

## **Beruwala Pradeshiya Sabha - 2023**

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### **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 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in net assets/ equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out 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 2023, 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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
(a) The statement of cash flows had not been prepared in accordance with Chapter No. 3.27 to 3.32 of the Standard.	The cash flow in year 2024 will be prepared accurately.	The Cash flow statement should be prepared in accordance with standard.

- (b) In accordance with Standard No. 5.14, the method used for issuing stock and the method of stock valuation was not disclosed in the accounting policies. -do- -do-

### 1.6.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) The capital expenditure amounting to Rs.19,773,513 had been accounted as recurrent expenditure during the year under review.	That correction will be made in preparing the financial statements in year 2024.	Accounts should be prepared correctly.
(b) Fixed deposit interest for the year under review.Rs.675,000 had not been accounted.	-do-	-do-

### 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.

<b>Reference to Laws, Rules, Regulation and Management</b>	<b>Non – Compliance</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Pradeshiya Sabha Act No. 15 of 1987 The Section 159	As a last step to collect arrears of assessments, prohibition of asset had not been done.	Action will be taken to collect areas.	Action should be taken in accordance with the section.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.104(4)	Full report had not been submitted within 03 months regarding 06 recorded vehicle accidents.	That the responsible parties have been identified and action taken against them.	Action should be taken in accordance with the regulation.

(ii)	F.R.108	No action had been taken against the parties responsible for the cab accident that took place in the year 2022 .	The investigation is being conducted and after it is completed, the relevant actions will be taken.	-do-
(iii)	F.R.1645	Driving records were not prepared for 10 vehicles owned by the sabha.	That it will be submitted to the Auditor General in the future.	-do-
(iv)	F.R.1646	Monthly summary and running charts of the vehicles belonging to the sabha were not submitted to the Auditor General.	-do-	-do-

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.8,048,882 as compares with the excess of revenue over expenditure amounting to Rs. 1,640,489 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 Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

		2023				2022			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	
(i) Rates and Taxes	25,918,429	25,600,161	34,037,739	15,835,000	23,854,295	29,253,576	19,633,435	25,754,967	
(ii) Rent	23,255,552	19,086,953	17,124,743	3,848,205	22,921,850	20,825,028	23,330,393	5,952,825	
(iii) License Fees	4,133,000	4,233,205	4,184,806	793,400	4,130,000	4,102,000	3,893,040	898,500	
(iv) Other Revenue	-	-	-	-	100,000,000	152,309,224	189,838,595	115,798,726	
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	53,306,981	48,920,319	55,347,288	20,476,605	150,906,145	206,489,828	236,695,463	148,405,018	
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## 2.2.2 Performance in Revenue Collection

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

	<b>Audit observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	<b>Rates and Taxes</b>		
	According to the assessment tax period analysis as at 31 December year under review, the arrears less than one year is Rs. 1,627,484, the arrears between years 01 to 03 is Rs.5,130,206, the arrears between years 03 to 05 is Rs.2,433,376, between the years 05 to 10 is Rs.4,464,338 and the arrears over 10 years excess was Rs.2,179,593.	That a survey of outstanding properties between 05 and 10 years and more than 10 years will be conducted and dealt with accordingly.	The action should be taken to recover the arrears of income as soon as possible.
(b)	<b>Rent</b>		
(i)	The shop rent deficit was Rs. 5,952,825 at the beginning of the year under review and out of that, Rs.1,908,648 or 32 percent was not recovered during the year.	Rs.367,401 has been collected from the arrears and Rs.561,146 has been approved to be written off and action taken to file lawsuit for Rs.158,375.	-do-
(ii)	No action had been taken to collect areas of Rs.689,762 since 03 years even during the year under review.	Action taken to file lawsuit.	-do-
(c)	<b>Other income</b>		
	The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023 were Rs.39,535,856 and stamp duty was Rs.126,995,067.	That arrangements have been made for scheduling..	-do-

### 3. Operational Review

#### 3.1 Activities assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) There was no long-term systematic arrangement for disposing of the massive accumulation of garbage in the Beruwala Sabha.	Depending on the capacity of the compost yard, biodegradable waste is sent to the site and the rest is disposed of on private land.	The responsible institutions should be informed about the problem of waste disposal and a sustainable solution should be found.
(b) There was not enough space and facilities for hygienic slaughter of cattle in Gho slaughter house belonging to Beruwala Pradeshiya saba.	Delays have occurred because there is no financial provision to fix the deficiencies. That adequate facilities will be created in the future.	The work should be done under hygienic procedures.
(c) The license of the Central Environment Authority was not obtained for the Gho slaughter house and there is no system to dispose of its water systematically, so the waste water was mixed with the Bentara river adjacent to the land.	During the on-site inspection conducted by the Central Environment Authority for the granting of licenses, deficiencies have been shown and they will be rectified and the problems resolved in the future.	should be made to obtain the environmental permit.

#### 3.2 Uneconomic Transactions

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
While a planning committee was held on the same day at the same time, 05 signed documents were prepared at the sub-office	Rs.76,500 have been recovered and the remaining amount is being recovered.	Sabha's funds should be spent properly.

level and considering that participated in 05 committees, Rs. 484,000 was paid in excess of the amount due in relation to the period from December 06, 2022 to June 30, 2023.

### 3.3 Operational inefficiency

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Tax was collected from only 24 hotels without conducting a proper survey of the number of hotels registered under the Tourism Board in the sabha area.	According to the information provided by the hotels, the license fees have been charged and the information has been requested from the tourism board.	A survey of registered hotels should be conducted and taxes collected.

### 3.4 Idle or underutilized property, plant and equipment

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
A tractor owned by the sabha remained idle since 5 years without repair.	Tractor No. RD-9469 has been sent for engineering report and other 3 hand tractors have been sent for repair work.	Assets should be used efficiently.

### 3.5 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) The JOHN DEER beach cleaning vehicle, which was received as a donation from the Western Provincial Council, had not been in running condition since 13 October 2017, and although it had been sent to a private company for repair from the year 2018, it had not been taken and put into operation by 31December 2023.	75% of the repair work of the vehicle has been completed so far, it will soon be put into service after the repair work.	Repairs should be done on time.
(b) 10 vehicles used by the sabha had not been acquired to the sabha.	That the ownership of those vehicles is being taken over.	Arrangements should be made to acquire the vehicles properly .



### 3.6 Procurement Management

<b>Audit Observation</b>	<b>Comment of the sabha</b>	<b>Recommendation</b>
During the toner procurement, the council had incurred a financial loss of Rs. 316,560 due to the rejection of the lowest bid and purchase at a higher price.	Technical Committee had recommended this subject to two conditions.	Proceed as per the National Procurement Guidelines.

### 3.7 Weaknesses in Contract Administration

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
A loss of Rs.208,000 had been incurred due to overpayment of the price set by the district price committee for a block of stone in the project of constructing toilets for low-income families.	That the goods had to be bought according to the prices prevailing in the market.	The loss incurred should be recovered from the responsible parties.

### 3.8 Human Recourse Management

<b>Audit observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Rs.1,036,338 had not been taken to recover the employee loan due from 06 officers and employees who retired after serving in the sabha.	This amount has been communicated to the Pension Department for recovery from Pension Gratuity.	Arrangements should be made for immediate recovery.