

Dambulla Pradeshiya Sabha

Mathale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2017. While Financial Statements relating to the preceding year had been submitted on 07 October 2016.

1.2 Qualified 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 Pradeshiya Sabha as at 31 December 2016 and its Financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies had been observed at the audit.

- (a) Debt balances totaling Rs. 2,095,644 relating to three industries had been overstated.
- (b) The omitted and understated revenue balances relevant to the year under review relating to tree entities totaled to a sum of Rs. 10,673,235 had been omitted from the revenue.
- (c) The revenue of 4 entities relevant to the prior years had been accounted for the year under review for Rs. 13,279,874
- (d) Two assets worth Rs. 9,369,158 had been understated.
- (e) As stated in the auditor General's report of the year 2015, there had been an uncorrected sum of Rs. 1,009,179 belonging to 5 entities , but even then it had not been corrected during the financial year.

1.3.2 Un reconciled Control Accounts

The total Sum of Rs. 27,788,769 shown in the Financial Statements relating to the balances of 6 items of accounts and the observed sum of Rs. 13,385,179 were in the changes when compared with the balances stated in the relevant source documents and reports.

1.3.3 Accounts Receivable and Payable

Actions had not been taken in the year under review to correct the payable balances of Rs. 20,070,460 relating to 03 account balances and the receivable balances of Rs. 1,944,292 relating to 05 account balances stated in the Financial Statements, which were carried forward for a long period of time.

1.3.4 Lack of evidence for audit

The total balance of Rs. 27,838,429 relating to 05 subjects couldn't be checked successfully due to the non-presentation of relative evidence.

1.3.5 Non Compliance with Laws, Rules and regulations

The following instances of non Compliance were observed in the audit.

Reference to laws, rules and regulations	Non Compliance
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(a) Clause 4.5 and 4.6 in chapter xxiv of the Establishment code	Staff Loans amounting to Rs. 132,355 due from 20 officers had been receivable as at the end of the year under review.
(b) Financial Regulation 570 and 572 (2) of the Democratic Socialist Republic of Sri Lanka	Although 02 years had been exceeded from the date of completion of the project action had not been taken into revenue of the retention money of Rs. 398,024.
(c) 1988 Pradeshiya Sabha (Financial and administration) Rule 204	The required action had not been taken with regard to 37 goods which were disclosed at the stock verification held as at 31 December 2016.

2. Financial Review

2.1 Financial Results

In accordance with the presented financial statements, there was a revenue of Rs. 36,205,630 which exceeded the recurrent expenditure for the year ended 31 December 2016 and the revenue exceeded the recurrent expenditure by Rs. 27,343,420 in the previous year. Rs. 8,862,210 growth had been shown in the financial result in the year under review when compared to the previous year.

2.2 Revenue Administration

2.2.1 Lease Rent

The beef stall in Nikawatawana had been rented out to the tenants for Rs. 350,000 which was the same rental in the previous year without calling tenders.

2.2.2 License Fees

The annual lease rental of Rs. 3,000 which was charged each on the People's Bank and Bank of Ceylon branches had not been collected from the established date itself.

2.2.3 Other revenue

The valued of Rs. 1,044,160 which is shown in the account as the arrears charges for the vehicle park as at the end of the year under review had been there for many years as receivable.

2.2.4 Court fines and Stamp fees

As sum of Rs. 10,545,992 as Stamp fees and a sum of 625,050 as court fines income should be paid by the Chief Secretariat of the provincial council at 31 December the year under review.

3. Operational Review

3.1 Managerial Inefficiencies

The following facts were observed.

- (a) As per the stock verification held as at 31 December 2016 a shortage of 292 books were fund at the Kimbissa library but action had not been taken against the responsible persons.
- (b) Actions had not been taken survey and undertaken to 84 cemeteries, 43 community centers, 13 play grounds situated in the Predeshiya Sabha area and the land of the office building after surveying.
- (c) 4 vehicle used by the council which were given by vatiuous institutions had not been transferred by the council.
- (d) An excess payment of had be paid to the contractor Rs. 4,068,099 and a loss was observed in the council's funds to the court with regard to the case and working without any concern by the responsible people in the Council in relation with failure of the case assigned by the contractor against the council due to the nonpayment of the final premium based on various deficiencies in the contraction of the Dambulla economic center in 1996 and the council had spent Rs. 685,452 for lawyer's charges from its fund.

3.2 Operational Inefficiencies

JCB machine and a road tripper owned by the Pradeshiya Sabha, when rented out to external parties, there had not been proper management over the milometer when taken out of the entity and when brought in. Also when provided for rental the number of hours used, the place of use and the service receiver's name had been document.

3.3 Idle / underutilized Assets

The following observations were made.

- (a) 2 vehicles of the council had been in inactive stage for a long period of time.
- (b) A cab which was damaged due to an accident had been parked for 2 year without repairing.
- (c) A tractor had not been used for a long period of time, which can be used.

3.4 Identified losses

The following observations were made.

- (a) As per the final report dated 17 January 2016 issued by the appointed committee in terms of F.R 104(4) in relation to the accident met by Nissan Navara cab received from the Ministry of Provincial Council and Local government, which had been taken place on the 13 April 2015 and the values of the losses had not been collected from the former chairman of Rs.7,188,851 and driver of Rs. 798,761.
- (b) Actions had not been taken to collect the total amount of Rs. 170,225 as at the end of the year under review from the relevant officers which is stated as a shortage of 125 Damro chairs and 175 GI pipes which was identified at the 2015 annual stock verification.
- (c) Rs. 39,890 and Rs. 39,234 were spent for 2015 and 2016 respectively to obtain insurance coverage's for a tractor parked without using.

3.5 Delayed Projects

The Nikawatawana - Bambaragala Yaya agricultural road development project which was proposed to implement for Rs. 500,000 during the years under review under the general funds had not been implemented as at the end of the year.

4. Accountability and Good Governance

4.1 Budgetary Control

The following facts were observed.

- (a) Any revenue had not been earned from the estimated revenue of Rs. 852,950 for 12 revenue subjects.
- (b) The council had failed to collect the target revenue of 20 percent to 90 percent range from 16 revenue subjects.
- (c) The range in between 15 percent to 2679 percent revenue had been earned which is exceeded the estimated revenue of 14 revenue subjects.
- (d) The total provision had been saved from Rs. 383,050 provisions allocated for 29 subjects without making any expenses.
- (e) There was a variance of 22 percent to 99 percent range in between the net provisions and the actual expenses relating to 57 subjects.

4.2 Internal Audit

An internal audit had not been maintained in accordance with the rule 5 (7) of 1988 Pradeshiya Sabha (Financial and administration) rule.

5 Systems and controls

Special attention is needed in the following areas of controls.

- (a) Land and Building
- (b) Vehicle control
- (c) Stock control
- (d) Creditors and Debtors control
- (e) Accounting