

Ceybank Holiday Homes (Private) Limited - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 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 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 2023 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 Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Audit Issue	Management Comment	Recommendation
<p>(i) Lack of Reconciliation Schedule for Booking Advances with Bank Statements</p> <p>During the audit procedures to verify the balance of booking advances, it was observed that the company has not maintained a proper schedule for reconciling booking advances with bank statements. As per the financial statements provided, the balance for booking advances stands at Rs. 1,307,540.</p> <p>The absence of a structured reconciliation schedule poses a significant internal control weakness. Without regular reconciliation of booking advances with corresponding bank transactions, there is an increased risk of errors or discrepancies remaining undetected. This could potentially lead to misstatements in financial reporting and affect the accuracy of the company's financial statements.</p>	<p>At the moment we recommend to implement a reconcile the current structured reconciliation process account no. 324 by for booking advances on a daily, gathering information weekly, or monthly basis, as part from booking appropriate. This process should system and the rest involve cross-checking bookings manually.</p> <p>BOC Welfare to ensure that all transactions are Department is in the accurately recorded and process of accounted for. By doing so, the implementing all company can strengthen its reservations through a internal controls over financial system. After the reporting and reduce the risk of completion of the errors.</p> <p>process, we will be able to reconcile the Current A/c using the system.</p>	<p>Recommend to implement a reconcile the current structured reconciliation process account no. 324 by for booking advances on a daily, gathering information weekly, or monthly basis, as part from booking appropriate. This process should system and the rest involve cross-checking bookings made against the bank statements</p>

1.5.2 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
<p>(i) Even through, the Company has earned profit of Rs.3,348,255 for the financial year ended 31 December 2023, until the financial year ending 31 December 2022, the company incurred continuous losses. Further as of 31 December 2023, the Company's Total Liabilities exceeded Total Assets by Rs.64,230,049 and the amount was Rs.67,578,306 in the preceding year (2022).</p> <p>Further, company is suffering from serious loss of capital as per section 220 of the Company's Act No 07 of 2007.</p>	<p>Bank of Ceylon, the ultimate parent of the company has agreed to provide the financial assistant to the company until such time the company is able to finance itself and had issued a letter of comfort in this regard.</p>	<p>Company should take necessary actions to make profit itself.</p>

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.3.35 million and the corresponding loss in the preceding year amounted to Rs.2.49 million. Therefore, an increase of profit amounting to Rs.5.84 million was observed. Increase of revenue by 31.33 per cent was the main reasons for the increase of the profit during the year under review.

2.2 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	
	2023	2022
Profitability Ratio		
Gross Profit Ratio (Percentage)	46	47
Net Profit Ratio (Percentage)	2	(2)
Return on Total Assets	0.14	(5)
Return on Equity	(0.05)	(4)
Liquidity Ratio (Number of Time)		
Current Asset Ratio (Number of time)	0.28	0.21
Quick Assets Ratio (Number of times)	0.2	0.14

Return on Equity Ratio of the Company shows minus figure during the year under review due to negative Retained Earnings of the Company. 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.