

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

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**1. Financial Statements**

**1.1 Presentation of the Financial Statements**

The Financial Statements of the year 2019 had been presented to the audit on 28 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the Mayor on 17 June 2020 and 24 July 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section 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 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3.1 Basis for Qualified Opinion**

**a) Accounting Deficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) 01 contingent liability and 04 contingent assets amounting to Rs. 8,892,167 had not been disclosed in the financial statements.	Relevant disclosures should be done in the financial statements.	It will be corrected in the financial statements of 2020.
(ii) As at 31 December of the year under review, 7 sport pavilions worth of Rs. 19,050,000 had been accounted as Rs. 4,050,000 in the financial statements.	It should be accounted correctly.	It will be corrected in the financial statements of 2020.

**a) Lack of evidence for Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Dishonored cheques and relevant documents relating to cheques amounting to Rs. 1,883,710 had not been presented to the audit.	Dishonored cheques and relevant documents relating to cheques should be presented to the audit.	It will be corrected in the financial statements of 2020.

#### 1.4 Non compliance

##### Non compliance with laws, rules, regulations and management decisions

Reference to laws, rules regulations and management decisions	Non compliance	Recommend ation	Comments of the Accounting Officer
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> Financial Regulation 571	91 General deposits amounting to Rs. 2,719,977 that had elapsed more than 2 years had not been settled.	Action should be taken in accordance with Financial Regulations.	Action will be taken to get Tender deposit into the Council fund, If a need arises to repay, It will be paid on a Council decision.
(b) Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government	Revenue amounting to Rs. 53,265,050 had been lost as at 31 July 2019, because 252 shops had not been charged rents on new assessment values but charged on the assessment values of the year 2002.	Action should be taken in accordance with the guidelines of the circular.	Council approval has been received to charge rents on new assessment for some places. Those charges also been suspended and action will be taken to charge on a Council decision.

## 2 Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Municipal Council for the year ended 31 December 2019 has been Rs. 35,820,463 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 18,835,498.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	24,910,000	18,278,540	12,391,631	5,886,909	30,427,500	16,554,071	11,776,524	4,777,547
ii. Rent	35,227,000	30,006,335	26,354,704	3,651,631	27,599,600	25,648,603	23,040,353	2,608,250
iii. License Fees	15,120,000	17,198,346	14,469,153	2,729,193	16,235,000	15,964,360	14,350,925	1,613,435
iv. Other Revenue	60,691,000	57,304,655	11,449,460	45,855,195	57,599,000	53,793,266	15,317,041	38,476,225
Total	135,948,000	122,787,876	64,664,948	58,122,928	131,861,100	111,960,300	64,484,843	47,475,457

### 2.2.2 Performance in Revenue Collection

#### Audit observation

Arrears of rates amounting to Rs. 22,784,193 and Arrears of other revenue amounting to Rs. 76,335,732 that had elapsed more than a year had not been recovered.

#### Recommendation

Arrears of revenue should be recovered.

#### Comments of the Accounting Officer

Until September 2019, Rates amounting to Rs. 4,943,696 had been recovered by prohibition of property. Rs. 12,391,631 of billed rates for the year 2019 have been collected.

### 2.2.3 Court Fines and Stamp Fees

#### Audit observation

Arrears of Court fines amounting to Rs. 20,792,750 and arrears of Stamp fees amounting to Rs. 31,327,478 due as at 31 December of the year under review had not been recovered.

#### Recommendation

Arrears of Court fines and arrears of Stamp fees should be recovered.

#### Comments of the Accounting Officer

The commissioner of Local Government has been informed in written to recover arrears of Court fines. Arrears of Stamp fees amounting to Rs. 2,051,500 have been recovered.

## 3 Operating Review

### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Municipal Council in terms of Section 4 of the Municipal Councils Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

**(a) Action Plan**

**Audit observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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An informal action plan had been prepared for the period from July to December of the year under review.

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A formal Action plan should be prepared.

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A formal action plan has been prepared for the year 2020.

**(b) Failure to Provide Funds**

**Audit observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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02 works with an estimated value of Rs. 2,176,592 had not been completed because provisions had not been made from the annual budget for 02 works included in the development program of the year 2019.

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Provisions should be made from the annual budget for approved development programs.

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No further action has been taken on Council decisions.

**(c) Projects which have been funded but not commenced work**

**Audit observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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Although financial allocations of Rs. 8,798,536 had been made for 17 development projects according to the Development Program for the year 2019, work on those projects had not been commenced during the year.

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Projects which have been funded should be completed on time.

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Some projects have been commenced. Some projects have been completed by Divisional Secretariat.

**(d) Failure to obtain the Expected Output Level**

**Audit observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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Although Rs. 1,953,912 had been spent on 07 development projects under the development program for the year 2019, the expected output level had not been obtained.

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Construction of projects should be completed on time.

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The works had been commenced by December 2019, and It had been delayed to complete due to delay in delivery of goods.

(e) **Environmental Issues**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although an environmental protection license should be obtained to carry on a slaughterhouse in accordance with section 23 of Environmental Act No. 47 of 1980 amended by Act No. 56 of 1988 and Act No. 53 of 2000, environmental protection license had not been obtained for the slaughterhouse at Green Lane Drive, Badulupitiya, Badulla. Also in this regard the Central Environmental Authority had filed a case against the Municipal Council for not disposing of wastewater properly.	----- Action should be taken to comply with applicable environmental laws.	----- Cases have been currently filed by the Central Environmental authority. In that case, it has not ordered to close.

(f) **Sustainable Development Goals**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Municipal Council had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Sustainable objectives and goals which could be applied to the Municipal Council will be identified and further action will be taken accordingly.

**3.2 Management Inefficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- (a) According to section 30(c) of the Agreement to lease the Senanayake Pitiya public toilet and the South lane public toilet for the year 2018, these two toilets should have been handed over to the Municipal Council before 6.00 pm on 31 December 2018 but had not been handed over till 17 July 2019.	----- It should be leased following procurement procedures and should be recovered arrears up to 17 July 2019.	----- Currently, these 02 toilets have been taken over and tendered. Action has been taken to recover the arrears.

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| <p>(b) Arrears of tax amounting to Rs. 1,756,005 that should have been collected from two cinema halls operating in Badulla from the year 2012 to the year 2019 had not been collected.</p> | <p>Arrears of taxes should be recovered.</p> | <p>The manager has been informed to pay the entertainment tax but has not paid. Unsold receipt books have been taken over by the Municipal Council. In such a case, a temporary agreement has been reached promising to pay the arrears, and only two installments have been paid and the balance has not been paid.</p> |
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### **3.3 Human Resource Management**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) As at 31 December of the year under review, There have been 49 excess employees and 41 vacancies.</p>	<p>Relevant action should be taken regarding excess cadre and vacancies.</p>	<p>Action will be taken to obtain the approval for the excess cadre.</p>
<p>(b) According to Section 4 of chapter XXIV of the Establishments code of the Democratic Socialist Republic Of Sri Lanka, Outstanding staff loans amounting to Rs. 1,860,214 due from 51 offices who had left the service, suspended and transferred had not been recovered.</p>	<p>Outstanding Loans should be recovered.</p>	<p>Those officers and their guarantors have been informed to recover the loan balances. Necessary action will be taken as soon as answers are received.</p>

### **3.4 Operational Inefficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) 10 shops at Badulla South lane had not been entered into lease agreements, and the Agreement period for 4 shops had expired 14 years ago. Also revenue loss amounting to Rs. 2,342,400 had been incurred because 12 shops had been sub-leased.</p>	<p>Arrears of revenue should be recovered and action should be taken as per the Agreements.</p>	<p>Agreements for shops are being renewed.</p>

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| (b) The upper floor of three leased shops in front of the inn had been built by the lessee, and the floor had not been assessed and charged rent. | Arrears of revenue should be recovered. | Action will be taken to charge on a Council decision. |
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**4 Accountability and Good Governance**

**4.4 Procurement Plan**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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A procurement plan had been prepared for the period from July to December of the year under review only.	A procurement plan for the whole year should be prepared and approved.	A Procurement plan has been prepared for the year 2020.

**4.5 Audit and Management Committee**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Only 03 Audit and Management Committee meetings had been held in the year under review.	Audit and Management Committee meetings should be held at least once in a quarter.	Although the committee convened for 04 meetings, It could not be held due to low attendance of officials.