Kithul Development Board - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kithul Development Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and the 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 the provisions of Coconut Development Act No.46 of 1971, National Audit Act No.19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the Board as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 determines 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 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 Auditor's Responsibilities for the Audit of the 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 exercise professional judgement and maintain professional scepticism 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 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 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 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 preparation of the financial statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to standard	Comments of the Management	Recommendation
Contrary to the paragraph 69 of Sri Lanka Public Sector Accounting Standard No.07, the Board had followed the policy for not depreciation the assets in the year purchased and depreciation the assets for whole year in the year of disposal. Therefore, though the assets of Rs.1, 847,025 received as donations within the year 2023 are ready for use, it had not been depreciated for the year under review. The depreciation and shortage of Rs.369, 405 had been understated.	This fault had been rectified in the financial statements in the year 2025.	As per standard, the depreciation policies should be followed.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the management	Recommendation
(a)	Even though the cash and cash equivalent balance should be Rs.789, 765 at the end of the year by adding the closing net cash flow of Rs.298, 553 to the opening cash and cash equivalent balance of Rs.491,212 in the statement of cash flows, it was observed a difference of Rs.463, 740 due to showing the closing cash balance as 326,025 as at 31 December 2024 by Board. Therefore, it was observed that the cash flow statement had not been accurately prepared.	The relevant rectifications had been made in the column where the comparable data 2024 had been mentioned in the cash flow statement included in the financial statements in 2025.	The cash flow statement should be accurately prepared.
(b)	The fuel allowance of Rs.1,255,920, transport allowance of Rs.600,000 and telephone allowance of Rs.109,548 paid to the executive officers had not been mentioned under the personal emoluments and accounted each expenditure category.	This fault had been rectified from the financial statements in the year 2025.	The expenses should be accurately classified and included in the financial statements.

(c)	No action had been taken to value 02 vehicles bearing No.KD-1859 and PG-1901 received from the Ministry of Plantation used by the Board and take into accounts and transfer to Board even by 31 December 2025.	The vehicle bearing No. KD – 1859had been provided by the line ministry for the daily activities of Board and the vehicle bearing No. PG - 1901 had been reserved for the official duties of Chairman of Board. Since these 02 vehicles had been completely attached for the duties of Board, it was observed that the fuel and other maintenance activities are incurred by this Board. It was observed that the action had not been taken to transfer these 02 vehicles to Board until an exact decision will be reached by the committee established for review on non-commercial institutes belonging to government in relation to the maintenance of this Board in 2025.	The step should be taken to take over the assets used by Board.

1.6 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
Paragraph 02 of Annexure 01 of Guideline on Corporate Governance in compliance with Public Enterprises Circular No.PED 01/2021 dated 16 November 2021 of Secretary to the Treasury and section 2.3 of the Guideline Manual	The objectives of institute, strategies, activities, monthly targets and the responsible persons had not been included in the Action Plan submitted for the audit for the year 2024 by Board and it was not in compliance with the accurate format and Corporate Plan had not been prepared also.	The approval of the line ministry had been received for the Action Plan prepared for the year 2024. The approval of Board of Directors had been received for the Corporate Plan prepared for the year 2025-2030 and it had been submitted to the Ministry for the approval of Secretary.	As per the referred circular, the Action Plan should be prepared in compliance with the specified format and the Corporate Plan should be also prepared.

2. Financial Review
2.1 Financial Results

The operating result of the year under review is a deficit of Rs.1,063,832 and against the surplus of the preceding year was Rs.700,762. Accordingly, it was observed a deterioration of Rs.1, 764,594 in the financial result. The reason for this deterioration was increase of salaries, wages and employee benefits expenses by Rs.3,794,157.

2.2 Trend analysis of major Income and expenditure items

Item	Year under review Rs.	Preceding year Rs.	Difference with the preceding year Rs.	Difference as a percentage %
Government grants	12,110,291	13,680,058	(1,567,767)	(13)
Salaries, wages and employee benefits	6,733,501	2,939,344	3,794,157	56
Supplies and consumable expenses	2,280,572	3,313,820	(1,033,248)	(45)

2.3 Ratio Analysis

The current asset ratio in the year under review was 0.25:1 and it was 47:1 in the preceding year.

3. Operational Review
3.1 Management Inefficiencies

	Audit Observation	Comments of Management	Recommendation
(a)	In accordance with the extraordinary gazette notification dated 17 March 2021 in relation to the establishment of Kithul Development Board, the measures had not been taken to get necessary action to perform the activities such as promotion of the animal husbandry in the lands Kithul cultivation expected to be carried out by Board, publication and promotion in relation to cultivation of coconut and other crops in Kithul cultivation and manufacturing of kithul products up 31 December 2024.	It was observed that a permanent staff had not existed for this Board established by an extraordinary gazette notification in the year 2021. It appears in the inspection of the files that 05 Management Assistant Officers (non-technical) had been permanently recruited since 09.10.2024.Only 02 staff officers had served in the Board and said 02 officers had been attached to this Board on acting appointment basis. It was observed that it was unable to perform the activities on which the Board had been established within that situation.	The necessary step should be taken to implement the functions required for the fulfilment of the basic objectives of the establishment of Kithul Development Board.

(b)	Rs.1.7 million had been allocated for providing Good Manufacturing Practice (GMP) certificate to 05 Kithul entrepreneurs within 2024 and Kithul Development Board (KDB) certificate to 10 entrepreneurs, the overall provision had remained due to not carrying out the relevant task even by the end of the year under review.	It was observed that a permanent staff had not existed for this Board established in 2021 by an extraordinary gazette notification. It appears in the inspection of the files that 05 Management Assistant Officers (non-technical) had been permanently recruited since 09.10.2024. Only 02 staff officers had served in the Board and said 02 officers had been attached to this Board on acting appointment basis. It was observed that it was unable to perform the activities on which the Board had been established within that situation.	The progress should be maintained in the optimum level through preparation and amendment of annual plans effectively.
(c)	The provision of Rs.700,000 allocated for the development of the model Kithul land for the development of Kithul cultivation as a commercial crop as per the activity plan for 2024 had not been utilized.	Only 02 staff officers had existed and said 02 officers had been attached to this Board on acting appointment basis. . It was observed that it was unable to perform the activities on which the Board had been established within that situation.	The programs should be planned and implemented enabling to enhance the effectiveness of Kithul Development Board.

3.2 Resources released to other organizations

Audit Observation	Comments of the Management	Recommendation
A Kithl production outlet had been maintained since 2022 in a building built in a land belonging to Yatiyanthota Divisional Secretariat Division and though a repair had been carried out by Board in that building with a cost of Rs.1,879,737 in 2023 and 2024, the building had been idle without using for any economic activity.	It is suitable to take future action by immediately carrying out a field test with ministry officers, officers of Kithul Board and officers of Yatiyanthota Divisional Secretariat.	The effectiveness should be considered before incurring the expenditure. Presently, idle assets should be effectively utilized.

3.3 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Though approved Recruitment Procedure for Kithul Development Board had been approved on 20 December 2021 by Department of Management Services, it was observed that the post of General Manager, 02 Assistant/Deputy Manger posts, Internal Auditor post and 17 Research and Development Assistant posts and 04 Management Assistant posts of the staff had been vacant and the duties of 02 Assistant/Deputy Manager posts and post of accounts officer had been acted in the appointments.	By 06 June 2023, the lady officer had been appointed to the post of General Manager in full time and the necessary action had been taken to obtain the staff required for performing the institutional activities such as attachment of 03 Development Officers from line ministry and acting appointment in 02 posts such as (Financial) and (Marketing).Furthermore, 03 officers had been attached as Administrative Officer, Office Employee Assistant and Driver. Similarly, necessary requests for filling the vacancies had been submitted to the ministry.	The recruitments for the essential posts should be promptly made to get performed the activities of Board.

4. Accountability and Good Governance

4.1 Submission of the Financial Statements

Audit Observation	Comments of the Management	Recommendation
Even though the financial statements should be submitted to the Auditor General within 60 days from the end of the financial year as per section 6.6 of the Operational Manual of Public Enterprises Circular No.PED 01/2021 dated 16 November 2021, the relevant financial statements had been submitted to the audit on 30 December 2025.	The financial statements amended in the year 2024 had been submitted to the audit on 29.12.2025 with the approval of Board of Directors.	The financial statements should be submitted to the audit on due date.

4.2 Annual Report

Audit Observation	Comments of the Management	Recommendation
Even though the draft Annual Reports should be presented to the Auditor General within 60 days after the end of the accounting year as per 6.6 section of the Operational Manual of Public Enterprises Circular No. PED 01/2021 dated 16 November 2021, the draft Annual Report for the year 2024 had not been submitted to the Auditor General even by 05 February 2024.Though the Annual Report should be tabled in the Parliament within 05 months after the end of accounting year, the Annual Report for the year 2022 had not been tabled so far.	The Annual Report for the year 2022 had been tabled in the parliament. The draft Annual Report in the year 2023 had been prepared and submitted to the ministry. The Annual Report for the year 2024 is being prepared presently.	The draft Annual Reports should be presented for audit on the specified date and tabled in the Parliament.