

Dambulla Municipal Council

Mathale District

1. Financial Statement

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to Audit on 31 March 2017. While Financial Statements relating to the preceding year had been presented on 30 March 2016.

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 Dambulla Municipal Council 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 Principles of Accounting

The stock valuation method used by the Sabha had not been disclosed with the accounts.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed at the audit.

- (a) 12 Fixed assets purchased in the year under review for Rs.296,644 had not been capitalized.
- (b) A balance of Rs. 263,054 worth of drugs as at 31 December year under review of the Department of Urban Ayurvedic were not shown under the stocks.
- (c) The value of a land master had not been recorded in the accounts.
- (d) Rs 33,735 of the value of the library books had been less accounted in the year under review.
- (e) It Was not shown a sum of Rs. 13,608 that had been pre paid to buy the times Magazine to public library in the year 2017.
- (f) Prepaid as per the Committee report relating to the transferring of assets and liabilities. When establishing the Municipal Council, the payable amount of Rs. 2,870,766 to Dambulla Pradeshiya Sabha had been accounted as a receivable of Rs. 2,486,917 from the Dambulla Pradeshiya Sabha and the error had not been corrected in the year under review.

1.3.3 Non - reconciled Control Accounts

The total Sum of Rs.1,049,100 shown in the Financial Statements relating to the balances of 2 items of accounts and the observed sum of Rs. 107,350 were in the changes when compared with the balances stated in the relevant source documents and reports.

1.3.4 Accounts Receivables and payables

- (a) Actions had not been taken to collect the 25 Industrial debtor balances of Rs. 1,079,440 which was brought forward since 2013.
- (b) Actions had not been taken to pay off the 34 industrial credit balances of Rs.2,563,391 which was brought forward since 2013.
- (c) Actions had not been taken to collect off the value of 04 accounts receivable balance of Rs. 19,462,096 which was brought forward in the financial statements for a long period of time.

1.3.5 Non Compliance with Laws, Rules and regulations

The following instances of non-Compliance were observed in the audit.

Reference to Laws, Rules and regulations	Non Compliance
-----	-----
(a) Sections No 40(1) E and 40(b)01 of Municipal Council Ordinance	A part of Dambulla bus Stand had been rented out to a person on the council delusion of No 7.2 dated 06 December 2012 without the approval of the relevant minister.
(b) Financial regulation of the Democratic Socialist Republic of Sri Lanka. F.R 570,571	Actions had not been taken relating to the deposits of worth of Rs.40,000 witch has exceeded 2 years.
(c) Treasury circular No 41/90 dated 10 October 1990 paragraph 2.1.1	Fuel consumption of 24 vehicles owned by the Municipal Council had not been tested.
(d) Public Finance circular No 2/2015 dated 10 July 2015 paragraph 1 and 2.	Although the actions to be taken to dissolved the damaged vehicles, owned by the public enterprises within 3 months time since the circular date, actions had not been taken to dissolved the Jeep which was not used since 2012.

- | | | |
|-----|---|---|
| (e) | Circular No 2015/08 dated 30 October 2015 of the Commissioner of Local Authorities. | The receivable deficits balance of rates Rs.773,350 from various government Departments had not been submitted to the District Coordination Committees. |
|-----|---|---|

1.3.6 Transactions not supported by Adequate Authority

The following Observations were made.

- (a) In accordance with the Procurement Guidance paragraph 8.13.3, although the approval should be taken for the extra work of the contracts if the estimated value exceeded 10 percent, the approval had not been taken for the extra work of the construction of the film hall at the Dambulla Bus Stand valued at 10.77 percent which was Rs. 3,127,104.
- (b) While the value of the Dambulla Bus Stand film hall construction project had been approved as Rs.27,005,397 from the Council decision No 12.03.03 of the Council convention, but an excess amount of Rs.2,023,128 had been contracted due to the agreements made based on 14 August 2014 the estimated rates of Rs.29,208,526.

2. Financial Review

2.1 Financial Results

As per the audited financial statements, the revenue which exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2016 was Rs. 124,471,849 while the revenue exceeded than the recurred expenditure in the previous year was Rs. 5,141,737. A growth of Rs.119,330,112 was observed in the financial result the year under review compared with the previous year.

2.2 Revenue Administration

2.2.1 Rates

The following facts were observed.

- (a) The receivable amount of rates balance was Rs.5,550,674 as at 31 December in the year under review, and the billed amount of rates were Rs.3,713,454. A weak progress was observed collecting the rates since the Municipal Council had been received only 53 percent out of that amount that is Rs.1,978,656. A balance of Rs.5,550,674 had been included which was exceeded more than one year.
- (b) In accordance with the section 230(1) of Municipal Council ordinance, although it is stated that the rates to be collected based on the annual value of all categories of houses, buildings and lands situated in the town, the council had not been taken action

to collect rates from 12 grama niladhari divisions out of 13 and other villages except few villages in the Municipal Council.

- (c) In accordance with the section 237(1) of Municipal Council ordinance the Council had been lost a rate income relating to 68 business premises where physical changes had been made influencing annual value due to the non estimation or temporary estimations.
- (d) Action had not been taken to collect rates based on the temporary estimates relating to 72 certificates of conformity issued for new constructions.
- (e) Action had not been taken to increase the rates income by the municipal council through issuing of certificates of conformity for 385 approved building plans for the years 2013, 2014 and 2015.

2.2.2 Lease Rent

The following observations were made.

- (a) Only Rs. 7,156,679 had been collected during the year from the arrears lease rental of Rs. 33,746,665 as at the beginning of the year under review while it was a 21 percent value from the total arrears.
- (b) Only Rs. 5,205,346 had been collected during the year from the billed lease rental value of Rs. 6,758,379 for the year under review and the arrears lease rental as at 31 December was Rs. 16,416,474.
- (c) Action had not been taken to collect a receivable amount of Rs. 11,627,460 which had to be paid as non - repaid tender charges when renting out the shops in Bus Stand.
- (d) Actions had not been taken to increase the revenue by revising the rent taking when renting out the council's assets once a 5 years' time.

2.2.3 License Fees

Actions had not been taken to collect the arrears of Rs. 1,245,900 for trade permits relating to the year under review.

2.2.4 Court fines and Stamp frees

A sum of Rs. 1,274,165 should be paid by the Chief Secretariat and the other officers as Warrant charges and fines for the 31 December year under review.

3. Operational Review

3.1 Management Inefficiencies

The following observations were made.

- (a) 55 vacancies were in the council's staff as at 31 December in the year under review.
- (b) Action had not been taken to undertake 3 vehicles given to the Municipal Council from other institutions.
- (c) Although the fixed assets had been revalued during 2016, actions had not been taken to revalue a Land Master No 73 – 6905.

3.2 Idle Underutilized Assets

2 Vehicles owned by the Municipal Council had been idled from 1 year to 4 years time.

3.3 Non economic Transactions

A fine of Rs. 17,135 had been paid in the year under review due to the non renewal of vehicle revenue permit at due time.

3.4 Solid Waste Management

The following observations were made.

- (a) About 15 metric ton of waste gathered in the Municipal council area daily had been removed to a Public land in Digampathaha by using tractors and a tipper of the council without categorizing them.
- (b) Actions had not been taken to cover the land by setting a fence which is used to remove the garbage by the council and also the other institutions had been removed their garbage to the land without any permission.
- (c) The garbage had been removed not only to the specific place but by the sides of the road to the land and actions had not been taken to prevent this situation.
- (d) Although the council had been spent Rs. 5,044,790 during the year 2016 for solid waste management, the council had paid its attention to get a proper land to use for the waste recycling programs to categorize the waste as rotted and non rotted which are collected daily, the Municipal Council unable to acquire a proper land.

3.5 Environmental Problems / Issues

The following observations were made.

- (a) As a result of removing the garbage improperly and lack of proper program for recycling the garbage, a large no of environmental and health issues were emerged.

And also due to the eating of garbage by the wild elephants, cattle and other animals dangerous health issues were emerged.

- (b) The environment was dirty due to the removal of Sewage by digging holes in the Digampathaha government land since a proper method had not been used to remove the Sewage brought by the vehicles of the council.

4. Accountability and Good Governance

4.1 Budgetary Control

The following observations were made.

- (a) Any expenditure had not been made from the total amount of provisions Rs. 28,072,400 which was allocated for 46 subjects.
- (b) The total amount of Rs. 5,935,000 had been transferred to other subjects from the provisions made relating to 15 subjects
- (c) The budget had not been used as an effective tool of management due to the variation range of 13 percent to 99 percent in between the net provision and actual expenditure relating to 89 subjects.

4.2 Internal Audit

The following observations were made.

- (a) An internal audit unit was established in 2015 and only one officer had been appointed for the unit.
- (b) In accordance with the F R 134 (3) copies of internal audit reports had not been submitted to the Auditor General.

4.3 Audit and management committees

Audit and management committee meetings had not been conducted during the year under review.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Vehicle control
- (b) Staff Administration
- (c) Revenue Administration