

Head 135- Ministry of Plantation Industries

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Plantation Industries for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended 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. The Summary Report including my comments and observations on these financial statements of the Ministry of Plantation Industries was issued to the Chief Accounting Officer on 20 July 2020 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relating to the Ministry was issued to the Chief Accounting Officer on 22 January 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, those financial statements prepared in terms of the provisions in the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the Ministry of Plantation Industries as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub- section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility 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 summary 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 judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6(1)(d) and Section 38 of the National Audit Act, No.19 of 2018.

- (a) That the financial statements are consistent with the preceding year,
- (b) That the recommendations made by me on the financial statements of the preceding year relating to observations indicated in Paragraphs 1.6.2, 1.6.4(b) and 1.6.6 of this report, had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
The revenue collected by the Lease Revenue Head No.20.02.01.04 under the Ministry had been a sum of Rs.754,243,669 as per the Treasury Revenue Summary Report (SA-20). However, it had been stated as a sum of Rs.753,578,967 as non- tax revenue in the statement of financial performance relating to the year under review. As such, a difference of Rs.664,702 was observed.	The total revenue collected as per the Treasury Printout No.70, should be credit to the Revenue Account in terms of the Circular.	Even though the revenue collected from the regional plantation companies in the Revenue Code No.20.02.01.04 as per the Treasury Printout No.70 had been a sum of Rs.754,243,669, a sum of Rs.753,578,967 has been recovered as the Lease Rent. The remaining sum of Rs.664,702 is the 20 per cent amount payable to the Government relating to Sub-leases. As such, it was noted to include the total revenue of the above Revenue Head into the Revenue Accounts, in the future.

1.6.2 Statement of Financial Position

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
According to the Statement of Deposit Accounts (ACA 4) as at 31 December 2019, the balance of two Deposit Accounts had been Rs.250,468 as per the books of the Ministry. However, according to the Treasury Accounts, the said balance had been Rs.229,968, thus observing an unidentified difference of Rs.20,500.	The differences should be identified and rectified by reconciling books of the Ministry with the Treasury Books as per the Financial Regulation 427.	This is an error that occurred in notifying the opening balances in accounts books of the Ministry and the CIGAS Programme in the instance where the General Deposit Account which remained in the year 2016 was divided into 4 new accounts. Crediting of a balance that should remain in the General Deposit Account, to the Government Revenue had been the reason for the said difference. The recommendations necessary for obtaining that balance from the Government Revenue has been referred to the relevant Revenue Accounting Officer.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Even though the cash flow arising from operating activities in the year under review was Rs.2,083,340,050, the cash flow arising from operating activities had been shown as Rs.2,836,919,017 including fees on surcharge, penalties and license fees, overstating by Rs.753,578,967.	The fees, surcharges, fines and license fees should not be included in the cash flow arising from operating activities as per the Public Accounts Circular.	The lease rent income collected by the Plantation Companies of the Ministry had been stated under it and, it was noted not to include the money deposited directly to the Treasury in the cash flow statement, in future.

- (b) Even though the cash flow incurred for operating activities had been a sum of Rs.2,038,159,212, it had been stated in the cash flow statement as a sum of Rs.3,676,192,927. As such, the cash flow incurred for operating activities had been overstated by a sum of Rs.1,638,033,715. It was observed that the operating expenditure incurred by Statutory Boards and Institutions under the purview of the Ministry as well being included, had been the reason therefor.
- The operating expenditure incurred by the Statutory Boards and the Institutions under the purview of the Ministry, should not be identified as a cash flow spent for the operational activities of the Ministry.
- Action would be taken to include the values in the cash flow statement in the future by obtaining explanations from the Department of State Accounts.
- (c) Even though the total of the recoveries of the Advances of Public Officers should be stated under the cash flow arising from investing activities of the cash flow statement, it had not been stated accordingly. It was observed that, that amount had been a sum of Rs.11,399,259 as per the Final Treasury Computer Printout.
- The recoveries of the Advances of Public Officers should be stated under the cash flow arising from investing activities in the cash flow statement.
- It was noted to state the total of the recoveries of the Advances to Public Officers Account under the cash flow generated by the investment activities in the cash flow statement.
- (d) Even though the cash flow spent for investment activities had been a sum of Rs.23,965,127, it had been stated as a sum of Rs.3,394,811,098, with the expenditure incurred for Capital Objects by
- The capital expenditure incurred by the Institutions under the purview of the Ministry should not be included, into the cash flow spent for the investment activities.
- The expenditure had been overstated accordingly on the expenditure under the Capital Object being notified in the cash flow spent for investment activities by the Institutions under the purview of the Ministry and it is being noted to include that expenditure under

the Institutions under the purview of the Ministry. As such, the cash flow spent for investment activities had been overstated by a sum of Rs.3,370,845,971.

the transfers in the cash flow statement.

- (e) Even though the Receipt of Deposits had been a sum of Rs.12,887,672 under the cash flow arising from the financial activities in the cash flow statement, the cash flow arising from financial activities in the cash flow statement had been understated by that amount, on that amount not being stated in the cash flow statement.
- The Receipt of Deposits should be stated under the cash flow arising from the financial activities in the cash flow statement.
- It was noted to notify the General Deposit Receipts in the cash flow arising from the financial activities and to rectify them, in the future.

1.6.4 Balances of Advance Accounts

Audit Observation

Action had not been taken to identify and settle the difference of Rs.56,769 between the Treasury books and books of the Ministry, remained as at the end of the year under review.

Recommendation

Differences should be identified and rectified by reconciling books of the Ministry with Treasury books in terms of Financial Regulation 427.

Comments of the Chief Accounting Officer

The said loan balance of Rs.56,769 is recoverable from Mr. Wimal Abeywarna who had transferred in to our Ministry from the Presidential Secretariat. The said officer had transferred to the Sri Lanka Army in July 1996 and it was revealed in checking old files that the Sri Lanka Army had sent a cheque valued at Rs.73,465 to our Ministry on 01 September 1997. Further action is being taken accordingly.

1.6.5 Imprest Balance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
According to the Imprest Account (ACA 3), it had been overstated by Rs.35,354,381 each in receipts and payments of imprest than the value indicated in the Treasury printout.	Receipts and payments of imprests in the Imprest Account should be reconciled with values indicated in the Treasury Printout.	Values for the financial statements of the year have been furnished along with receipts and payments through cross entries. As such, receipts and payments of the Imprest Account have been overstated and it is recorded to present values relating to the Imprest Account according to receipts and payments by cash in the future.

1.6.6 Non-maintenance of Registers and Books

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
A Register of Security had not been maintained in terms of Financial Regulation 891 (i).	A Security Register containing the information of all officers required to give security in terms of Financial Regulations, should be maintained.	Action is being taken relating to furnish of securities and subsequently, action will be taken to maintain Security Register in an updated manner.

1.6.7 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Observation	Recommendation	Comments of the Chief Accounting Officer
Reference to Laws, Rules and Regulations	Non-compliance	-----
-----	-----	-----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 1646	Even though daily running charts along with an original copy of the monthly summary report should	Action should be taken to forward daily running charts with a copy of the monthly summary
		Failure in summarizing daily running charts has been the reason for this delay. Future action will be taken to

be submitted to the Auditor General before 15 of the following month by officers in charge of motor vehicles, action had not been taken accordingly.

report to the Auditor General on due date.

submit running charts duly without delay.

(b) **Public Administration Circulars**

- | | | | |
|---|---|---|---|
| (i) Public Administration Circular Nos. 289 and 26/92 of 10 May 1985 and 19 August 1992 | Even though the Government emblem should be used on Government vehicles, there were instances in which vehicles had been operated without using Government emblem on them. | The Government emblem should be used on Government vehicles. | The Government emblem has been displayed on every motor vehicle and it has been planned to use a sticker with the Government emblem in future. |
| (ii) Paragraph 3.01 of the Circular No. 30/2016 of 29 December 2016 | The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first. Nevertheless, instances of non-compliance with the circular were observed. | The consumption of fuel should be tested as per the circular. | Action was being taken thereon and the consumption of fuel was tested in 04 motor vehicles. Those activities had failed due to outbreak of Covid 19 pandemic. However, action has been taken to carry out tests on consumption of fuel of other remaining vehicles in future. |
| (c) Paragraph 09 (f) of the Public Finance Circular No.02/2015 of 10 July 2015 | After assessment of motor vehicles identified for disposal, a special arrangement should be made on safety of those motor vehicles. However, five motor vehicles identified as vehicles to be disposed of, had | After assessment of motor vehicles identified for disposal, a special arrangement should be made on safety of those motor vehicles. | Facilities for parking of motor vehicles in rain shelters have been provided only for motor vehicles of the Hon. Ministers and Secretaries of the Ministry located at the Sethsiripaya premises—second stage. Other |

been parked outdoors without protection.

motor vehicles have been parked outdoors without rain shelters. Moreover, these motor vehicles have been parked temporarily at the National Institute of Plantations Management where security officers have been deployed, due to unavailability of a bare land of the Ministry for parking vehicles.

- (d) Paragraph 02(a) of the Assets Management Circular No.01/2018 of 19 March 2018 of the Secretary to the Treasury
- Even though all vehicles not in running condition should be disposed of before 30 June 2018 following the instructions given in Public Finance Circular No.02/2015 of 10 July 2015, motor vehicles identified as unusable vehicles, belonging to the Ministry of Plantations, had not been disposed of even by 13 February 2020, the date of audit.
- Motor vehicles not in running condition, should be disposed of following the instructions given in Public Finance Circular No.02/2015 of 10 July 2015.
- Action is being taken to dispose these vehicles speedily.

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) State lands of 249,843 hectares in extent had been vested in 23 regional plantation companies on lease basis in the year 1992 for a period of 53 years. According	The Revenue Collecting Officer should take action in terms of Financial Regulation 175 (2) and (3). Moreover, action should be taken in terms of Sections 8.1 and 8.2 of	A sum of Rs.780,608,549 was receivable from 12 plantation companies as at 01 January 2020 and more money of the said amount should have been received

to the statement of arrears of revenue, lease revenue of Rs.780,608,549 recoverable from 12 out of those companies to the Government, had been in arrears as at 31 December 2019 and action had not been taken in terms of Financial Regulations 176(2) and (3) to collect arrears of revenue without delay.

Chapter XLVII of the Establishments Code in respect of officers who had taken action contrary to Financial Regulations.

from the Kurunegala Plantations PLC. The value of net assets of the Kurunegala Plantations PLC had decreased due to acquisition of lands for public purposes from lands that remained under its purview. As such, the said Company has requested to revise the annual lease rental. However, the General Treasury has not granted approval therefor and a revised lease rental is paid by the said Company based on the value of net assets existed at present. The Kurunegala Plantations PLC has been notified in writing by the Letter

No.PE/PL/KPL/GEN/2017 of 02 August 2018 of the Director General of the Department of Public Enterprises with a copy to us to pay lease rentals unpaid so far, without defaulting. Moreover, a request has been made by us from the Ministry of Finance to hold a discussion with the Kurunegala Plantations PLC thereon presided by the General Treasury and it is proposed to reach a decision thereon.

Moreover, 08 out of 11 plantation companies had paid lease rentals of Rs.122,812,218 as at 31 December 2019 while any money whatsoever has not been paid by Kotagala, Kurunegala, Maskeliya, and Chilaw Plantations Companies.

Moreover, relevant plantation companies have been notified to pay arrears of lease rentals and action has been taken not to grant approval for activities of the Management Plan of relevant plantation companies until those payments are made.

Further, we have made a request from the Department of Public Enterprises to solve relevant problems by holding discussions with these plantation companies and relevant parties and it is proposed to reach a decision thereon in future.

As the Kurunegala Plantations PLC is a fully owned Government company and the said Company had not fully defaulted the payment of lease rental, according to their computations, a less lease rental is paid. As such, we have consulted the Secretary to the Ministry of Finance on measures to be taken in future.

- (b) According to the revised lease agreement No.1558 entered into with the Kurunegala Plantations PLC on 27 November 1995, the lease rental computed based on the value of net assets existed as at that date, should be paid during 53 years in 04 equal installments per year. However, payments had been made less than the lease rental to be paid per year based on net assets, thus indicating an arrears of Rs.214,213,729 as at 31 December 2019 by breaching the said Condition.
- (c) Revenue from lease rentals amounting to Rs.291 million had not been paid as at 31 December of the year under review by Kotagala and Chilaw Plantation Companies and measures in terms of paragraph 5(c) of the Agreement had not been taken to cancel the lease agreement.

The lease rental computed based on the value of net assets existed as at that date of the agreement, should be paid in 53 years in 04 equal installments per year.

Action should be taken to recover arrears of revenue from lease rentals and in case of failure to pay, action should be taken in terms of the agreement.

The Chilaw Plantations PLC has paid a sum of Rs.28,220,561 by November 2020 out of arrears of lease rentals amounting to Rs.77,718,730 remained as at 31/12/2019. Moreover, the Chilaw Plantations PLC has been notified in writing to pay remaining lease rentals. The Kotagala Plantations PLC has not paid any lease

rental whatsoever so far and it has been informed that lease rental should be paid from revenue received from felling trees carried out according to the Five –Year Forest Management Plan and that it is not permitted to fell trees in future until the said lease rentals are paid. Moreover, an extent of 329 hectares of the Millewa Estate owned by the Kotagala Plantations PLC has been acquired by the Urban Development Authority and the Company has informed that arrears of lease rental will be paid after receiving compensation relating thereto.

Further, in terms of provisions of Section 5 c of the revised lease agreement, there is a possibility of cancelling lease agreements relating to breach of conditions for defaulting lease rentals. As such, the lessor, Janatha Estates Development Board and the Sri Lanka State Plantations Corporation have been notified to implement legal provisions specified in the lease agreement.

(d) In leasing out state lands to regional plantation companies in the year 1992, the value of net assets should exceed Rs.200 million according to the formula applied for computation of lease rental recoverable from those lands. A period of 26 years had lapsed after leasing out lands of 20,757 hectares in extent

Attention of relevant institutions should be drawn towards the revision of lease agreements for achieving a benefit to the Government for using state lands despite having improved the financial position at present.

It is agreed.

Recovery of lease rentals relating to 23 regional plantation companies established in the year 1992, should be carried out from that year to June 1995 by the Janatha Estates Development Board and the Sri Lanka State Plantations Corporation, owners of lands

without lease rentals to three plantation companies such as Agarapathana, Udupussellawa and Elkaduwa of which the value of net assets was less than the said value as at that date. Even though net assets of two companies out of them had exceeded Rs.200 million by now, a lease rental could not be recovered from those state lands due to lack of provisions in lease agreements on the manner in which action should be taken in such instances as a lease rental is not recovered.

leased out to those plantation companies. According to revised lease agreements entered into between the Government and regional plantation companies in the year 1995(according to relevant lease agreements), only lease rentals of companies by which the value of net assets remained as at 31.12.1994, had exceeded Rs.200 million, have been revised. As such, recovery of lease rentals from plantation companies of which lease rentals were revised, is carried out by the Ministry of Plantation Industries on behalf of the General Treasury according to the said lease agreement. Even though the value of net assets of Udupussellawa, Agarapathana and Elkaduwa Plantations Companies had exceeded Rs. 200 million by the year 2011, lease rental could be revised only after revising conditions of the lease agreement and such revision could be made in lease agreements only with the approval of the relevant company. Moreover, the General Treasury has been briefed by this Ministry on revisions to be made in conditions specified in lease agreements entered into with all plantation companies.

- (e) Paragraph 3 (b) of the agreement permitted the said plantation companies to obtain loan facilities by mortgaging state lands leased out in the year 1992 and In case of failure in settling long term loans obtained from commercial banks by the said companies by giving those lands as security, action should be taken to include conditions Only the leasehold had been assigned to plantation companies by the lease agreement. In obtaining loans by mortgaging estates by plantation companies, only

according to financial statements presented by plantation companies, 18 estate companies had obtained long term loans totalling Rs.8,207,028,962 from commercial banks. Attention of the Government had not been drawn towards the revision and correction of such paragraphs specified in agreements as the leasehold of those lands is assigned to commercial banks due to failure in settling those loans.

in a manner in which the Government should not be held responsible for the said loans and objectives of leasing out lands should be achieved.

the leasehold is assigned to the bank but not the ownership of lands and provisions thereon had been specified in lease agreements for plantation companies.

It has been mentioned that in case of revising lease agreements, it should be carried out with the concurrence of lessor and lessee. As such, action had been taken to consult the Attorney General in respect of the possibility of cancelling agreements entered into due to breach of lease conditions. Instructions have been given by the letter dated 22 October 2020 of the Attorney General that the provisions therefor had been made and as such, the lessors, Janatha Estates Development Board and the Sri Lanka State Plantations Corporation have been notified to take action by looking into it.

- (f) The annual lease rental recovered per acre from estates of 617,486 acres in extent owned by the Government, leased out to 23 plantation companies in the year 1992, had ranged between Rs.456 and Rs.3,067. In considering the current commercial value of lands, attention of the lessor had not been drawn towards the revision of this lease rental recovered.

Attention of relevant parties should be drawn towards the revision of lease rental recovered by considering the current commercial value of lands.

The lessors of regional plantation companies are the Janatha Estates Development Board and the Sri Lanka State Plantations Corporation and the policy decisions thereon should be taken by the top levels of the Government including the General Treasury.

Recovery of lease rentals relating to 23 regional plantation companies established in the year 1992, should be carried out from that year to June 1995 by the Janatha Estates Development Board and the Sri Lanka State Plantations

Corporation, owners of lands leased out to those plantation companies. According to revised lease agreements entered into between the Government and regional plantation companies in the year 1995 (according to relevant lease agreements), lease rentals of companies by which the value of net assets remained as at 31.12.1994, had exceeded Rs.200 million, have been revised. As such, recovery of lease rentals from plantation companies of which lease rentals were revised, is carried out by the Ministry of Plantation Industries on behalf of the General Treasury according to the said lease agreement. Even though the commercial value of lands has increased at present, lease rental could be revised only after revising conditions of the lease agreement and such revision could be made in lease agreements only with the approval of the relevant company. Moreover, the General Treasury has been briefed by this Ministry on revisions to be made in conditions specified in lease agreements entered into with all plantation companies. The Plantation Management Supervision Division will take future action according to decisions so taken.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Only Rs.16 million out of provision totalling Rs.21 million made for 18 Recurrent Objects of the year under review, had been utilized.	Provision should be made so as to be adequate for the function that can be performed.	Out of 18 Objects, 16 alone are the savings of Objects made for the Hon. Ministers and State Ministers. Delay in appointing the staff and making payments in the year 2020 for bills relating to the month of December 2019 based on non-receipts of imprests, had attributed to savings of those Objects.
(b) Only Rs.468 million out of provision totalling Rs.1,014 million made for 18 Capital Objects of the year under review, had been utilized.	Action should be taken in compliance with the Action Plan from the beginning of the year to utilize provision made for Capital Objects.	The process of revising provision approved by the Department of National Budget in two instances and failure to implement projects according to the proper Action Plan due to irregular receipt of imprest continuously up to the end of the year, had been the main reason for non- utilization of provision relating to 20 projects implemented under 8 Objects, of which operations are carried out with the coordination of the Planning Division.
(c) Savings out of provision of Rs.236,966,000 made by supplementary estimates for 02 development sub-projects, amounted to Rs.142,717,365 and thus, it was observed that supplementary estimates are not realistic.	It should be decided whether the said provision is essential to the Ministry before applying provision by supplementary estimates.	This is an additional provision granted at the end of the year 2019 and savings have been made due to suspension of project activities with declaration of the Presidential Election. Provision had been made for the Object Code 135-2-3-39-2202 under two stages for the project proposal expected to be implemented with a view

to providing assistance in enhancing the productivity of small tea holders under the Tea Small Holdings Development Authority. The first order had been placed for provision of Rs.150 million granted initially and failure to implement the next stage of this procurement due to declaration of the Election and failure to make total payments for goods obtained due to inadequate imprest, had been the reasons for the savings of provision.

- (d) It was observed that savings out of provision of Rs.3,727,500 made by supplementary estimates for 04 Recurrent Objects of the year under review, amounted to Rs.1,557,159.

It should be decided whether the said provision is essential to the Ministry before applying provision by supplementary estimates.

Payments had to be made in the year 2020 due to improper receipt of imprest for Objects such as 135-1-0-1409 and 135-1-11-1201. Relevant payments had been indicated in Note (iii) under liabilities.

Additional provision had been made out of the provision expected to be paid to two State Ministers and to the staff for the Object 135-1-11-1202 and savings have been made due to failure to incur the said expenditure as expected. Further, additional provision have been requested on the estimated Dollar value intended to be paid for the Object 135-1-2-1505, thus resulting in savings due to fluctuation of the Dollar value.

2.3 Reconciliation Statement on Advances to Public Officers Account

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Loan balances totalling Rs.597,030 recoverable from 07 officers as at 31 December 2019, remain outstanding during a period from 04 to 30 years and they had not been settled.	Action should be taken in terms of Circular No.118 of 11 October 2004 to settle outstanding loans.	It is agreed.

3 Operating Review

3.1 Foreign Aid Projects

The following observations are made on the Smallholder Tea and Rubber Revitalization Project.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Ten Double Cab vehicles had been purchased on 04 September 2018 by the Project for utilization in operations of the Project in 8 Districts and for the Head Office of the Project. Out of those, the motor vehicle allocated for the Nuwara Eliya District had been transferred to the Ministry of Plantation Industries on 21 February 2019, thus resulting in obtaining a motor vehicle on hire basis by the Project for use in the Nuwara Eliya District. A sum of Rs.1,126,870 had been paid as vehicle rental therefor during the year under review.	Assets under the Project should be utilized only for activities of the Project.	-- Action has been already taken to obtain the said motor vehicle from the line Ministry for activities of the Project.

- (b) According to the Design Completion Report of the Project, plans had been made to prepare an area of land of 5,500 hectares in extent by uprooting tea plantations in 06 selected Districts in the years 2016, 2017, 2018 and 2019. However, no activity had been commenced on this land in the year 2016 and only a land area of 1,452 hectares in extent had been prepared from the year 2017 to the year 2019. Accordingly, the Project had decided to revise the target of replanting up to 4,500 hectares in the year 2019. Moreover, a considerable delay was observed in the implementation of the Project as planned.
- The activities planned should be carried out within the duration of the Project.
- The target of replantation of tea had been reduced to 4,500 hectares in June 2019 based on the recommendations of the Mid-Term Review of the International Fund for Development of Agriculture. A considerable delay had occurred in the commencement of the Project due to a planning defect occurred in the initial plan review and the weak technical assistance of the technical service supplier (Tea Small Holdings Development Authority) had attributed therefor.
- (c) According to the Condition of the Tea Small Holdings Development Authority, replantation of tea should be carried out within two years of making pre-payments for clearing of lands. However, only an extent of 610 hectares representing 58 per cent had been cultivated in the year 2019 of the land of 1,037 hectares in extent relating to pre-payment of Rs.138 million made in the year 2017.
- Action should be taken to supervise Project activities.
- A large amount of pre-payments had been made in the latter part of the year 2017. Accordingly, a large part of cultivation had been commenced during the period from May to June 2018. As such, only 610 hectares could be cultivated in the year 2019.
- (d) Initial subsidies totalling Rs.109,263,440 had been paid to 3,331 beneficiaries for cultivation of tea in 729.77 hectares of 06 Districts in the years 2017 and 2018. Nevertheless, payment of further subsidies had discontinued due to reasons such as delay in survey of lands, planting Mana, withdrawal of cultivators from the subsidy scheme and non-adherence to Guidelines in tea cultivation.
- Action should be taken to improve the efficiency of field officers. Cultivators should be encouraged for cultivation or else recovery of pre-payments should be made.
- It is agreed. It has been expected to include all pre-paid persons (except persons who had repaid), to the re-cultivation process as speedily as possible.
- (e) According to the Annual Work Plan and the Budget for the year 2019, the relevant Project had selected 110 out of 200 tea societies for distribution of tool sets and equipment at Rs.220,000 for each tea society relating to
- Activities planned, should be implemented without delay, within the period planned.
- The procurement process has been duly commenced in November 2019 and it had been completed by February 2020. Even though plans had been made to complete

matters such as improvement of service supplying process, commencement of business activities and encouragement for using the best products. According to the Procurement Plan for the year under review, the procurement process should be completed in February 2019. However, it had not been completed even by the end of the year under review. As such, the Project had failed to achieve a physical progress in uplifting tea societies.

distribution of tools and equipment to selected societies by March 2020, the procurement process could not be completed as planned due to COVID 19 epidemic.

- | | | | |
|------------|--|--|---|
| <p>(f)</p> | <p>According to the Design Completion Report of the Project, plans had been made for cultivation of rubber on a land area of 3,000 hectares in extent in 02 selected Districts in the years 2016, 2017, 2018 and 2019. However, the Department of Rubber Development had issued permits for new cultivations relating to a land area of only 2,575 hectares in extent and only a land area of 2,094 hectares in extent had been cultivated by December 2019 due to reasons such as withdrawal of cultivators from this scheme and cultivators inclined to cultivate other crops. As such, the Project had failed to achieve the target thereof as planned.</p> | <p>Activities planned should be carried out within the Project period.</p> | <p>The Project has already planned activities necessary for achievement of remaining target in the 2020 Maha Season.</p> |
| <p>(g)</p> | <p>The Project had planned to plant rubber in land areas of 1,014 hectares and 780 hectares in extent in the Districts of Ampara and Monaragala respectively during the period from 15 September to 15 December 2019. Action had been taken to transport 925,704 rubber seedlings to relevant land areas from September 2019. However, only 612,725 rubber seedlings had been transported with a delay of one month. As a result of this, the Project could not achieve even 34 per cent of the expected target.</p> | <p>All arrangements for carrying out cultivation should be made with the beginning of monsoon rains.</p> | <p>Cultivations had been badly affected due to heavy rain in these Districts during the period of cultivation and the target could not be achieved as planned in the year 2019.</p> |

- (h) The Project had planned to cultivate rubber in the year 2019 on a land area of 572.4 hectares in extent in the Monaragala District during the Maha Season and to provide 886,075 kilogrammes of compost to cultivators. The following observations are made in this connection.
- (i) Even though distribution of seedlings had been commenced on 12 October 2019 and completed on 15 December 2019, no fertilizer had been distributed in whatever manner during the period of distributing seedlings. As such, fertilizer could not be mixed with soil in planting seedlings.
- (ii) The requirement of compost for a land of 572.4 hectares in extent was 886,075 kilogrammes. However, only 747,475 kilogrammes of compost were distributed among cultivators. Accordingly, it was observed that the remaining compost of 138,600 kilogrammes could not be provided for 46,200 seedlings or a land area of 89.5 hectares in extent.
- (i) According to the Design Completion Report of the Project, a sum of Rs.422.6 million had been allocated for providing loan facilities through commercial banks to cultivators for engaging in self-employment or generating sources of short term income for covering the income lost up to the period of plucking tea leaves and tapping rubber latex. However, providing loan facilities had not been implemented during this period from the year 2016 to the year 2018. According to the Annual Work Plan
- All Project activities should be implemented within the due period.
- Fertilizer should be provided to cultivators within the due period.
- Activities planned, should be implemented without delay, within the period planned.
- The distribution of fertilizer to cultivation lands had been badly affected due to heavy rain occurred during the Maha Season in the year 2019.
- A date had been fixed again with the end of the rainy season and compost had been provided to cultivators.
- There had been delays in the said programme, which is a basic component of the Project.

and the Budget of the 2019, the Project had planned to provide loan facilities of Rs.20 million. Nevertheless, it had not been implemented up to 31 December 2019.

- | | | | |
|-----|---|---|--|
| (j) | The Project had spent a sum of Rs.42 million during the period from the year 2018 to the year 2019 for improving the nursery with a capacity of supplying 250,000 seedlings of rubber per year located at Padiyathalawa in the District of Ampara belonging to the Department of Rubber Development. Even though construction of a tank, an irrigation system, a model home garden, a sprout nursery, a sprout cutting nursery and a road system relating to cultivations were due to be completed by the said monies, it had delayed over a year. As such, the expected capacity of seedlings could not be reached in the year under review. | Constructions should be expedited for fulfilling production of required rubber seedlings. | All procurement activities relating to this improvement had been carried out by the Department of Rubber Development and according to information made available by the said institute, only constructions of the tank remained at present and the progress of completion thereof was 70 per cent. |
| (k) | Payments of Rs.2,015,806 had been made in December 2019 for purchase and transport of rubber seedlings without recording in the books of accounts of the Project. As such, the cash balance indicated in financial statements as at 31 December 2019, had been overstated by that amount while the total expenditure had been understated for the year under review. | All expenses incurred during the year under review should be accounted for. | This matter has arisen due to the clerical error occurred as a result of the heavy work load at the end of the year. This error has already been rectified. |

3.3

Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Encroachment of State Lands ----- The lessee had promised to safeguard the lands vested in plantation companies by lease agreements. However, it had been	Action should be taken in terms of State Lands (Recovery of Possession) Act, No.7 of	At first, unauthorized occupants are notified by two week notices to vacate the relevant land and failing

reported that 795.96 acres of lands leased out by the Government to 16 regional plantation companies and 172 official quarters belonging to those estates are being enjoyed by unauthorized persons. It was observed that the attention paid by the lessor and the Plantation Management Supervision Division on the security of the said lands and using them for expected objectives was inadequate due to the annual increase in unauthorized occupancies.

1979.

which, secondly, a Notice to Quit will be issued. In case of failure to vacate as per the Notice to Quit, action will be taken to institute lawsuits. However, in evicting unauthorized occupants, the Plantation Management Supervision Division is being influenced in various ways. As such, eviction of unauthorized occupants has delayed. Obtaining decisions from District Coordinating Committees in certain Districts has also caused a delay.

(b) Utilization of Vehicles

(i) Two motor vehicles totalling a cost of Rs.14,500,000 had been discontinued from running since December 2019 due to excessive fuel consumption. Accordingly, it was observed that the cost on maintenance had not been taken into consideration when purchasing motor vehicles.

In the purchase of motor vehicles, maintenance cost should be taken into consideration and action should be taken on instructions of the General Treasury relating to such motor vehicles remaining at present.

One of those is a motor vehicle brought down for the CHOGM in 2013 and the said motor vehicles had been subsequently provided to be attached as official motor vehicles of Ministers. As jeeps were used for convenience of duties, motor cars with low fuel efficiency and difficulties in maintenance had to be removed from the aforesaid activities. Moreover, as these are luxury vehicles, it is difficult to deploy them in duties of the pool. However, in instances of directing official vehicles for urgent repairs and maintenance purposes, this vehicle is provided temporarily to officers entitled to vehicles including Honourable Ministers and at present it had been provided as the official vehicle of the Chairman of the Sri Lanka

State Plantations Corporation
as per the request made for
temporary use of the vehicle.

The other is a motor vehicle
manufactured in the year
2010 and it is a motor
vehicle used by the former
Honourable Minister of
Coconut Development and
Janatha Estates
Development. After newly
obtaining jeeps for the
Honourable Ministers, this
vehicle has to be used for
other purposes.

This vehicle which is
difficult to be deployed in
duties of the pool due to low
fuel efficiency, had been
used for attaching to Staff
Officers from time to time.
However, those officers are
unwilling to obtain this
vehicle for a long period due
to the excessive fuel
consumption when running
in Colombo and suburban
city limits.

At present it has been
attached temporarily to the
Additional Secretary
(Development) as his official
vehicle is under repairs.

The Ministry of Plantations
and 03 State Ministries
utilize the resources
belonging to this Ministry
and accordingly, in providing
vehicles for officers entitled
to official vehicles including
04 Honourable Ministers, 04
Secretaries and other Staff
Officers, it is kindly
informed that these vehicles
can be effectively made use

- of.
- (ii) The engine of the make Peugeot manufactured in the year 2007, could not be started due to defects in the electronic circuit and the sensor. As such, it had not been made to run after 28 January 2019 and attention had not been paid as well towards running after repairs.
- Attention should be paid towards running after repairs.
- As this motor vehicle is difficult to be deployed in field duties and in providing as an official vehicle, the officers had rejected and as such, it had been proposed for disposal. Nevertheless, considering the request for running the vehicle after minor repairs, made by the National Institute of Plantation Management, action has been taken to transfer the said vehicle to the National Institute of Plantation Management.
- (c) The Programme for the Control of Weligama Coconut Leaf Wilt and Rot Disease was implemented in the 03 Districts of Galle, Matara and Hambanthota from a period of 11 years and the total sum paid therefor by the Coconut Development Authority, Coconut Research Board and the District Secretariat, Matara was Rs.556.43 million. Moreover, the number of trees removed due to the disease had been 315,974. Even though the number of removed trees had gradually decreased since the year 2015, it had again increased since the year under review, thus observing a weak level in controlling the disease.
- As the Weligama Coconut Leaf Wilt and Rot Disease has been on the increase since the year under review, the causes therefor should be found and resolutions made in that connection.
- Even though the trees identified as affected, have gradually decreased since the year 2015, it has gradually increased again since the year 2018. Lengthy discussions have taken place in this regard during the recent past with the officers of the Coconut Research Institute and the Coconut Cultivation Board who are engaged in the field disease control activity and it was emphasized that the following matters had been the reasons therefor.
- i. The affected trees not removed by the landowners, had been destroyed by the Coconut Cultivation Board and the Coconut Research Board by an injection and as compensation cannot be claimed, the landowners were inclined to refrain from felling of trees. Nevertheless, with the

banning of Glyphosate weedicide used for injecting trees, trees were removed only through encouragement given to landowners for removal of trees. According to the slow nature of removal of trees by landowners, the spreading of disease to healthy trees has increased.

- ii. The receipt of imprests from the Treasury for paying compensation for removal of trees from the year 2018 up to now, was irregular. If a particular landowner is delayed in receiving compensation, the other landowners as well delay in removal of trees, which resulted in the increase of healthy trees also being affected.
- iii. According to the nature of this disease, the incubating period of an affected tree is between 8 and 24 months. Even though the disease has not been indicated externally, during the said period the disease has been indicated in an increased number of trees.

- (d) In terms of paragraph 21 of Kapruka Fund Act, No.31 of 2005 under which the Kapruka Fund, a Project of the Ministry was established, the financial statements for the year ended 31 December 2019 had not been prepared and

Financial statements should be duly prepared in terms of the Act.

The relevant officers have been instructed to prepare the financial statements for the ensuing year of the Kapruka Fund which was under this Ministry and to furnish them to Audit.

furnished to Audit.

4 Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of Sustainable Development Agenda of the United Nations, each Government institution is committed to identify sustainable development goals and targets which should be achieved during the period of 2015-2030 and to implement them in terms of Sustainable Development Act, No.19 of 2017. As such, in accordance with the scope of institutions affiliated to the Ministry, relevant targets have been identified and included in plans. However, goals, targets and indicators identified for programmes of the Ministry, had not been included in the Action Plan.</p>	<p>Goals, targets and indicators identified for programmes of the Ministry, should be included in the Action Plan.</p>	<p>Goals, targets and indicators have been identified according to the guidance of the Sustainable Development Council.</p>

5 Human Resource Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>The posts of Assistant Director, Assistant Secretary, two Accountants and Internal Auditor of the Senior Level of the Ministry had been vacant as at 31 December 2019.</p>	<p>As vacancies in posts of Senior Level affect the performance of the Ministry, necessary action should be taken to fill those vacancies.</p>	<p>Recruitment for these posts is not possible at Ministerial Level. Letters have been forwarded on several occasions to the Ministry of Public Administration. All above mentioned posts were filled in the year 2020 and at present, the number of posts in the Ministry has changed.</p>