

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

-----

1. Financial Statements

-----

1.1 Presentation of Financial Statements

-----

The financial statements for the year under review and the previous year had not been presented for audit up to 08 April 2011.

1.2 Comments on Transactions, Operations and Performance

-----

1.2.1 Lack of Evidence for Audit

-----

Un replied Audit Queries

-----

Replies had not been furnished for 11 audit queries up to 31 March 2011. The computable value of transactions subjected to those queries were Rs.21,585,329.

1.2.2 Non compliance

-----

The following non compliances with laws, rules, regulations and Management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management decision	Non-compliance
-----	-----
(a) Sections 267-272 of the Municipal Councils' Ordinance.	The Council had not compiled By laws, according to the provisions in the Act.

- (b) Schedule ‘A’ of the Extraordinary Gazette No.1159/22 dated 22 November 2000 published by the Minister of Forest Resources and Environment in terms of the Environment Act No.47 of 1980 amended by the National Environment Act No. 56 of 1988 and Act No.53 of 2000 .
- A license had not been obtained from the Central Environmental Authority for the slaughter house of the Council.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R)
- 
- (i) F.R. 189
- Action had not been taken with regard 89 dishonored cheques amounting Rs.1,153,434 pertaining to the period between 1999 to 2009 in terms of Financial Regulations.
- (ii) F.R.371
- Action had not been taken to get settle the advances amounting to Rs.3,821,811 issued to various parties for various purposes from 1998 to 2010 on 51 occasions, even up to the end of the year 2010.
- (iii) F.R.395(c)
- Even though bank reconciliation statements for every month should be prepared before 15 of the next month, bank reconciliation statements of the Council had been prepared only up to September 2010.
- (iv) F.R. 396
- Action had not been taken with regard to 25 un-presented cheques valued Rs.52,277 in terms of Financial Regulations which had exceeded a period of 06 months from the dates of issue.

- (v) F.R.570 and 571 Action had not been taken in respect of refundable deposits of Rs.5,005,986 in terms of Financial Regulations remained more than 2 years.
- (vi) F.R.763 Stores rules had not been prepared as per the provision in the Financial Regulations.
- (vii) F.R.1645(a),(c) and 1646 The vehicle log books had not been properly maintained as per the Financial Regulation and original daily running charts and monthly travelling summaries of some vehicles had not been presented to Auditor General.
- (viii) F.R.1647 (b) and (e) A board of survey had not been carried out on vehicles belong to the Council in terms of Financial Regulation and a register had not been maintained including details of the vehicle.
- (d) The Establishments Code of the Democratic Socialist Republic of Sri Lanka  
-----
- (i) Sub section 4.3.4 and Section 03 of Chapter XIX Action had not been taken to identify the officers who were eligible for quarters of the Sabha and waiting list had not been maintained accordingly.
- (ii) Section 05 of Chapter XIX The relevant approval had not been obtained from the Secretary to the Ministry after assessing economy rent for quarters by the Chief Valuer.

2. Financial and Operating Review  
-----

2.1 Revenue Administration  
-----

2.1.1 Estimated Revenue , Actual Revenue and Arrears of Revenue  
-----

The information furnished by the Mayor with regard to the estimated revenue, actual revenue and arrears revenue for the year under review and the previous year are given below. However, it was revealed in audit that information furnished were inaccurate.

Revenue Item	2010			2009		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Rates and taxes	48,581	19,455	29,126	63,264	12,329	50,935
Lease Rent	9,931	7,019	364	6,202	3,071	3,131
License Fees	6,282	3,146	2,703	5,126	3,124	2,002
Other Income	267	892	1,638	5,748	4,223	1,725

2.1.2 Court Fines  
-----

Fines amounting Rs.832,592 recovered up to 31 December 2010 by the Magistrate's Court under various Ordinances and remitted to the Provincial Commissioner of Revenue remained receivable by the Council.

2.1.3 Stamp Fees  
-----

Stamp fees amounting to Rs.5,089,826 to be receivable from the Registrar General as at 31 December 2010.

2.1.4 Assessment tax  
-----

Action had not been taken to recover assessment tax by amending the value of assessment and issuing certificates of compliance regarding 1488 building applications approved by the Council.

2.1.5 Entertainment Tax  
-----

The entertainment tax recoverable from a cinema hall amounting Rs. 1,632,128 for the period from 1998 to 2005 and amounting Rs. 2,812,841 from another cinema hall for the year 2003 and public performance charges amounting Rs. 73,500 for the year 1999 had not been received.

2.2 Surcharges  
-----

According to the surcharges imposed by me against those responsible under the provisions in Section 226(1) of the Municipal Councils Ordinance (Chapter 252), the surcharges recoverable as at 31 December 2010 amounted to Rs.3,540,000.

2.3 Human Resources Management  
-----

Approved and Actual Cadre  
-----

The information regarding the approved and the actual cadre of the Council as at 31 December 2010 is shown below.

Grade of Staff -----	Approved -----	Actual -----
Executives	06	04
Tertiary	39	31
Secondary	49	56
Primary	272	205
Others (Casual / Temporary)	Nil	88

2.4 Assets Management  
-----

2.4.1 Idle and underutilized Physical Resources  
-----

It was observed in sample audit that two Massey Ferguson tractors and a Kubota two wheel tractor were remained idle and underutilized.

2.4.2 Staff Loans Recoverable  
-----

The balances of staff Loans and Advances recoverable as at 31 December 2010 aggregated Rs.14,320,225 and the balances of accounts remaining arrears for over 1 year aggregated Rs.1,969,308.

2.4.3 Assets not Verified  
-----

Board of survey reports for the year under review had not been furnished to audit.

2.5 Identified Losses and Damages  
-----

- (a) A loss of Rs.1,265,804 incurred to the Council due to collection of fair tax by the Revenue Inspectors without taking proper action to solve the conflict situation occurred regarding fair tax collected by the lesser who obtained the tenders.
- (b) A sum of Rs.13,440 had been paid to reconnect the water supply which was disconnected due to un settlement of water bills regularly.
- (c) A sum of Rs.9,052 surcharge had been paid as surcharge due to delay in payment of remittance to Employees Provident Fund for the period of 1991 to1995 in respect of an employee of the council.

## 2.6 Operating Inefficiencies

-----

Following observations are made.

- (a) A sum of Rs 1,118,759 had been paid to an officer as salaries and cost of living allowance, for the period of 03years 02months and 10days who had been interdicted from the service, due to in completion of disciplinary inquiry within the respective period of time in accordance with the part II of Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circulars.
- (b) Action had not been taken to get reimbursed the expenditure made by the Council for maintain street lamps in the council area and approximately a loss of Rs.628,572 had been incurred to the Council when compared with the fee paid by the Ceylon Electricity Board to the Council for street lamp maintaining annually.
- (c) Action had not been taken to regularize an unauthorized cable television service in the council area by compiling By laws or by following necessary legal procedures by the Council.
- (d) It was observed in sample audit that goods purchased in 23 occasions in the year under review valued Rs.3,168,119 had been distributed without entering in stock books or bin cards.

## 2.7 Performance

-----

It could not be ascertained whether the expected performance target had been achieved or whether action had been taken according to the annual action plan due to not furnishing the updated accounting records of the council.

## 2.8 Contract Administration

-----

Balance works of the swimming pool constructed during the period 2000-2005 spending Rs.3,679,675 by the Council Fund had been suspended since the year 2005 due to substandard construction works.

3. Systems and Controls  
-----

Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary control
- (d) Contract Administration