

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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The financial statements for the period 01 November 2011 to 31 December 2011 had been presented to audit on 24 January 2013. The report of the Auditor General for the accounting period under review was issued to the Mayor of the Council on 10 May 2013.

1:2 Opinion  
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So far as appears from my examination and to the best of information and according to the explanations given to me. I am of opinion that the Hambantota Municipal Council had maintained proper accounting records for the period 01 November 2011 to 31 December 2011 and except for the effects on the financial statements of the matters referred to in the report forwarded to the Mayor, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Hambantota Municipal for the period 01 November 2011 to 31 December 2011 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements  
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1:3:1 Accounting Deficiencies  
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- (a) Action had not been taken to legally acquire the assets of Rs.68,002,818 and liabilities of Rs.4,262,501 vested by the Hambantota Pradeshiya Sabha when the Hambantota Urban Council was converted into a Municipal Council.

- (b) Assets and Liabilities accounts alone had been included in the trial balance prepared for the accounting period concerned and the Income and Expenditure Account had not been included.
- (c) A sum of Rs.1,219,827 had been credited to the Capital Aid (30381) Account and the Income and Expenditure Account. However, a journal entry showing details had not been prepared.
- (d) Revenue from stamp fees amounting to Rs.928,123 receivable as at 01 November 2011 had not been entered as the opening balance in the main ledger. The revenue from stamp fees receivable for the months of November and December 2011 amounting to Rs.413,890 too had not been accounted for, as revenue of the accounting period of the Municipal Council. The total revenue from stamp fees amounting to Rs.1,342,013 as at 31 December 2011 too had not been accounted for.
- (e) The sum of Rs.977,404 received on 20 December 2011 on behalf of work operated under the Maga Neguma Rural Development Programme 2011 had been credited to the deposit account instead of being accounted as revenue of the accounting period concerned.
- (f) The sum of Rs.977,404 paid in 2012 for the Maga Neguma Rural Development Programme 2011 had not been accounted for, as an expenditure of the accounting period concerned and under the creditors, as at 31 December 2011.

1:3:2 Lack of Evidence for Audit

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Transactions of 24 items of accounts aggregating Rs.57,711,666 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

02. Financial and Operating Review  
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2:1 Financial Results  
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According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Council for the period commencing 01 November 2011 and ending on 31 December 2011 was Rs.1,171,043.

2:2 Revenue Administration  
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2:2:1 Rates and Taxes  
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(a) Consequent to the conversion of Hambantota Urban Council into a Municipal Council, the Grama Niladhari divisions belonging to the Hambantota Pradeshiya Sabha namely, Koholankala, Siribopura, Keliyapura, Samodagama and Mirijjawila belonged to the authoritative area of the Hambantota Municipal Council. However, action had not been taken to assess the rates and taxes of those Grama Niladhari divisions in terms of Section 230(1) of the Municipal Councils Ordinance.

(b) The arrears of rates and taxes as at end of the year was Rs.1,672,465. Action had not been taken to recover this arrears of rates and taxes in terms of Section 252(1) of the Municipal Councils Ordinance.

2:2:2 Stall Rent  
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A sum of Rs.239,450 was due as arrears of stall rent from 33 stalls as at 31 December 2011. Action had not been taken to recover this arrears of rates and taxes in terms of Section 253(1) of the Municipal Councils Ordinance.

2:2:3 Court Fines and Stamp Fees  
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Court fines of Rs.125,625 and stamp fees of Rs.1,342,014 were due as at 31 December 2011 from the Hambantota Magistrate's Court and the Land Registry.

2:3 Idle Physical Resources  
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A motor cycle and two tractors remained idle for a long period without being made use of. Action had not been taken to dispose of, them in terms of Public Finance Circular No. 353(5) dated 03 January 2003.

2:4 Operating Inefficiencies  
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(a) A total sum of Rs.6,196,798 was in existence in the General Deposit Account as at 31 December 2011 consisting of tender deposits, security deposits, work retentions and miscellaneous deposits. Action had not been taken in terms of Financial Regulation 571(3) either to credit to state revenue or to refund the lapsed deposits.

(b) The Municipal Council had not prepared a Corporate Plan and an Action Plan.

2:5 Internal Audit  
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Adequate internal audit had not been carried out at the Institution.

03. Systems and Controls  
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Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Control over Loans to Employees
- (e) Human Resource Management