

Palmyrah Development Board - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Palmyrah Development Board (“Board”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets and cash flow statement 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 and Finance Act No. 38 of 1971. 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 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board 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.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 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, 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 Board’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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

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 Board'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 Board'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 Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

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

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(i) Assets and liabilities, and revenue and expenses shall not be offset unless required or permitted by a SLPSAS in terms of Paragraph 48 of the Sri Lanka Public Sector Accounting Standard 01. However, trade debtors amounting to Rs.727,828 had been set off against the trade creditors amounting to Rs.10,611,589 and the balance of Rs.9,883,761 had been shown as trade creditors. As a result, trade debtors and trade creditors had been understated by Rs.727,828.	Balance will be presented in future.	Action should be taken to comply with Sri Lanka Public Sector Accounting Standard 01.
(ii) Assets and liabilities, and revenue and expenses shall not be offset unless required or permitted by a SLPSAS in terms of Paragraph 48 of the Sri Lanka Public Sector Accounting Standard 01. However, 02 credit balances aggregating to Rs.5,552,153 had been set off against the trade receivables in the financial statements. As a result, trade receivables and trade payables had been understated by Rs.5,552,153.	Balance will be presented in future.	Action should be taken to comply with Sri Lanka Public Sector Accounting Standard 01.
(iii) The useful life time of the non-current assets should be reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07. However, the fully depreciated assets, which were in working conditions,	We are planned to get the revaluation for those assets with the Board Approval and will be adjusted to the Accounts in the year 2024..	Action should be taken to comply with Sri Lanka Public Sector Accounting Standard 07.

amounting to Rs.105,028,848 had been used continuously for operating activities by the Palmyrah Development Board contrary to this provision.

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| (iv) | Government grant amounting to Rs.62,500,000 received during the year under review had not been adjusted in the financial statements as per Sri Lanka Public Sector Accounting Standard 11. | Not commented | Action should be taken to comply with Sri Lanka Public Sector Accounting Standard 11. |
| (v) | Fund project expenditure total as at 31 December 2022 amortized on previous year had been adjusted under prior year adjustment amounting to Rs.46,906,684 in the year under review. However, it had not been adjusted retrospectively in terms of Sri Lanka Public Sector Accounting Standard 03. | Not commented | Action should be taken to comply with Sri Lanka Public Sector Accounting Standard 03. |

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(i) Gratuity provision for the year had been overstated by Rs.1,515,028 due to the erroneous calculations. As a result, gratuity provisions as at 31 December 2022 and gratuity expenditure for the year under review had been overstated by the same amount.	Errors will be rectified in the year 2023.	Gratuity Provision and Gratuity expenditure Should be shown in the financial statement without being overstated.
(ii) Prior year adjustment amounting to Rs.65,947,747 had been erroneously shown as gain on property revaluation in statement of changes in equity	Not Commented	Action Should be taken to show correctly in the financial statement.
(iii) Capital grant amounting to Rs.888,915,614 received from year under review and previous years erroneously accounted for as capital of the Board. As a result of this amortized expenses had not been identified and shown in the financial statements.	Not Commented	Action Should be taken to show correctly in the financial statement.

1.5.3 Unreconciled Control Accounts or Records

Audit Issue	Management Comment	Recommendation
A difference of Rs.270, 606,433 was observed relating to four items between the financial statements and related supporting documents and schedules.	We are taking action to submit supporting documents next year.	Action Should be taken to reconcile all balances with accounts.

1.5.4 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
Documentary evidence had not been provided to audit to confirmed the existence and accuracy of the balances of Rs35,336,480.	We are taking action to submit documentary evidences next year.	All the required evidence for audit should be furnished to audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Action had not been taken to recover the 10 trade debtor balances included under trade receivables aggregating to Rs.9,747,265 remained outstanding for over 07 years as at 31 December 2022.	We started to set off from debtor's balance as doubtful debt part by part from the year 2022.	Remedial actions should be taken to recover dues on time.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Action had not been taken to settle the 06 trade creditor balances included under trade and other payables aggregating to Rs.3,492,775 remained outstanding for over 02 years as at 31 December 2022.	We are taking action to pay the overdue balances based on fund availability.	Appropriate actions should be taken to be settle.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.24,786,100 and the corresponding deficit in the preceding year amounted to Rs33,538,883 Therefore an improvement amounting to Rs.8,752,783 of the financial result was observed. The reason for the improvement is the decrease of the selling & Distribution, Production expenses.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
A land which is belonging to the Board and registered at the Registrar's General Department on 24 November 2017 had not been valued and brought to the financial statements, As a result, the value of the non- current assets had been understated in the financial statements. Further, action had not been taken by the board to transfer the ownership of 8 lands which are being used for long period.	Actions are going on through the respective District coordinators.	All assets belonging to the Board should be valued and accounted.

3.2 Under –utilization of Funds.

Audit Issue	Management Comment	Recommendation
It was observed that one Pasteurizer plant valued at Rs.805,000 and one Auto clave plant purchased before 2018 had been lying idle for over four years.	These machines will be used to manufacture bottled sweet toddy.	Action Should be taken to utilize assets effectively.

3.3 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
Daily vehicle running charts of 32 vehicles for the year 2022 had not been furnished to the audit.	The management took immediate decision to furnish daily vehicle running charts to the audit, and to make sure the mistake won't happen in the future.	Daily vehicle running charts should be furnished on time.

4. Accountability and Good Governance

4.1 Submission of Financial Statement

Audit Issue	Management Comment	Recommendation
The financial statements and the draft annual report should be furnished to the Auditor General within 60 days from the close of the financial year. However, the financial statements of the Board for the year 2022 had been furnished to audit on 05 October 2023 with the delay of 219 days and draft annual report had not been submitted until 17 November 2023.	Submission of financial Statement was delayed due to new system implementation. In future will be submitted in stipulated time.	Financial Statements and draft annual report should be submitted on time.