

**Badulla Municipal Council**  
**Badulla District**

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1. Financial Statement

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1.1 Presentation of Financial Statements

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The financial statement for the year 2018, had been presented for audit on 26<sup>th</sup> February 2019 and summary report of the auditor general on the financial statements and the detailed management report had been forwarded to the chairman on 31<sup>st</sup> may 2019.

1.2 Qualified Opinion

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In my opinion ,except for the effect of matters ,described in the basis for qualified opinion section of this report .The financial statement give a true and fair view of the financial position of the Badulla municipal council.as at 31<sup>st</sup> December 2018 and it's financial performance for the year ,then ended in accordance with generally accepted accounting principle.

1.3 Basis for qualified opinion

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(a) Accounting deficiencies.

Audit observation

Recommendation

Opinion of the accounting officer

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(i) Amount of Rs: 552,304 payable to railway department had been understated as at 31<sup>st</sup> December in the review year.

Accounts should be corrected.

Action will be taken to rectify deficiencies.

(ii) Receivable interest of Rs: 1,117,568 relevant to the twelve (12) fixed deposits accounts had been understated as at 31<sup>st</sup> December in the review year.

Accounts should be corrected.

Action will be taken to rectify deficiencies.

(iii) Six motor cars and carts valued Rs: 6,539,660 had not been capitalized as at 31<sup>st</sup> December in the review year.

Accounts should be corrected.

Action will be taken to rectify deficiencies.

(iv) Even balance of employees loan was Rs: 14,020,774 as at December 31<sup>st</sup> in the reviewe year. The amount of Rs:12,900,553 had been mentioned in the financial statement. There for an amount of Rs: 1,120,241 had been under stated.

Accounts should be corrected.

Action will be taken to rectify deficiencies.

(v) Revenue of assessment taxes as at 31st December in the reviewe year is Rs: 15,683,570. But an amount of RS: 16,542,917 had been mentioned in the financial statement. There for the amount of Rs: 859,347 had been under stated of the financial statement.

Accounts should be corrected.

Action will be taken to rectify deficiencies.

b) Unreconciled control accounts

Audit observation	Recommendation	Opinion the accounting officer
Stock in hand as at 31 <sup>st</sup> December in reviewed year is Rs: 13,523,110. But an amount of Rs 13,070,504 had been stated in the sub schedules . there for an amount of Rs: 452,606 had been mentioned as a difference.	Accounts should be rectified.	Action will be taken to rectify deficiencies.

c) Lack of evidence for Audit

Audit observation	Recommendation	Opinion the accounting officer
It was unable to audit satisfactory due to Unpresented two items of assets valued of Rs: 768,346,614 , two items of responsibilities amount of Rs: 21,685,016,deeds ,extracts copies and vesting orders, Report of stock verification ,stock books, prepared up to date, assurance of the balances and time analysis.	Evidences relevant to the audit should be presented with accounts.	Action will be taken to instruct to the officers for presentation final accounts with evidences.

## 1.4 Non compliance

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 Non compliance with law ,rules ,regulations and management decisions.  
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Reference to law , rules , regulations and management decisions -----	Non compliance -----	Recommendation -----	Comments of the accounting officer -----
a) Municipal council ordinance			
(i) section 218	Detailed administrative report of municipal council had not been presented to council at the end of the each financial year.	Action should be taken to perform according to the provisions of municipal council ordinance.	Action will be taken to rectify according to the municipal ordinance establishment cord and financial regulation.
(ii) section 254(1)	Receivable assessment taxes and other fesses and fines of Rs: 10,670,979 had not been collected by municipal commissioner as at <b>31<sup>st</sup></b> December in the review year.	Arrears of revenue should be collected according to the municipal ordinance.	Action will be taken to rectify according to the municipal ordinance ,establishment cord and financial regulation.
b) Establishments code of democratic socialist republic of Sri Lanka .	Receivable employees loan of Rs: 1,335,035 had not been charged from the twenty eight (28) officers interdicted and left from the service.	Arrears of revenue should be collected according to the provision of ordinance.	Action will be taken to rectify according to the municipal council ordinance ,establishment code and financial regulation.
(i) section 4 of the chapter xxiv			
c)Financial regulations of the government of the democratic socialist republic of sri Lanka			
(i) F.R 751	Balance had not been entered in the stock ledger ,without receipts	Accounts book should be maintaining	Action will be taken to maintain all the accounts books. according to the

	and issuing formally verified	correctly.	municipal council ordinance ,establishment code and financial regulation.
(ii) F.R 754	Balance of stock ledge had not been adjusted and entered.	Stock ledger should be maintained correctly.	Action will be taken to correct, according to the municipal council ordinance ,establishment code and financial regulation.

## 2. Financial Review

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### 2.1 Financial Result.

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According to the financial statements presented excess of revenue ,over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup> December .in reviewed year Rs: 18,835,497 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,789,058.

### 2.2 Revenue Administration

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2.2.1 Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue , furnished for the year under review and the previous year appear bellow.

Source of revenue	2018				2017			
	Estimated revenue	Revenue billed	Revenue collected	Total arrears as at 31 <sup>st</sup> December	Estimated revenue	Revenue billed	Revenue collected	Total arrears as at 31 <sup>st</sup> December
	Rs:	Rs:	Rs:	Rs:	Rs:	Rs:	Rs:	Rs:
Rates and Taxes	28,927,500	16,184,444	16,066,898	21,893,698	30,510,000	20,890,539	17,862,093	22,590,623
Rent	27,934,800	26,485,590	25,949,493	8,827,987	24,838,420	26,881,602	23,659,405	10,320,106
Other revenue	683,296,700	270,354,960	276,092,043	72,159,109	581,387,680	239,350,545	262,858,260	25,244,935
Total	740,159,000 =====	313,024,994 =====	318,108,434 =====	102,880,794 =====	636,736,100 =====	287,122,686 =====	304,379,758 =====	58,155,664 =====

### 2.2.2 Performance in Collection of Revenue

Audit observation	Recommendation	Opinion of the accounting officer
Revenue billed in the reviewed year is Rs: 313,024,994 But non collected revenue at the end of the year is Rs: 102,880,794. This amount is 33% of billed revenue.	Arrears of revenue should be collected	Action will be taken to collect arrears of revenue under the special program.
Four receivable accounts balance of Rs: 104,785,571 existing more than four years, had not been collected in the review year.	Receivable revenue should be collected.	Action will be taken in future.

### 2.2.3 Courts fines and Stamp fines

#### (.) Court fines

Audit observation	Recommendation	Opinion of accounting officer
Receivable court fines fees as at 31 <sup>st</sup> December in the reviewed year is Rs: 8,000,000	Arrears of courts fines should be collected	Action will be taken to inform to the Uva provincial council for collection.

#### ( b) stamp fees

Audit observation	Recommendation	Opinion of accounting officer
Receivable arrears of stamp fees of Rs: 27,500,000 ,had not been collected as at 31 <sup>st</sup> December in the reviewed year.	Arrears of stamp fees should be collected.	Action will be taken to inform to the Uva provincial council and coted.

## 3. Operating Review

### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in term of section 4 of the municipal council ordinance Such as regulation and control of matters relating to public health ,common amenities and public highways , healthy environment of the public facilities ,welfare etc.

## (a) Action plan

<u>Audit observation</u>	<u>Recommendation</u>	<u>Opinion of accounting officer</u>
An annual action plan had not been prepared in the reviewe year.	An annual action plan should be prepared.	Action will be taken for representation in the year 2019.

## (b) Solid waste material Management

<u>Audit observation</u>	<u>Recommendation</u>	<u>Opinion of accounting officer</u>
(i) A lot of playground belong to the council, had been used for collecting garbage , by these garbage had been produced the compost fertilizer. Collecting water and garbage in the during of rainy days flow to the badulluoya.It was observed that environment problems had been created as a result of above mentioned activities.	Solid waste material should be disposed by the management.	Action will be taken to implement by decaying and non decaying recycling .
(ii) About metric ton 26,000 undecaying solid waste polythine material collected during the period of previous two years had not been recycled by 18 <sup>th</sup> August 2017.	Solid waste material should be disposed by the management.	Action will be taken to implement by decaying and non decaying recycling

## (c) Sustainable Development Targets

<u>Audit observation</u>	<u>Recommendation</u>	<u>Opinion of accounting officer</u>
With regards to the sustainable development agenda “2030”of united nations, even had been become aware, but indicators relevant to the council had not been identified for sustainable objects and targets.	Progress should be measured for identifying the targets and objects of sustainable development objects and targets to reach for annual program .	Action will be taken to perform for identifying the indicators and measurement of sustainable development objects and targets.

### 3.2 Management Inefficiencies

Audit observation	Recommendation	Opinion of accounting officer
(a) An automatic software system had been bought for entering the final accounts of council. The Rs: 308,008 had been expended for establishment of this system, But these implements had not been used.	Automatic software system should be used.	Action will be taken to implement by local government assessment section.
(b) Amounting Rs.73,405,084 had expended, vehicle park had been constructed with computer system and nine employee appointed it. But formally programme had not been implemented to increase income.	A formally program should be implemented.	Action will be taken to fix exhibition name boards for awareness at the entering place to the town by this actions hope to increase revenue of the council. we hope to give the package system.
(c) A balance of Rs: 36,196,395 relevant to the three creditors exiting more than one year had not been settled in the reviewed year.	Payable balance should be settled.	Action will be taken to pay after getting allocation.

### 3.3 Human Resources Management

Audit observation	Recommendation	Opinion of accounting officer
a) Over staff as at 31 <sup>st</sup> December in the review year is eighteen (18) for one post.	Over staff should be approved.	Action will be taken to approve the over staff.
b) The ten vacancies relevant to the three post (03) had not been fulfilled as at 31 <sup>st</sup> December in the reviewed year.	Vacancies should be fulfilled.	Action will be taken to fulfilled the vacancies.

### 3.4 Operating Inefficiencies

Audit observation	Recommendation	Opinion of accounting officer
Receivable revenue of Rs: 1,388,678 had not been collected to the council according to the agreement signed with two payers for collecting vehicle parking fees in the year 2016 and 2018.	Arrears of revenue should be collected.	Action will be taken to file a case in the court.

### 3.5 Assets Management

#### ----- Idle Assets -----

Audit observation -----	Recommendation -----	Opinion of accounting officer -----
(a) The three (03) tractors valued Rs:625,000 and two motor bicycle had been idle more than five years.	To repair or for removability should be acted.	Action will be taken in future due to spare parts had not in the market.
(b) The twenty three (23) equipments valued Rs: 329,120 had been bought in the year 2017. But these equipments had not been utilized.	By bought assets should be utilized.	Action will be taken to issue for use.

### 3.6 Procurement

#### ----- Procurement plan -----

Audit observation -----	Recommendation -----	Opinion of accounting officer -----
The procurement plan had not been prepared in the reviewed year.	The procurement plan should be prepared according to the approved annual budget.	Action will be taken to prepare in the year 2019.