

Badulla Municipal Council
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2016 had been submitted to audit on 31 March 2017 while the Financial Statements relating to the preceding year had been submitted on 05 May 2016. The Auditor General's report relating to the year 2016 was issued to the Municipal Commissioner of the Municipal Council on 07 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Badulla Municipal Council as at 31 December 2016, 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 are observed.

- (a) The entertainment tax account had been shown in the financial statements by understating Rs.1,614,454.
- (b) Dishonored cheques valued at Rs.28,960 had not been included in the Financial Statements. As such the current assets had been understated by that amount.
- (c) Unused machinery and equipment as at 31 December for the year under review worth Rs.905,000 had not been removed from the Financial Statements.
- (d) Courts Fine revenue for the year under review had been understated in the Financial Statements by Rs.1,643,440.
- (e) Stamps fees for the year under review had been understated by Rs.481,476 in the Financial Statements.
- (f) Stamps fees relating to previous year received in the year under review amounting to Rs.27,614,175 had been shown as an income of the year under review.
- (g) Value of closing stocks had been understated by Rs.178,812.

1.3.2 Un-reconciled Control Accounts

When compared the balances of accounts shown in the financial statements with the balances shown in the corresponding schedules, an un-reconciled balance of Rs.132,370,338 was observed.

1.3.3 Accounts Receivable and payable

According to the financial statements presented, the value of Accounts Receivable as at 31 December of the year under review had been Rs.57,099,708 while the value of Accounts Payable as at that date amounted to Rs.148,339,577.

1.3.4 Lack of Evidence for Audit

Four asset accounts valued at Rs.68,987,350 and debit and credit balances of Rs.3,365,019 and Rs.12,313,461 respectively as shown in the surplus and deficit account of the ledger could not be satisfactorily vouched / verified in audit due to non-submission of required information.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Laws, Rules and Regulations etc., observed in audit are shown below.

Reference to Laws, Rules, and Regulations etc	Non- compliance
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(a) Municipal Councils Ordinance	

(i) Sections 127 (1) and 42	Only 141 certificates of conformity had been issued, although 1075 building applications were approved.
(ii) Section 218	Although a detailed report should be presented to the Council by the Mayor with regard to his administration during the financial year and thereafter it should be submitted to the Minister concern within 06 months, such report had not been submitted for the years 2012, 2013, 2014 and 2015.
(iii) Section 222	Although report of the Auditor General and a copy of that report should be submitted to the Council and the respective Minister after end of the financial year, such reports for the years 2012, 2014 and 2015 had not been submitted.
(iv) Section 226(6)	Surcharges amounting Rs.3,835,000 issued since the year 1999 had not been recovered even to date.
(v) Paragraph 28 of Section 273 of Chapter 252	Seven Motor vehicles and Machinery had been rented out without preparing By-laws.
(vi) Section 254 (a)	Arrears revenue as at 31 December 2016 amounting to Rs.25,588,294 had not been recovered.

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| <p>(b) Section 23 of the National Environmental Act No.47 of 1980</p> | <p>(i) An annual survey had not been conducted in order to identify the organizations which should obtain the environmental licenses.</p> <p>(ii) Environmental licenses for the slaughterhouses had not been obtained.</p> |
| <p>(c) Section 133 of Chapter XVI of the Inland Revenue Act No.10 of 2006</p> | <p>Action had not been taken to recover withholding tax deducted amounting to Rs.80,308 on the fixed deposits maintaining in the Bank by the Council.</p> |
| <p>(d) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka
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| <p>(i) F.R. 371</p> | <p>Advances amounting to Rs.622,103 had not been settled even up 31 December of the year under review.</p> |
| <p>(ii) F.R. 396(d)</p> | <p>Action had not been taken with regard to 29 lapsed chques valued at Rs.178,273 which issued but not presented for payment for more than 06 months.</p> |
| <p>(e) Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka
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| <p>(i) Section 4.5 and 4.6</p> | <p>Staff loans amounting Rs.202,125 due from officers who interdicted and vacated their posts had not been recovered from sureties.</p> |
| <p>(f) Public Administration Circular No 09/2009 of 16 April 2009</p> | <p>(i) Finger print machine had not been used by around 40 officers in service.</p> <p>(ii) Holiday pay and overtime allowances amounting to Rs.42,672 had been overpaid in 17 instances which not confirmed through the finger print machine.</p> |
| <p>(g) Public Administration Circular No. 41/1990 of 10 October 1990</p> | <p>Fuel consumption testing in respect of 31 vehicles had not been carried out.</p> |

2. **Financial Revenue**

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 2016 amounted to Rs.29,860,161 as compared the corresponding excess of revenue over recurrent expenditure for the preceding year according to the financial statements submitted for the preceding year amounted to Rs7,883,986.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

The arrears income to be receivable as at 31 December 2016 to the Fund of the Council relating to the previous years was amounting to Rs. 32,089,208 and out of billed income for the year under review, an amount of Rs.21,569,697 was in arrears as at 31 December 2016.

2.2.2 **Courts Fines and Stamp Fees**

Courts fines amounting to Rs.7,237,019 and stamp fees amounting to Rs.10,381,452 to be recoverable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016.

2.2.3 **Entertainment Tax**

The Entertainment Tax recoverable as at 31 December 2016 was amounted to Rs.1,614,454.

3. **Operational Review**

3.1 **Management inefficiencies**

- (a) The running charts relating to machine hours 297 in operation of the Bacho Loader belong to the Council during the year 2016 had not been maintained and 2227.5 liter of fuel valued Rs.211,612 had been utilized for this purpose.
- (b) In deploying the Bako Loader during the year 2016, a sum of Rs.179,692 on behalf of 1261 machine hours had been excessively spent due to abnormal utilization of fuel per hour worth Rs. 142.50 as compared with normal usage.
- (c) According to Circular No.13/2008 dated 26 June 2008 of the Secretary to the Ministry of Public Administration and Internal Affairs, the vehicle allowance was included in the salary to the Commissioner of Municipal Council. However, in addition to that fuel valued at Rs.191,805 had been issued from the Council in the years 2015 and 2016 for the utilization of a Cab belong to the Council.

3.2 **Operating Inefficiencies**

Goods worth Rs.1,682,153 had been kept in the stores due to excessively placed the orders when purchasing the goods for the works which carrying out by the Council based on direct labour.

3.3 **Identified Loss**

Action had not been taken to recover the value of dishonored cheques amounting to Rs.1,915,910 since 2002 to date.

3.4 **Idle and under-Utilized Assets**

1297 plastic water tanks with the capacity of 20 liter valued at Rs.352,972 had been kept in the premise of the Council for approximately over 3 years without being utilized.

3.5 **Solid Waste Management**

- (a) The following observations are made in connection with solid waste management.
 - (i) The playground and the swimming pool situated near to proposed sports ground which situated in centre of the city could not be utilized by the general public due to using this ground for solid waste management. It was further observed that the bad smell is spreading out around the city area.
 - (ii) Rainy water and garbage receiving to the place use for dumping the garbage had been released to Badulu Oya.
 - (iii) A serious damage to environment had been occurred in the year 2016 due to catch fire to polythene and solid garbage collecting place.
 - (iv) The solid wastes had not been collected by the Council in accordance with the provisions laid down in the By-Laws relating to solid waste collection.
- (b) A proper sewerage system had not been established in the authorized area of the Council.
- (c) It was observed that the slaughter houses were at unclean position.
- (d) The wastes releasing from the slaughter houses are mixing with the water of Badulu Oya.

3.6 **Staff Loans**

Loan files to the value of Rs.304,780 had been misplaced and action had not been taken to recover those loans.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

The Budget had not been made use of as an effective control tool in the management of revenue and expenditure of the year under review.

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented.

4.3 **Internal Audit**

An internal Audit had not been carried out for the year 2016.

4.4 **Audit and Management Committee**

Audit and Management Committees had not been implemented during the year under review.

5. **Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Fixed Assets
- (b) Accounting
- (c) Stores Management
- (d) Control over Vehicles
- (e) Debtors and Creditors