

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Beruwala Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Beruwala Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally accepted Accounting Practices and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.

- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1. Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
The statement of cash flows has not been prepared in accordance with Chapter No. 3.27 to 3.32 of the Standard.	The action will be taken to correct when preparing the financial statements of the year 2023.	The Cash flow statement should be prepared in accordance with Public Sector Accounting Standard for Local Government.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Interest income for the year under review was not accounted on fixed deposits of Rs.675,000.	The action will be taken to correct during the preparation of the final account of the year 2023	The Interest income should be properly accounted.
(b) An amount equal to the annual depreciation of the capital grants received in year 2020 and 2021 from the government was not recognized as a liability in the year under review in the statement of comprehensive income.	It has been given under note No.10 of the comprehensive income statement.	Interest income should be properly accounted.

1.7 Non-compliances

Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management	Non – Compliance	Comment of the Sabha	Recommendation
The Guidance on valuation of non-financial assets issued on 31 December 2018	Although the land and buildings should be assessed by a professional valour, the assessment of the land and buildings was done by a committee appointed by the Sabha.	The assessment value will be taken from the Department of Valuation.	Should be done according to the circular

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. .1,640,489 as compares with the excess of revenue over recurrent expenditure amounting to Rs. 75,271,564 in the preceding year.

2.2 Revenue Administration

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

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i) Rates and Taxes	23,854,295	29,253,576	19,633,435	25,754,967	27,497,375	28,668,148	20,299,363	29,855,526
(ii) Rent	22,921,850	20,825,028	23,330,393	5,952,825	18,780,360	21,774,627	17,074,308	7,517,574
(iii) License Fees	4,130,000	4,102,000	3,893,040	898,500	1,081,500	907,382	704,382	261,000
(iv) Other Revenue	100,000,000	152,309,224	189,838,595	115,798,726	110,850,000	110,850,000	90,220,000	20,630,000
	----- 150,906,145 =====	----- 206,489,828 =====	----- 236,695,463 =====	----- 148,405,018 =====	----- 158,209,235 =====	----- 162,200,157 =====	----- 128,298,053 =====	----- 58,264,100 =====

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below

Audit observation	Comment of the Sabha	Recommendation
(a) According to the assessment tax period analysis, the arrears less than one year is Rs.2,754,108, the arrears between years 01 to 03 is Rs.8,985,427, the arrears between years 03 to 05 is Rs.4,638,278, between the years 05 to 10 is Rs. 9,388,228 and the arrears over 10 years excess was Rs. 8,189,417.	The action is being taken to conduct a survey related to recovering of the assessment and according to the report, plans will be made to carry out further action.	The action should be taken to recover the arrears of income as soon as possible.
(b) The shop rent deficit was Rs. 7,517,572 at the beginning of the year under review, and during the year, Rs. 2,610,387 or 35 percent was not recovered.	Due to the closure of the shops, the deficit has been cut off from the documents and proceedings have been taken to recover the remaining amount.	-do-
(c) 10 retail shops in Aluthgama, Weekly Fair, 15 vegetable shops, 11 shops in Maggona public market and 09 shops in Darga city were closed for many years without lease, so the Sabha had lost its due income.	Due to the issues in the shops, they are not being used because there are less people.	Action should be taken to get income.

(d)The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2022 were Rs.51,592,795 and stamp fees was Rs.34,995,067. After the sub-documents will be prepared and submitted to the Provincial Revenue Department and the fines and stamp fees will be collected. Arrears of court fines and stamp fees should be collected expeditiously.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Comment of the Sabha	Recommendation
54 barrels of tar and colas valued at Rs.1,669,000 were purchased during the year under review without preparing a route plan to be maintained before purchasing construction raw materials.	The maintenance programs have been prepared for the year 2023.	A maintenance plan should be prepared and followed accordingly.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The equipment of the Payagala bodybuilding centre which was built near the coastal area had not been serviced or maintained since 2017, so all the machinery was heavily rusted.	The Payagala and Maggona bodybuilding centres are near the coastal area and are frequently exposed to salty air, which causes rusting.	The equipment of the body building centre should be maintained.
(b) The legal ownership of 191 lands owned by the Sabha had not been transferred to the council.	The Divisional Secretary has implemented programs under the resolution of land problems in local government institutions. All issues have been submitted for that.	The action should be taken to transfer the legal ownership of the lands owned by the Sabha to the Sabha.
(c)Regarding 117 plots of land owned by the Sabha, it was not possible to get a legal ownership done by the assessment department due to the absence of legal documents confirming the ownership.		Lands should be properly assessed.

3.3 Weaknesses in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
(a) Design plans and measurement sheets were not prepared for 03 projects valued at Rs.2,502,000implemented during the year under review.	Design plans have not been submitted because it is not a completely new construction.	Design plans and specifications should be prepared.

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| (b) | Although the thickness of the concrete layer was estimated to be 125 mm while concreting the last part of the road parallel to the Aluthgama railway line, the relevant money was deducted and paid even though the thickness of the concrete was 120 mm. Due to the decrease in the quality of the road, there were crack in the concrete floor at two places. | There has not been reduction in quality due to a regional road and that minor bursting points are in need of repair. | The standard of construction should be taken into consideration while paying. |
| (c) | 13 projects totalling Rs. 11,037,000 were implemented in the year under review, without inclusion in the action plan and without budget approval at the request of the members. | These 13 projects have been implemented on priority basis. | The budget approval should be obtained. |

4. **Accountability and Good Governance**

Environmental Issues

Audit observation	Comment of the Sabha	Recommendation
Although a waste management plan had been prepared for the year 2022, the plan did not include programs such as composting the collected waste and recycling non-biodegradable waste, so a land owned by an external party was dumped and covered with soil, from 2020 and Rs. 8,734,830 had been spent for the end of the year under review .	It had to be done as there is no land to dispose of the garbage properly.	The Proper action should be taken to dispose the garbage.