

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 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, 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 provisions in Sub- Section 10 (1) of the National Audit Act No 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 2024, 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) According to paragraph 3.22 (f) and 3.23 of Chapter 3 of the standard the balance of reserve had not been disclosed in the statement of changes in equity.	It will be corrected from the final account of the year 2025.	Financial statements should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities
(b) According to paragraphs 3.27 to 3.32 of Chapter 3 of the Standard the statement of cash flows had not been prepared .	-Do-	The Cash flow statement should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities.
(c) According to paragraph 6.15 of Chapter 6 of the Standard, fixed assets depreciation was done under the diminishing balance method for fixed assets under the basis of preparation of financial statements, depreciation had been calculated in the straight-line method contrary to that.	It will be corrected from the final account of the year 2025.	Financial statements should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities.
(d) According to paragraph 9.9 of Chapter 9 of the Standard, transfers made by the government for capital expenditure should be recognized primarily in other comprehensive income and the amounts recognized as a charge on transfers recognized in other comprehensive income should be deducted from other comprehensive income, but it was not disclosed in the statement of comprehensive income or in the relevant notes 05 and 10 that they were recognized as such.	-Do-	-Do-

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) 2 tractors valued Rs. 500,000 which were not purchased during the year under review had been accounted as fixed assets.	It will be corrected from the final account of the year 2025.	Fixed assets without ownership should not be accounted .
(b) Although an amount equal to the depreciated value should be recognized against the income when accounting for capital grants, amounted to Rs. 61,721,682 had been recorded as transfers from the government for non-recurring expenses and amounted to Rs. 2,462,392 had been recognized as capital expenditure grants in the surplus under comprehensive income.	It will be corrected from the final account of the year 2025.	Capital grants should be accounted correctly.
(c) The interest for the year under review on the fixed deposits of Rs. 575,000 and Rs. 100,000 of the Bank of Ceylon maturing every 02 years had not been recognized and accounted.	-Do-	The income for the year should be accounted.
(d) Although the provision for depreciation accounts should be maintained separately in the general ledger for accumulated depreciation related to fixed assets, it had been accounted in the reserves and provisions account.	-Do-	Accounts should be prepared accurately.
(e) When preparing bank reconciliation statements for 03 current accounts, it had been used other values instead of the balance of cash book.	-Do-	Bank reconciliation should be prepared accurately.

1.6.3 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
It had not been reconciled the difference of Rs. 3,267,919 relevant for 05 item of accounts, between the balances as per the financial statements and the balances as per the schedules.	Action will be taken to correct it in the year 2025.	Action should be taken to find out the reasons for the differences and correct it.

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
Paragraph (iv) of Public Administration Circular No. 13/2008 dated 09 February 2011	12 field officers who were not entitled to receive fuel allowances and a temporarily recruited officer were given 1,927 litters of fuel worth Rs. 666,076	Advice has been sought from the Office of the Assistant Commissioner of Local Government, and the payment of fuel allowances has been suspended from January 2025.	Proceed in accordance with referred circular.

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 2024 amounted to Rs. 53,226,523 as compares with the excess of revenue over expenditure amounting to Rs. 8,048,882 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.

		2024				2023			
	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	29,069,868	29,317,455	32,967,628	12,866,227	25,918,429	25,600,161	34,037,739	15,835,000
(ii)	Rent	20,197,646	21,704,530	23,401,372	1,636,251	23,255,552	19,086,953	17,124,743	3,848,205
(iii)	License Fees	712,000	898,979	985,979	25,000	4,133,000	4,233,205	4,184,806	793,400
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		49,979,514	51,920,964	57,354,979	14,527,478	53,306,981	48,920,319	55,347,288	20,476,605
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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)	Rates and Taxes		
	The outstanding balance of Rate and tax at the beginning of the year under review were Rs. 15,835,000 and out of that Rs. 5,782,115 or 36 percent had not been collected during the year.	The action will be taken to collect the remaining amount.	The action should be taken to recover the arrears of income as soon as possible.
(b)	Shop Rent		
(i)	The outstanding balance of shop rent at the beginning of the year was Rs. 1,834,324 and out of that, Rs. 823,986 or 44 percent had not been collected during the year.	The action will be taken to recover the loss or file a lawsuit.	-Do-
(ii)	The arrears of shop rent of Rs. 689,762 which have been outstanding for 04 years had not been collected during the year under review.	An amount of Rs. 18,600 had been collected and the remaining amount will be removed from the records as unavailability of premises.	-Do-
(c)	Other income		
	The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024 were 11,452,577 and stamp duty was Rs. 148,823,645.	The Kalutara Land Registrar's Office has been informed to prepare schedules for the stamp duty receivable.	-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.

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though the 09 business premises had not been obtained environmental permits at the beginning of the year under review, Pradeshiya sabha had been issued trade permits to continue their business activities and had not been prepared by-laws in accordance with Section 122 of the Pradeshiya Sabha Ordinance, mentioning the requirements to obtain the trade permits without having environmental permits.	Advises will be obtained from the Department of Local Government for the preparation of by-laws.	Action should be taken to prepare by-laws for efficiency of Pradeshiya sabha.
(b) It had not been prepared by-laws in accordance with section 223 of the Pradeshiya Sabha Ordinance to prevent future dispute relating to income collection, Since Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 does not specify the percentage of income to be collected as license fees and method for verifying the accuracy of the annual income from the hotels used for the purposes of the Tourism Development Act .	Action will be taken to obtain advice from the Department of Local Government.	-do-

3.2 Losses Identified

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though the Commissioner's letter of Local Government No. LGD/10 F/02/KAL/2024 dated 25 July 2024 had been directed the recovery of a financial loss of Rs. 561,147 from the responsible officers, no action had been taken by the end of the year under review.	An investigation committee will be appointed and further action will be taken.	Proceed in accordance with referred letter.
(b) Losses amounting to Rs. 486,000 had been occurred due to allowance paid although applications from 05 sub-offices were discussed at the same time on the same day in the planning committees for the year 2023, 05	Action taken to charge by informing to other institutions and while preparation of pensions.	The losses incurred to sabha fund should be recovered promptly.

signed documents were prepared at the sub-office level and considering that participated in 05 committees. However, amounted to Rs. 133,500 had been recovered out of that end of the year under reviewed and sabha had not been taken any further action against the responsible parties .

- (c) Without obtaining expert advice under rules 178(10) of the Local Authorities, and without preparing proper specifications or carrying out an accurate technical evaluation, a tar heating machine purchased on 22 September 2006 by paying an advance of Rs. 869,500, had become inactive since 17 November 2006. financial loss of Rs. 869,500 had been incurred as the bank guarantee obtained for the advance payment was not realized to recover the amount paid. Accordingly, the Auditor General had imposed surcharges under Subsection 172(3) of the Pradeshiya Sabha Act No. 15 of 1987 to seven officers in the Pradeshiya Sabha. However, the Commissioner of Local Government had not taken action to recover the surcharges and the Pradeshiya Sabha too had failed to make reminders or take steps to recover the loss caused to the Council fund as at the end of the year under review.
- Reminder letters had been sent to the relevant parties on 08 April 2025.
- The surcharge should be recovered.

3.3 Management inefficiency

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though the Samurdhi Bank and Post Office had been constructed in the Darga Town Sub-Office land measuring 02 acres 01 rood 10.72 perches and worth Rs. 30,000,000, sabha did not have the approvals or agreements regarding construct buildings by other institutions in the sabha premises. The value of the entire land was stated in the asset register and the sabha had collected rate tax of Rs. 4,671 and Rs. 11,677 respectively from those institutions without taking any action regarding the unauthorized constructions on the sabha's properties.	It is not possible to give a clear answer as to whether Samurdhi Bank and Post Office are unauthorized constructions.	Action should be taken regarding the security of the sabha's properties.
(b) The upper floor of the two-storey building located in the Darga Town Sub-Office premises is being used by the Sri Lanka Police without entering a contract and the sabha had been paid amounting to Rs. 108,500 as water bill for the year under review for that building.	That Action will be taken to disconnect the water supply from 31 May 2025.	The property owned by the sabha should be leased out properly.

3.4 Operational inefficiency

Audit Observation	Comment of the Sabha	Recommendation
Although the monthly shop rent should be revised every 3 years based on the assessment of the Government Valuer or a Chartered Valuer as per the Local Government Department Circular No. LGD/13/2016(i) dated 03 December 2020, sabha had been charged assessment rent in 2015 for 09 vegetable shops and 09 retail shops in the Aluthgama Sati Pola.	Action will be taken to increase the rent of the shops after getting new assessment.	Action should be taken as per the referred circular.

3.5 Transactions of contentious nature

Audit Observation	Comment of the Recommendation Sabha
The following observations are made regarding the sabha entered into an agreement with a private institution in March 2018 for the purchase of 17 software systems required for the head office and sub offices.	
(a) As per the 4th condition of the agreement entered into by the Beruwala Pradeshiya Sabha with the said institution, 50 percent of the value of the software system was to be paid at the time of entering into the agreement, 25 percent after its installation in the computer system and the remaining 25 percent after employee training. Although the salary management system costing Rs. 495,000 and the online fee payment and reservation website system costing Rs. 275,000 had not been installed in the computer system as at 31 December 2024, the 50 percent payment of Rs. 385,000 to be paid after installation and training had been paid on 21 March 2018.	Action will be taken in accordance with the agreement in the future. Action should be taken regarding the payments made contrary to the terms of the agreement.
(b) Although Rs. 385,000 had been paid for the outstanding revenue management system, it was not possible to obtain reports required for making management decisions such as outstanding shop rent, time analysis .	Requests have been made to the NEKFA institution to obtain arrears rent period analysis reports. The system should be utilized effectively to ensure benefits commensurate with the expenditure.
(c) Although Rs. 495,000, Rs. 295,000 and Rs. 695,000 had been paid for the all accounts management system, human resources management system and warehouse management system respectively, the said software had not been put into use by the sabha	Action will be taken to provide training to the officers and to network the main office with the sub-offices. The system should be used efficiently.

at the end of the year under review.

- (d) In accordance with tender conditions No. 08, the Networking will be -Do- system should be capable of operating separately carried out in the future. from each other as well as a single system. However, although the assessment and other revenue management systems had been established separately for the sub-offices, necessary steps had not been taken to integrate the systems to obtain information related to the overall revenue management of the sabha.

3.6 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The Kubota hand tractor, that had not been maintained the running chart since 2018, was noted in the logbook as having been handed over to a private institution for repairs, without a date and signature. There were no documents exchanged with the garage regarding the maintenance and the value of the vehicle had not been included in the fixed assets register. The accessories of the vehicle had been removed in the garage and the vehicle had not been repaired and brought to the sabha at the end of the year under review.	It was not possible to give a specific answer regarding the not mention in the asset register and action would be taken in the future regarding the repair work.	Action should be taken as per the circular of the Secretary of Western Province.
(b) The beach cleaning vehicle that had been received as a donation from Ministry of the Western Province Development had not been in running condition since 13 October 2017.	repair had been postponed as the sabha did not have the financial strength.	Funds should be raised and the repair work should be expedited.

- (c) 06 vehicles used by the sabha had not been acquired to the sabha as at end of the year under review. Initial steps have been taken, and the matter will be resolved in the future. Arrangements should be made to acquire the vehicles properly.
- (d) In accordance with the format of Note No. 16 of the Local Government Department Circular No. GD/D.Cir./2020 dated 27 August 2020, fixed assets purchases, disposals and adjustments, cost and depreciation had not been clearly stated under the format of property, plant and equipment and the capital expenditure allowances under Note No. 10 had not been prepared according to the format. That action will be taken to prepare according to the format in future years. Action should be taken as per the referred circular.

3.7 Procurement Management

Audit Observation	Comment of the sabha	Recommendation
In the purchase of furniture and equipment worth Rs. 6,971,350 for the library in Darga Town, purchases had been made directly from the State Timber Corporation, disregarding the provisions of the Government Procurement Guidelines. In addition, furniture and equipment removed from the library were not properly handed over to the stores.	No evidence was available to prove that the old furniture and equipment had been formally handed over or received.	Purchases should be made in accordance with the Government Procurement Guidelines and the removed items should be properly handed over to the store.

3.8 Weaknesses in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
(a) Without entering into a formal agreement, a contract for supplying soil for covering waste had been awarded to a supplier. Payments amounting to Rs. 5,821,000 were made from January to July in the year under reviewed based on the number of	Payments were made after inspections by the superintendent of Works.	When awarding a contract to an external party, it should be formalized through an agreement, and proper supervision and control

- time vehicle arrived, without physically inspecting or measuring the soil supplied. mechanisms over the payments should be established.
- (b) The following observations were made regarding Provincial Development Grants received: Rs. 24,985,879 for erecting electric poles and laying of cluster wires at the Beruwala Moragalla coastal area, and Rs. 2,802,244 for illumination of the beach.
- (i) For the coastal lighting project, the council had prepared an estimate of Rs. 6,200,000 and obtained approval. However, carrying out the work on a direct labor basis resulted in savings of Rs. 3,397,756. The saving was due to Overestimates should not be prepared for the projects.
- (ii) The electric lighting system constructed on the coastal strip was opened on 13 July 2024. For the opening ceremony, Rs. 150,000 was spent on four banners including names and photographs of political authorities, though this expense was not included in the project estimate. The cost for the banners was not included in the estimate. Sabha funds should not be spent on unnecessary activities.
- (iii) Despite the heavy expenditure incurred on the project, no significant public benefit was observed and the hotels along the coast could benefit from it. However, the council had to take legal action as 07 hotels enjoying the benefits of the project had not paid the license fees to the council since 2020. The projects were carried out for the purpose of attracting tourists and for the welfare of commercial activities on the coast. Project benefits must be directed to the general public.

3.9 Human Recourse Management

	Audit observation	Comment of the Sabha	Recommendation
(a)	Although it was reported that one primary-level position was vacant, 30 workers assigned to the Council since June 2023 continued to serve in other government offices until the end of the year and a total of Rs. 17,388,000 was paid from the sabha's funds as salaries for the year under review.	By letter dated 30 January 2025, arrangements were made to bring those employees back to the Sabha.	Salaries from sabha funds should not be paid to employees not serving the Sabha.
(b)	Out of the total debt balance of Rs. 834,838 of one officer who retired in the year 2022 and three officers who retired in the year 2023 and out of the total debt balance of Rs. 184,314 of two officers who left the service in the year 2022, no amount had been recovered during the year under review.	As of 10 March 2025, Rs. 210,200 had been recovered and the balance will be recovered in the future.	Action should be taken to recover the employee debt balances at the time of retirement of the officers.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comment of the sabha	Recommendation
As per the Section 16(2) of the National Audit Act No. 19 of 2018, the annual financial statements of the local government institution should be submitted to the Auditor General on or before 28 February of the following financial year in accordance with Rule No. 08 on Accounting Matters Relating to the Financial Administration of the Western Province Pradeshiya Sabhas, issued by the Extraordinary Gazette No. 2155/8 dated 24 December 2019. However, the financial statements for the year under review were submitted on 06 March 2025.	The subject officer was transferred on 27.01.2025.	Action should be taken in accordance with the referenced Acts and Gazettes.

4.2 Annual Action Plan

Audit Observation	Comment of the sabha	Recommendation
11 road maintenance and development projects with a total budgeted allocation of Rs. 9,000,000 included in the action plan for the year under review had not been implemented as at 31 December 2024.	Funds were inadequate, and the election period also affected progress.	Projects planned for the year must be completed within the year.

4.3 Environmental Issues

Audit Observation	Comment of the sabha	Recommendation
Due to the lack of a long-term systematic program for the disposal of the large amount of garbage accumulated in the Beruwala Pradeshiya Sabha, a sum of Rs. 10,864,350 was spent on waste management during the year under review.	Due to the insufficient capacity of the compost yard and baling machines, it has been necessary to enter into contracts with external suppliers.	A long-term effective program should be prepared for solid waste management.