

Hambantota Urban Council

Hambantota District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for 01 January 2011 to the period ending 31 October 2011 had been presented to audit on 24 January 2013 and the financial statements for the preceding year had been presented on 10 June 2011. The report of the Auditor General for the period of 10 months under review was issued to the Chairman on 30 April 2013.

1:2 Opinion

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 Urban Council had maintained proper accounting records for 01 January 2011 to the period ending 31 October 2011 and except for the effects on the financial statements of the matters referred to in the report forwarded to the Chairman, 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 Urban Council as at 31 October 2011 and the financial results of its operation for the period then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) The revenue from stamp fees amounting to Rs.928,123 for the period 01 January to 31 October 2011 had not been accounted for. The sum of Rs.106,000 received for the year 2010 had been credited to revenue of this accounting period.
- (b) The revenue from court fines amounting to Rs.85,875 for the period 01 January to 31 October 2011 had not been credited to revenue. Action had not been taken to compute and account for, the court fines receivable as at 31 October 2011.
- (c) The sum of Rs.234,369 receivable on behalf of the lease of Hambantota cinema hall as at 31 October 2011 had not been shown in the accounts.

1:3:2 Lack of Evidence for Audit

Transactions totalling Rs.44,276,945 could not be satisfactorily vouched in audit due to the non-remission of necessary information to audit.

02. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Council for 01 January 2011 to the period ended 31 October 2011 was Rs.759,185 and the recurrent expenditure exceeding the revenue of the previous year was Rs.1,332,276..

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and arrears of revenue for the period under review, as presented by the Chairman, appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	3,115	1,675	1,699
(ii) Lease Rent	5,980	207	2,437
(iii) Licence Fees	609	--	--
(iv) Other Revenue	3,995	--	393

2:2:2 Rates and Taxes

 The arrears of rates and taxes as at 31 October 2011 amounted to Rs.1,841,434. Action had not been taken to recover the arrears of rates and taxes in terms of Sections 170(1) and (2) of the Urban Councils Ordinance.

2:2:3 Rent of Stalls

 Action had not been taken to recover the arrears of rent of stalls amounting to Rs.206,790 recoverable from 36 stalls as at 31 October 2011.

2:2:4 Court Fines and Stamp Fees

 Court fines and stamp fees aggregating Rs.1,013,998 was receivable as at 31 October 2011 from the Magistrate's Court, Hambantota and from the Land Registry.

2:3 Idle Physical Resources

 Two tractors and a motor cycle were idling without being used. 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

 The following observations are made.

- (a) The sum of Rs.75,536 received from the Southern Commissioner of Local Government on 04 September 2007 to construct the boundary wall of the

Catholic Crematorium affected by Tsunami was lying in the deposit account even as at 31 October 2011 without being used for the said purpose.

- (b) Action had not been taken in terms of Financial Regulation 571(3) of the Sri Lanka Republic with regard to the lapsed refundable deposits amounting to Rs.561,911.
- (c) Fifteen employees of the Council had not reported for duty without approval for 823 days exceeding the casual and vacation leave entitled for them in terms of Section 5.1 and 8.1 of Chapter xii of the Establishments Code of the Republic of Sri Lanka.

2:5 Accountability and Good Governance

A Corporate Plan for not less than 3 years to fulfil the mission and vision of the Council and an annual action plan to fulfil the matters included in the Corporate Plan had not been prepared and adequate internal audit had not been carried out at the institution.

03. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management