

Head 135 - Ministry of Plantation Industries

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ministry of Plantation Industries for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statements 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 containing my comments and observations on these financial statements of the Ministry of Plantation Industries was issued to the Chief Accounting Officer on 16 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 30 September 2022 in terms of Section 11(2) of the Audit Act, No.19 of 2018. This report will be tabled in to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Ministry of Plantation Industries as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 Responsibility 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 Statement

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 / Department's / District Secretariat's internal control.
- Evaluate the 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.
- 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) of the National Audit Act, No.19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year relating to observations indicated in Paragraphs 2.3(a) and 3.3 of this report, had not been implemented.

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(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. Lease revenue of Rs.886,412,196 recoverable from 09 out of those companies to the Government, had been in arrears as at 31 December 2021 and action had not been taken together with the Treasury to collect arrears of revenue without delay in terms of Financial Regulation 176(2).	A discussion headed by the Department of Public Enterprises of the General Treasury had been held with the relevant plantation companies and informed them to pay the lease rentals in arrears. The Kotagala Plantations PLC with the highest amount of arrears of revenue had defaulted payment of lease rentals since the year 2017 and as such, the Sri Lanka State Plantations Corporation and the Janatha Estates Development Board, who are the lessors, have been informed in writing on 04 August 2021 to initiate legal action after consulting the Attorney General for recovery of arrears of revenue.	Action should be taken to recover arrears of lease revenue.
(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.255,112,417 as at 31 December 2021 from Kurunegala Plantations PLC of which an arrears of Rs.116,801,733 was observed over	Kurunegala Plantations PLC has continuously paid the lease rental under the methodology followed by them and payment had not been defaulted. Kurunegala Plantations PLC pays the lease rental under a methodology based on the revised value of net assets and accordingly, an amount less than the estimated amount is paid. As the said company pays at least a part of lease rental payable, the	-do-

a period of 05 years. According to paragraph 2(a) of the revised lease agreement entered into with this company, the company had agreed to pay the lease rental continuously on the due date mentioned therein. However, it was observed that the said condition had been breached over many years. Even though the lease agreement can be cancelled by submitting an advertisement within 07 days according to paragraph 5(c) of this agreement, action had not been taken as such.

Attorney General should be consulted as to whether action can be taken in terms of paragraph 5C.

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| (c) | The value of the original estimate relating to sub-lease of 20 per cent had not been included in the statement of income for the year ended 31 December 2021 and only a sum of Rs.10,007,674 had been included as collection of revenue from sub-lease. Moreover, a sum of Rs.2,656,509 was in arrears from 09 institutions which had sub-let and that value had not been included in the statement of arrears of revenue. | It is agreed. | Steps should be taken to include arrears of lease in the statement of arrears of revenue. |
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2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Out of provision totalling Rs.124,801,000 made for 08 Objects in the year under review, a sum totalling Rs.33,515,850 had not been utilized. Accordingly, it was observed that the savings, were within a significant range from 17 per cent to 100 per cent of the net provision relating to the respective Objects by the end of the year. As such, it was observed that the attention of the Ministry had not been drawn	It is agreed.	Provision made should be properly utilized.

towards realistic preparation of the expenditure estimate.

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| (b) | Out of provision totalling Rs.102,730,000 made for 05 Capital Objects in the year under review, a sum totalling Rs.22,993,900 had not been utilized. Accordingly, it was observed that the savings, were within a significant range from 10 per cent to 100 per cent of the net provision relating to the respective Objects by the end of the year. | It is agreed. | Provision made should be properly utilized. |
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2.3 Advances to Public Officers

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation	
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(a)	Action had not been taken to identify and settle the difference of Rs.56,769 remained in the balance of the Advances to Public Officers Account as at the end of the year under review between the Treasury books and the books of the Ministry.	It is agreed.	Should be settled by identifying reasons for the difference.
(b)	Action had not been taken even by the date of audit to settle loan balances totalling Rs.140,868 remaining unrecovered for a period between 06 months and 31 years from 04 officers who had transferred outside the Ministry.	Even though enquiries were made on officers relating to these loan balances unsettled over a period of 20 years, their particulars could not be found from the institutions to which they were transferred.	Settling of loan balances should be expedited.

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| (c) | Action had not been taken even in the year under review to settle balances totalling Rs.440,301 comprising a balance of Rs.41,790 recoverable for a period of 7 years from an officer who had been interdicted and a balance of Rs. 398,511 recoverable for a period between 12 and 24 years from 3 officers. | Action is taken to recover the loan balance of the officer who had been interdicted. There are 03 officers who had left the service and action is not taken to auction the land owned by one officer of them for the recovery of property loan balance of the said officer. As it has been indicated that one officer had deceased, action is taken to waive his loan balance and further, legal action is taken to recover the loan balance of the other officer. | Loan balances should be settled expeditiously. |
| (d) | A sum of Rs.133,569 recoverable from an officer who had retired, had not been recovered even lapsed for 02 years. | The file of the officer has been sent to the Ministry of Public Administration for taking disciplinary action. | -do- |

3. Operating Review

3.1 Delays in Execution of Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The Ministry had made provision of Rs.100,000,000 for the development of the Eco Plantation Park Project, Holuwagoda by a supplementary estimate in the year under review. It had been decided to develop this park at two stages and the contract awarded for Rs.98,193,915 thereon should have been completed on 30 July 2022. However, the total expenditure by 30 June 2022 had been Rs.76,524,519 and these constructions could not be completed during the prescribed period.</p>	<p>The Urban Development Authority has been informed in writing to take steps to extend the contract.</p>	<p>Development activities should be completed during the prescribed period.</p>

3.2 Management of Assets

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(i) The Cab bearing No. PC – 6259 costing Rs. 6,090,000 belonging to the Ministry of Plantation had been recorded twice in the Register of Fixed Assets.	Action will be taken to rectify the Register of Fixed Assets in this year.	Register of Fixed Assets should be rectified.
(ii) Five vehicles costing Rs.43,000,000 had been auctioned by the Ministry of Plantation from the year 2017 to the year 2019 and the said value had not been eliminated from the statement of non-financial assets.	It is agreed.	Statement of Assets should be rectified.
(iii) Cost of 05 vehicles currently used by the Ministry and 03 vehicles received to the Ministry from the Presidential Secretariat had not been included in the Register of Fixed Assets.	It is agreed.	Register of Fixed Assets should be rectified.
(iv) Even though the Ministry had provided 26 vehicles costing Rs.215,790,000 to institutions including the State Plantations Corporation, National Institute of Plantation Management which are under purview of the Ministry and to the Ministry of Finance, the value of those vehicles had not been eliminated from the Register of Fixed Assets.	It is agreed.	-do-

3.3 Security of Public Officers

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In terms of the Financial Regulation 880(i) and Cap. 612 of Public Officers (Security) Ordinance, action had not been taken to furnish security by identifying officers required to give security. Furthermore, an employees' security register had not been maintained in terms of Financial Regulation 891(i).	Security Forms have been forwarded on 03 February 2022 to the Public Service Mutual Guarantee Association and those Security Forms have been returned by the Guarantee Association informing to make certain revisions thereof. Moreover, action has been taken to forward the said revised Security Forms to the Guarantee Association.	Action should be taken in terms of Financial Regulations.

3.4 Losses and Damage

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Action had not been taken even by 31 December of the year under review to recover or write off losses or damage totalling Rs.5,092,692 relating to 09 events despite having lapsed of a period from 01 year to 10 years.	It is agreed.	Action should be taken to recover or write off losses and damage.

4. Human Resource Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
The approved cadre as at 31 December of the year under review stood at 593 and out of that, there were 147 vacancies and 03 excess cadre. Accordingly, steps had not been taken to fill vacancies as appropriate or to revise the approved cadre.	It is agreed.	Steps should be taken to fill these vacancies or to revise the approved cadre.