

Hambantota Municipal Council

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Hambantota District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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While Financial Statements for the year 2017 had been submitted to audit on 28 March 2018, the Auditor General's Report relating to those financial statements was sent to the members including the Mayor on 31 August 2018.

1.2 Qualified Opinion  
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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Hambantota Municipal Council as at 31 August 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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Following accounting deficiencies were observed in audit

- (a) Debtor's provision amounting to Rs.1, 091,129 and Creditors provision amounting Rs. 1,030,638 as Accounts Receivable and Accounts Payable relevant to 05 works performed during the preceding year and the year under review had not been made in the accounts.
- (b) Adjustments had not been made in the accounts with regard to machinery and equipment purchased and received as donations at a cost of Rs.826,880 and discarded amounting to Rs. 116,860 during year under review.
- (c) Creditors provision had not been made on account of Audit Fees amounting to Rs. 438,150 for the preceding year and expenditure amounting to Rs. 153,523 incurred during the year 2018 relevant to the year under review.
- (d) Value of 4 water tanks of 2000 litres and pre-school equipment received as donations during the year under review had not been accounted.

### 1.3.2 Non-reconciled Accounts

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The total of disparities observed between 05 items of accounts shown in the financial statements and balances shown in the relevant books and schedules was Rs.1,523,593.

### 1.3.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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Action had not been taken to recover Trade License Fees and Industrial Tax amounting to Rs. 68,000 in arrears since a period prior to the year 2016.

#### (b) Accounts Receivable

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Action had not been taken even up to end of the year under review to settle contribution amounting to Rs. 6,284,777 payable to the Pension Department over a long period.

### 1.3.4 Lack of written Evidence required for Audit

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Thirteen Items of Accounts totaling Rs. 14,023,911 could not be satisfactorily vouched in audit due to non-remission of required information.

### 1.3.5 Non-compliances

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Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to laws, rules, regulations and management decisions.	Non-compliance
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(a) Public Administration Circular No..30/2016 dated 29 December 2016	Fuel consumption of 11 vehicles of the Council had not been tested
(b) Circular No. PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy	About 12 percent of the expenditure incurred on account of street lamps only had been reimbursed

due to non-compliance with circular provisions.

- (C) Govern2006- Paragraphs 2.3.2 (c) and 261(ii) ment Procurement Guidelines  
Action had not been taken to refer matters regarding preparation of specifications and approval for the purchase of the Information Management System.

1.3.6 Transactions not covered by Adequate Authority

Action in compliance with Section 216 of the Municipal Councils Ordinance Chapter (Chapter 252) had not been taken to cover expenditure incurred exceeding budgeted provision amounting to Rs. 98,239 for the Supplies and Equipment.

2. Financial Review  
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2.1 Financial Results  
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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs. 2,179,128 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,253,528.

2.2 Revenue Administration  
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2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue  
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Information furnished relevant to estimsted revenue,billed revenue, collected revenue and arrears of revenue for the year undeer review and the preceding year are shown below

Source of Revenue	2017		Revenue Collected	Total arrears as Estimated at 31 December		Billed Revenue	Revenue Collected	Total arrears as at 31 December	
	Estimated Revenue	Billed Revenue		Estimated Revenue	Estimated Revenue			Rs.	Rs.
i Rates and Taxes	6,877,000	7,166,642	6,028,788	2,050,078	6,633,240	6,777,418	5,469,913	2,370,439	
ii Rent	15,421,000	18,598,220	18,347,680	545,273	14,481,200	15,410,621	14,689,102	736,961	
iii. License Fees	2,492,000	4,117,732	4,005,995	584,950	2,280,000	2,545,968	2,188,964	514,153	
iv Other Revenue	7,552,000	7,187,906	4,885,463	3,491,917	6,676,000	8,031,036	6,383,138	4,179,750	
Total	32,342,000	37,070,500	33,267,926	6,672,218	30,070,440	32,765,043	28,731,117	7,801,303	

### 2.2.2 Performance in Revenue Collection

While the total revenue billed for the year under review was Rs. 37,070,500, out of that sum of Rs. 33,267,926 had been collected during the year.

### 2.2.3 Rates

While there had been arrears of rates amounting to Rs. 2,013,578 as at 31 December 2017 due to failure in taking action in terms of Section 252(1) of the Municipal Councils Ordinance, out of that, a sum of Rs. 517,717 had been recovered by June 2018.

### 2.2.4 Rent

#### (a) Non-updating Agreements

Although all agreements should be updated once in three years in compliance with the paragraph 05 of the Circular No. SLG/CLG/2010/01 dated 27 December 2010, action had not been taken accordingly with regard to 30 stalls in the public market belong to the Council.

#### (b) Non-Recovery of Assessed Rent

Although new assessed rent should be recovered after sanction of the Council in terms of paragraph 03 in the circular referred to above, with regard to 34 stalls in the public market belong to the Council relevant to the year 2016 and 16 stalls in the upper floor of the bus stand relevant to the year 2017, stalls rent had not been recovered according to

the assesment reports given during the year 2017. Due to that, a sum of Rs..1,652,450 had been lost to the Council Fund as at 30 June 2018.

#### 2.2.5 Other Revenue

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A sum of Rs. 325,920 was in arrears as at the end of the year under review on account of providing Council vehicles and machinary on ren

#### 2.2.6 Court Fines and Stamp Fees

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Court Fines amounting to Rs. 597,620 and Stamp Fees amounting to Rs. 1,542,916 were Recoverable from the Chief Secretary to the Provincial Council and other authorities as at the end of the year under review.

### 3. Operating Review

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#### 3.1 Performance

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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Municipal Council under Section 4 of the Municipal Councils Ordinance are shown below.

##### (a) Lack of Provision

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- I. Provision had not been made in the budget for 06 works to be performed by the Council according to the annual action plan prepared.
- II. Twelve works to be performed, for which provision had been made available in the budget by utilizing Council Funds had not been performed during the year.

##### (b) Targets for Sustainable Development

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Long term plans for elevation of living condition and health of the people in the area of Authority of the Council through global index agenda 2030, targeting sustainable Development objectives had not been prepared by the Council.

### 3.2 Human Resources Management

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It was observed that there was an excess of 46 persons in 03 posts and vacancies of 22 persons in 15 posts in the cadre as at 31 December of the year under review.

### 3.3 Assets Management

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Assets not vested

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Action had not been taken even up to 16 March 2018 to vest the registered ownership of 06 vehicles used by the Municipal Council.

### 3.4 Procurements

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#### 3.4.1 Annual Procurement Plan

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A Procurement Plan had not been prepared for the year under review by the Municipal Council.

#### 3.4.2 Contracts Administration

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(a) Following matters were observed at the site inspection carried out on 16 March 2018 with regard to certain works performed during the year by the Council.

(i) Fixing Interconnected Stone Blocks in Rajapaksa Avenue

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While many places of this road which had been constructed at an expenditure amounting to Rs. 1,256,641 had been sunk, stone dust had not been applied to an extent of about 16 metres.

(ii) Fixing Interconnected Stone Blocks in Road No. 12 and No.13 Miridgejawela

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While many places of this road which had been constructed at expenditure amounting to Rs. 1,520,109 and Rs. 662,272 respectively, stone blocks had been fixed leaving large space among stone blocks, While concrete surface on either sides of the road had been cracked in number of places, stone dust had not been applied adequately. In preparing the road basement, road had not been compressed to the required level and therefore block stones had got sunk.

(iii) Construction of a Culvert across Rajapaksa Avenue  
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An unsecured position was observed at that place as the construction work of the culvert had been stopped half way. Nearly six months time had elapsed exceeding the agreed time for this work for which estimated cost had been Rs. 227,969. Necessary course of action had not been taken to bring that to a usable condition by completing the work even up to end of June 2018.

- (b) Action had not been taken even up to end of June 2018, for fruitful use of the Information Management System purchased by spending Rs. 938,500 during November 2016. It was observed that problems could be arisen regarding accuracy, confidence and security of information, as the Information Management System had been stored in the server of the service provider.

**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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Material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below. Therefore the budget had not been made use of as an effective tool of management.

- (a) While the total adverse variances of items of Charges for Services and Revenue Grants was Rs. 18,795,668,, those values were 20 percent and 22 percent.
- (b) While the total savings of 04 items of expenditure was Rs. 1,461,682, those values were in a range from 10 percent and 45 percent

**4.2. Audit and Management Committees**  
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Although 04 Audit and Management Committees meetings per annum at the rate of 01 meeting per quarter should be conducted in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009, only 03 meetings had been conducted for the year under review.

**4.3 Internal Audit**  
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An officer had not been appointed for internal audit of the Municipal Council according to Circular No. SPC/GG/01/N dated 14 February 2014 of the Southern Province Commissioner of Local Government.

## 5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Council from time to time. Special attention should be made in respect of following areas of systems and controls.

System	Main deficiency in the system
(a) Accounting	<ol style="list-style-type: none"><li>I. Instances of omissions of account balances, under/over statements.</li><li>II. Adjustments relating to past years to the extent of material values due to accounting deficiencies.</li><li>III. Instances of non-capitalization of fixed assets.</li></ol>
(b) Revenue Administration	<ol style="list-style-type: none"><li>I. Slow phase in recovery of arrears of revenue.</li><li>II. Non-identification of new sources for revenue generation.</li><li>III. Non-recovery of assessed rent of stalls and failure to update agreements.</li></ol>
(c) Cadre Control	<ol style="list-style-type: none"><li>I. Non- filling vacant posts</li><li>II. Engagement of employees in excess of the approved cadre.</li></ol>
(d) Contract Administration	<ol style="list-style-type: none"><li>I. Instances of non-performance of work as shown in the payment reports.</li><li>II. Instance of failure in correct identification of work performed in the preparation of payment reports.</li><li>III. Instances of inadequate supervision of construction works.</li></ol>
(e) Budgetary Control	<ol style="list-style-type: none"><li>I. Non-preparation of estimates with proper study and evaluation.</li><li>II. Lack of follow-up action in order to achieve Budget targets.</li></ol>



