

**1. Financial Statements**

**1.1 Adverse Opinion**

The audit of the financial statements of the Sri Lanka State Plantation Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of 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 and in terms of section 14 of Sri Lanka State Plantation Corporation Act No. 04 of 1958. 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 do not give a true and fair view of the financial position of the Corporation as at 31 December 2020, 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 Adverse Opinion**

I expressed adverse opinion for the financial statements based 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 adverse 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 Corporation’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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

#### **1.4 Audit Scope (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 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 Corporation'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 Corporation 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 Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation 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 Accounting Standards.

	<b>Non Compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	In accordance with paragraphs 8 (a) and (b) of Sri Lanka Financial Reporting Standards 7, although adequate disclosure regarding guaranteed assets, should be made in the financial statements but no disclosure was made in the financial statements in relation to fixed deposits guaranteed for bank overdrafts amounting to Rs.101,282,759 as at 31 December the year under review.	These deficiencies that has occurred when preparing financial statements in 2020 and are corrected when preparing financial statements in 2021.	Fixed deposits have been guaranteed should be disclosed in the financial statements.
(b)	In accordance with the paragraph 17 (c) of Sri Lanka Accounting Standards 7 there should be separate disclosure of cash flows from financing activities however, due to un identifying of loan amount of Rs. 100,000,000 had been borrowed by the Corporation in the financing activities the cash flow from financing activities had been less by that amount.	These deficiencies that has occurred when preparing financial statements in 2020 and are corrected when preparing financial statements in 2021.	Loans had been borrowed should be included in the cash flows under the financing activities.
(c)	In accordance with the paragraph 42 and 43 of Sri Lanka Accounting Standards 8 after adjusting of prior periods errors retrospectively should be corrected in the comparative information presented with the year under review however, an amount of Rs. 4,886,661 had been stated in the statement of changes in equity during the year under review and errors amounted to Rs. 10,158,950 of the year 2019 had not been restated in the statement of financial position comparatively being corrected in accordance with the Accounting Standard.	Necessary actions will be taken to prepare financial statements relevant to the year 2022 as per the deficiencies that mentioned in the audit report will not be occurred.	Comparative amounts should be disclosed In accordance with the provisions of the Sri Lanka Accounting Standards.
(d)	In accordance with the paragraph 37 of Sri Lanka Accounting Standards 13 The value of lands of 11,178 hectares, which belonging to the 14 Estates of the Corporation and freehold lands, had been carried forward as Rs. 645 million in the statement of financial position for more than 10 years had not been accounted for by measuring the fair	Only the Walahanduwa Estate have been assessed at a Rs. 620 million out of the lands owned to the Corporation and, that value and including money had been incurred in the year 1996 for development activities of other lands had been stated Rs. 645 million as	Fair value of all Lands and Estates should be disclosed by the financial statements.

- value of the lands.
- the value of total assets under the property plant and equipment in the statement of financial position of the financial statements relating to the year 2020. Relevant activities have been started with the Department of Valuation by now for assessing other lands.
- (e) In accordance with the paragraph 34 of Sri Lanka Accounting Standards 16 the cost of Rs.271,701,475 of assets which had been completely depreciated had not been taken in to account revaluating of fair value.
- Revaluating of assets with zero value is planned to do in the year 2023
- Revaluating of assets which completely depreciated and the value of those should be taken in to financial statements.
- (f) In accordance with the paragraph 37 of Sri Lanka Accounting Standards 16 although it has been mentioned that only the similar nature and assets in use should be categorized and accounted all the types of fixed assets such as computers, assoseries, furniture and fittings which belong to the estates of the Corporation had been stated under the one item of furniture and fixtures in the statement of financial position in the year under review.
- This problem has arisen when preparing financial statements in 2020 and is corrected when preparing financial statements in 2022.
- All the fixed assets should be classified and accounted for in accordance with the standard.
- (g) In accordance with the paragraph 37 of Sri Lanka Accounting Standards 16 although the bearer biological assets relating to the agricultural activities should be presented as separate item under property, plant and equipment in the statement of financial position, it had been stated under the biological assets.
- This mistake has occurred when preparing financial statements in 2020 and is corrected during the preparation of the financial statements in 2021.
- The bearer biological assets should be stated under property, plant and equipment as separate item in the statements of financial position.
- (h) In accordance with the paragraph 57 of Sri Lanka Accounting Standards 19 the actuarial technique should be used when calculating employee benefit obligations of the entity however, the actuarial technique had not been used by the Corporation when calculating its benefits.
- It is expected to be used the actuarial technique when calculating employee benefit obligations of the institute relevant to the year 2023.
- The actuarial technique should be used when calculating employee benefit obligations.
- (i) In accordance with the paragraph 75 (h) and 78 (a) of Sri Lanka Accounting Standards 40 necessary disclosures had not been done regarding the investment property amounting to Rs.
- The value of property that has been leased for Divisional Plantation Companies by the Corporation had been included in the financial
- The technique used to calculate the value of the invested property should be disclosed in the financial statements.

- 1,611,520,641 and the property had given to the Corporation by the Government Gazette No 181/12 dated 27 February 1982.
- statements and, action is taken to disclose regarding the contractual obligations and details regarding those properties through the financial statements relating to the year 2022.
- (j) In accordance with the paragraph 4 of Sri Lanka Accounting Standards 41 although the forest plantation should be accounted for under the consumable biological assets, cost of Rs. 35,642,201 of forest plantation had been accounted for under the bearer biological assets.
- This mistake has occurred when preparing financial statements in 2020 and is corrected when preparing financial statements in 2021.
- The forest plantation should be accounted for under the consumable biological assets.
- (k) In accordance with the paragraph 12 of Sri Lanka Accounting Standards 41 it was stated that consumable biological assets should be measured at their fair value however forest plantations which has scattered over a 726.73 hectares in 11 Estates of the Corporation had been stated in the statement of financial position as Rs. 3,314,581,133 without been assessed at the end of the year under review or without been measured at a fair value, and also a 4 per cent of amortized value had been erroneously accounted for that. Further, since this plantation considering as a matured forestry the value of amortization amounting to Rs. 1,182,710 stated under the expenses in the statement of income the losses of the Corporation had been over calculated by that value.
- It is informed that the revaluating the consumable biological assets owned to the Corporation is expected to be started in the year 2023. The value of depreciation incorrectly accounted for regarding forestry is corrected when preparing financial statements relating to the year 2021.
- The fair value of forest plantations should be disclosed by the financial statements.
- (l) In accordance with the paragraph 43, 44 and 45 of Sri Lanka Accounting Standards 41 although biological assets should be presented separately as mature and immature crops, the value of Rs. 193,172,503 of biological assets had been disclosed under non-current assets in the statement of financial position of the year under review were not classified and presented as such.
- This mistake is corrected in preparation of financial statements in 2022.
- Biological assets should be stated in the financial statements classifying separately as mature and immature.

## 1.5.2 Accounting Policies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to the accounting policy mentioned in the Note No. 3.1.4.2 of financial statements although it was stated that consumable biological assets had been disclosed at a fair value, an amounting to Rs. 3,314,581,133 of consumable biological assets had been shown in the financial statements during the year under review at a value which was in the year 2012 without being assessed at a fair value.	This mistake is corrected when preparing financial statements in 2022	According to the accounting policy of Note No. 3.1.4.2 to the financial statements consumable biological assets should be accounted for valuing at a fair value.

## 1.5.3 Accounting Deficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) An amount of Rs.187,457 payable for Estate Staff Provident Society (ESPS), Rs. 175,483 for Employee Trust Fund (ETF), Rs.194,753 for Employee Provident Fund (EPF) by the Corporation and payment of Rs. 319,722 made for The Ceylon Planters Provident Society (CPPS) due to entering twice that relevant amount had been over calculated by that amount and relevant cumulative expenses had also been over calculated by Rs. 877,414.	An over calculated expenditure of Rs. 877,414 that mentioned in the auditor's report is corrected when preparing financial statements relevant to the year 2021.	Relevant corrections should be done in the financial statements.
(b) Other income had been over stated during the year under review by an amount of Rs. 6,007,640 due to accounting on cash basis that the income received for the road which had given to the Hunnasfall Hotel by the Corporation on lease rent basis.	The financial statements relevant to the year 2022 will be prepared as per the deficiencies mentioned in the auditor's report may not be occurred.	Income should be accounted for on accrued basis.
(c) Due to the bank overdraft balance of current account No. 2327550 maintained in the Bank of Ceylon branch of Hydepark by the Corporation had been stated less by Rs.	Since the bank had agreed to cut off 50 percent from the interest charged for the bank overdraft which had been before the year 2012 under current account No. 2327550 in the Bank of Ceylon	Liabilities should not be written off until receiving a written confirmation.

4,123,000 the current liabilities had undervalued by that amount. owned to the Corporation, and therefore the amount of Rs. 4,123,000 relevant to that was removed from the books. A letter had been issued by the Bank of Ceylon under the date of 03 March 2022 and, accordingly that issue is settled.

- (d) Corporation had included Rs. 1,609,054 of stock of Mosquito sticks in the financial statements during the year under review based on the book value of the year 2017 without being physically verified. The stock of Mosquito sticks amounting to Rs. 1,609,054 had been sold by calling tenders in the year 2021 and adjustments of accounting relating to that was done in the year 2021. Stocks should be physically verified before accounting.
- (e) Due to recognizing plant nurseries owned to 05 Estates physically non-existing in the financial statements during the year under review the assets of the Corporation had been overstated by Rs. 3,594,787 and even the losses had under calculated by that amount. It is expected to be appointed a committee in the year 2023 to check about the Plant Nurseries that had been failure and it is expected to be done future activities on the recommendations of that committee. Plant are not physically should be remove from the books.
- (f) Although the changes of trade payables of the Corporation relating to the year under review were Rs. 45,442,707 due to consider it as Rs. 172,413,700 in the cash flow the net cash flow generated from operations had been increased by Rs. 126,970,933. The financial statements relevant to the year 2021 will be prepared as per the deficiencies mentioned in the auditor's report may not be occurred. Necessary adjustments should be done for the statement of cash flow.
- (g) According to the schedule given employee gratuity payment in cash during the year under review was a Rs. 10,159,690 however ,the identified amount under the operational activities in the statement of cash flow was Rs. 7,145,102 then cash flow generated from operations had been overstated by Rs. 3,014,588. The financial statements relevant to the year 2021 will be prepared as per the deficiencies mentioned in the auditor's report may not be occurred. An amount of gratuity had been paid should be shown in the statement of cash flow.

#### 1.5.4 Un reconciled Control Accounts or Records

	<b>Item</b>	<b>As per Financial Statements (Rs.)</b>	<b>As per Correspondi ng Record (Rs.)</b>	<b>Difference (Rs.)</b>	<b>Management Comment</b>	<b>Recommend ation</b>
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(a)	Loan payable to Janatha Estate Development Board	97,709,342	119,318,495	21,6 09,153	Discuss with the Janatha Estate Development Board regarding the difference between these balances and action will be taken to settle this issue in the year 2023.	Differences existing between financial statements and ledger accounts should be identified and settled.
(b)	Current Accounts of Head Office and Estates		75,579,590	75,579,590	Examining differences existing in the current accounts between Head Office and Estates action is taken to make necessary accounting adjustments in the year 2022.	Differences existing in current accounts should be identified and settled.
(c)	Property plant and equipment	501,455,648	332,581,141	168,874,507	A fixed assets register is not maintained by the institute. Regarding the difference of Rs. 168,874,507 between ledger accounts and the registers with details of fixed assets is examining by now and, corrections relating to the registers of fixed assets are done when preparing financial statements relevant to the year 2022.	Comparing ledger accounts and the registers adjustments should be made in the financial statements.
(d)	Consumable biological assets	3,314,581,133	3,312,160,200	2,420,933	A fixed assets register is not maintained by the institute. Regarding the difference	Comparing ledger accounts and the registers adjustments



						between ledger accounts and the registers with details of fixed assets is examining by now and, corrections relating to the registers of fixed assets are done when preparing financial statements relevant to the year 2022.	should be made in the financial statements.
(e)	Bearer assets	biological	193,172,503	181,128,729	12,043,774	These differences are being examining by now and, corrections relating to that are made when preparing financial statements relevant to the year 2022.	Financial statements should be corrected identifying these differences and making comparisons needed.
(f)	Bearer assets additions	biological	27,979,763	26,454,609	1,525,154	These differences are being examining by now and, corrections relating to that are made when preparing financial statements relevant to the year 2022.	Financial statements should be corrected identifying these differences and making comparisons needed.

#### 1.5.5. Documentary Evidences not made available for Audit

	Item	Amount (Rs.)	Evidence not available	Management Comment	Recommendation
(a)	Inactive balance	1,933,043	Payment vouchers, related agreements	Since this balance has been carried forward before the year 2012 therefore rechecking regarding this, relevant accounting adjustments are made on necessary approvals when preparing financial statements in 2022.	Information should be given required for the audit and financial statements should be corrected by making relevant adjustments about balances.
(b)	Creditors balances	174,415,850	Confirmations of balances and subsequent records of	The relevant institutions have been informed to send the letters related to	Confirmations of balances and subsequent records of

			balances settlement	the confirmations of balance directly to the audit office that located in the “Janawasama.” Building.	settlement of balances should be presented for audit.
(c)	Debtors balances	101,184,952	Register of Debtors, sales invoices, relevant sales agreements	The relevant institutions have been informed to send the letters related to the confirmations of balance directly to the audit office that located in the “Janawasama.” Building.	Action should be taken to give information registers and other evidences required for audit.
(d)	Credit sales of trees	2,801,000	Valuation reports, invoices, information of suppliers and sales agreements	The credit value on trees sales amounting to Rs. 2,801,000 was a balance which has been remaining before the year 2016 and examining the nature of this balance and action is taken to remove this amount from the books on approval of the Board of Directors.	Written evidences should be presented for audit to confirm these balances.
(e)	Refundable tender deposits	6,379,570	Relevant tender deposit files	Rs. 6,379,570 of this tender deposit amount is the balances which have been brought forward before the year 2006. Examining about this balance and expected to be written off this amount from the books within the year 2022 on approval of the Board of Directors.	Written evidences should be presented for audit to confirm these balances.
(f)	Gratuity provisions	67,350,179	Schedules relating to the provisions	Examining about this accounting adjustments are made as relevant within the year 2022.	Written evidences should be presented for audit to confirm these balances.
(g)	Forest management expenditure and acquired assets	8,350,599	Payment vouchers	It is informed that action to be taken to accurate the error had occurred when accounting the expenditure of Rs 1,645,340 stated under property plat and equipment in the statement of financial position had been incurred in the year 2009 for preparing Forest	Payment vouchers needed to confirm these expenses and balances should be presented for audit and action needed to accurate relevant expenditure should be done.

management plan. As well the value of Rs 6,705,259 was a balance brought forward since before the year 2010. Examining the way of this balance had occurred and the way of consisted and expected to be made accounting adjustments needed within the year 2022.

(h) Property plant and equipment	985,661,726	Deeds/Licenses, Valuation Reports, Assessment Fee Payment Reports and Vehicle Registration Certificates	Action to be taken to give documents and registers were regarding land, buildings and vehicles owned to the Corporation for the audit officers who visit for the audit of financial statements relating to the year 2021.	Documents relating to confirm property plant and equipment should be presented for audit.
(i) Deferred assets	781 ,064	Payment vouchers	These road maintenance expenses, had been decided to amortize within 10 years on consultation of Ernst &Young audit institute, in the year 2012.However amortizing that depreciation had not been done for several years after 2012 and therefore there had been a balance of Rs. 438,730 by the date of 31/12.2021.	Payment vouchers should be presented for audit.
(j) Consumable stocks	4,870,669	Stock verification reports	Copies of verification reports as at 31.12.2020 are attached here with relevant to the physical verification of fertilizer, chemicals and consumables required for plantation activities in the Estates of, Cottaganga, Goomera , Harepark ,Hunnasgiriya Waithalawa and Walahanduwa.	Since the stock verification reports had not presented for audit that reports should be furnished without delay in.

(k)	Trade receivables	25,878,517	A register of debtors, sales invoices, relevant sales agreements.	A committee has been appointed by now to check details regarding non-receivable debtors and after receiving that details it is expected to be appoint another committee for submission of recommendation regarding recovering or writing off those money from books. Action needed is taken to recommendation of that committee as per the decisions of the Board of Directors.	Written evidences should be submitted to the audit to confirm balances.
(l)	Provision for Impairment and Provision for Doubtful debt	49,128,419	A register of debtors relating to provisions, approvals of the Board of Directors.	Since these balances are carried forward from the year before 2012, the manner in which those values have been prepared will be checked and relevant disclosures will be made during the preparation of the 2022 financial statements.	Required written evidences should be furnished for audit to confirm the accuracy of these balances.

## 1.6. Accounts Receivable and Payable

### 1.6.1. Receivables

	Audit Observation	Management Comment	Recommendation
(a)	Out of the Rs. 169,523,942 of debtor balance a balance of Rs. 1,984,314 that is 0.7 percent was between 02 to 04 years and, the balance more than 05 years was Rs. 87,063,235 that is 50 percent. Due to the Corporation has no effective procedures been taken to recover these debtor balances during the year under review an uncertainty of recovery was observed and also the Corporation no action had been taken to provision for doubtful debtors.	A committee of officers has been appointed by now for examining the details regarding non recovered debtors and after receiving those details it is expected to be appointing another committee for submission of recommendation regarding recovering or writing off that money from books. Action needed will be taken to recommendation of that committee as per the decisions of the Board of Directors.	Effective procedures should be taken to recover this debtor balances.
(b)	Rs.6 million amount of loan had been granted to the	Action needed to be taken to discuss with the Ministry of	Entering into agreements, making adequate provisions

Elkaduwa plantation by the Corporation on the date of 15 October 2014 without being entered in to an agreement and, since defaulting this loan amount from the year 2015 by the company and the Corporation had not taken action to make provisions for doubtful debtor balance of Rs. 1,916,092 which has not been recovered.

Plantation regarding the amount of Rs. 1,916,092 receivable from the Elkaduwa Plantation and to write off from the books or to recover it.

in the accounts and taking actions to recover should be done.

## 1.6.2. Payables

Audit Observation	Management Comment	Recommendation
(a) According to age analysis of creditors of the Corporation the unsettled balance from year 1 to year 4 amounting to Rs.363,323,605, unsettled balance more than 5 years was Rs. 700,185,731 the liabilities of the Corporation had been at a risk of over assessing on unsettling of that credit balances.	Due to the financial crisis that has been facing the Corporation since more years settlement of creditors was impossible to properly done. A decision should be taken about settling of out dated creditors or taking again those balances in to revenue before the end of the year 2022.	Procedures should be taken to settle these long term loan balances.
(b) Due to non-paying of contributions properly for the Estate Staff Provident Society (ESPS) The liability of a Rs. 16,625,046 had been to the date review on unsettling provisions had not been done for surcharges to these liabilities have to be paid.	It was impossible to send contribution money properly to the Estate Staff Provident Society (ESPS) due to the finance crisis that the Corporation has been facing since more years.	Action should be taken to settle due balances of Estate Staff Provident funds and provisions should be done for the surcharges expected.
(c) There had been a risk of over assessing of liabilities of the Corporation due to no action has been taken to settle or write off the value of Rs. 786,379 of advances for timber has been received before 8 years.	Refunding of cash received relating to sales of trees (refundable deposits) was not done due to the problematic situation arisen between the customers and the corporation. Examining facts regarding this action will be accounted that money as income of the corporation or to refund those money relevant parties in 2023.	Action should be taken to settle the tender deposits.

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

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Public Enterprise Circular No. 1/2015 dated 25 May 2015	To officers included in MM category vehicle allowance was not entitled but Rs. 1,200,000 of transport allowance and Rs.394,560 of fuel allowance had been paid for two officers of that category during the year under review.	Relevant payments had been done on approval of the Board of Directors. The transport and fuel allowance had paid to the Manager- Land was stopped from the month of January 2022. Further the Internal Auditor who got transport allowance was resigned from the service on the date of 21 May 2021. The officer who was received an appointment as Superintendent of Estate was served on the post of Manager – Plantation on acting basis also within that period. According to the appointment letter a motor vehicle should be provided for supervision activities therefore instead of giving a motor vehicle a transport allowance was given.	The payments has done contrary to the Circular should be surcharged.
(b)	Public Enterprise Circular No. PED 1/2020 dated 27 January 2020 Section 1.2	Although the monthly fuel allowance of the Chairman was 150 liters and the approval of the Board of Directors had been taken on the date of 26 August 2022 for the value of Rs. 280,907 of fuel 1,843 liters.	As per the Section 1.2 of Public Enterprise Circular No. PED 1/2020 dated 27 January 2020 for the fuel had taken by the Chairman of the Corporation over the limit of monthly fuel allowance of 150 liters for the year 2022 the approval of the Board of Directors has taken on the date of 26. 08. 2022 in the meeting held.	According to the circular, arrangements should be made to obtain the approval of the Line Ministry Secretary with the recommendations of the board of directors for additional fuel.
(c)	Public Administration Circular No. 30/2016 dated 29 December 2016 Paragraph 3.1	The fuel consumption of every vehicle should be examined in every 12 months period or after running a distance of 25,000 Kilometers or after carrying out a major engine repairs, whichever occurs first, however examination of the fuel consumption relating to 55 vehicles belonging to the Corporation had not	A testing of fuel consumption of the vehicles owned to the Corporation had not been done up to now. However it is informed that the action is taken to start the activity of this testing of fuel consumption.	As per the circular a testing regarding fuel consumption should be done.

been done such a fuel consumption test.

- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka-1645 (a) and Public Administration Circular No. 11/2006 dated 14 July 2006 Section 3 (xii)
- A log book should be maintained for vehicles owned to the Corporation by the officer in charge of vehicles however, as per log books had not been maintained for 55 vehicles owned to the Corporation.
- Log books for the vehicles owned by the Corporation will be maintained from the year 2021.
- Log books should be maintained by the officer in charge of vehicles.
- (e) Section 15 of the Employee Provident Fund Act No. 15 of 1958 and section 16 (i) of part ii of Employee's Trust Fund Act No.46 of 1980.
- Action had not been taken to pay the liabilities of Rs 413,339,668 of Employees Provident Fund and the liabilities of Rs.23,804,025 of Employee's Trust Fund from the year 2006, up to the last date of the year under review therefore an amount of Rs.43,640,418 and Rs.2,658,745 respectively had been enforced as surcharges.
- Due to the financial crisis that the Corporation has been facing for a long time. It is impossible to make payments on time therefore this surcharge has to be paid.
- An effective procedure should be prepared without being delay in, to pay the contribution in arrears.
- (f) Sub-section (5) (1) of Part ii of the Payment of Gratuity Act No. 12 of 1983.
- Although gratuity payments should be paid within 30 days from the date of retirement or death of an employee, due to non-payment of gratuity in due date as per there had been an outstanding balance of Rs. 402,314,300 in the gratuity payable account as at 31 December 2020 and amount of Rs. 14,296,172 of surcharges should be paid by the end of the year 2020.
- Due to the financial crisis that the Corporation has been facing for a long time, these surcharges have to be paid due to the inability to pay this money.
- An effective procedure should be prepared without being delay in, to pay the gratuity in arrears.
- (g) Paragraph 2 (a) of the Assets Management Circular No. 01/2018 dated 19 March 2018 and Paragraph 2
- Action had not been taken to dispose even at the date of 17 December 2022 the Corporation owned vehicles not in running condition should be disposed total 58
- The activities of disposing vehicles which are not in running condition should be disposed will be started in the year 2023.
- Action should be taken to dispose vehicles not in running condition as per the circular instructions.

	of the Public Finance Circular No. 02/2015 dated 10 July 2015	number of as 20 Lorries, 24 Tractors and Taylors, 09 Cars, 03 Jeeps, 01 Ambulance, 01 Three-wheeler and 36 Motor Bikes.		
(h)	Paragraph 5(2) of the Public Finance Circular No. 01/2014 dated 11 February 2014 and Section 5.1.3 of the Public Enterprise Circular No.12 dated 02 June 2003.	Preparing a business plan 15 days before the commencement of the financial year including commercial activities expected to be implemented in the financial year ahead should be submitted to the Line Ministry, Department of Public Enterprise, General Treasury and to the Department of Auditor General however such a report had not been prepared by the Corporation.	Action will be taken to prepare a business plan and action plan base on that of the Corporation for the year 2023.	As per the circular referred a business plan should be prepared.
(i)	Paragraph 5(2) of the Public Finance Circular No. 01/2014 dated 11 February 2014	An action plan including commercial activities expected to be implemented in the financial year ahead however an action plan of the Corporation for the year 2020 had not been prepared by the Board of Directors.	Action will be taken to prepare a business plan and action plan base on that of the Corporation for the year 2023.	As per the circular referred an action plan should be prepared.
(j)	Public Enterprise Circular No.12 dated 02 June 2003.			
(I)	(I)Section 4.2.3. and 4.2.6	Preparing an action plans/ progress reports and should be submitted as quarterly, half annually and annually however the Corporation had not prepared those reports.	Action will be taken to evaluate performance as quarterly, half annually and annually accordingly the action plan to be prepared for the year 2023, and also send those reports to the relevant institutions.	Performance reports should be prepared quarterly and annually as per the circular.
(II)	(II) Section 5.2.5	Annual budget should be submitted to the Line Ministry of Plantation Ministry, Department of Public Enterprises, General Treasury and to	Even though there had been a delay in preparing the budget relevant to the year 2020, the approval of the Board of Directors has been taken for the budget of 2020 in the meeting	As per the circular referred preparing budget of the year ahead at a proper time should be submitted to the relevant parties.



the Department of Auditor General preparing and after approving the Board of Directors 15 days before commencing the financial year however the annual budget has prepared with delay in and has approved by the Board of Directors on the date of 12 February 2020 and those reports had been presented to the relevant institutions. held on the date of 12. 02.2020.

- (k) Section 07 of the Guideline of government lands No. SAI/A/1/34 dated 25 July 1995 issued by the President Secretariat office
- When leasing government lands the lease rent should be decided base on the market value decided by the Chief Government Valuator however a government valuation had not been taken by the Corporation even by the date of 02 March 2022 for a 02 roods and 2.87 Perches had given to the Institute of Independent Rupavahini on lease basis and 02 Roods and 6 Perches had given to the Hunnasfall Hotel Limited (in Gammaduwa and Hunnasgiriya Estates), when giving 01 Roods and 39.07 Perches from Opallagala Estate to the Dialog Broad Band Network Private Company on lease basis due to non-measuring the annual lease rent basis on current market value decided by the Chief Valuator it was observed that the Corporation had also been lost a Rs. 6,853,120 amount of lease rent income from the year under review.
- When leasing 02 Roods and 2.87 Perches to the Institute of Independent Rupavahini from the Gammaduwa Estate that owned to the Corporation has not signed a lease agreement and also has not charged a lease rent based on government valuation. A land of 02 Roods and 6 Perches has leased for the entrance road of Hunnasfall Hotel Limited for a 50 years from the Hunnasgiriya Estate which is owned to the Corporation. When deciding the lease amount a assessment report has not taken from the department of assessing. When leasing a land of 01 Roods and 39.07 Perches to the Dialog Broad Band Network (Private) Company from Opallagala Estate an amount less than the value assessed was mentioned in the lease agreement. Being aware of the Board of Directors action will be taken ahead on those instructions.
- Accordingly the guideline referred lease rent should be decided on an assessment of Chief assessor. According to that arrears lease rent should be charged without delay in.
- (l) Sub section 07(1)'A' of State
- A land of 02 Roods and 6 Perches from Hunnasgiriya Estate had
- When leasing a block of 02 Roods and 6 Perches of land for the Hunnasfall Hotel Limited
- Action should be taken to get approval of the Minister in

Plantation been given to the from the Hunnasgiriya Estate terms of the Act.  
 Corporation Hunnasfall Hotel which is owned to the  
 Act No. 49 of Limited on lease basis Corporation has not taken the  
 1979 for a period of 50 years approval of the Minister. Being  
 (Amended) without a prior written aware of the Board of Directors  
 approval of the Minister. action will be taken ahead on  
 those instructions.

## 1.8 Cash Management

Audit Observation	Management Comment	Recommendation
<p>In terms of Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka of F.R.395 (b) Financial Regulation bank reconciliation statements for current accounts should be prepared as at the end of each month before the 15th of following month however in the bank reconciliations that the Corporation prepared due to non-mentioned the date it was impossible to examine whether the action had taken compliance with that regulation and bank statements and bank reconciliations had not been submitted to the audit regarding 14 bank accounts.</p>	<p>Action will be taken to mention the dates that has prepared when preparing monthly bank reconciliation statements from the year 2021.</p>	<p>As per the financial regulations the date should be put when those certified as per to be able to confirm the monthly bank reconciliation statements has been prepared in proper period.</p>

## 1.9 Non-compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
<p>(a) As per the Section 113 of the Inland Revenue (Amendment) Act No. 10 of 2006 If an individual or a joint venture, on self-assessment basis, should pay tax, if any, at the end of a quarter to the Inland Revenue Department on or before August 15, November 15, February 15 and May 15 of the following year respectively, and the remaining tax if any, should be paid on or before September 30 of the following year. The Corporation had not calculated the income tax related to the 2020/2021 assessment even by 31December 2021.</p>	<p>Due to the financial crisis that the institution has been facing for a long time, no attention has been paid to the taxes that the institution should have paid to the Inland Revenue Department. Therefore, The Board of Directors will be informed about this and further action will be taken according to the instructions received.</p>	<p>As per the Revenue (Amendment) Act calculating income tax relevant reports should be submitted to the Department of Inland Revenue.</p>
<p>(b) As per the Section 106 of the Inland Revenue (Amendment) Act No. 10 of 2006 the income tax report should be</p>	<p>Due to the financial crisis that the institution has been facing for a long time, no attention</p>	<p>As per the Revenue (Amendment) Act calculating income tax</p>

submitted to the Department of Inland Revenue on or before 30th November of the following year, however the Corporation had not submitted the income tax report related to the assessment year of 2020/2021 even by 30 December 2021.

has been paid to the taxes that the institution should have paid to the Inland Revenue Department. Therefore, The Board of Directors will be informed about this and further action will be taken according to the instructions received.

relevant reports should be submitted to the Department of Inland Revenue.

## 2. Financial Review

### 2.1 Financial Result

The operational result of the year under review was a loss of Rs. 149,627,081 and the corresponding loss of the preceding year amounted to Rs. 329,884,391. Therefore a decrease of loss amounting to Rs. 180,257,310 of the financial result was observed. Increase in sales income of green leaves, small crops and rubber by Rs. 230,902,542 in the year under review with compared to the previous year had been mainly attributed this decrease of loss.

### 2.2 Trend Analysis of major Income and Expenditure items

	2019 (Rs.)	2018 (Rs.)	Increase / (Decrease) (Rs.)
Revenue	766,835,580	535,933,037	230,902,543
Other Income	158,478,281	106,974,735	51,503,546
Cost of Sale	(864,752,760)	(786,607,907)	78,144,853
Administration Expense	(180,887,340)	(165,473,851)	15,413,489
Finance Expense	(29,300,841)	(20,710,404)	8,590,437

### 2.3 Ratio Analysis

- (a) The current asset ratio of the year under review and the previous year was 0.20:1 and the quick asset ratio was 0.15 :1. Being the value of trade and other balances payable of the Head Office and Estates Rs. 1,363,998,504 and Rs. 1,318,555,797 respectively had been mainly attributed deterioration of current asset ratio and quick asset ratio.
- (b) The gross loss ratio and the net loss ratio of the year 2020 was 13 percent and 20 percent respectively and since those percentages in the preceding year were 47 percent and 62 percent respectively in the year under review those ratios had been decreased by 34 percent and 42 percent respectively.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) It was observed that in 08 plantation estates relating to Kandy, Galle and Mathale	Out of those residing as unauthorized occupants of 450 perches, from	Legal action should be taken regarding unauthorized occupants.

Districts managed by the corporation, an extent of 450 perches and 2 quarters in the Midland Estate and 2 quarters in the Hunnasgiriya Estate unauthorized occupants have occupied nearly for 28 years.

unauthorized occupants residing 05 perches of an extent has taken back. And also mentioned in the audit report cases have been filed to evict the unauthorized occupants.

- (b) No action had been taken the corporation to charge an amount of Rs 8,911,700 lease income by the end of the year under review from the leases for leased out properties.
- Out of the lands has leased out by the corporation before the date of 06 February 2020 details regarding lease is not charged in proper way on the government assessment base presenting to the board of directors and as per the instructions relevant procedures will be taken.
- Steps should be taken to charge arrears lease amount.

### 3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) According to the data of the Ministry of plantation industry the standard annual made tea production of a hectare in Sri Lanka had been 1,377 kg in the year 2020, however the total production of 15 plantations managed by the Corporation had been in a very low range 103-992 between.	Compared to the year 2019, made tea yield of plantations owned to the Corporation could be increased a considerable level in the year 2020 and 2021	Steps should be taken to achieve the yield of plantations owned to the Corporation to the standard average yield of the field.
(b) Even though the corporation owned to tea cultivation in extended 4,189 hectares, an amount of 2,838 hectares out of that is older than 100 years and should be re –cultivated and only 135 hectares had been utilized for re-cultivation of tea.	According to the files of the corporation the tea cultivation land extended 4,189.06 hectares and out of those 2,838 hectares of tea cultivation older than 100 years. Out of that in 180 hectares re planting activities has been started by this time utilizing allocation of Line Ministry.	Action should be taken to removing older cultivation and transferred to more yielding re – cultivations.
(c) The total made tea production of 1356 hectares given to external cultivators had been 99,850 kg in the year 2019 and the same had been reduced to kg in 2019 and in the year 2020 it was 157,987 kg. According to the statistics in the tea industry issued by the Ministry of Plantations, the annual standard made tea production of said land had been 1,867,212 kg. However, it is observed to be controversial that the external cultivators had produced only 08 percent of total production.	According to the files of the corporation in the year 2019, the amount of tea land given to external planters was 1391 hectares and the finished tea production of external planters is 99,850 kg. That production in the year 2020 and 2021 was 157,987 kg and 170,645 kg respectively. Accordingly compared to the year 2019 in the year 2020 and 2021 it was possible to achieve considerable progress. From the beginning	Needed steps should be taken to reach with the annual standard made tea production of the tea industry.

of the year 2020 it is not possible to increase tea production as expected due to issue of purchasing fertilizer has prevailed.

- (d) According to the statistics issued by the Ministry of plantation industry with regard to the year 2020/2021, the average production cost of one-kilogram of tea in Sri Lanka should be Rs.548. However, in 08 plantations which is managed by the Corporation the average production cost of one-kilogram of tea had been ranged Rs. 575- Rs.1,974 in between.
- In audit report, although it was mentioned that according to the statistics issued by the Department of Census and Statistics with regard to the year 2018/2019, the average production cost of one-kilogram of tea in Sri Lanka is Rs. 484. According to the statistics issued by the Ministry of plantation industry with regard to the year 2020 the average production cost of one-kilogram of tea in Sri Lanka is Rs. 547.77. As per mentioned in the audit report in 09 plantations annual production unit cost is ranged Rs. 500-Rs.1,974 in between.
- Average cost of one kilogram of tea should be maintained at an effective level.
- (e) According to the budget report of the corporation out of the expected production in the year 2020 of 1,814,592 kilogram 1,584,373 kilogram has been received and it is 87 percent from the expected production.
- Due to there had been an issue of purchasing fertilizer from the beginning of the year 2020 it was impossible to increase tea production as expected.
- Action should be taken to achieve expected targets in tea production.
- (f) According to the statistics released to the Internet by the Tea Export Association regarding the year 2020, the standard average selling price of one kilogram of tea should be Rs.631 however, said value of the Corporation was low range in between Rs. 386 –Rs.470.
- As mentioned in the audit report in the plantations owned the Corporation net sales average in the year 2020 was range in between Rs. 386 –Rs.470.
- Steps should be taken to increase selling price of one kilogram of tea.
- (g) Even though the total area of land in 17 plantations of the Corporation was 11,012 hectares, 4189 hectares out of that had been utilized for tea, 65 hectares had been used for rubber and 2,471 hectares for small export crops and forestry cultivation. The remaining land of 4288 hectares which was 39 percent had been observed to be in a non - productive state without been utilized for any kind of income generation.
- The total land extent owned to the Corporation is 11,012 hectares by the year 2020. Out of which, 4,189.06 hectares are under tea cultivation and 64.56 hectares for rubber and 2,471.38 hectares for small export crops and forestry cultivations are reserved. Apart from this, the uncultivated land area including wasteland, forests, rocky and knuckles reserve area is 4,287.70 hectares. Since the major percentage of the land which
- Immediate steps should be taken to utilize the lands owned to the corporation productively

was not cultivated is in the Knuckles Reserve, it is unable to make any of the cultivation.

- (h) In the year 2012 made tea production of the corporation was 1,911,616 kilogram and by the year under review it was up to 1,742,360 kilogram had been decreased by 169,256 kilogram within 7 years that is 9 percent and it was 30 percent of standard production of the year 2020. According to the files of the corporation in the year 2012 made tea production was 2,102,344 kilogram (including external planters). As well made tea production of the corporation in the year 2020 and 2021 was 1,742,363 kg and 1,803,226 kg respectively. In the year 2020 and 2021 the allocated land extent for tea cultivation of the corporation is 4,189,06 and 4,199.74 hectares respectively. According to the statistics issued by the Ministry of plantation industry the made tea production received in the year 2020 and 2021 as a percentage of standard made tea production was 30 percent and 31 percent respectively. Immediate steps should be taken to have high productivity from the lands owned to the corporation.
- (i) According to the published data of the Sri Lanka Rubber Research Institute, the number of standard rubber plants should be per hectare is 516 therefore the number of rubber plants that should be there in an extent of 65 hectares in the Walahanduwa plantation is 33,540. However, the existing number of plants was 18,634, which was 55 percent of the quantity that should exist in. In the year 2020, further had been 608 kg, however the average rubber production of one hectare in Walahanduwa plantation was 456 kg that was 75 percent. According to the data of the Sri Lanka Rubber Research Institute, the number of rubber plants could be plant per hectare is 516 and when the number of failed plants is taken into consideration, the average number of rubber trees per hectare is between 300-500. However, in Walahanduwa plantation which owned to the corporation the average rubber production per one hectare is 456 kg. Action should be taken to maintain rubber plants and rubber production in an optimum level according to the standards of the industry.

### 3.3 Procurement Management

Audit Observation	Management Comment	Recommendation
As per the section 4.2.1 of procurement guideline relevant data of purchasing fixed assets in Estates that the authority level, starting date to be expected and closing date to be expected had not been included in the procurement plan.	Due to the financial crisis faced by the corporation, it has been difficult to make accurate forecasts however when preparing the procurement plan for the year 2023 action will be taken to include purchasing fixed assets in Estates.	Information stated in the 4.2.1(b) of procurement guideline should be included in the procurement plan.

### 3.4 Human Resources Management

Audit Observation	Management Comment	Recommendation
<p>(a) As per the letters of the Department of Management Services dated 25 July 2017, 13 September 2017, 21 December 2018 and 09 September 2019 although there were 109 of permanent posts, contract post 03 and temporary post 02 in the approved cadre of the Head Office of the Sri Lanka State Plantation Corporation there had been 19 vacancies of the permanent staff, appointments in 04 posts in excess to the approved cadre, appointments in 08 posts in excess to the approved cadre, vacancies in 02 posts and 02 vacancies of temporary positions had been existed as at 31 December 2020. In addition to that Rs.3,126,189 for appointing exceeding the contract cadre and Rs. 2,417,804 for appointing exceeding the permanent cadre had been paid as salaries and allowances during the year under review.</p>	<p>In the total approved cadre of the Corporation, recruitment of cadre has been made so as not exceeding the number of posts (permanent or contract) being approved under each category of posts. Accordingly recruitments are not happened exceeding the total approved cadre. As well even though there were vacancies in posts due to the financial crisis faced by the institution, the activities of the corporation have to be run by a limited staff.</p>	<p>Recruitments should be done within only the approved cadre as referred to the letters.</p>
<p>(b) In terms of the Section 5.2 of Paragraph 11 of the Establishment Code even though a vacancy in a position shall be filled with immediate effect for the post of Manager-Legal has remained vacant since the year 2008 without being appointing permanent officer amounting to Rs. 220,609 had been incurred for the officer appointed on contract-basis in the year under review.</p>	<p>The post of Manager-Legal was a post in approved cadre, and has been recruited on contract-basis for about 12 years. Even though the action has been taken to recruit a suitable officer for this post time to time, it was impossible to recruit to the salary scale of MM1-1 Grade an experienced lawyer suit to the scope of the corporation. However following proper procedure with the recommendation of the Ministry and on approval of the Management Services Department compliance with the draft recruitment procedure, a permanent officer was appointed with effect from the date of 03.01.2022. However that officer also resigned from the post for emigration purpose from the date of 31.05.2022. Therefore on necessity of service by this time a recruitment has done again for that post on contract basis.</p>	<p>Permanent officers and employees should be recruited to the vacant essential posts.</p>

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| (c) | According to the Paragraph II of the Management Services Circular No. 03/2018 dated 18 July 2018 the corporation had incurred Rs. 3,051,901 during the year under review for the officers recruited on contract basis and on permanent basis for 07 posts without prior approval of the Department of Management services.   | The above appointment has been done for the existing posts in the approved cadre and the approval of the Department of Management services had not been taken again by a certain mistake.  | Recruitments and payment of salaries should not be done without approval of the Department of Management services.                                |
| (d) | As per the Paragraph 9.3.1 of the Public Enterprise Circular No 12 dated 02 June 2003 approved Recruitment and Promotion procedure was not available in the Corporation which had been prescribed by which stipulates the educational and other qualifications to be fulfilled for recruitment to a particular position.   | The draft recruitment procedure prepared by the institute on that time was amended on 03 occasions on the advice of the Ministry of Plantations and Management Services Department. Accordingly, the revised recruitment procedure was sent to the Department of Management Services, and it was sent to our institute for amending again by that Department and, was amended on 4th occasion on that instructions and was submitted to the Management Services Department by the letter dated 07.07.2022. | A recruitment and Promotion procedure should be prepared by the corporation and should be getting approval of the Management Services Department. |
| (e) | In accordance with the Sub section 3 of Paragraph II of the Establishment Code, recruitment to all the vacancies in public sector should be made by the Appointing Authority, by calling applications through public notice made however, a number of 04 new recruitments made by the Corporation in the year under review had been done deviating from the prescribed process of calling applications through public media. | Recruitments are made publishing notices. When publishing notices for temporary appointments in public newspapers a large amount of cost has to be incurred. Due to the financial crisis has been facing corporation it was difficult to incur even such expenditure.  | Recruitments should not be made deviating from calling applications through public media.   |