

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Dambulla Municipal Council for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, and other explanatory information including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 219 of the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Dambulla Municipal Council as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices

**1.2 Basis for Qualified**

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

#### **1.4 Scope of Audit (Responsibility of the Auditor for the audit of Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal Council , and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Municipal Council presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018

## 1.6 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	In the capitalization of the name board of the Municipal Council, which was built last year at a cost of Rs.52,000, and the waste shredding machine at a cost of Rs.1,700,000, Although the relevant asset account should have been debited and the contribution from income to capital application account should have been credited, the value had been	It will be corrected	It should be correctly accounted for.

credited to the accumulated fund account.

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| (b) | While there was no need to physically remove the assets, 30 units of machinery and equipment worth Rs. 904,195 were erroneously removed from the fixed assets account.  | It will be corrected                           | It should be correctly accounted for.  |
| (c) | While the cost incurred for the electricity system and walkways of the Digampathaha Waste Management Center based on the provisions made by the Provincial Councils and the Ministry of Local Government, Rs. 21,531,365 has correctly been accounted for, under land and buildings last year, it was erroneously shown as road development and that value had been removed from the accounts of the year under review. | It was removed considering road development    | As it is a construction that increases the value of the premises, it should be adjusted to Assets. |
| (d) | An income of Rs.66,400 due from an external agency for providing the gully bowser service last year and the stock of consumer goods of Rs.370,830 as on December 31 of the year under review had not been accounted for.  | It will be corrected                           | It should be correctly accounted for.  |
| (e) | In the year under review, the billed value of three-wheelers was under-accounted by Rs.211,925.   | It will be checked and corrected in the future | -Do-   |
| (f) | In the year under review, the income of registration certificate and inspection fee was over-accounted by Rs.53,917.  | -Do-   | -Do-   |
| (g) | In the year under review, the penalty charge levied on late payment of stall rent was over accounted by Rs.115,884.   | -Do-   | -Do-   |

(h)	In the year under review, the business tax revenue collected from hotels registered with the Tourism Board was over-accounted by Rs.908,298.	That, the income of the previous year has been accounted as income of the year under review	-Do-
(i)	The arrears of business tax as at the end of the year under review were under-accounted by Rs.190,201.	Action will be taken to rectify error.	-Do-
(j)	In the year under review, the fish market tender income received in advance was understated by Rs.600,900.	That it will be checked and corrected in the future	It should be correctly accounted for.
(k)	In the year under review, fish market tender income was under-accounted by Rs.220,197.	-Do-	-Do-
(l)	03 loan balances of Rs.773,310 which were paid off at the end of the reviewed year, and 12 creditor balances with a total value of Rs.909,650 which were written off due to non-fulfilment of the relevant work were further listed under creditors.	-Do-	-Do-
(m)	In relation to the year 2021, the consulting fee income of Rs. 98,285 received in the year under review had been accounted considering it as income of the year under review.	It will be checked and corrected in the future	-Do-
(n)	In relation to the years 2020, 2021 and 2022, the stamp duty income of Rs. 34,438,024 received in the reviewed year had been considered and accounted as income of the reviewed year.	As it was not recognized under debtors, it was accounted as income in the year under review	-Do-
(o)	Due to adjustment of the difference between the stock balance and the stock	That will be corrected in the	-Do-

balance of the year under review without following the system of warehouse advance accounting, to the Deficiency and Surplus Reserve Account, the total expenditure shown in the Income and expenditure Account was overstated by Rs.4,838,924.

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| (p) | Although the deficit/surplus in the income expenditure account should be adjusted to the deficit and surplus reserve account, without doing so, due to the recording of the values in the wage and expenditure control account and the income account in the general ledger to the deficit and surplus reserve account, there was a difference of Rs.137,072 between the resulting surplus, through the adjustments made to the corresponding deficit and surplus reserves, and the surplus shown in the income expenditure account and As a result, there were problems regarding the balancing of financial statements. | That will be corrected in the future                             | It should be correctly accounted for.                                 |
| (q) | The stocks of organic fertilizers worth Rs.3,362,550 at the Digampathaha Waste Management Center and Dambulla Resource Center as at the end of the year under review were not accounted for.  | That will be corrected in the future                             | -Do-  |
| (r) | Revenue in arrear of Rs.883,875 due from Anuradhapura Municipal Council in respect of charges for disposal of biodegradable waste to Digampathaha Waste Management Centre, was not accounted for.   | It was not accounted for because there is uncertainty of receipt | It should be accounted and necessary action should be formally taken. |

### 1.6.2 Unreconciled Control Accounts or Records

	<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	There was a difference of Rs.427,638 between the Fixed Assets account and the Income Contribution to Capital Application account.	It will be checked and corrected in the future	It should be correctly accounted for.
(b)	There was a difference of Rs. 4,126,090 when comparing the sum of the 03 account balances shown in the financial statements prepared on December 31 of the year under review with the balances of the related source documents.	It has been done by mistake.	Account balances should be corrected.

### 1.6.3 Documentary Evidences not made available for Audit

	<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
	Due to non-submission of schedules relating to 04 asset balances, one liability balance and 02 balances written off from the accumulated fund, with the total amount of Rs.23,182,499 shown in the financial statements of the year under review could not be satisfactorily verified.	The source documents will be maintained correctly in future.	Documents, sub-documents and files related to account balances should be prepared.

## 1.7 Non- Compliances

- 1.7.1 **Non-compliance with Laws, Rules, Regulations and Management Decisions etc...**  
Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Financial Regulation 1646 The running charts of 22 vehicles of the municipality for a period ranging from 08 months to 04 years were not submitted for audit.	Action will be taken to update.	It should be complied with Financial regulation.
(b) Deputy Secretary to the Treasury's Asset Management Circular No. 2/2017 dated 21 December 2017	Although a period of 01 to 14 years has passed, after 14 vehicles of the municipal council have been deployed for the use of the council, there was no arrangement to take over in the name of the council.	Arrangements are being made to take over.	Circular instructions should be followed.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the council for the year ended 31 December 2023 amounted to Rs.66,694,541 as against the excess of recurrent expenditure over revenue amounted to Rs. 6,000,278 in the preceding year.



## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the commissioner of the Council relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
(i). Rates and Taxes	44,950,000	26,946,796	33,313,525	6,102,728	5,000,000	5,662,506	3,933,669	12,469,464
(ii). Rent	14,784,220	1,413,987	20,458,260	16,471,247	9,566,400	8,510,240	5,947,612	35,515,520
(iii). License fee	2,495,000	2,985,062	3,581,576	1,773,036	5,000,000	5,152,294	5,152,294	2,369,550
(iv). Courte Fines	50,000	1,640,350	569,708	1,107,500	1,500,000	71,656	43,798	27,858
(v). Stamp duties	40,000,000	46,114,724	19,021,722	32,554,085	10,000,000	11,068,800	9,741,700	5,461,083
(vi). Other Revenue	19,500,000	28,685,198	51,605,007	9,119,468	18,228,400	14,573,127	6,190,398	32,039,277
Total	<u>121,779,220</u>	<u>107,795,117</u>	<u>128,549,805</u>	<u>67,128,064</u>	<u>49,294,800</u>	<u>45,035,625</u>	<u>31,009,472</u>	<u>87,882,752</u>

### 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

Audit Observation	Comments of the Council	Recommendation
<b>(a) Rates and Taxes</b>		
I. In terms of Section 20 of the Assessment and Valuation Ordinance No. 30 of 1946, the assessed tax property should be assessed once in 05 years, but the rates were collected in the year under review using the assessment conducted of 2011.	Assessment will be conducted	The provisions of the Act should be followed.
II. At the end of the year under review, there was an arrears assessment balance of Rs.4,562,374, out of which 72 assessment units with arrear balances of more than Rs.10,000 were to be collected was Rs.1,074,245. Accordingly, it had not been acted upon the Section 247,b (4) of the Municipal Council Ordinance and not been recovered	The arrears of income will be collected	Arrangements should be made to recover the arrears of income

**(b) Rent**

At the end of the year under review, a stall rental income of Rs. 8,896,350 and arrears stall rooms tender rental income of Rs. 3,921,471 had not been collected.

It had been referred to carry out legal action.

Revenue in arrears must be recovered.

**(c) License Fees**

At the end of the reviewed year, business tax of Rs.1,389,987 had not been collected from 03 hotels registered with the Tourism Board.

It had been referred to carry out legal activities.

Revenue in arrears must be recovered.

**3. Operational Review**

**3.1 Management Inefficiencies**

	<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	The registration certificates issued by the motor traffic registration department for 12 vehicles, including 03 vehicles handed over to the Municipal Council from Dambulla Pradeshiya Sabha and 08 tractor-tailors purchased by the Municipal Council and one Motor Vehicle whose source received by the Council could not be traced, were not submitted for audit.	Action will be taken to obtain registration certificates	Arrangements should be made to obtain registration certificates.
(b)	Although preliminary investigations had been conducted on 13 vehicle accidents out of 20 vehicle accidents that occurred between August 24, 2018 and January 17, 2023, the investigation reports had not been submitted to the audit. Although 02 to 06 years had passed since 10 vehicle accidents and losses occurred, the F.R.104 (4) final investigations of had not been carried out. Although the F.R. 104(4) investigation reports of 10 vehicle accidents had been completed, those reports had not been submitted to the Auditor General until December 31, 2023.	The investigations are being conducted.	The investigation should be carried out and recover the losses, the inspection copies should be submitted to the auditor.

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| (c) | 26 items worth Rs. 295,705 issued to the former mayor's office were not taken back from the former mayor who was on March 19, 2023, when his tenure ended.  | A preliminary investigation has been carried out  | Actions should be taken to recover the losses.  |
| (d) | Although the internal road and electric lighting system of the Digampathaha Waste Management Center, which was built at a cost of Rs.1,221,450 in the year 2022, was built with the aim of attracting tourists and engaging in tourism, by the end of the year under review, 42 of the 74 light poles had been damaged. | Appropriate action will be taken                  | Security of assets should be ensured.   |
| (e) | The computer software system established by the Dambulla Municipal Council for the collection of assessment tax in the year 2021 at a cost of Rs.443,225 remained idle without being used for the intended purpose.   | The work is carried out by a new computer system. | Disciplinary action should be taken against the officers who did not use the Software system. |

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The old Ayurveda building in the Dambulla Gam-uda area was given to 02 outside parties for sports activities from October 06, 2022 without a written agreement and without charging rent, and the relevant persons had repaired it at a cost of Rs.400,000 without the approval of the Municipal Council.	The arrangements will be made to enter into contracts and collect rent	Arrangements should be made to rent out the property on a formal system.
(b) According to the National Environmental Act No. 47 of 1980, 09 businesses that were required to obtain environmental protection permits had not obtained environmental protection permits and as a result an income of Rs.40,500 had been lost.	The environmental permits will be issued	Environmental permits should be issued.

### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
The value of 10 buildings used by the Municipal Council had not been assessed and accounted for	It will be assessed in the future	It should be assessed and accounted for.

### 3.4 Idle or underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Idle/Underutilized Assets, at the end of the year under review, 18 units of assets totalling Rs.82,280,986 and 02 vehicles whose value has not been identified remained idle and underutilized from year 01 to year 02.	It will be used for purposeful tasks in the future	Assets should be utilized.
(b) According to section 22 (1) of the Urban Development Authority Act No. 41 of 1978, 10 plots of land worth Rs.9,230,500, which were taken over to the council for community and recreational purposes, remained idle for 02 to 11 years without being used for the intended purpose.	It will be used for purposeful tasks in the future	Assets should be utilized.

### 3.5 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) 11 permanent labourer and 03 casual labourer were employed in driving duties for a period of 03 months to 06 years without being employed in duties related to the position.	That the officers of other services had to be employed on the existing vacancies of drivers.	The vacancies should be filled and the duties of the regular posts of the officers should be assigned.
(b) In comparison with the approved staff, the actual staff of the Municipal Council, there were vacancies of 64 officers related to 18 positions and there was an excess of 54 officers related to 03 positions.	The requests have been made to higher officials to fill up the vacancies	Vacancies should be filled.

#### **4. Accountability and Good Governance**

##### **4.1 Environmental issues**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
In accordance with the National Environment Act No. 47 of 1980 (Amendment No. LDB.4/8/(XII) dated 30 August 2017) no person should burn, cause to be burned, permit or permit outdoor burning of garbage containing plastic or other flammable materials. However, unsegregated waste and clinical waste delivered from hospitals were dumped in a large pit at Digampathaha Waste Management Centre and set on fire.	The burning of garbage is accepted as a crime	Garbage should be disposed of properly.

##### **4.2 Sustainable Development Goals**

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
According to the provisions of the Sustainable Development Act No. 19 of 2017, the Municipal Council had not formally identified and implemented sustainable development objectives.	Action will be taken in the future	It should be Complied with the provisions of the Act.