

Transactions Report of the Kithul Development Board - 2024

The audit of the operational activities of the Kithul Development Board for the year ended 31 December 2024 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. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity. In terms of Section 16(2) of the said Act, annual financial statements shall be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports of those entities within such period as may be provided by rules. In terms of Section 38(1)(d) of the said Act, it is necessary to ensure that the annual reports and other financial statements should be prepared within the required periods and in addition to that the Chief Accounting Officer shall be responsible to submit the annual reports pertaining to the auditee entity to the Parliament.

2. Submission of financial Statements

Audit observation	Comments of the Management	Recommendation
Even though the statements and draft annual report should be submitted to the Auditor General 60 days after the end of the accounting year in terms of the Public Enterprises Circular No. PED 01/2021 of the Secretary to the Treasury dated 16 November 2021 and Section 6.6 of the Operations Manual issued in accordance therewith, the financial statements and draft annual report for the year 2023 and 2024 had not been submitted to the Auditor General by 15 September 2025.	Even though the financial statements for the years 2023 and 2024 have been prepared and approval of the Board of Directors have been obtained, the financial statements prepared for the year 2023 have been prepared again due to accounting deficiencies in the set of financial statements submitted in the year 2022. The corrected financial statements had been submitted to the National Audit Office on 17.09.2025.	Financial statements and draft annual reports should be submitted for audit on the due date.

2.1 Assets, Liabilities, Income and Expenditure Status as at 31 December 2022

The details of assets, liabilities, income and expenses shown in the financial statements as at 31 December 2022 last prepared by the Board are given below.

Item	Amount Rs.
Non-current assets	378,891
Current assets	335,581
Total assets	714,472
Current liabilities	308,613
Non-current liabilities	-
Total liabilities	308,613
Total equity	405,859
Total equity and liabilities	714,472
Total income	17,897,583
Total cost	17,491,724
Net profit	405,859

2.2 Non- maintenance of Registers and Books

Audit Observation	Comments of the Management	Recommendation
(a) Security Register A security register containing the details of the officers and employees who should keep security had not been prepared.	Agreed. Actions have been taken to keep a security register.	A register of officers required to post security which includes the information should be maintained as per financial regulations.
(b) Register of Losses Register of losses had not been maintained.	Agreed. Actions had not been taken to maintain register of losses.	Register of losses should be maintained as per the provisions of the Financial Regulations.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment Of the Management	Recommendation
Public Enterprises Circular No. PED 01/2021 of the Secretary to the Treasury dated 16 November 2021 and Section 2.3 of the guidelines on corporate governance manual issued in accordance with it.	Even though the board of directors is fully responsible to prepare a comprehensive plan at least for a period of three years and managing the business in a way that achieves the proposed goals accordingly, a comprehensive plan had not been prepared by the board.	The Sri Lanka Institute of Development Administration (SLIDA) has been entrusted with the task of preparing a corporate plan for the board in the year 2024, and the plan for this year has been submitted to the Secretary of the Ministry.	The strategic plan should be prepared and approved in accordance with the referenced circular.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Comment Of the Management	Recommendation
(a) A Kithul products shop called Kithul Medura had been run by the Kithul Development Board since 2022 using a building constructed on a land belongs to the Yatiyanthota Divisional Secretariat and even though a grill fence had been fixed at the entrance of the building by the board for this purpose at a cost of Rs. 1,143,905 on 2 November 2023, no steps had been taken to take over this building and it remained idle, not being used for any economic purpose.	It has been informed by the Yatiyanthota Divisional Secretary on 11.04.2025 that this building has been constructed on a government-owned reserve land reserved for water springs. In response, our Board has sent a letter dated 04.06.2025 requesting payment of Rs. 1,121,564.07 to this Board by cheque.	The land and building should be taken over and put to productive use.
(b) Steps had not been taken to use the amount of Rs. 1,121,564 given to the Yatiyanthota Divisional Secretary on 24 December 2024 for the renovation of the Thaligama Kitul Medura for the relevant purpose or to recover the amount to the Board by the date of the audit.	A field investigation had been conducted in collaboration on 11.09.2025 by the Committee Chairman, Ministry officials, Divisional Secretariat officials and our Board officials based on a decision taken at the Kegalle District Development Committee, and accordingly, it has been recommended to clear the land in the watershed area, carry out future work under a public-private partnership (PPP model), and modernize the building using the funds provided by the Kithul Development Board.	The money provided by taking over the land and building should be used for productive purposes.

3.2 Performance

Audit Observation	Comments Of the Management	Recommendation
(a) According to the Extraordinary Gazette dated 17 March 2021 regarding the establishment of the Kithul Development Board, necessary measures had not been taken so far to fulfill the functions expected to be performed by the Board, i.e. providing support, promoting and regularizing the cultivation of Kitul on the lands where Kitul cultivation is carried out, promoting the engagement in animal husbandry on the lands where Kitul cultivation is carried out, popularizing and promoting the cultivation of coconut and other crops on Kitul plantations, and producing Kitul products.	In 2024, this board did not have sufficient staff and several officials from the ministry have served on acting basis and 05 Management Assistant Officers have been recruited on permanent basis from October 2024. None of the executive officers have served on a permanent basis. Therefore, it has been observed that the Board has not been able to accomplish the tasks planned for the year under review.	Necessary steps should be taken to implement the necessary tasks to achieve the basic objectives of establishing the Kithul Development Board.
(b) Even though provisions of Rs. 1.7 million have been allocated for the issuance of Good Manufacturing Practice (GMP) certificates for 05 Kithul entrepreneurs and Kithul Development Board (KDB) certificate to 10 entrepreneurs in the year 2024, they had not been utilized for the relevant purpose by the end of the year under review.	-do-	A preliminary feasibility study should be conducted to study the feasibility of implementing the projects and allocate funds for the planned projects and activities.
(c) According to the Action Plan 2024, the provision of Rs. 700,000 had not been utilized for the development of a model Kitul land for the development of Kitul cultivation as a commercial crop.	-do-	Action should be taken to fulfill the tasks in the action plan and to utilize the allocated funds effectively.
(d) Even though Rs. 700,000 had been allocated for conducting 3 training and awareness programs under the creation of an online platform for the Kitul Development Board during the progress review of the 2024 Action Plan, no programs had been held during the year under review.	-do-	Programs should be planned and implemented to increase the productivity of the Kitul Development Board.

3.3 Management Inefficiencies

Audit Observation	Comments Of the Management	Recommendation
A fixed asset register and annual inventory reports had not been provided to the audit.	A fixed asset register has not been maintained for the years 2022/2023.	A fixed asset register should be maintained by the board.

3.4 Human Resource Management

Audit Observation	Comment Of the Management	Recommendation
The approved cadre and an the actual cadre of the board is 39 and 07 respectively at 31 December of the year under review and Internal Auditor post, 15 Research and Development Assistant posts and 04 Management Assistant posts had also been vacant by the end of the year under review.	The Ministry of Plantation Industries has been informed about these vacancies on numerous occasions..	Recruitment should be done for essential positions without delay to properly perform the functions of the Board.