

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

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review and the preceding year had not been presented to audit up to 30 April 2012. The report on the performance of the Council for the year 2011 was issued to the Mayor on 03 September 2012.

**1.2 Comments on Transactions, Operations and Performance**

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**1.2.1 Unreplied Audit Queries**

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Replies to 10 audit queries had not been furnished as at 31 March 2012.

**2. Financial and Operating Review**

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**2.1 Financial Control**

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- (a) Action had not been taken in terms of Financial Regulation 188(2) of the Democratic Socialist Republic of Sri Lanka in respect of a cheque valued at Rs.27,190 deposited but not credited to the bank.
  
- (b) Action had not been taken in terms of Financial Regulation 189 in respect of 89 cheques valued at Rs.1,154,334 dishonoured during the period 1999 to 2010.

- (c) Advances amounting to Rs.3,952,759 paid to various parties in 69 instances during the period 1998 to 2011 had not been settled even as at 31 December 2011 in terms of financial Regulation 371.
- (d) Withholding Tax amounting to Rs.154,058 for the period March 2009 to March 2011 had not been remitted to the Commissioner General of Inland Revenue in terms of Section 153 of the Inland Revenue Act No. 10 of 2006.

## **2.2 Revenue Administration**

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### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information on estimated revenue, actual revenue and arrears of revenue in respect of the year under review, as presented by the Mayor is shown below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs. '000	Rs.' 000	Rs. '000
(i) Rates and Taxes	46,264	15,429	30,835
(ii) Lease Rent	9,774	5,942	3,832
(iii) License Fees	3,783	1,856	847
(iv) Other Revenue	5,138	3,779	1,359

### **2.2.2 Stall Rent**

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- (a) A monthly rent less than the rent indicated in the agreement had been recovered in 58 instances of renting out stalls of the Council. Therefore, the Council had been deprived of an income of Rs.3,502,200 that could have been earned up to 31 December 2011.

- (b) Arrears of rent amounting to Rs.3,721,369 recoverable as at 31 December 2011 in respect of 15 stalls owned by the Council in respect of the periods ranging from 31 months to 258 months had not been recovered.
- (c) According to Sections 1 and 2 of the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, Uva the monthly rent of the stalls owned by the Council should be assessed at lowest once in 5 years. However, such an assessment had not been done in respect of 503 stalls.
- (d) Although it is prohibited to sub let the stalls in terms of Section 7 of the above circular, the leasees who had obtained 61 stalls of the Council on lease had sub-let them to other parties. The Council, on their request had vested the lease on the new leasees' names, recovering a fees for vesting.
- (e) According to the agreements signed in leasing out the second floor of the New Market Complex, the lease rent should be increased by 10% once in 5 years. Due to the failure in recovery of rent as such, the Council had been deprived of an income of Rs. 27,300 for the period July to December of the year under review.

### **2.2.3 Entertainment Tax**

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Two cinema halls situated in the area under the authority of the Council were selling entrance tickets without the official seal of the Council, and Entertainment Tax amounting to Rs. 90,969 was outstanding for the period January to May 2011.

#### **2.2.4 Slaughter House Licence**

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A licence had not been obtained for the slaughter house of the Council from the Central Environmental Authority in terms of provision of Schedule “A” of the Gazette Extra Ordinary No. 1159/22 dated 22 November 2000 issued by the Minister of Forest Resources and Environment in accordance with the National Environment Act No. 47 of 1980 as amend by Act No. 56 of 1988 and Act No. 53 of 2000.

#### **2.3 Uneconomic Transactions**

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A Solid Waste Management Centre had been constructed incurring an expenditure of Rs.49,581,503 from 2008 to December 2011 under the financial assistance of the Solid Waste Management Project of the Ministry of Provincial Councils and Local Authorities. However, as it had not been constructed according to the Urban Development Corporation Plan approved by the Urban Development Authority, it had been decided to remove the above Centre from that location and to develop the playground. Therefore, the expenditure incurred on the construction of the said centre had become fruitless.