

Dambulla Municipal Council - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dambulla Municipal Council for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, for the year then ended and notes to the financial statements including material accounting policy information 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 sub-section 10 (1) of 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 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 Audit Scope (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

	Audit Observation	Comments of the Council	Recommendation
(a)	Rs. 1,643,899 receivables from the Local Government Department had not been accounted for in the year under review for the implementation of urgent and essential public development projects.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b)	The values of a fire truck and a jeep had not been identified and accounted for.	The necessary work will be carried out after providing the assessed values.	Values should be assessed and accounted for.
(c)	Out of the loan which was obtained from the Local Loan and Development Fund for the construction of the Dambulla Wholesale Market in the year 1995, the payable balance of Rs. 26,164,995, at the end of the year under review, had not been accounted for.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(d)	The total amount of Rs. 1,000,737 incurred for the purchase of 02 CCTV camera systems and the renovation of the cinema hall in the year under review had not been capitalized.	The expense will be capitalized.	-Do-
(e)	The value of the organic fertilizer stock as of December 31 of the year under review had not been identified and accounted for, while the organic fertilizer stock of Rs. 3,362,500 as of December 31 of the previous year had been accounted for as the value of the year under review.	The stock values will be identified and necessary adjustments will be made.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
Although the balance of the Fixed Assets Account as shown in the financial statements as at the end of the year under review was Rs. 956,786,131, there was a difference of Rs. 4,359,278 due to the contribution from income to capital expenditure being Rs. 961,145,410.	The necessary adjustments will be made for correction.	Account balances should be corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
The total assets of Rs. 38,598,616 shown in the financial statements of the year under review could not be satisfactorily examined during the audit due to non-submission of documents, schedules and files related to 04 asset subjects.	Action will be taken to look for, correct and submit schedules and files for audit.	Documents, schedules and files related to account balances should be prepared.

1.6.4 Unauthorized Transactions

Audit Observation	Comments of the Council	Recommendation
In accordance with Chapter XIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, when no provision was made to pay a subsistence allowance in addition to the acting salary to an officer receiving acting allowances, the Acting Accountant of the Dambulla Municipal Council had been paid a subsistence allowance of Rs. 42,000 for visiting the said office during the period from December 2023 to June 2024.	The subsistence allowances have been paid in accordance with the provisions of the Establishment Code.	The subsistence allowances paid should be recovered.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows.

	Reference to Laws, Rules Regulations	Non Compliance	Comments of the Council	Recommendation
(a)	Section 20 of the Valuation and Assessment Ordinance No. 30 of 1946	Although the property should have been assessed every 5 years, the assessment tax was levied in the year under review using the assessment value of the year 2011.	Preliminary works are being carried out for assessment revisions.	Tax revisions should be made and assessment tax should be levied.
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i).	F.R. 371 (2) (b) as amended by Public Finance Circular No. 1/2020 dated 28 th August 2020	Action had not been taken to settle 03 advances of Rs. 2,894,177, which had been outstanding for more than 04 years.	The advance payments will be settled on the instructions of the Local Government Commissioner.	Advances should be settled.
(ii).	F.R. 571 (3)	Action had not been taken to settle 26 lapsed deposits of Rs. 840,426 relating to the period from 2022 to 2024.	Arrangements will be made to settle the deposits.	Lapsed deposits should be settled.
(iii).	F.R. 507 and F.R. .756	Annual board of surveys had not been conducted for the years 2023 and 2024.	The board of survey work will be carried out promptly.	A board survey should be conducted annually.
(iv).	F.R. 1646	The running charts of 35 vehicles of the Municipal Council had not been submitted for audit for a period ranging from 03 months to 05 years.	Due to the lack of drivers, it was not possible to submit running charts due to the deployment of substitute drivers.	Running charts should be submitted for audit on a monthly basis.

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 amounted to Rs.40,223,502 as compared with the excess of revenue over recurrent expenditure amounted to Rs 66,694,541 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.

2024					2023				
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(I) Rates and Taxes	23,700,000	43,987,664	30,688,141	19,411,973	44,950,000	25,913,498	33,244,487	6,112,450	
(II) Rent	26,859,400	31,695,462	31,791,054	17,102,156	23,332,620	27,037,346	29,482,951	17,197,748	
(III) License Fees	9,780,000	9,800,951	9,805,951	1,768,036	33,495,000	9,711,744	10,211,549	1,773,036	
(IV) Other revenue	51,732,000	74,848,966	81,770,951	35,859,068	56,825,000	102,874,425	74,902,274	42,781,053	
Total									
	<u>112,071,400</u>	<u>160,333,043</u>	<u>154,056,097</u>	<u>74,141,233</u>	<u>158,602,620</u>	<u>165,537,013</u>	<u>147,841,261</u>	<u>67,864,287</u>	

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rates & Taxes		
(i). The arrears assessment tax balance as at the end of the year under review was Rs. 4,775,263. Therein, Rs. 1,473,193 had not been collected from 66 assessment units where the arrears per unit exceeded Rs. 10,000 in accordance with Section 247 (b) (4) of the Municipal Council Ordinance.	Action will be taken to recover the arrears through the seizure of property.	The arrears assessment tax should be collected.
(ii). As of December 31st, of the year under review, Rs. 673,826 in arrears had not been collected from 106 government institutions.	Relevant institutions will be informed in writing regarding outstanding amounts.	-Do-

(b) Rent

As of the end of the year under review, there was an arrears stall rent income of Rs. 7,048,926 and an arrears stall tender income of Rs. 6,074,222, out of which an arrears stall rent of Rs. 4,261,645 exceeding Rs. 5,000 from 102 stalls and an arrears tender fee income of Rs. 6,354,687 exceeding Rs. 100,000 from 24 stalls had not been collected.

Since stall owners are unwilling to make payments according to the new assessments, rent arrears have arisen and legal action will be taken to recover tender fees.

The arrears of revenue should be collected.

(c) License Fees

As of the end of the year under review, there was an arrears of Rs. 1,197,786 in business taxes from 02 hotels registered with the Tourism Board, of which Rs. 1,194,725 was an arrears balance relating to the period from 2019 to 2022.

Legal action has been taken to recover arrears taxes.

The arrears of revenue should be collected.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Municipal Councils Ordinance are shown below.

(a) Failure to reach expected outcome

	Audit Observation	Comments of the Council	Recommendation
(i)	Although the road lighting system consisting of 72 lampposts at the Digampathaha Waste Management Centre, which was constructed at a cost of Rs. 1,221,450 in 2022, had been damaged caused by the destruction by wild elephants, no actions had been taken to restore it and put it into use.	Arrangements have been made to reinstall the broken street lights.	The electric lighting system should be renovated and utilized.
(ii)	Due to the fact that the thermal incinerator constructed at a cost of Rs. 20,972,104 in the year 2020 for the incineration of non-biodegradable waste at the Digampathaha Waste Management Centre remained inoperative, the expected benefits had not been obtained from the relevant machine due	Action are being taken to operate using low-cost fuel.	The garbage incinerator should be repaired and put into use.

to the incineration of non-biodegradable waste being carried out in the bare environment.

(iii)	Although more than 6 years had passed since the Kawashima Fertilizer Project was initiated, the fertilizer produced was not up to the required standards and a formal marketing system had not been developed. As a result, 223,932 kilograms of organic fertilizer could not be sold by the end of the year under review.	Efforts will be made to increase fertilizer sales in 2025.	Proper procedures should be developed for the sale of fertilizer.
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(b) Public health

Audit Observation	Comments of the Council	Recommendation
Although it is an offence for any person to burn, cause to burn, permit or permit to be burned any garbage containing plastic or other flammable materials in the open air, as per the National Environment Act No. 47 of 1980 (as amended by No. L.D.B.4/8/(XII) dated 30th August 2017), the Municipal Council had been burning non-biodegradable waste in the open environment.	After the incinerator is put into operation, non-biodegradable waste is sent to the incinerator.	Incinerators should be used to burn non-biodegradable materials.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) 335 items related to 30 stock units held in the electrical warehouse industrial and vehicle warehouses had not been entered in the inventory registry.	A board of survey will be conducted and documented and unusable items will be disposed of.	The goods should be entered in the inventory register.
(b) Although the investigation report under Financial Regulation 104 (4) of the Democratic Socialist Republic of Sri Lanka had recommended the recovery of damages of Rs. 147,427 in respect of 04 parties in relation to 02 accidents that occurred in the Council during the period 2014 - 2022, no recovery had been made or legal action had been taken in this regard, by the end of the year under review.	Action will be taken to recover the losses.	Losses should be charged as per the recommendations of the inspection reports.

(c)	Although preliminary investigations under F.R. 104(3) had been conducted regarding the accidents involving 03 vehicles, no further action or formal investigations had been carried out for those accidents.	F.R. 104 (4) Investigations will be carried out immediately.	Investigations should be carried out promptly and losses should be recovered from the responsible parties.
(d)	After the expiry of the term of office of the Members on 19th March 2023, 02 inventory items worth Rs. 256,800 and 02 inventory items whose value was not stated, which were issued to the mayor's office had not been returned. Although a Board was appointed on 02nd February 2024 to conduct a preliminary investigation under F.R. 104(3), no investigation had been conducted up to the end of the year under review.	F.R. 104 (4) Investigations will be carried out immediately.	Investigations should be carried out promptly and losses should be recovered from the responsible parties.

3.3 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
The lessees had granted sub-leases of 09 stalls at the Dambulla Bus Stand for a monthly value ranging from Rs. 10,000 to Rs. 50,000, while the lessees had assigned 03 stalls to sub-lessees through power of attorney.	An interim tax committee will be appointed and a survey will be conducted.	Legal action should be taken regarding the sublease of stalls.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) As at the end of the year under review, 18 assets worth Rs. 82,280,986 and 02 vehicles whose value has not been identified have been idle for a period of 02 to 03 years.	Actions are being taken to utilize the assets, but utilization has become problematic due to the lack of drivers for the vehicles.	Assets should be utilized without allowed to be idle.
(b) 15 lands acquired by the council for community and recreational purposes under Section 22 (1) of the Urban Development Authority Act No. 41 of 1978 remained idle for 3 to 12 years without being used for the intended purpose.	The assets will be used for intended purposes.	Assets should be used for intended purposes.

(c) Although the Digampathaha Administrative Building was constructed by the Dambulla Municipal Council with the funds of the State Ministry of Provincial Councils and Local Government Affairs at a cost of Rs. 27,689,240 and opened in 2022, it has been left to fall into destroyed in vain, without being used for its intended purpose by 31 st December 2024.	Once the land is acquired and sufficient employees are assigned, steps will be taken to deploy them for the desired task.	Assets should be used for intended purposes.
(d) The tube well, constructed at the Digampathaha Waste Management Center with the aim of obtaining a water capacity of 3000 liters per hour in the year 2021 at a total cost of Rs. 909,225 had been left unused and destroyed.	The tube well will be put into use after the electric fence is repaired.	Relevant issues should be resolved and assets should be utilized efficiently.
(e) 808 Amano sheets worth Rs. 9,377,100 purchased in 2021 for the parallel building constructed at the Digampathaha Waste Management Centre for the production of organic fertilizer and a stock of gutters worth Rs. 650,610 purchased in 2022 had been left idle and piled up on the grounds of the Waste Management Centre without roofing the relevant building until the last day of the year under review.	The relevant goods will be used for other development projects at the Digampatha work site.	Purchased goods should be used for the relevant requirement and purpose.
(f) The assessment tax collection software system installed in 2021 at a cost of Rs. 443,225 had not been used.	Preliminary investigations will be conducted by a F.R.104 (3) investigation board.	The assessment tax software system should be put into use immediately.
(g) Before the construction of the tube well at the Digampathaha Waste Management Center, a water motor and motor control panel worth Rs. 450,070 with a water capacity of 3,000 liters per hour had been purchased, but remained idle.	The tube well will be put into use after the electric fence is repaired.	Relevant issues should be resolved and assets should be utilized efficiently.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
The ownership of 18 plots of land and 06 vehicles used by the Council had not been taken over in the name of the Council.	Taken over process is being carried out.	Action should be taken to acquire the assets.

3.6 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) When comparing the approved staff of the Council with the actual staff, there were 41 vacancies, including 04 senior level posts, 03 tertiary level posts, and 34 secondary and primary level posts and an excess of 34 posts	Requests have been sent to fill vacancies.	Vacancies should be filled.
(b) Without filling the vacancies in the Municipal Council, 35 field employees had been employed in office-based positions, which were not their regular positions, for a period of 1 to 11 years	After filling the vacancies, arrangements will be made to fill them in regular positions.	Employees should be assigned to their regular positions.
(c) While there was no pre-school regulated by the Municipal Council and without any prior preparation for its establishment, a pre-school teacher was recruited and paid a salary for that post from 16 September 2019, and the officer was paid a salary of Rs. 621,480 for the year 2024 for performing her duties as a library assistant.	A preschool will be established immediately and employed in the relevant position.	Recruitment should be made only according to need.