

8) REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS



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Date }

02 April 2024

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 2022 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.
2. Secretary, Ministry of Agriculture and Plantation Industries.





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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 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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 report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my 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

- (a) 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.

- (b) 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.
- (c) 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, amounting to Rs.105,028,848 had been used continuously for operating activities by the Palmyrah Development Board contrary to this provision.
- (d) 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.
- (f) 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.
- (g) Over provision of gratuity of employees in or before the year 2021 amounting to Rs.2,042,975 had been adjusted in the financial statement for the year under review due to erroneous calculations. As a result, gratuity provision for the year under review had been understated by the same amount.
- (h) 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.
- (i) A difference of Rs.270,606,433 was observed relating to four items between the financial statements and related supporting documents and schedules. Further, documentary evidence had not been provided to audit to confirmed the existence and accuracy of the balances of Rs35,336,480.
- (j) Prior year adjustment amounting to Rs.65,947,747 had been erroneously shown as gain on property revaluation in statement of changes in equity.



- (k) 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.
- (l) 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.

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 Other information included in the Board's 2022 Annual Report

The other information comprises the information included in the Board's 2022 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 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 2022 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 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 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 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 and Universities Act No.16 of 1978 includes specific provisions for following requirements.
 - 2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, 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(h) described in the basis for Qualified 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 the 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 the following observations.

<u>Reference to Rules and Regulation</u>	<u>Description</u>
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 139	Paying officer is responsible to that the net amount shown on the face of the voucher is duly paid and the fact of payment noted on the voucher by means of a "PAID" stamp, and initialed. However, a sum of Rs.1,791,598 had been paid without paying office's signature in 111 instances.
(ii) Financial regulation 260	A sum of Rs.1,216,684 had been paid without being obtained the payee's signature or letter with specimen signature to confirm that the payments must be made only to the persons named in the vouchers or to their legal representatives in 64 instances.
(iii) Financial Regulation 262(2)	All vouchers paid and their supporting documents should be stamped with the "PAID" stamp. Unless this is done in every case, there is danger of vouchers being presented for payment a second time. However, A sum of Rs.1,253,166 had been paid without stamped with the "PAID" stamp in 49 instances.

(b) Public Finance Circular No.
01/2020

- (i) Financial Regulation 371(5) Sub-imprest should be settled to the accounting division within 10 days after completion the relevant purpose and in any case, should not be delayed later than the 31st of December of the financial year in which the sub-imprest is issued. However, in 30 instances, advances aggregating to Rs.368,750 paid to the employees had not been settled.
- (ii) Financial Regulation 371(2) (b) Where a larger Ad hoc Sub-Imprest is considered necessary exceeding the maximum limit of which the Sub- imprest could be provided amounting to Rs.100,000, the authority of the General Treasury should be obtained through the Chief Accounting Officer. However, in 14 instances Ad hoc Sub-Imprest totaling to Rs.3,750,000 had been approved by the management without being obtained the prior authority of the General Treasury.

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


2.5 Other Maters

Following observations are made.

- (a) 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.
- (b) 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.



- (c) 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.
- (d) Daily vehicle running charts of 32 vehicles for the year 2022 had not been furnished to the audit.
- (e) 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.


W.P.C. Wickramaratne
Auditor General