

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 17 June 2015 while Financial Statements relating to the preceding year had been submitted on 25 October 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 2014, its financial performance for the year then ended and cash flows in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Although the Value of Land and Buildings had been accounted as Rs.167,059,672, Lands belong to the Buildings in that account had not been assessed and accounted.

1.3.2 Un-reconciled Control Accounts

A difference of Rs. 8,000 was observed between staff Loans balance shown in the financial statements and the balance shown in the relevant subsidiary registers and records.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.229,312,564 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit relevant to 09 items of accounts.

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 2014 amounted to Rs.1,725,364 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 10,969,900. When compared with the preceding year, a decline of Rs. 9,244,536 was reflected in the financial results for the year under review.

2.2 Analytical Financial Review

Following matters were observed.

(a) Although a sum of Rs. 33,406,405 had been paid as Salaries and Allowances during the year under review, only a sum of Rs. 31,965,210 had been received as reimbursements. Accordingly, a sum of Rs. 1,441,195 had been spent out of the Council income for payment of salaries of the employees of the Council.

(b) Although the Rates Revenue in a sum of Rs. 768,621, Stalls Rent Revenue in a sum of Rs.6,481,837, Trade License Revenue in a sum of Rs. 606,510 and Service Charges Revenue in a sum of Rs. 2,957,224 had been increased during the year under review; it was observed that increase of Supplies and Equipment Expenditure in a sum of Rs.1,988,399, Salaries and Wages in a sum of Rs.7,994,623, Depreciation and Damages in a sum of Rs. 2,516,606 and Maintenance Expenditure of Properties, Plants and Equipment in a sum of Rs. 1,839,629 as against those had been the reasons for the decline in the financial results.

(c) Ratio between the Total Revenue and the Total Expenditure

When Revenue of the Council is compared with the Expenditure of the Council, Expenditure was at a very high level such as 98 per cent of the total revenue. When compared with the position of preceding year, it indicates that, it is not a satisfactory situation.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Progress relating to revenue collection of the Municipal Council as at 31 December 2014 is shown below.

Source of Revenue	Arrears as at 01.01.2014	Billing for the year 2014	Total amount to be received	Receipts out of billing for the year	Receipts out of balance in arrears	Total receipts	Balance as at 31.12.2014	Progress of receipts in arrears	Progress of collection out of billings 2014
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	Rs	Rs	Rs	Rs	Rs	Rs	Rs	%	%
(i) Rates and Taxes	4,079,369	4,592,571	8,671,940	2,400,482	1,063,775	3,464,257	5,207,683	26	52
(ii) Lease Rent	39,472,923	11,408,646	50,881,569	6,965,059	2,563,338	9,528,397	41,353,172	6.4	61
(iii) Licence Fees	1,088,372	6,341,994	7,430,366	5,266,488	730,772	5,997,260	1,433,106	67	83
(iv) Charges for services	55,500	7,953,050	8,008,550	7,885,550	55,500	7,941,050	67,500	100	99
(v) Warrant and charges and fines	1,274,165	1,559,935	2,834,100	28,105	1,050,000	1,078,105	1,755,995	82	1.8

Following observations are made in this connection.

- (a) Out of the Rates Revenue to be received during the year under review the mount recovered had been only 26 per cent. A sum of Rs. 5,207,683 was outstanding to be recovered as at 31 December 2014.
- (b) Out of the Lease Rent Revenue to be received during the year under review the mount recovered had been a lower percentage less than 19 per cent. Accordingly, a further sum of Rs. 41,353,172 was outstanding to be recovered.
- (c) The total of Revenue in Arrears of the main 05 Revenue Heads had taken a high value such as Rs. 49,817,456. Accordingly, special attention of the Council is needed regarding collection of revenue.

2.3.2 Analytical Financial Review

Following observations are made.

- (a) A sum of Rs. 118,674 was outstanding to be recovered as Entertainment Tax in respect of shows exhibited in the Cinema Hall during the year under review.
- (b) A sum of Rs. 303,418 to be recovered in respect of leasing out the weekly fair during the year under review had not been recovered.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Details relating to 539.58 liters of fuel amounting to Rs. 65,185 ordered in obtaining fuel for the vehicles belong to the Council had not been recorded in the running charts.
- (b) While the monthly fuel limits for the official vehicle of the Mayor had not been approved by the General council, 6365.34 liters of diesel had been issued from the Council during January to November of the year under review.
- (c) Action had not been taken to get the ownership of 08 vehicles received from the Central Provincial council and other institutions transferred in favor of the Council even up to the end of the year under review.
- (d) Action had not been taken to recover charges amounting to Rs. 84,905 to be recovered for electricity and water consumed by the contractor in construction of the cinema hall.

3.2 Idle and Under-utilized Assets

Two Jeep vehicles provided by the Central Province Chief Secretariat remained idle or under-utilized without being taken to use.

3.3 Contracts Administration

Matters revealed at the physical inspection carried out with regard to Works on 28 April 2015 are shown below.

	Name of the Contract -----	Contractor -----	Provision -----	Estimate Amount -----	Deficiencies observed -----
(a)	Construction of Pre-school Building – Rathmalgahaela	Rathmalgahaela Farmers Association	Gama Neguma	Rs. 400,000	<p>I Although 12 cm curl steel wire should be used for towers under item of Wok No. 3, curl steel wire had not been used for one tower.</p> <p>li Although a sum of Rs. 47,676 had been paid for 205.50 kg of 12cm curl steel wire under item of Work No. 08 for 09 towers and 04 plinth beams, it was observed that 10cm curl steel wire had been used.</p> <p>iii Land relevant to the Work had not been vested in the Municipal Council.</p>
(b)	Construction of Tiththawelgolla Service Centre	Tiththawelgolla Ranabima Farmers Association	Special provisions of the Organizer of the Electorate	500,000	Land had not been vested in the Council.
(c)	Tiththawelgolla Clinic Centre and the Body Building Centre	- Do -	One Job for One Village	1,001,190	<p>i. While standard of the concrete block stones of the building constructed had not been tested, it was observed that those stones were of sub-standard likely to get broken.</p>
			Council Fund	1,000,000	<p>ii A name Board had not been made according to the item of Wok No. 14.</p> <p>iii Although timber should used and asbestos sheets should be fixed to the roof, at the inspection it was observed that old iron and old asbestos sheets had been used for making the roof.</p> <p>iv. Land had not been vested in the Municipal Council.</p>

3.4 Solid Waste Management

While garbage collected in the area of authority of the Council are daily dumped into a land in the Digampathana area belong to the Government by using four tractors and a tipper vehicle belong to the Council, it was observed that various environmental problems had arisen due to this. Although the Council had had paid attention with regard to Garbage Recycling Programs, it had been failed to fulfill those activities properly.

4. Accountability and Good Governance

4.1 Audit and Management Committee

Although Internal Audit Committee had been established in terms of Circular No.CPC/CLG/116 dated 01August 2014 of the Secretary to the Chief ministry ,Audit Committee meetings had not been conducted.

4.2 Budgetary Control

Following matters are observed.

- i. Expenditure amounting to Rs. 1,037,269 had been incurred exceeding the limits of provisions fixed for 5 items of expenditure through the Budget for the year under review.
- ii. While any expenditure had not been incurred out of the provisions of Rs. 848,000 made available for 22 items of expenditure through the Budget, transfers to other items of expenditure and savings had been made with regard to those provisions.

4.3 Audit Queries not resolved and not replied

While a reply had not been furnished to one query out of the audit queries issued to the Council during the year under review, value of transactions which could be worked out, subject to that query was Rs. 1,162,000.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contracts Administration
- (e) Vehicles Control