

8. REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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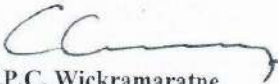
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Date

17 October 2022

Chairman,
Palmyrah Development Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Palmyrah Development Board for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

The English version of the above mentioned report along with the Audited Financial Statement is sent herewith.


W.P.C. Wickramaratne
Auditor General

Copies to :- 1. Secretary, Ministry of Finance, Economic stabilization and National Policies
2. Secretary, Ministry of Plantation industries





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17 October 2022

Chairman
Palmyrah Development Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Palmyrah Development Board for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Palmyrah Development Board ("Board") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

I do not express an opinion on the accompanying financial statements of the Board. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer Opinion

- (a) The deeds for karainagar lands valued at Rs.28,007,606 , details for the adjustment to the cash flow statement amounting Rs.1,082,328 , rental agreements and valuation reports for rent advance and rent payment amounting Rs.17,898,636, Journal Entries for prior year adjustments amounting Rs. 119,151,120 were not made available for audit .As a result, above items could not be satisfactory vouched or accepted in audit.
- (b) Advance payment for the Kalpity Production building renovation works amounting to Rs.3,000,000 had been accounted as expenditure during the year under review instead of being accounting for as advances. As a result, deficit for the year had been overstated and current assets had been understated by that amount respectively.
- (c) The development expenditure that had been incurred before the year 2015 for handicraft, research and development and seed's plantation amounting to Rs.46, 906,685 had been identified as an asset, without being identified possible economic benefits or service potentials contrary to the requirement of SLPSAS-20. As a result, non-current assets had been overstated by that amount in the financial statements.
- (d) According to the lease agreement of building rented in wellawatta, the annual rental expenditure amounted to Rs.6,000,000. However, only the cash payment of Rs.4, 500,000 had been identified as rent expenditure for the year under review due to not identifying of rent advance payment proportionately as a part of rent payment. As a result, rental advance had been over stated by Rs.1,500,000 and net deficit had been understated by the similar amount in the financial statements.
- (e) Due to not considering of actual liability the retirement benefit obligation, the provision for retirement benefits had been overstated by Rs. 19,642,888. As a result retirement benefit obligation in the statement had been overstated by that amount.
- (f) 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.
- (g) The prior year adjustments for three items that had been made in the changes in equity statement aggregating to Rs.119,151,120 during the year under review had been made without being adjusted them retrospectively in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 3 (SLPSAS). As well, the necessary disclosure in the financial statements had also not been made.

- (h) Contrary to the SLPAS 01, the expenses for the year under review aggregating to Rs.13,867,838 had been offset with payables in the financial statements. As a result, net deficit for the year had been overstated and payables had been understated by that amount in the financial statements.
- (i) A total difference of Rs.5,114,866 was observed relating to four items between the financial statements and related supporting documents and schedules. However, reason for the differences had not been explained to audit.
- (j) The current liabilities, sundry debtors, staff advances, refundable deposits and rent advances totalling Rs.27,728,636 had not been correctly adjusted to calculate the cash flows from operating activities in terms of SLPSAS -2.As a result, accuracy of the cash flow statement could not be ascertained in audit.

As described above I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows.

1.3 Other information included in the Board's 2021 Annual Report.

The other information comprises the information included in the Board's 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Board's 2021 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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 intends 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.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Board's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 include specific provisions for following requirements.
- 2.1.1 I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (c) described in the basis for disclaimer of Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention:
- 2.2.1 To state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 To state that Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018. Except for,

Reference to law/ direction	Description
(a) Section 16 of the Employees' Provident Fund Act	It was observed that a surcharge aggregating to Rs.41,966,393 was due for the period from 2001 to 2021 due to not paying of employee provident fund contributions by the Board in the stipulated time periods.
(b) Section 46 and subsection 16 of the Employees' Trust Fund Act No.46 of 1980	No action had been taken for the surcharge aggregating to Rs.389,069 due as at 29 October 2021 due to not paying of Employee Trust Fund

	contribution by the Board in due time periods.
(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 371(2)	The balance of a Sub-Imprest should be settled immediately after the completion of the purpose. However, in 5 instances, aggregating to Rs. 93,600 had not been settled by the end of the year under review. Further, in 72 instances, aggregating to Rs.1,541,400 of advances paid to employees had not been settled on due dates, and thus, the period of delays in settlements had been ranging from 21 days to 331 days.
(ii) Financial Regulation 755 (2)	No action had been taken to reconcile the difference between the balance of inventory register and the actual balances.
(iii) Financial regulation 880 (i)	The security deposits had not been received from 22 officers for the faithful discharge of their duties.
(iv) Public Enterprises Circular No. PED/12 dated 02 June 2003	The financial statements of the Board for the year 2021 had been furnished to audit on 12 August 2022 delaying of 165 days.

2.2.3 to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

2.3 Other Matters

As a commercial organization a marketing plan had not been prepared by the Board for the year under review as a main part of the budgetary process.


W.P.C Wickramaratne

Auditor General

8.1 Courses of action taken to rectify the weaknesses pointed out in the Audit Report

Explanations provided by management regarding the matters contained in the Report of the Auditor General on the Financial Statements and other legal and regulatory requirements of the Palmyrah Development Board for the year ended 31st December 2021, in accordance with Section 12 of the National Audit Act, No. 19 of 2018.

1.2. Basis for Disclaimer Opinion

(a) The copies of the deeds for the Karainagar lands have now been provided. The details for the adjustment to the cash flow statement amounting to Rs. 1,082,328 have been compiled and submitted. The rental agreements, supporting documentation for rent advances and rent payments totaling Rs. 17,898,636 have been made available. The journal entries related to prior year adjustments amounting to Rs. 119,151,120 have been reviewed and submitted.

(b) Regarding the concern raised about the advance payment of Rs. 3,000,000 for the Kalpity Production building renovation works, which was mistakenly accounted for as expenditure during the year under review instead of being recorded as an advance, we acknowledge the error. To rectify this, the advance payment of Rs. 3,000,000 has been correctly reclassified as an advance, and this correction has been made in the 2022 financial statements. The misclassification has been addressed through a prior year adjustment to ensure the accuracy of the financial records.