

Dambulla Municipal Council

Mathale District

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1 Financial Statements

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1.1 Presentation of the Financial Statements

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The financial statements of the year 2019 had been presented to the audit on the 23 April 2020 and the summary report of the Auditor General had been forward to the Mayor on 29 May 2020 and the detailed management report regarding the financial statements had been forward to the Mayor on 31 May 2019.

1.2 The Qualified Opinion

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I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Dambulla Municipal Council as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The Basis For A Qualified Opinion

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(a) Accounting Deficiencies

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	Audit Observation	Recommendation	Accounting Officer's Commentary
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(i)	The creditors balance of the project of constructing the waste burner had been understated by an amount of Rs.334,892.	Account should be corrected.	Actions will be taken to corrected in the year 2020.

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| (ii) The stock balance of the municipal Ayurveda center had been over stated by an amount of Rs.24,810.   | Account should be corrected by correcting the stock balance. | Actions will be taken to corrected in the year 2020.                           |
| (iii) It had not been capitalized as fixed assets the building of Kawashima Machinery, the compost machinery system and the other related constructions.                              | It should be capitalized by identifying the values.          | Actions will be taken to corrected in the year 2020.                           |
| (iv) While the stock of Rs.682,105 had not received to the stores, it had been accounted as creditors.  | Account should be corrected by correcting the false.         | I inform you that it had been accounted since it had ordered in the year 2019. |
| (v) <b>B</b> alance of the payable VAT account had been overstated by an amount of Rs.659,598 as at the end of theyear under reivew.  | Account should be corrected.                                 | Actions will be taken to corrected in the year 2020.                           |
| (vi) balance of Rs.16,817,250 of the account of receivable shop rent cutoff account as at 31 December 2018 had not been adjusted by the accumulated surplus of the year under review. | The correct adjustment should be done.                       | Actions will be taken to corrected in the year 2020.                           |

(vii) There was a difference of Rs.317,522,807 between the total of fixed assets and the account of revenue contribution to the capital input account.

Corrections should be done by investigating the reasons for the difference.

Actions will be taken to corrected in the year 2020.

(b) Non Reconciled Accounts

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Audit observation

Recommendation

Accounting Officer's

Commentary

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It had been observed a difference of Rs.42,742,499 of 04 accounts balances stated in the financial statements prepared as at 31 December 20219 with their relevant schedules supporting documents.

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The shedules and the financial statements should be corrected since there could not be available differences between the values of subordinate documents and the financial statements.

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Actions will be taken to corrected in the year 2020.

(c) Accounts Receivable and Accounts Payable

(i) Accounts Receivable

Audit Observation	Recommendation	Accounting Officer's Commentary
(i) The recivable rate as at the end of the year under review which had remained to receive within more than 05 years was amounting to Rs.4,866,121.	Recovering the arrears amounts is a responsibility of the Sabha.	I inform you that a program had been made to recover the further due amounts from the year 2020.
(ii) The shop rent which had to be received from a period of more than 05 years was amounting to Rs.9,984,149.	Recovering the arrears amounts is a responsibility of the Sabha.	I inform you that a program had been made to recover the further due amounts from the year 2020.
(iii) The receivable notice board charges relating the previous years was amounting to Rs.1,128,816.	Recovering the arrears amounts is a responsibility of the Sabha.	I inform you that a program had been made to recover the further due amounts from the year 2020.

(ii) Accounts Payable  
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Audit observation

Recommendation

Accounting Officer's

Commentary

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While the total of 04 payable accounts as at the last day of the year under review was amounting to Rs.113,247,881 the balance which could not settled within more than 05 years was amounting to Rs.87,232,634.

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Actions should be taken to settle the balances.

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I inform you that some of them had been settled in the year 2020.

(d) Lack of Written Evidence Required For The Audit  
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Audit Observation

Recommendation

Accounting Officer's

Commentary

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The evidence relating 03 accounting subjects worth of Rs.215,291,866 had not been presented to the audit.

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Assets should be maintained with the evidences.

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I inform you that action will be taken to maintained correct documents with the evidences.

## 1.4 Non-Compliance

### 1.4.1 Non-Compliance with Laws, Rules, Regulations and Management Decisions

References	Non-compliance	Recommendation	Accounting Officer's Commentary
To laws, rules, regulations and management decisions			
(a) Establishment code of the Democratic Socialist Republic of Sri Lanka			
(i) Section 5.3.1 of the chapter XIX	Any amount had not been deduct from the salary of for the official residence which facilitated for the Municipal Commisioner by the Municipal Council.	Charge the rent as per the Establishment Code is a responsibility of the accounting officer of the Municipal Council.	I inform you that it had been informed the Municipal Commissioner for charge the house rentals.
(ii) Section 9.10.1 and 10.2 of chapter VIII	Days pay had been paid without the written evidence regarding arrivals and departures which proving whether they had working a time period of no less than 08 hours per a day.	Day spay must be paid according to the Establishment Code and the circulars.	I inform you that the approval of the mayor had been received for the approved duties on holidays.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| i. Financial Regulations 104  | The responsible parties regarding the accidents which occurred to the 05 vehicles of the Coouncil had not been decided.  | Determination the responsible parties for the loss is responsibility of the accounting officer.   | I inform you that the court cases are ongoing regarding the accidents. |
| ii. Financial Regulations 1644  | Running charts of 21 vehicles of the Municipal Council had not been presented to the audit.  | Running charts should be submitted to the audit on due dates as per the financial Regulations.  | Actions will be taken to submit the running charts correctly.          |
| (c) Paragraph 04 of the public administration circular no.13/2008 dated on 06 June 2008 | While the Muicipal Commissioner had been obtained extra fuel exceeding the monthly fuel limits the vehicle had not ben ran proportionately to the fuel volume. | The officers in charge of vehicles should ensure that the fuel consumption is correct and act accordance with the circulars when obtaining the additional fuel for official vehicles. | Comments had not been given.   |

(d) Section 03 of the circular no.03/2016 dated on 29 December 2016	The fuel combustion test of 18 vehicles had not been carried out.	The fuel combustion test should be done according to the circulars.	Comments had not been given.
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## 2. Financial Review

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### 2.1 Financial Results

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According to the presented financial statements, excess of revenue over recurrent expenditure for the year ending 31 December 2019 amounted to Rs.11,433,711 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.17,358,025.

### 2.2 Financial Administration

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#### Audit Observation

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While there was showing overdraft relating one account from the month of June 2018 and an amount of Rs.762,308 paid as interest for overdraft. Also the balance of this account was amounting to an overdraft amount of Rs. 12,821,930.

#### Recommendation

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This states should be avoided since the continuing an overdraft amount is not a good financial management.

#### Accounting Officer's Commentary

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I inform you that the overdraft amount had been reduced upto Rs.8,374,582as at 30.04.2020.



## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review and of the previous year are as follows.

2019					2018				
Source of revenue	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rates and Taxes	23,300,000	12,959,470	12,582,035	6,408,381	4,266,000	17,113,916	17,863,971	6,410,945	
Rent	18,125,000	19,191,140	18,385,911	12,450,636	16,540,000	17,183,094	19,323,353	11,632,488	
License fees	11,730,000	10,139,127	10,179,212	-	11,590,000	7,171,410	8,770,598	55,886	
Other Revenue	92,943,000	56,401,872	47,846,685	10,327,166	31,777,600	39,154,881	46,313,508	8,110,216	
<b>Total</b>	<b>146,098,000</b>	<b>98,691,609</b>	<b>88,993,843</b>	<b>29,186,183</b>	<b>64,173,600</b>	<b>80,623,301</b>	<b>92,271,430</b>	<b>26,209,535</b>	

### 2.3.2 Rates and Taxes

#### Audit Observation

The receivable arrears rate as at the end of the year under review was amounting to Rs.6,408,382.

#### Recommendation

Actions should be taken to recovered the arrears revenue

#### Accounting Officer's Commentary

I inform you that the actions will be taken to recover the sum.

### 2.3.3 Rentals

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#### Audit Observation

#### Recommendation

#### Accounting Officer's Commentary

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while it had to be received an amount of Rs.12,126,636 as at the end of the year under review as the arrears rental from the bus stands and the stock market stalls the total collection from the amount of Rs.16,677,293 that the arrears of the last year and the billed amount for the year under review, was amounting to Rs.4,557,291 as 27 percent.

Actions should be taken to recover the arrears.

Comments had not been given.

### 2.3.4 License Fee

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#### Audit Observation

#### Recommendation

#### Accounting Officer's Commentary

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- (a) An amount of Rs.602,250 had to be received from as register fees from 554 threewheelers which operetaed within the area of the authority of the municipal council.

Actions should be taken to recover the arrears.

Comments had not been given.

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| (b) actions had not been taken to recovered receivable business taxes upto 1 percent for the period of the years 2015-2019 from the entities Dambulla cultral Heritage (Pvt)l Ltd, Dambulla Manje Restaurant and hotel Sndadiya. | Actions should be taken to recover the arrears. | Comments had not been given. |
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### 2.3.5 Other Revenue

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#### Audit Observation

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#### Recommendation

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#### Accounting Officer's Commentary

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| (a) An income of Rs.822,400 which had to be received from the notice boards which had fixed at the main roads of the area of the authority of the Municipal council had not been collected. | The arrears revenue should be recovered immediately. | Comments had not been given. |
| (b) The arrears tender fee for the butcher shops owned to the Municipal Council was amounting to Rs.2,017,057.  | The arrears revenue should be recovered immediately. | Comments had not been given. |
| (c) The arrears charges for providing the toilet facility was amounting to Rs.889,581.  | The arrears revenue should be recovered immediately. | Comments had not been given. |

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| (d) | An amount of Rs.254,625 had to be received as at 31 December 2019 from the entities which giving garbage regarding the project of the Kawashima | The arrears revenue should be recovered immediately. | Comments had not been given. |
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### 2.3.6 Court fines and Stamps Fees

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#### Audit Observation

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An amount Rs.5,203,800 of stamp fees had been remained to receive as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities.

#### Recommendation

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The arrears revenue should be recovered immediately.

#### Accounting Officer's Commentary

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I inform you that an amount of Rs.5,203,800 had to be received further from the stamp fees.

### 2.4 Surcharges

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#### Audit observation

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The surcharge of Rs.206,604 had been remained to receive further more from the value which had imposed by me against those responsible under provisions of the Municipal Councils Ordinance.

#### Recommendation

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Action should be taken to recover the surcharge promptly.

#### Accounting Officer's Commentary

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I inform you that an amount of Rs.20,000 had been recovered from the surcharge amount currently.

### 3 Operational Review

#### 3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 04 of the Municipal Council Act.

##### (a) By Laws

###### Audit Observation

Although the bylaws should be enacted according to the section 272 of the Municipal Council Ordinance it had been enacted by laws only on 10 matters until 31 December 2019 but it had not been published on the gazette.

###### Recommendation

By laws should be enacted promptly according to the Municipal Council Ordinance.

###### Accounting Officer's Commentary

While the approval of the General Assembly had been obtained to the bylaws which had drafted by presenting them and I inform you that the further necessary actions had been taken to make them as legally empowered constitutions.

(b) Action Plan

Audit Observation	Recommendation	Accounting Officer's Commentary
An annual action plan had not been prepared for the tasks which should be accomplished by the Council.	An annual action plan should be prepared.	Comments had not been given.

(c) Not Obtaining the Desired Output Level

Audit Observation	Recommendation	Accounting Officer's Commentary
Although an amount of Rs.2,967,266 had been expended for 04 development projects the desired output level had not been obtained.	The development projects should be completed as per the agreements within the desired time period.	Comments had not been given.

(d) Not Obtaining the Desired Benefits

Audit Observation	Recommendation	Accounting Officer's Commentary
Although it had agreed with the Araliya Agro Holdings for wholesale the compost which had produced by the Digamphaha Compost project but the compost had not been sold.	Actions should be taken promptly to sell the produced compost.	Comments had not been given.

(e) Delays in Performing the Tasks

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Audit Observation

Recommendation

Accounting Officer's

Commentary

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The works had not been started until 31 December 2019 of the 28 development projects which had approved in the year 2019.

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Actions should be taken to starting the works relating the projects promptly.

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Comments had not been given.

(f) Solid Waste Management

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Audit Observation

Recommendation

Accounting Officer's

Commentary

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While it had been expended an amount of Rs.35,898,123 for waste management also an amount more than 250 million for construct the project the expected benefits had not been obtained from the project.

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The project should be monitored for obtained the expected benefits.

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Comments had not been given.

(g) Environmental Issues

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Audit Observation

Recommendation

Accounting Officer's

Commentary

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Due to the dumping of faeces outside the Digampathana solid waste project site, the sewerage system to be constructed as a solution for wild elephants to bathe in those arrears had not been completed as at the end of the year.

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The constructions works should be done promptly.

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Comments had not been given

(h) Sustainable Development Goals

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Audit observation

Recommendation

Accounting Officer's

Commentary

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Although it had been stated as the Sustainable Development Goals are activating by the Municipal Council actions had not been taken to achieve them.

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Action should be taken to identify the Sustainable Development Goals and for achieve them.

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Comments had not been given



### 3.2 Management Inefficiencies

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#### Audit Observation

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Although it had been confirmed by the documents of arrivals and departure as they could not reported to the work without informing, an amount of Rs.32, 032 had been paid to two employees as salaries.

#### Recommendation

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Actions should be taken to recovered.

#### Accounting Officer's Commentary

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While a part from this amount had been received and action will be taken to take legal action for recover the remain.

### 3.3 Human Resource Management

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#### Audit Observation

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#### (a) Employee Vacancies and Excess

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(i) There were 37 vacancies in the staff positions and 45 surpluses in labour positions as at the end of the year under review.

#### Recommendation

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Actions should be taken to filled the vacancies and recruit as only on the required.

#### Accounting Officer's Commentary

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Comments had not been given

(ii) It had been recruited for the post of pre – school superintendent and had been paid salaries as idle from 06 September 2019 in the absence of a functioning pre-school in the possession of the Municipal Council and without any prior preparation to start.

Recruitment should be done only as required.

Comments had not been given,

(b) Disciplinary Activities

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Without considering the leave which had obtained by an employee who had interdicted as no pays, an amount of Rs.128,160 had been paid as salaries.

Actions should be taken to recover the salaries which had paid.

Comments had not been given.

(c) Loans for Employees

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An amount of Rs.364,087 had been remained to receive from the employees who working at the Municipal Council and who had transferred.

Actions should be taken to recover the employee debt balances.

I inform you that the actions had been taken to recovered these amount.

(d) Employee Bails

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Employee bails had not been obtained from 07 employees who were required to post bail.

Bail deposits are to be made as per the circular.

I inform you that the action will be taken to recover the bails.

3.4 Asset Management

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3.4 .1 failure to perform maintenance and repairs

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Audit monitoring

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Although a motor vehicle had been brought to the Municipal Council on 11 February 2019, action had not been taken to take use by repairing.

Recommendation

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The officers must be take actions to doing the repairing immediately.

Accounting Officer's  
Commentary

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I inform you that the repairing will be done after taking over the ownership of the vehicle.

### 3.4.2 Assets Could Not Transferred

Audit monitoring -----	Recommendati on -----	Accounting Officer's Commentary -----
(a) Action had not been taken to take over the ownership of the 07 vehicles which had utilized by the Municipal Council.	Action should be taken to take over the ownership of the vehicles.	I inform you that the actions are undertaking to transfer the vehicles.
(b) The ownership of the land which established the Digampathna compost yard had not been cleared to the Municipal council.	Settlement of the land ownership should be done immediately.	Comments had not been given.

### 3.4.3 Idle and Underutilized Assets

Audit monitoring -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Due to non performing the repairing for s long period of the 02 vehicles which had removed from running had been underutilized	Action should be taken to repair the vehicles.	I inform you that the action have been taken to repair these vehicles.

(b) Two jeeps that had been in a state of disrepair for a long time had not been disposed.

Dilapidated vehicle must be disposed of.

I inform you that action will be taken to dispose those vehicles appropriately.

(c) Although it had been constructed a clinic centre and a gym at a cost of Rs.1,000,000 and had fixed the body building equipment worth of Rs.1,000,000 , actions had not been taken to use in the year 2015.

Actions should be taken to use the assets.

Comments had not been given.

#### 3.4 .4 Annual Good Survey

Audit monitoring

Recommendation

Accounting Officer's  
Commentary

Good survey relating the bus stand and cinema hall had not been carried out.

Good survey of all the divisions should be carried out.

I inform you that the survey of the cinema hall will be done in next year.

#### 3.4 .5 utilization of Vehicle

Audit monitoring

Recommendation

Accounting Officer's  
Commentary

The annual revenue license had not been obtained for 12 vehicles of Dambulla Municipal Council.

Revenue license must be obtained for all the vehicles.

I inform you that the action will be taken to obtain the revenue license after getting the register certificate and doing repairing.

### 3.5 Identified Losses

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Audit monitoring

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Recommendation

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Accountant's  
Commentary

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While an amount of Rs.199,286 had been lost to the Council fund due to there was a difference between the repairing cost and the insurance claim received for the vehicles of the council which had accident and the actions had not been taken to recover the loss by taking action according to the Financial Regulation 104

The loss should be recovered by identifying the responsible parties for the loss by carrying out the investigation according to the

Comments had not been given.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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Audit monitoring

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Recommendation

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Accountant's  
Commentary

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The Annual Procurement Plan had not been prepared by the Council in terms of Section 4.2.1 of the Procurement Guidelines 2006.

Annual procurement plans should be prepared according to the procurement guideline.

Action will be taken to prepare a procurement plan for the year 2020.

### 3.6 .2 Supplies and Service

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#### Audit monitoring

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#### Recommendation

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#### Accountant's Commentary

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While an amount of Rs.649,800 had been paid for stock the 300 cubes of gravel for repair the roads, there were not evidences for prove it had sent letter asking for prices from the suppliers and made the purchasing actions according to the procurement guidelines.

Actions should be taken according to the procurement guidelines.

Comments had not been given.

### 3.6.3 Contract Administration

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#### Audit monitoring

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#### Recommendation

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#### Accounting Officer's Commentary

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(a) Following facts had been observed regarding the project of beautification the Kawashima project site

(i) While it had not been completed a work worth of Rs.732,000 same to 39 percent from the estimated value the total amount had been paid for the counselling.

Actions should be taken according to the agreements.

I inform you that the approval of the General Assembly had been received for doing the payments as same to 1 percent from the estimated amounts.

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|---|---|---|
| <p>(ii) While it had not been presence the plant worth of Rs.168,875 out of the plants worth of Rs.328,900 which had purchased for beatification the garden at the Kawashima project site and the some plants had been dried since there was not proper repairing.</p>  | <p>The payments should be made only after done the repairing actions in proper manner and take over the goods properly.</p> | <p>I inform you that the plants had been dried since this area is with intense heat.</p>  |
| <p>(iii) While it had been plant about 350of hem plants another 200 plants were piled up in place. Accordingly, it was confirmed that the total number of plants received on the lands was 550 and it had been paid an additional amount of Rs.147,000 for 2450 sound plants which had not been received since an amount of Rs.180,000 had been paid for 3000 plants.</p> | <p>Payments should be made after proper maintenance and timely receipt of goods and overpayments should be recovered.</p>   | <p>Although these plants have reached the required size, they have been destroyed due to the heat. I inform you that actions will be taken to prepare the elephant fence from the buds of the remaining plants.</p> |
| <p>(b) While a temporary elephant fence had been constructed at a cost of RS.1,101,358 around the project land, although the cabinet approval had been obtained on 27 March 2019 to obtained 15,400 rail feet from the Department of Railway the works had not been commenced until the end of the year under review.</p>   | <p>Action should be taken to construct the elephant fence immediately.</p>  | <p>Comments had not been given.</p>   |

#### 4 Accountability and Good Governance

##### 4.1 Internal Audit

###### Audit monitoring

###### Recommendation

###### Accounting Officer's Commentary

(a) An internal audit unit had not been maintained to adequately assist the internal administration and accounting of the Municipal Council.

Actions must be taken to establish an internal audit unit.

I inform you that the reason for this the lack of a qualified officer in the Council

(b) An internal audit plan had not been prepared and submitted to the Audit and Management committee for discussion.

The internal audit plan should be submitted to the Audit and Management committee

Comments had not been given.

##### 4.2 Audit and Management Committees

###### Audit monitoring

###### Recommendation

###### Accountant's Commentary

Although four Audit and Management Committees were to be held per year, there were only 02 Audit and Management Committees in the year under review.

Audit and Management Committees should be conducted in terms of the circulars.

I inform you that although meetings was scheduled to be held in the year 2019 as scheduled but could not be held due to the urgent matters.