

Transaction Report of the Kantale Sugar Industries Limited - 2020, 2021, 2022 and 2023

The audit of the operational activities of the Kantale Sugar Industries Limited for the Four years ended 31 December 2020, 2021, 2022, and 2023, 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 on the functionality of the Industries which I consider should be presented to Parliament in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 of every auditee entity 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.

The Section 38(1)(d) of the said Act requires to ensure the preparation of annual reports and other financial statements within the required periods, and the Chief Accounting Officer shall be responsible to submit the annual reports pertaining to the auditee entity to Parliament.

2. Existence of Assets and Liabilities

Particulars on assets, liabilities, income and expenditure shown in the financial statements last prepared and audited by the Industries as at 31 December 2019, are given below.

Item	Value Rs.
Assets	
Non-current Assets	74,440,592
Current Assets	88,511,879
Total Assets	162,952,471

Liabilities

Current Liabilities	145,250,281
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Non-current Liabilities

Commitment for Retirement Benefits	20,881,436
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Total Liabilities	166,131,717
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Equity	(3,179,245)
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Total Liabilities and Equity	162,952,472
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Total Income	11,120,968
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Total Expenditure	19,767,822
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Loss	(8,646,854)
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2.1 Presentation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
According to Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003 and Section 6.6 of the Public Enterprises Circular, No. 01/2021 dated 16 November 2021, the financial statements and draft annual reports should be presented to the Auditor General within a period of 60 days after the end of the Accounting year. However, the financial statements and draft annual reports for a period of 04 years relating to 01 January 2020 – 31 December 2023, had not been presented to the Auditor General even up to the date of this report.	Funds are provided by the Line Ministry since 1994 until this day and notes on income and expenditure are maintained in cash books. Financial statements of the Industries relating to the years 2020 and 2021 have been prepared, and will soon be presented to the Auditor General. The financial statements for the years 2022 and 2023 are being prepared, and once completed, will be presented to the Auditor General.	The financial statements and annual reports should be presented to the Auditor General on time as per the Circular.

2.2 Going Concern

Audit Observation	Comment of the Management	Recommendation
<p>The Kantale Sugar Industries Limited established in the year 1957, had an annual production capacity of 16,320 metric tons of sugar, 9,000 metric tons of molasses , and 3.9 million liters of maturate spirit. Due to severe inefficiency and irregularities in administration and operations of the Industries, the service of all the 1,133 employees had been terminated in the year 1994 by paying gratuity, and the Industries had remained closed since then with no operational activity whatsoever. Net assets valued at a minus value of Rs. 3,179,245 had also been observed as at 31 December 2019. Furthermore, an agreement had been entered into with 02 private companies in the year 2021 to restore operations of the Industries, but the operations could not be restored even up to the date of this report, thus indicting that going concern of the Industries remained doubtful.</p>	<p>The initial steps to restructure this institution had been taken with the involvement of Ministry of Finance. Hence, the Department of Public Enterprises of the Ministry of Finance is responsible therefor, and that Department should be queried in that connection.</p>	<p>The operations of the Industries should be managed without delay.</p>

3. Operating Review

3.1 Performance

Audit Observation	Comment of the Management	Recommendation
<p>a) Through the Gazette Notification No. 11212 , lands in extent of 21,233 acres, 02 roods and 30 perches (8,596 hectares) had been granted to the Kantale Sugar Industries Limited in the year 1957 by the Ministry of Lands and Agriculture. An extent of 4,887 hectares of those lands had been allocated for 04 zones,</p>	<p>As the Commissioner General of Lands is responsible for lands belonging to the Kantale Sugar Industries Limited, the Department of Land Commissioner should be queried in that regard.</p>	<p>Action should be taken promptly by the Line Ministry to provide information to the Auditor General relating to institutions under scope of the Ministry.</p>

whereas the rest of the 3,709 hectares had been utilized on the farm, sugar factory, housing complex, youth corps, refugees, forest, canals, roads and army camps. At present, each of a private institution and a public institution had been provided with 500 acres from those lands, but information in that connection had not been made available to the Audit.

- b) Operations of the Industries had come to a halt since 1999, but for securing the assets and other activities, 33 employees whose services had been terminated after being compensated including the General Manager, 03 security officers, 15 guards, 04 drivers, 03 storekeepers, 06 book keeping clerks, and 02 technical helpers, are still in service. In the years 2020, 2021, 2022, and 2023, payments amounting to Rs. 14,822,246, Rs. 15,000,761, Rs. 16,838,619 and Rs. 16,569,952 had been paid to them as salaries and allowances, overtime, Employees' Provident Fund, and Employees' Trust Fund respectively.
- No operational activity whatsoever has been taking place since 31 March 1994, and 230 employees had been retained in view of securing the existing assets and administrative activities. Some of those employees had been deceased, and some others had resigned whilst 33 employees still in service at present. Provision has been allocated by the Treasury for paying salaries of the existing employees.
- Prompt action should be taken by the relevant parties to ensure efficient and effective utilization of Government resources.