 12,260 had been lost due to free allocation of two Urban Halls belong to the Council during the year 2013.

3. Operational Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While ownership of 16 vehicles used by the Council had not been legally transferred in favor if the Council, annual licenses for those vehicles and insurance cover for 12 vehicles had not been obtained.
- (b) Fuel Limit of the official vehicle of the Mayor for the year under review had not been decided by the General Council.

- (c) In terms of the Value Added Tax (Amendments) Act No. 17 of 2013, if the value of supplies subject to tax exceeds Rs. 3000,000 quarterly or value of supplies annually exceed Rs. 12,000,000 the Municipal Council should pay the Value Added Tax. However, the Municipal Council had not registered for the Value-added Tax.
- (d) A sum of Rs. 1,162,000 had been under recovered out of the sum to be recovered in terms of provisions in Part 11 on Page 90/A of the approved bylaw with regard to publicity advertisements and in terms of the Gazette Notification published on 01 March 2013.
- (e) A sum of Rs. 10,500 had been spent for preparing lunch and dinner for 30 individuals participated in peace walk held on 19 June 2013 without obtaining the approval of the General Council.
- (f) Various allowances amounting to Rs. 28,932 ha been paid to employees of the Municipal Council for various works without obtaining the approval of the Central Province Governor.

3.2 Idle and Under-utilized Assets

Two vehicles provided by the Central Province Chief Secretariat remained idle or underutilized without being repaired and taken to use.

3.3 Solid Waste Management

Garbage in the area of authority of the Council are dumped into a land belongs to the Government in Digampathana area engaging three tractors and employees of the Council. It was observed that various problems had arisen in this connection and that the Council had not paid attention to introduce Garbage Recycling Programs.

3.4 Contracts Administration

Following matters are observed.

- (a) Estimates had not been prepared having obtained measurements properly after studying the relevant works by the technical officers and due to that, excessive or under estimates had been prepared relating to items of works of the jobs performed during the year 2013.
- (b) It was observed at the inspection of locations, that the Works Superintendent and the Technical Officer cannot properly identify the roads, that the beginning and the end of the works could not be clearly pointed out, and that they had to make inquiries from the contractor with regard to information relating to certain works. It was observed that this is a serious situation.
- (c) Although a certain number of works had been performed on the basis of direct labor, correct measurement reports of those works had not been prepared. Although the detail relating to materials issued to the work sites are available, instances of returning the balance materials to the stores were not observed. Check rolls relating to payment made for labor had not been filed.

4. Accountability and Good Governance

4.1 Internal Audit

An Internal Audit Unit had not been established in terms of provisions in the Financial Regulation 133 (1) and (2).

4.2 Budgetary Control

While the entire provision of Rs. 8,891,000 made available for one item of expenditure had been left unspent, expenditure had been incurred exceeding the estimated provision for another item of expenditure. Accordingly it was observed that the Budget had not been utilized as an effective tool of management.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Audit
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Assets Management
- (f) Inventory Control