

Hambantota Municipal Council

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Mayor on 31 May 2019 and 11 June 2019 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 Hambantota Municipal Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

The following accounting deficiencies were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Employees' security deposits of Rs.340,805 as at 31 December of the year under review and the investments of employees' security deposits had been omitted in the financial statements.	Should be correctly brought to account.	The Council is not directly benefitted by this and as such it had been disclosed by a note.
(ii) Revenue from interest on fixed deposits for the year under review had been understated in the accounts by Rs.234,777.	Should be correctly brought to account.	Errors will be rectified while preparing financial statements for 2019.

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Three items of accounts aggregating Rs.1,016,035 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm balances of accounts should be furnished.	Information that could be furnished will be forwarded in future. The Council is not in possession of any information so as to furnish detailed information relating to the Government Capital Aid and the Development Reserve.

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371(5)	Advances amounting to Rs.74,270 had not been settled.	Action should be taken in terms of the Financial Regulation.	Advances will be settled subsequent to the receipt of retentions for the work concerned. Legal action had been taken to recover water bills and monthly fees of the fish stall.
(ii) Financial Regulation 571	Action had not been taken to settle deposits of Rs.242,217 over 02 years.	Action should be taken in terms of the Financial Regulation.	According to the decision of the Finance Committee dated 30 January 2019, tender deposits of Rs.145,500

				and miscellaneous deposits of Rs.177,695 had been credited to the revenue of the Council vide voucher No.54 of 21February 2019.
(b)	Public Administration Circular No.30/2016 of 29 December 2016.	Consumption of fuel by 06 vehicles of the Council had not been tested.	Action should be taken in terms of the circular.	Fuel testing will be intensified.
(c)	Paragraph 05 of the circular No. දළභා/භජාකො/2010/1 of 27 December 2010 of the Commissioner of Local Government	Agreements of 62 stalls had not been updated every 03 years.	Action should be taken in terms of the circular.	Action will be taken to update the related agreements. The stall holder of Tissa Road had rejected to make payments according to the new assessment rates and action will be taken to acquire it. The approval of the Minister in charge of the subject had not been obtained so far for the assessment of Ruhunu Plaza stalls.
(d)	Circular of the Ministry of Power and Energy bearing No.PE/01/01 of 17 August 2010.	Eighty nine per cent of the expenditure of Rs.1,768,148 incurred on street lamps had not been reimbursed.	Action should be taken in terms of the circular.	The Electrical Engineer had been intimated on 20 April 2018 to revise and pay the reimbursements for maintenance of street lamps.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.1,198,539 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,179,128.

2.2 Revenue Administration

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

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 below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,627,613	6,086,497	4,377,135	1,919,022	6,877,000	7,166,642	6,028,788	2,050,078
Rent	14,909,185	15,237,900	4,753,682	459,282	15,421,000	18,598,220	18,347,680	545,273
Licence Fees	5,053,000	4,214,873	4,061,123	149,500	2,492,000	4,117,732	4,005,995	584,950
Other Revenue	10,798,000	9,580,086	17,123,628	4,298,160	7,552,000	7,187,906	4,885,463	3,491,917
Total	36,387,798	35,119,356	30,315,568	6,825,964	32,342,000	37,070,500	33,267,926	6,672,218

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The arrears of revenue as at 01 January of the year under review aggregated Rs.6,672,218 and the billings of the year amounted to Rs.35,119,356. Accordingly, the total revenue recoverable during the year amounted to Rs.41,791,574 whereas the revenue collected amounted to Rs.30,315,568 showing 73 per cent of progress in recovery. The total arrears of revenue further recoverable as at end of the year amounted to Rs.6,825,964.</p>	<p>-----</p> <p>Arrears of revenue should be recovered.</p>	<p>-----</p> <p>The progress was 82 per cent as the total recoveries of arrears of 2018 including the arrears amounted to Rs.34,657,021.</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) The arrears of rates and taxes as at 01 January of the year under review amounted to Rs.2,050,078 and the billings of the year amounted to Rs.6,086,497. Accordingly, the rates and taxes receivable during the year amounted to Rs.8,136,575. However, the revenue collected amounted to Rs.4,377,135 resulting in the progress of recovery in rates and taxes of 54 per cent.</p>	<p>-----</p> <p>Progress in recovery of rates should be increased.</p>	<p>-----</p> <p>The percentage of recovery of rates and taxes in 2018 was 76.</p>
<p>(b) The arrears of rates and taxes as at 31 December of the year under review amounted to Rs.1,919,022. Action had not</p>	<p>Arrears of rates should be recovered.</p>	<p>Out of the arrears, Rs.313,027 had been recovered as at 24 May 2019 and Rs.191,206 had</p>

been taken to recover those arrears in terms of Section 252(1) of the Municipal Councils Ordinance. Further, the balance of arrears included balances of Rs.995,217 of 02 to 05 years and balances of Rs.119,358 over 05 years.

been written off. Field visits will be made and red notices issued along with distraining orders in order to recover balances.

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The revenue from rent billed during the year under review amounted to Rs.15,237,900 and the revenue collected amounted to Rs.4,753,682. Accordingly, the revenue collected was less than the revenue billed by 69 per cent, that is, Rs.10,484,218.	The progress in collection of rent should be improved.	Lease rent and the tender deposits had been erroneously shown under other revenue and the progress was 98 per cent after making rectifications.
(b) Stall rent of Rs.260,070 receivable as at 31 December of the year under review included arrears of balances of 03 to 05 years amounting to Rs.174,815.	Arrears of rent should be recovered.	A sum of Rs.78,850 had been recovered. Action will be taken to recover the balance.

2.2.5 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The estimated licence fees of the year under review amounted to Rs.5,053,000 whereas the revenue billed amounted to Rs.4,214,873. Accordingly, 83 per cent of the	Estimates should be correctly prepared.	Ninety six per cent of the revenue billed during the current year had been collected.

estimated revenue only had been billed.

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| (b) The licence fees of Rs.149,500 receivable as at 31 December of the year under review included arrears of balances of Rs.51,500 of 02 to 03 years. | Action should be taken to recover arrears of licence fees. | Out of the arrears, Rs.10,000 had been recovered during 2019. Legal action had been taken to recover the balance. |
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2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review amounted to Rs.182,977 and Rs.3,362,135 respectively. The balance of stamp fees receivable included arrears of Rs,1,132,635 of 02 to 03 years.	Arrears of court fines and stamp fees needs recovery.	Out of the arrears of court fines and stamp fees, a sum Rs.2,429,032 had been recovered. Action will be taken to recover the balance.

3. Operating Review

3.1 Performance

The following matters were revealed regarding functions to be performed by the Council in terms of Section 4 of the Municipal Councils Ordinance such as, regularization and administration of public health, public utility services and public highways, health of the public, facilities and welfare etc.

(a) Delays in Execution of Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
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Five work valued at Rs.7,634,269 included in the budget of the year under review had not been executed during the year under review.	Attention should be paid to fulfil development proposals included in the budget.	The Ministry of Local Government and the Department of Local Government had furnished estimates to obtain provision for execution of the

related work. But, funds had not been received. These had not been executed from the funds of the Council as it needs an extensive amount.

(b) Sustainable Development Targets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The Council had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Council by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.</p>	<p>Indicators should be identified to measure the sustainable development objectives targets and the progress in achievement of annual target should be measured accordingly,</p>	<p>Action will be taken from 2019 to prepare long term plan to uplift the living standards and health of the public within the area of the Council through global indicators.</p>

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) A sum of Rs.54,881 had been obtained in excess of the actual expenditure as reimbursement from the Commissioner of Elections for the local authority elections of the year under review.</p>	<p>Actual expenditure should be reimbursed.</p>	<p>Expenditure on health and sanitary services supplied during the elections and for the expenditure on water and fuel had been properly reimbursed from the office of the Assistant Commissioner of Elections. The balance remaining after settlement of expenditure had been carried forward as miscellaneous deposit.</p>
<p>(b) Action had not been taken to recover new assessment rent from 52 stalls of the Council in terms of Paragraph 03 of the</p>	<p>Action should be taken to recover assessment rent.</p>	<p>Action will be taken to update the agreement concerned. Stall holders of Thisa Road had rejected to</p>

Circular No. දපපා/පපාකො/
01/2010 of 27 December 2010
of the Commissioner of Local
Government.

pay lease rent according
to the new assessment rent.
As such, action will be taken
to acquire the stalls.
Approval of the Minister in
charge of the subject had not
been obtained upto now
with regard to Ruhunu Plaza
Stalls.

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| (c) | The value of 38 land and buildings had not been assessed even by 31 December of the year under review. | Action should be taken to assess the value. | The ownership with clean boundaries of these land will be identified after survey of land and buildings. The assessed values of those properties are expected to be included Subsequently. |
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3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had not been taken even by end of the year under review to fill 35 vacancies in the approved cadre and to regularize an excess.	Excess posts should be regularized and vacancies should be filled.	Twenty one vacancies will be filled by the office of the Chief Secretary, Southern Province. Action will be taken to fill 14 vacancies with effect from 01 April 2019.
(b) Five officers of the Municipal Council had been engaged in duties other than their approved duties.	Should be engaged in approved duties.	According to the new service minutes approved by the Governess of the Southern Province on 16 April 2013, the posts of office, library, stores, water and substitute labourers had been integrated with the posts of work/field labourers. As such, they had been assigned with duties relevant to the posts of office and stores labourers.

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| <p>(c) Action had not been taken to recover loans/advances of Rs.87,750 due from 3 employees who had vacated posts during the year under review.</p> | <p>Action should be taken to recover employees' loans.</p> | <p>Action will be taken to recover in future.</p> |
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3.4 Operating Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Out of the 10 management information system purchased, the accounts and payments system and 02 road services and payments management systems are at the initial stage and action had not been taken to modernize those systems. The expenditure of Rs.326,500 incurred on them had become fruitless. Although 02 years had elapsed since the purchase of these systems, action had not been taken to purchase server.</p>	<p>This system should be maintained in a superior level.</p>	<p>Improvements to the information technology is still under consideration of the institutional officers. The information system on road service payments had been finalized and payments had already been made. The accounts and payments system had also been included in the system. Delay in data inputs is due to lack of officers with related knowledge and due to heavy schedule and action would be taken to intensify the work. As regards the server, action will be taken to obtain services from the ICT.</p>

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Action had not been taken even by 31 December of the year under review to acquire written ownership of 42 land and 06 vehicles used by the Municipal Council.</p>	<p>Action should be taken to acquire assets.</p>	<p>Action will be taken in future to acquire ownership of these vehicles from the office of the Chief Secretary.</p>

3.5.2 Annual Goods/Stocks Verification

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Recommendations relating to 21 identified goods at the board of survey 2017 had not been implemented even by 22 May 2019.	----- Recommendations of the board of survey should be implemented.	----- According to the letter of 11 June 2019, 18 out of 21 goods had been repaired in 2018. 02 goods are to be repaired and the other had not been repaired due to lack of necessary accessories.

3.6 Procurement

3.6.1 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to the agreement for installation of G.I pipes in front of the bus stand for which extension of time had not been granted, the work should have been completed on 18 August 2018. However, the date of completion of work as per work completion report of the Technical Officer was 28 December 2018. Demurrages of Rs.39,450 for delay of 132 days had not been recovered.	The work should be completed within the agreed period.	Demurrage will be recovered while settling the bills of the society. Information relating to abatements will be informed to audit without delay.
(b) A physical verification revealed that an overpayment of Rs.80,330 had been approved with regard to renovations to the Hambantota Municipal Council Playground	Payments should be made according to the work done report.	Action will be taken to recover the amount overpaid.

under the programme of developing rural playgrounds of Southern Province.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Savings in 02 objects aggregating Rs.16,903,875, ranged from 11 to 18 per cent.	Feasible estimates should be prepared.	Action will be taken to prepare estimates to suit the actual values, as far as possible, with proper study and evaluation.
(b) The expenditure in excess of the budgeted limits amounting to Rs.5,821,718 had been incurred on 05 objects, ranging from 20 to 75 per cent.	Feasible estimates should be prepared.	Action will be taken to prepare estimates to suit the actual values, as far as possible, with proper study and evaluation.