

## **Dambulla Municipal Council**

### **Matale District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 30 March 2016 and the financial statements for the preceding year had been presented on 17 June 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Council 01 June 2016.

##### **1.2 Opinion**

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Balangoda Urban Council as at 31 December 2015 and its financial performance and cash flows the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.2 Comments on Financial Statements**

###### **1.2.1 Accounting Deficiencies**

The following accounting deficiencies were observed in audit.

- (a) A total sum of Rs. 832,817 had been overstated in the accounts while accounting the retention money pertaining to spreading of stall stones on the Bulagala Old Road, the worth relating to which had been completed during the year under review under the 100 days special Development Project.
- (b) Renovations to the Dambulla Foreign Employment Bureau Road had been completed under the Hudakala Village Programme during the year under review. The creditors' balances pertaining to this work had been overstated by Rs. 45,822.
- (c) Vehicle and Machinery valued at 23,658,781 had been obtained from the ministry of Provincial Councils and Local Government during the year under review. These had not been capitalized and included in the accounts.
- (d) There Lenovo Lap Top Computers valued at Rs. 329,250 had been purchased during the year under review. These had not been brought to accounts. The value of machinery and equipment had been understated by Rs. 84,550.

- (e) The value of 03 assets received as donations during the year under review had not been assessed and included in the financial statements.
- (f) The amount payable to the Dambulla Pradeshiya Sabha as per report of the committee dealing with the vesting of assets and liabilities while establishing the Municipal Council was Rs. 2,870,766. However, a sum of Rs. 2,486,916 had been brought to accounts as receivable from the Dambulla Pradeshiya Sabha, as per financial statements of 2012. This error had not been rectified even during the year under review.
- (g) The revenue receivable from 11 hotel approved by the Sri Lanka Tourism Development Authority during the year under review amounted to Rs. 1,299,414. This had not been included in the Revenue and Expenditure Account. Provision had not been made in the financial statement for the revenue receivable amounting to Rs. 1,844,313.

### **1.3.2 Unreconciled Control Accounts**

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Differences amounting to Rs. 320,792 were observe between the balances of 04 items of accounts aggregating Rs. 6,045,629 as per financial statements and the related subsidiary register and reports.

### **1.3.2 Lack of Evidence for Audit**

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Balances of accounts aggregating Rs. 11,473,422 could not be satisfactorily vouched in audit due to not rendition of necessary in formation for audit.

## **2. Financial Review**

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### **2.1 Financial Result**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 5,141,737 as against the excess of recurrent expenditure over revenue for the preceding year amounting to Rs1,689,838 Accordingly, an improvement amounting to Rs. 3,451,899 is shown the financial results of the year under review.

### **2.2 Analytical Financial Review**

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Increase in 03 items of revenue and the decrease in one item of expenditure had mainly attributed to the improvement in financial results by Rs. 3,451,897.

## **2.3 Revenue Administration**

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### **2.3.1 Rates and Taxes**

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- (a) The balances of arrears of rates and taxes as t 31 December of the year under review amounted to Rs. 5,764,853. Balances of Rs. 3,343,935 of over one year had been included in this.
- (b) The limits of the Dambulla Municipal Council extend upto a distance of 54.25 sqiare kilometers. However rates and taxes had been changed for about a distance of about 06 square kilometers only. An extensor revenue had been deprived of, as a result of not taking action to make the progressing authoritative area of the Dambulla Municipal Council as an area turning rates and taxes.

### **2.3.2 Lease Rent**

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- (a) Arrears of revenue due from stall as at 31 Decemeber of the year under review amounted to Rs. 32,916,528. It was observed that 99 per cent or Rs. 32,818,658 were arrears of lease rent of the previous years.
- (b) Agreements had not been entered into with the losses for the stalls of the Municipal Council given on lease to there. Action not been taken to recover the arrears of rent of stalls.

### **2.3.3. Licence Fees**

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The arrears of balances of licence fees as at end of the year under review amounted to Rs. 975,868 of which 70 per cent represented balances of previous years.

### **2.3.4 Other Revenue**

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- (a) Action had not been taken during the year under review to recover the revenue of Rs. 40,000 from 08 telecommunication towers.
- (b) Action had not been taken during the year under review to recover the areas of entertainment tax of Rs.300,417 of the Previsse year.
- (c) Action had not been taken, were during the year under review to recover the arrears of revenue of fees due on week end fairs of the previous years amounting to Rs.300,417.

### **2.3.5 Court Fines Stamp Fees**

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Court fees amounting to Rs. 1,008,195 and stamp fees amounting to Rs. 7,802,550 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015.

## **3. Financial Review**

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### **3.1 Operating Inefficiencies**

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(a) A work superior of the Municipal Council had acted as an insurance agent in insuring the vehicles of the Staff.

(b) A sum of Rs. 327,248 had been spent on behalf of the “e” Nena Piyasa Technology. Information centre and the centre had been opened in March 2015. However, it remained in operative.

### **3.2 Irregular Transactions**

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(a) Cost of living allowances cannot be paid to reappointed retired officers in terms of Section 05 of Circular No. 09/2007 of 11 May 2007 issued by the Secretary to the Ministry of Public Administration and Home Affairs. However, cost of living allowance amounting to Rs. 109,833 had been paid to 02 officers.

(b) A sum of Rs. 66,912 had been paid to a private hospital for stool testing without the approval of the Sabha on behalf of the National Health Programme of “Disease Free Lanka” to make awareness among the public about new contagious diseases.

### **3.3 Solid Waste Material Management**

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The Municipal Council had disposed of, the garbage collected within its authoritative area in a government land at the Digampathala area by utilizing 04 of its tractor and a tipper vehicle daily. It was observed that they had caused various environmental problems and the Council had not paid attention regarding the Garbage Recycling Programme.

### **3.4 Environment Problems**

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- (a) The waste material collected in the Dambulla tower is daily dumped at the Digampathala government land causing the wild elephants and other animals to eat it. This had extensively affected the animals and the environment.
- (b) The waste material brought by the galie bowser of the Council had not been carried in the soil at the Digampathala government land enabling the environment to get polluted.

### **3.5 Assets Management**

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#### **(a) Idle and under Utilized Assets**

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- (i) The Pajero vehicle bearing No. 32-1108 granted by the Chief Secretary of the central province and the jeep bearing No. 31 sure 9755 remained idle from 08 December 2011 and 24 October 2011 respectively.
- (ii) Seven stalls given on lease remained closed. Lease rent had also been not recovered.

#### **(b) Annual Board of Survey**

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The board of survey for the year under review had not been concluded even by 27 April 2016.

## **4. Good Government and Accountability**

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### **4.1 Budgetary Control**

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The following matters are observed.

- (a) Expenditure in excess of the limit amounting to Rs. 967,230 had been incurred in 04 objects during the year under review.
- (b) No expenditure whatsoever had been incurred from the total provision of Rs. 98,283,460 made for 118 objects.
- (c) Revenue estimate in the budget under 05 items of revenue amounting to Rs. 93,452,00.

### **4.2 Internal Audit**

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In internal audit method was not in existences in terms of Rule 5(7) 1988. (Finance and Administration)

### **4.3 Audit and Management Committees**

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Audit and Management Committee should be established in terms of the letter No. CPC/CLG/1/9/1/4 of 08 August 2014 of the Commissioner of Local Government. However, the said committees had not been established up to 31 December of the year under review.

### **5. Systems and Controls**

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Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Control over Vehicles
- (e) Debtors and Creditors
- (f) Human Resources Management