

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ceybank Holiday Homes (Private) Limited (the “Company”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 of the National Audit Act No. 19 of 2018. My comments and observations which I considered would be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 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 Accounting Standards 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.

In preparing the Financial Statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Company.

1.4 Audit Scope

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 exercise 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observation on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Audit Issue	Management Comment	Recommendation
<p>(i) Unavailability of a mechanism to identify advance payments done via e-Banking and CDM</p> <p>When making reservations, customers can make advance payments using following methods.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Ceybank Holiday Homes Head Office <input type="checkbox"/> Respective Ceybank Rest <input type="checkbox"/> Bank deposit – over the counter <input type="checkbox"/> Cash Deposit Machines (CDMs) <input type="checkbox"/> E-banking 	<p>Agreed. We are in the process of procuring software to handle these aspects.</p> <p>Target date 31.03.2024</p>	<p>Need to expedite of introduce the suitable strategies to reduce/avoid unidentified deposits to Company’s bank accounts.</p>
<p>It was observed that no reservation reference is used when making advance payments using CDMs. In certain instances, online transactions also do not carry any reference. Therefore, the company has to make an extra effort to identify the exact rest/holiday home pertaining to the payment. Further, it affects the accuracy of location wise reservation income.</p>		

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(i) The aggregated debtor balance of the Company as at 31 December 2022 was Rs.4,185,341 which includes long outstanding debtor balances. Out of the aggregated amount, Rs. 719, 686 or 17 per cent was outstanding since more than one year period and satisfactory actions have not been taken to recover the outstanding balances on a timely manner. Details are as follows.	Some of the long outstanding debtors are settled during financial year 2023. We are in the process of write-off the long outstanding and unrecoverable items with the Board Approval. Target date 31.12.2023.	Need to take necessary actions to recover long outstanding debtor balances.
Period	Outstanding Balance (Rs.)	
0-30 Days	2,074,560	
31-90 Days	1,283,065	
91-180 Days	80,435	
181-365	27,595	
More than One Year	116,350	
More than Two Year	128,825	
More than Three Year	474,511	
Total	4,185,341	

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.2.49 million and the corresponding loss in the preceding year amounted to Rs26.7 million. Therefore, a decrease of loss amounting to Rs.24.21 million was observed. Increase of revenue by 142 per cent was the main reasons for the decrease of the loss during the year under review.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items and assets of the year under review as compared with the preceding year with the percentage of increase or decrease are given below.

Description	Variance Amount Increase/(Decrease) (Rs.)	Variance %	Reason for the Variance
Restaurant Income	44,079,309	233	In 2021 the Covid 19 impacted to the Restaurant income included in revenue and in 2022 the company became to normal condition gradually.
Reservation Income	35,666,011	193	In 2021 the Covid 19 impacted to the reservation income and in 2022 company became to normal condition gradually.
Trade debtors	2,497,411	148	Credit sales of CBR Anuradhapura (Ceybank Rest) and Executive Tea Services are increased in 2022.

2.3 Ratio Analysis

According to the financial statements and information made available, certain important ratios of the company for the year under review as compared with the preceding year are given below.

Description	Years	
	2022	2021
Profitability Ratio		
Gross Profit Ratio (Percentage)	47	41
Net Profit Ratio (Percentage)	(2)	(48)
Return on Total Assets	(5)	(62)
Return on Equity	(4)	(41)
Liquidity Ratio (Number of Time)		
Current Asset Ratio (Number of time)	0.21	0.15
Quick Assets Ratio (Number of times)	0.14	0.12

Net Profit, Return on Total Assets and Return on Equity Ratios of the Company shows minus figures during the year under review due to incurring of net loss during the year under review. However when comparing with previous year the Company has still failed to maintain adequate liquidity ratios and it may cause for working capital issues of the Company.

3. Operational Review
3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation												
<p>(i) The reservations for rests and holiday homes managed by the Company (other than those maintained for welfare purpose) can be done through the Company’s Head Office (via over the phone or in person) or the Rest (via over the phone).</p> <p>It was noted that neither the company website (www.ceybankholidayhomes.com) nor any mechanism is available for online reservations. The social media platforms (e.g; Facebook) are also not timely updated as an effective marketing tool.</p>	<p>The website is abandoned and cannot be deleted due to our inability to trace the host. We are in the process of streamlining all electronic channels.</p> <p>Target date 31.03.2024.</p>	<p>The management should ensure that all possible measures including the use of new technology are adopted to increase its revenue.</p>												
<p>(ii) It was noted that there is no documented cancellation policy for Ceybank Holiday Homes (Pvt) Ltd.</p> <p>In the absence of a documented and approved policy for cancellations and refunds, inconsistencies could arise in the related procedures which could lead to customer dissatisfaction and unfair treatment.</p>	<p>We abide the Welfare Department cancellation policy. We will also draft our new cancellation policy.</p> <p>Target date 31.12.2023</p>	<p>The management should establish cancellation policy.</p>												
<p>(iii) It was observed that security services for Ceybank rests have been obtained from the same security firms over several years without entering into service agreements as at the date of audit as follows;</p>	<p>Noted to be rectified.</p> <p>Target date 31.12.2023</p>	<p>The management should ensure that services of security firms are selected through a proper procurement mechanism under entered into a valid agreement.</p> <p>Further, periodic performance evaluation should be carried out prior to renew the agreements.</p>												
<table border="1"> <thead> <tr> <th data-bbox="284 1476 421 1505">Rest Name</th> <th data-bbox="485 1476 655 1505">Security Firm</th> <th data-bbox="699 1476 810 1585">Service obtained from</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 1592 453 1621">Anuradhapura</td> <td data-bbox="485 1592 592 1697">Southern Security Services</td> <td data-bbox="699 1592 836 1621">01.02.2004</td> </tr> <tr> <td data-bbox="284 1711 443 1740">Katharagama</td> <td data-bbox="485 1711 687 1854">Blackhawk Security Syndicate (Pvt) Ltd</td> <td data-bbox="699 1711 836 1740">10.09.2012</td> </tr> <tr> <td data-bbox="284 1868 384 1897">Dickoya</td> <td data-bbox="485 1868 687 1928">Target Security Services</td> <td data-bbox="699 1868 836 1897">01.01.2016</td> </tr> </tbody> </table>	Rest Name	Security Firm	Service obtained from	Anuradhapura	Southern Security Services	01.02.2004	Katharagama	Blackhawk Security Syndicate (Pvt) Ltd	10.09.2012	Dickoya	Target Security Services	01.01.2016		
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Further, no evaluation of the security services provided by such firms has been carried out periodically though the charges were enhanced from time to time.

- (iv) Approval of the Board of Directors has not been obtained for the below mentioned service charge distribution and retention.(except the New Holiday Home Nuwara Eliya)

Category	%
Retention for breakages	10
Among employees of the head office	10
Employees of the respective location	80
Total	100

This is adoptable in line with industry practice ever since the mechanism of the company. We will formalize with a Board Approval.

Take necessary action to formalize the practice with a board approval.

Target date 31.12.2023

- (v) The fixed assets of the Holiday Home have not been tagged with the relevant assigned fixed assets code.

Will be rectified.

Need to tag all fixed assets with the assigned code number.

Target date 31.12.2023