

Paddy Marketing Board - 2010

1. Financial Statements

1.1 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Paddy Marketing Board for the year ended 31 December 2010 presented for audit.

1.2 Comments on Financial Statements

1.2.1 Presentation of Financial Statements

In terms of Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements of the year of accounts should be presented to audit within 60 days after the closure of the financial year. However the financial statements for the year 2010 had been presented on 27 October 2011 after a delay of about 8 months.

1.2.2 Non-compliance with Sri Lanka Accounting Standards

The following Accounting Standards had not been complied with

- (a) Provision for gratuity had not been made in terms of Sri Lanka Accounting Standard 16.
- (b) (i) In terms of Sri Lanka Accounting Standard 18, land and buildings should be separately identified and brought to accounts but land and buildings costing Rs.290,664,124 had been accounted as one balance. Depreciation on this cost at 2.5% per year had also been provided.
- (ii) Action had not been taken to write off from books or to disclose in the financial statements the value of fixed assets valued at Rs.24,513,343 fully depreciated and removed from use.

1.2.3 Accounting Deficiencies

The following observations are made.

- (a) The assessed value of Rs.1,725,000 of 3 motor vehicles, scrapped and sold by auction in the previous year had been credited to the motor vehicle account instead of the cost of those vehicles. This error had not been rectified in the year under review as well.
- (b) Plant and machinery and other equipment costing Rs.22,305,694 had not been depreciated since the year 2008 in which the Paddy Marketing Board had been re-activated, up to the year under review.
- (c) Fixed assets such as motor vehicles, office equipment, computers and computer accessories, furniture & equipment other equipment and moistures etc. valued at Rs.19, 770,605 received from the Sri Lanka Agricultural Products Marketing Authority had not been brought to accounts.
- (d) According to the rice manufacturing agreement entered into with Mill Owners, out of the paddy stock issued to the millers to be manufactured and handed over rice, the value of stock of rice to be handed over by 31 December 2010 but elapsed the period at that date amounted to Rs.28,767,075. Instead of accounting this value as debtors the value of paddy which had been issued for manufacture of rice had been accounted as paddy stock in transit.
- (e) An adequate provision for bad and doubtful debts had not been made in respect of debtor balances totalling Rs.526,751,777 as at 31 December 2010.

1.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) There was an unsettled Withholding Tax receivable balance amounting to Rs.3,020,249, accumulated for the period of more than 5 years as at 31 December of the year under review.

2.2 Operating Review

Performance

The following observations are made.

- (a) According to the Action Plan, it was estimated to purchase 280,000 MT of paddy by incurring an expenditure of Rs.8,120 million during the year under review, but only 188,101 MT of paddy incurring an expenditure of Rs.5,339 million had been purchased, by representing 67% of the target. As compared with the preceding year an improvement of Rs. 49% was shown.
- (b) In terms of Section 3 and 10 of the Paddy Marketing Board Act, No.14 of 1991 operating a business for milling polishing and processing of rice and paddy and the registration of Private paddy millers should be implemented. Such activities had not been carried out.

2.3 Identified Losses

The following observations are made.

- (a) According to the payments made through bank current accounts, the value of purchase of paddy during the year under review amounted to Rs.5,410,611,685, but according to the stores stock balances reports, it was Rs.5,361,024,536. Accordingly a shortage of paddy stock valued at Rs.49,587,149 was observed. This stock shortage shown in the paddy purchases control account had been disclosed in financial statements as current assets. It can not be ruled out that this stock shortage would be a fraud.
- (b) Due to abductions of assets belonging to the Board, the Board had sustained a loss of Rs.80,226,713, 5 years before. No any action whatsoever in this regard had been taken up to now.
- (c) Balances of Rs.99,443,171, comprising stock shortages of Rs.97,164,100 and stock adjustments of Rs.2,279,071 had been carried forward for the period more than 5 years.

