Palmyrah Development Board - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Palmyrah 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 cash flow statement for the year then ended, and notes to the financial statements, including significant 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 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 2024, 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 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.

1.4 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)	As per Paragraph 71 of Sri Lanka Public Sector Accounting Standards 07, the useful life of an asset is defined in terms of the asset's expected utility to the entity. For buildings, entities typically estimate a useful life of 15 to 25 years. However, the Board had depreciated the building for 10 years, which may not accurately reflect its actual usage. As a result, the profit for the year under review had been understated by Rs.10,985,784 and the accumulated depreciation of Rs. 10,985,784 as of the end of the year under review had been overstated in the financial statements.	The management will take the necessary action to adjust the revalue of building over 15 to 25 years, in accordance with paragraph 71 of SLPSAS **7**.	Ensure the compliance with SLPSAS 7.
(ii)	Since the useful life of non-current assets was not reviewed annually as required by Paragraph 65 of SLPSAS 07, buildings and vehicles costing Rs. 55,798,368 were still in use despite being fully depreciated. As such, no action had been taken to revise this estimated error as required by SLPSAS 03.	The management will take the necessary Action to re-value before preparing the financial report in accordance with paragraph 65 of SLPSAS 7.	Ensure the compliance with SLPSAS 7.

Further, Board's property, plant, and equipment had been fully depreciated, suggesting that the depreciation policy may not reflect the actual useful life of the assets, as required by the above Standards.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
Although the useful life of vehicles is specified as 5 years in the Board's accounting policy, depreciation had been provided for the 02 office vehicles and 02 delivery vehicles even after the end of their useful life during the year under review. As a result, the profit from the operation activities had been understated by Rs.862,487.	Depreciation was calculated and reduced the value to zero. However, management has revalued the office and delivery vehicles from next year.	Action should be taken to represent the correct value of assets

1.5.3 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
The payment vouchers for the payments worth Rs. 9,159,469 made during the year under review through BOC Account had not been submitted to the audit till the date of this report.	The amount was paid under the Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), German Agency for International Cooperation. Management has requested the voucher from the organization. Once the voucher is received, it will be forwarded to the National audit office for further consideration.	Strengthen the record keeping and ensure the availability of vouchers for audit.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
1.6.1	Section of 46 & Subsection 16 of the Employees' Trust Fund Act No.46 of 1980	According to the provisions of the Act, it was observed that due to the failure to pay the contributions on the due dates, the Board was still liable to pay a total penalty of Rs.389,069.	Action will be taken to settle the surcharge of employee's trust fund.	Contribution must be paid within the stipulated time under the ETF Act and formal action should be taken against the responsible party.
1.6.2	Section 16 of the Employees' Provident Fund Act No 26 of 1981	According to the provisions of the Act, it was observed that due to the failure to pay the contributions related to the period from 2001 to 2021 on the due dates, the Board was still liable to pay a total penalty of Rs.41,966,393.	A request has been sent to the Ministry to consider the surcharge aggregating provident fund amount in their fund allocation and release it to the board. This matter was also communicated to the Labor Department for a potential weave-off the amount.	Contribution must be paid within the stipulated time under the EPF Act and formal action should be taken against the responsible party.
1.6.3	Public Enterprise Circular 01/2024 Clause 11.4 of the of the Ministry of Financial Economic Stability.	The Board had provided 120 litter additional fuel worth Rs. 38,993 to the Chairman of the Board for additional vehicle usage bearing number NPJT 6864 in addition to the assigned vehicle in November 2024 without obtaining the approval	It is noted that since the assigned vehicle, WPKB 8037, broke down, vehicle NPJT 6864 was used for the former chairman. A request has also been sent to the Secretary of the Ministry of the Agriculture and Plantation industries for the approval for the above additional fuel amount Rs.38,993.	Action Should be taken to comply with relevant circular and formal action should be taken against the non-compliant party.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.40,077,395 and the corresponding deficit in the preceding year amounted to Rs. 11,954,968. Therefore, a deterioration amounting to Rs. 28,122,427 of the financial result was observed. The reason for the deterioration is the decrease in the Revenue and Other Income.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The existing rent agreement of Colombo District office had been extended and paid a sum of Rs.13,000,000 for rent for the period of October 2022 to September 2024, without carrying out proper assessment, cost benefit analysis and approval of the Board of Directors and contrary to the Section 2.2 of the Public Enterprises Circular No 04/2022 dated 08th August 2022.	The city office in Colombo has long served as the main operational hub of the Board. From 2020 to 2024, the former Chairman conducted all administrative activities from this location. During this period, the city office staff were fully engaged and maintained a high level of productivity. Notably, there was no financial loss incurred by the government throughout the 2020–2024 period.	Rent agreement Should be taken to comply with relevant circular and formal action should be taken against responsible party.
(b)	It was observed that Rs.7,079,928 worth of 762 types chemicals in the laboratory of Palmyrah Research Centre had been expired during the period from the year 2012 to 2024 and this loss had been occurred since the chemical purchases had been made without assessing the real requirement.	Although chemicals have passed their expiry dates, most continue to be used for routine laboratory research, as their activity remains largely stable. These expired chemicals are not used in highly sensitive work, such as ISO 17025 related activities, and their use does not affect the quality of research outcomes. The expiration of certain chemicals has occurred due to several unavoidable circumstances:	Steps should be taken to maintain good stock control system and reserve expired item from the book and formal action should be taken against responsible party.

(c)	The audit fee payable to National Audit Office for the years 2016, 2021, 2022 and 2023 aggregating to Rs.4,361,760 had remained without being settled even as at 19 September 2025.	Due to a past financial crisis-caused by the pandemic, low sales, and a lack of additional funding-the board has decided to make payments in installments.	Action should be taken to pay audit fees.
(d)	The board had not taken action to take over the ownership of the 14 lands worth a sum of Rs.62,525,897 shown in the financial statements during the year under review.	The management has been taking actions to change the land ownership.	Action Should be taken to take over ownership of lands to the board.
(e)	The board had not taken action to transfer the ownership of fourteen (14) vehicles having carrying value of Rs.9,270,000 shown in the financial statements of the year under review.	The management has been taking actions to change the vehicle ownership.	Action Should be taken to change ownership of vehicles.

3.2 Idle and underutilized assets

	Audit Issue	Management Comment	Recommendation
(a)	The value of the four machineries purchased for the Production Centers to the purpose of Liquid & Flour Packaging and Jaggary processing by the Palmyrah Development Board on 2014 and 2018 was Rs.15,900,000. However, Board had not taken necessary action to utilize these Machineries for the purpose and remaining idle over 05 years.	Actions have been taken to donate the machinery to societies that are actively promoting Palmyrah production. Additionally, steps have already been taken to revalue the machinery based on the NERD report.	Action Should be taken to utilize assets effectively or after obtaining formal approval, transfer to an institution that can be used effectively.

3.3 Management of Vehicle fleet

	Audit Issue	Management Comment	Recommendation
(a)	Nine (9) vehicles belonging to the Palmyrah Development Board are in a dilapidated condition over 1 to 10 years without being used and no repair work had been carried out. Further, steps had not been taken to dispose these vehicles.	Actions have been taken to call for an auction in accordance based on the PED circulars.	After obtaining the formal approval, action Should be taken to disposal dilapidated condition vehicle.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

	Audit Issue	Management Comment	Recommendation
(a)	According to Section 6.6 of the operational Manual for State Owned Enterprises dated 16 November 2021, the draft annual report and accounts 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 2024 had been furnished to audit on 21 August 2024 with the delay of 174 days.	The dissolution of the board members and the delay in appointing new members that the AMC meeting could not be held. This prevented the board from seeking proper approval for the financial statements, causing a delay in submitting them to the Auditor General's Department. The management accepts responsibility for this delay and will ensure timely submission in the future.	Action should be taken to comply with operational manual for state owned Enterprises.

4.2 Annual Report

	Audit Issue	Management Comment	Recommendation
(a)	The draft annual reports for the years 2024 had not been submitted to the Auditor General, till 30 November 2025. Furthermore, the annual reports of the Board for the years 2021, 2022 and 2023 had not been tabled in Parliament.	Ministry approved the annual report for the year 2021 and 2022 and the line ministry makes necessary arrangements to table the parliament. 2023 have been submitted for ministry approval	Action Should be taken to table the report on time.