

Badulla Municipal Council

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had not been presented to audit even by 31 October 2014. The financial statements for the year 2012 had been presented to audit on 24 September 2014.

1.2.1 Comments on Traction, Operations and Performance

1.2.1 Non-compliance with Laws, Rules and Regulations etc.

The following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Schedule "A" of the Gazette-Extra-ordinary No.1159/22 dated 22 November 2000 published by the Minister of Environment according to the National Environment Act, No.56 of 1988 as amended by Act, No.53 of 2000	Environment licence had not been obtained from the National Environment Authority for the cattle slaughter-house operates within the area of the Sabha.
(b) Financial Regulations of the Republic of Sri Lanka No. 371	Action had not been taken in terms of Financial Regulations to get settle the advances amounting to Rs.3,499,415 given to various parties for miscellaneous activities at 42 instances during the period 1998 to 2013.
(c) Section 1:6 and 4 of Chapter xxiv of the Establishments Code of Sri Lanka	Employees loans amounting to Rs.1,580,510 remained outstanding for periods from 05 to 14 years from 26 employees transferred vacated posts and interdicted.

2. Financial Review

2.1 Revenue Administration

According to the information submitted by the Sabha, the recoveries from the rates and taxes in arrears as at 01 January 2013 was 24% and the recoveries from amount billed for the year 2013 was 49% which is at a low level. Further, the recovery of other revenue in arrears as at 01 January 2013 was also less than 62%.

2.2 Rates and Taxes

- (a) According to the provisions of Section 237(1) of the Municipal Council Ordinance, a new assessment should be done and rates should be recovered accordingly, whenever physical alternations are done to a certain building or a land so as to effect its annual value. But, rates had been recovered based on the old value of the property at the assessment of year 2002, without making recoveries on the new value of the building in respect of 20 buildings on which conformity certificates issued within the period January to August 2013.
- (b) According to the information submitted by the Sabha, the rates in arrears as at 31 December 2013 amounted to Rs.36,322,029 and the arrears had not been recovered in terms of Section 252(1)(a) of the Municipality Ordinance

2.1.2 Lease of Land

- (a) A land to the extent of 04.5 Perches owned by the Sabha situated by Badulla – Kopyawatta Road had been leased to the Badulla District Thrift and Loans Co-operative Society at an annual lease of Rs.5,600 during 1994 without entering into a formal agreement. A monthly rent of Rs.1,500 had been billed since 1995 to 2013 based on a decision taken by the Sabha without any revision and rent in arrears amounting to Rs.310,162 due relating to 181 months as at 31 December 2013 had not been recovered.
- (b) A part of the Badulla Simon Peiris Hall owned by the Sabha had been leased for a period of 15 years with effect from January 2000 to function the Uwa Provincial Office of the Urban Development Authority and the rent in arrears amounting to Rs.322,750 relating to the period May to December 2013 had not been recovered.
- (c) Part 57 of the Building “c” of the Central Bus Stand, Badulla had been leased for 50 years to the State Pharmaceutical Corporation on 19 September 2000 and the Sabha had not recovered the rates in terms of Section 06 of the above lease agreement. According to Section 10 of the said lease agreement, the building had been given to another party in October 2012 on the approval of

the Municipality Commissioner, and action had not been taken to enter into an agreement with the new lessee and to recover rates and taxes.

- (d) A building owned by the Sabha had been leased at a monthly rent of Rs.3,500 in 1986 to function the office of the Department of Local Government, without entering into an agreement and the above rent had not been revised even up to March 2014.
- (e) A land to the extent of 20 Perches owned by the Sabha had been leased to the Ceylon Technical Development Board in the year 1987 on an agreement and the expiry date of the lease period had not been mentioned in the lease agreement. The annual lease rent of Rs.3.600 recovered during the year 1987 is being charged even up to 2014 without any revision of annual lease rent.
- (f) The room No.48-c at the Central Bus Stand – Badulla had been leased to the Private Bus Company without entering into a formal agreement and rent in arrears amounting to Rs.132,848 relating to the year 2013 had not been recovered.,

3. Operating Review

Uneconomic Transactions

Lease rent amounting to Rs.1,399,752 had been paid by the Sabha during the period 2011 to February 2013 in respect of property obtained on lease from the Railway Department, without identifying the places they are situated and the extent.

A physical examination carried out on 05 August 2013 revealed that unauthorized constructions had been done and utilized by certain private parties paying the above lease rent.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration