

Dambulla Pradeshiya Sabha
Mathale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been presented to audit on 01 May 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 02 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements gave a true and fair view of the financial position of the Dambulla Pradeshiya Sabha as at 31 December 2017 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 were observed in audit.

- a) Debtors relating to grant material aid to Kimbissa Mahindaramaya under the aid of provincial council members 2017 had been understated by Rs. 49,400.
- b) The value of 5 completed constructions carried out during the year 2016 and 2017 amounting to Rs. 9,161,563 had not been capitalized.
- c) Out of the purchasing's during the year 2017 twenty two items valued at Rs. 86,882 which should not be capitalized had been capitalized under the machinery and equipment.
- d) The surplus for the year under review had been overstated by Rs. 176,411 due to capitalize the annual interest for loan obtained from the local loan and development fund for the motor grader.
- e) Although five contracts valued at Rs. 3,561,718 had been proposed to implement during the year 2017 under the general funds, agreements had been signed in the year 2018. However the said value had been shown as debtors thus the debtor value had been overstated by Rs. 3,561,718 the same amount.
- f) Office equipment valued at Rs.215,800 purchased in the year 2017 had been capitalized. As a result the balance of the office equipment account had been understated by the same amount.
- g) The revenue for the year had been understated by Rs.6, 508,280 as a result of receivable revenue of stamp fees from June to December 2017 not being estimated and taken into accounts.

1.3.2 Unreconciled Accounts

Differences were observed between the balances amounting to Rs. 98,612,027 relating to 7 account items shown in the financial statements and relevant subsidiary registers and records and the total of the differences was Rs. 50,229,971.

1.3.3 Receivable and Payable Accounts

a) Receivable Accounts

The total amount of 10 receivable accounts as at the end of the year under review was Rs. 32,761,396 and according to the age analysis presented, a balance of Rs. 24,724,665 remained unsettled more than a period of 5 years was included in it.

b) Payable Accounts

The total amount of 3 payable accounts as at the end of the year under review was Rs. 32,785,278 and according to the age analysis presented, the balance, unsettled, more than a period of 5 years was Rs. 7,731,177 included in it.

1.3.4 Lack of Evidence for Audit

Two items of accounts aggregating Rs. 2,197,706 could not be satisfactorily verified in audit due to non-availability of necessary information.

1.3.5 Non - Compliances

1.3.5.1 Non- compliances with Laws Rules Regulations and Management Decisions

Instances of non-compliance with laws rules regulations and management decisions are given below

Reference to Laws, Rules, Regulations and management decisions	Amount (Rs.)	Non - Compliance
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Rule 178(2)(a) of Pradeshiya Sabha Act No.15 of 1987 (Finance and Administration)	-	Tender notices had been published for purchasing goods by the sabha without including details which should be included in a notice.
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i)	F.R. 137	16,200	Holiday pays had been paid without approving vouchers.
(ii)	F.R. 343	-	A counterfoil register had not been maintained.
(iii)	F.R. 1646	-	Running charts of the three wheeler had not been completed after 30 September 2017.
c)	Public Administration Circular No. 30/2016 dated 29 December 2016 of the secretary to the Ministry of Public Administration and Management	-	Fuel Consumption had not been tested in respect of 6 vehicles belong to the sabha.
d)	Circular of the Central Province Chief Secretary No. 3/91 dated 26 March 1991	-	Programmes relating to 4 coming months had not been presented by officers of the sabha.

1.3.5.2 Non Compliances with Tax Requirements

Collected amount of VAT of Rs. 2,605,010 remained over a period of 5 years had not been remitted to the Commissioner of Inland Revenue.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the sabha for the year ended 31 December 2017 in excess of the recurrent expenditure was Rs.17,139,149 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.36,205,630.

2.2 Financial Administration

The following observations are made

- a) Although a sum of Rs. 684,566 and Rs.4, 122,169 had been invested in two savings accounts as at the end of the year under review, attention had not been paid to invest those money in fixed deposits as to obtain more interest revenue.
- b) Although the people's bank account No. 138-1-001-2-396699 had been closed on 8 February 2017, according to the registers of the Sabha, there was a balance of Rs. 31,313.
- c) According to the records of the Sabha an overdraft of Rs.13,450 had been remained as at the end of the year in the dormant account of the peoples bank No. 138-1-001-2-6704.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Bill amount of Revenue, collected Revenue Actual Revenue and Outstanding Revenue

Details relating to the estimated revenue bill amount of revenue collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

	2017				2016			
Source of Income	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate and Taxes	2,500,000	2,677,500	2,550,500	127,000	-	1,301,500	704,056	597,443
Rent	1,717,500	2,070,000	1,926,667	1,187,493	1,700,000	1,720,820	1,720,820	1,044,160
License Fees	14,000,000	15,814,792	14,892,765	922,027	11,150,000	14,210,548	14,078,960	155,538
Other Revenue	17,000,000	12,722,230	2,965,450	9,756,780	16,000,000	18,493,367	7,228,575	11,264,792
	3,217,500	33,284,522	22,335,382	11,993,300	28,850,000	35,726,235	23,732,411	13,061,993

2.3.2 Performance of Collecting Revenue

The following observations are made

- The balance of receivable license fees account as at the end of the year under review had been increased by Rs.766, 489 as compared with the previous year.
- Although by laws had been enacted by the pradeshiya sabha to recover charges from advertisements notice boards, according to the physical verification, actions had not been taken to recover a sum of Rs. 130,500.
- Even though the number of hotels registered in the jurisdiction of the pradeshiya sabha as at the end of the year under review was 48, annual license fees amounting to Rs. 13,109,098 had been recovered (0.3 per cent of income) only from 28 hotels. Recovering charges from tourist hotels should be made based on audit reports. However charges on the basis of audit reports had been charged only from 5 hotels.
- A proper procedure had not been adopted to recover a balance of Rs. 1,153,547 recognized and accounted as non - performing other revenue for a period more than 5 years and the balance of Rs. 1,044,160 of the vehicle stand rent account.

2.3.3 License fees

The receivable trade license fees as at the end of the year including the receivable trade licence fees amounting to Rs. 22,950 brought forward over a number of years was Rs. 102,112.

2.3.4 Court Fines and Stamp Charges

The receivable amount of Court Fines from the chief secretary to the provincial council and other authorities as at 31 December of the year under review was Rs.376, 500.

3. Operating review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the Sabha under the Section 3 of the Pradeshiya Sabha Act relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

(a) By Laws

Most of by laws which should be enacted under the section 126 of the pradeshiya sabha Act, such by laws had not been enacted.

(b) Action Plan

An annual action plan had not been prepared in connection with duties which should be fulfilled by the Sabha as per the by laws enacted.

a) Solid Waste Management

A proper procedure had not been implemented for solid waste management in the jurisdiction of the Sabha ,and an unit had been commenced using the Rotawawa weekly fair for collecting only recyclable waste during the year 2017. However it had found difficult to implement the activities of the unit due to reasons such as no sufficient space to select garbage, no sufficient facilities to dispose separate garbage, no sufficient vehicle facilities to collect garbage separately, it found difficult to get buyers for solid waste and no sufficient laborers.

b) Environmental Issues

Garbage collected in the jurisdiction of the Pradeshiya Sabha and Dambulla Municiple Council had been disposed to Digampathana area belong to the Pradeshiya Sabha and wild elephants and other animals had eaten garbage as a result, lives of wild elephants and other animals had faced to a risk.

c) Sustainable Development Goals

The Sabha had not aware of 2030 Agenda for sustainable development goals hence long term plans had not been prepared by the Sabha.

3.2 Management Inefficiencies

The following observations are made.

- a) According to the judgment of the case filed for deviating the payable rent of Rs.292, 069 which should be paid for hiring machinery and equipment from the National Equipment and Machinery organization during the years 1996-2003, that amount had to be paid and a sum of Rs. 76,300 had been incurred by the Sabha as lawyer's charges and other expenses. Nevertheless the opportunity to get some relief had missed to the Sabha as a result of not presenting before the court and not presenting evidence.
- b) A sum of Rs. 774,700 should be recovered to the Sabha as at the end of the year under review as Rs.200 per one for annual maintenance of tube wells which were constructed by a water supplies project and handed over to the Sabha. A proper methodology had not been adopted for recovering those money and balances more than 20 years had been included in this outstanding amount. Two employees recruited for maintenance of those tube wells were working in the Sabha. Nevertheless in accordance with the records maintained by the Sabha there were no considerable repairs occurred. However attention had not been paid by the Sabha for possibility of recovering outstanding revenue by deploying the said employees.
- c) Few constructions had been made in the land of Inamaluwa playground belonged to the Sabha without permission.

3.3 Human resources Management

The following observations are made.

- a) There were 16 vacancies in posts of the staff as at the end of the year.
- b) Actions had not been taken to recover a sum of Rs. 334,844 which should be recovered from 23 employees of the sabha for various reasons.
- c) Actions had not been taken to permanent the service of 3 officers even though it had lapsed almost 5 years after the recruitment.

3.4 Transactions in Contentious Nature

A bill amounting to Rs. 132,309 had been presented for repairing engine of the cab which was burnt on the way on 4 December 2015 bringing after repair done by the mechanical engineers office incurring a sum of Rs. 89,100. However the payment had been made in the year 2017.

3.5 Assets Management

3.5.1 Assets not get Transferred

Actions had not been taken to transfer 3 vehicles valued at Rs. 4,329,350 shown under the motor vehicles and carts even up to 31 December 2017.

3.5.2 Idle/ Underutilized Assets

A cab had been remained idle more than a period of 10 years without using for any purpose.

3.5.3 Annual Goods/ Stock verification

According to the board of survey reports for the year 2016,a shortage of Rs. 16,380 had been revealed in inventory items. However the loss had not been recovered.

3.5.4 Vehicle Utilization

Insurance license had not been obtained for a cab since the year 2015 because the cab was failed from emissions test.

3.6 Identified Losses

According to the Financial Regulations 104 inquiry report, a sum of Rs. 7,987,612 should be recovered relating to the accident of a cab taken place on 13 April 2015. However said amount had not been recovered even in the year under review.

3.7 Procurement

3.7.1 Procurement Plan

A procurement plan had not been prepared by the Sabha for the year under review.

3.7.2 Contract Administration

According to the estimate for construction of the bridge of Kumbukkanda - Cemetery road constructed under the provincial specific grant of Rs. 500,000, the thickness of the concrete slab should be in 100 mm to 12 mm. However the bill of Rs. 51,498 had been prepared considering that it was 12 mm. Although the welding points of two corners of hand rail of the bridge had not been fixed strengthen, a sum of Rs. 46,000 had been shown in the bill for this work.

4. Accountability and Good Governness

4.1 Budgetary Control

The following observations are made.

- a) Any expense had not been incurred out of the provision of Rs. 3,029,000 made for 29 expenditure items and sub items.
- b) Variations ranging from 23 per cent to 98 per cent had remained between the net provision and the actual expenditure relating to 61 expenditure items and sub items thus the budget had not made use of effective instrument of budgetary control.

4.2 Internal Audit

The following observations are made.

- a) Although audit observations had been issued to the Secretary to the Ministry by the officer attached to the internal audit unit, copies of those quarries had not been submitted to the Auditor General.
- b) Actions had not been taken to prepare an internal audit plan as per the Circular of the Director General of the Department of Management and audit No. DMA/2009 (1) dated 9 June 2009, and to forward to the discussions of the audit and management committee.

4.3 Unresolved Audi Paragraphs

Replies had not been submitted for 2 audit quarries presented to the Sabha during the year under review. The value of transactions subject to those audit quarries was Rs. 6,196,448.

5. Systems and Controls

Defficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

<u>Areas of Control</u>	<u>Deficiency</u>
a) Assets/ Properties	Procedures for confirming the security of lands was no sufficient
b) Stock Control	Purchasing and issuing were not entered properly
c) Debtors/Creditors	Debtors and creditors were not recognized properly. Schedules could not be submitted due to settlements not being regularized
d) Staff Administration	Actions not being taken to fill vacancies
e) Vehicles	(i) Actions not being taken to utilize or dispose idle vehicles. (ii) Actions not being taken to transfer vehicles