

Head 135 - Ministry of Plantation Industries

1. Financial Statements

1.1 Opinion

Head 135 - The audit of the financial statements of the Ministry of Plantation Industries for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 containing my comments and observations on the financial statements of the Ministry of Plantation Industries was issued to the Chief Accounting Officer on 28 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 July 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Ministry of Plantation Industries as at 31 December 2023 and its financial performance and cash flow 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 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 opinion.

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer or 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 statement.

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 on Audit of 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 and its materiality depends on the influence on economic decisions taken by users 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 skepticism 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 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 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 declare 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 which I had made with regard to the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A total of 249,843 hectares of land owned by the government had been transferred to 23 local plantation companies in the year 1992, on a lease basis for a period of 53 years and even though the lease rent income of Rs. 587,146,771 to be received to the government by those 10 companies had remained outstanding as at 31 December 2023, actions had not been taken to collect the arrears of revenue together with the Treasury without delay in accordance with to F.R.176 (2) .	Eight plantation companies have fully paid the arrears of lease rent as at 31.12.2023 by 30.04.2024 and Kotagala Plantation Company has paid 2 installments and Kurunegala Plantation Company has also paid one quarter from the arrears of lease rent . The arrears of lease rent as at 30.04.2024 is Rs. 642,476,963. Due to the arrears of lease rent payable by the two companies of Kotagala Plantation Company and Kurunegala Plantation Company, it has caused to increase the arrears of lease rent.	Formal steps should be taken to recover arrears of lease rent and annual lease rent revenue as stipulated.

- (b) Although the lease rent calculated on the basis of net assets as at that date was payable in four equal installments in a year for 53 years, as per the amended lease agreement No. 1558 entered into with the Kurunegala Plantation Company on 27 November 1995, due to less payment of annual lease rent payable by the company on decrease in net assets a sum of Rs. 326,507,724 should be received from Kurunegala Plantation Company as at 31 December 2023 and it was observed that a sum of Rs. 168,290,244 had remained outstanding for more than 05 years. Actions had not been taken in terms of Paragraphs 2(a) and 5(c) of the Lease Rent Amendment Agreement also regarding default the payment of lease rent.
- Kurunegala Plantation Company has continuously paid rent under the method they follow. Nevertheless, arrears of lease rent the of the company has grown due to the difference in values between the company and the gold owner's method of calculation. As Kurunegala Plantation Company is a 100% government owned plantation company, it was further decided in the Meeting of Audit and Management Committee regarding the recovery of arrears of lease rent. It has been informed that it was appropriate to take actions in consultation with the officers headed by the Director General of the Department of Public Enterprises in this regard.
- Actions should be taken to recover arrears of lease rent as per agreement and arrangements should be made to check and review the other terms of the lease agreement and to take necessary steps in respect of failure of paying agreed lease rent.
- (c) It had been stipulated to charge a fee of 20 per cent of the rental income earned by plantation companies from sub-leasing government lands on quarterly basis to the Consolidated Fund as per the letter of Director General of the Department of Public Enterprises No. PE/PL/RP/Gen/2017 dated 15 February 2017. Accordingly, out of the amount of Rs. 39,068,269 receivable as at 31 December 2023, since only a sum of Rs.19,145,371 had been received during the year under review, the total
- The relevant plantation companies have been informed in writing to recover the arrears of sub-lease rent as at 31.12.2023 .
- A formal step should be taken without delay to pay a charge of 20 per cent of the rental income earned by the plantation companies through sub-leasing of government land to the Consolidated Fund on a quarterly basis.

outstanding sub-lease rent amount at the end of the year under review was Rs.19,922,898. No sub-lease whatsoever had been recovered from 10 plantation companies for the year 2023 .

2.2 Expenditure Management

2.2.1 Weaknesses in Estimation

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The provisions of 04 expenditure objects made in the Annual Budget Estimates had been transferred from 33 per cent to 305 per cent by supplementary estimates and F.R.66 .</p>	<p>Although adequate provision has been requested for 135-1-1-0-1003 and 135-1-1-0-1101 while preparing estimates for the year 2023, as the allocations given by the Department of National Budget were insufficient, provision of Rs. 3.8 million has been transferred for those two expenditure objects under F.R.66 and an additional provision of Rs.410.32 million was given by the Department of National Budget for the expenditure object 135-2-3-11-2202 .</p> <p>The amount of Rs. 1 Mn. was a provision received from 135-2-4-21-1509 F.R.66 transfers.</p>	<p>Arrangements should be made to prepare the annual estimates as fully and accurately as possible and to effectively utilize the provisions made in the relevant task.</p>
<p>(b) The net provision of Rs. 2,500,000 made available for 02 recurrent expenditure objects in the year under review had totally been saved and out</p>	<p>The provisions have been saved due to not arising Minister's expenditure because of the revision of the scope of the Ministry of</p>	<p>Arrangements should be made to prepare the annual estimates as fully and accurately as possible and to</p>

of the net provision made available for 21 recurrent expenditure objects amounting to 292,500,000, a sum of Rs.127,014,153 ranging from 29 per cent to 97 per cent had been saved.

Plantation, Agriculture and Plantation Industries from November 2023, and the managing of government expenditure according to Budget Circular 01/2023 .

effectively utilize the provisions made in the relevant task.

(c) A total net provision of Rs. 5,900,000 made for 05 capital expenditure objects in the year under review had totally been saved and out of net allocations amounted to Rs.4,074,120,000 made available for 07 capital expenditure objects, a sum of Rs.2,751,915,094 ranging from 21 per cent to 91 per cent had been saved.

Due to managing public expenditure and restricting purchases of office needs as per Budget Circular 01/2023 the provisions in capital expenditure objects have been saved.

Arrangements should be made to prepare the annual estimates as fully and accurately as possible and to effectively utilize the provisions made in the relevant task.

(d) A total Rs.1,568,080 out of the sum transferred under F.R. 66 from the provision amounting to Rs. 2,000,000 for 02 recurrent expenditure objects in the year under review had remained inactive without being used in the relevant tasks.

Because expenses have not arisen as predicted provisions have been saved.

Arrangements should be made to prepare the annual estimates as fully and accurately as possible and to effectively utilize the provisions made in the relevant task.

3. Operational Review

3.1 Non-compliance with Laws, Rules and Regulations

Reference to the Laws, Rules, Regulations etc.	Audit Observation		Comments of the Accounting Officer	Recommendation
		Non-compliance		
Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016		Although a re-check of fuel is required to be done after a period of 12 months after each fuel check or after a mileage of 25,000 km or after a major	Actions will be taken in the future in terms of relevant	All vehicles used should be checked for fuel consumption in terms of relevant

overhaul of the engine circular. circular.
 whichever occurs first, a fuel
 check had not been done in
 respect of 55 vehicles used by
 the Ministry.

3.2 Failure to Perform Tasks

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A sum of Rs.9.5 million had been allocated for the selection of land related to the distributing coconut saplings project in the Northern Coconut Triangle, distribution of coconut saplings and planting of coconut seedlings and even though the entire amount had been spent the physical progress of land selection was 44 per cent. Similarly, the progress of planting coconut trees was 67 per cent.</p>	<p>It is actually impossible to transport the 700,480 coconut saplings which is the target of coconut saplings in the year 2023 under the allocation of Rs.9.5 million. About 173,000 plants can be transported under that amount. Nevertheless, in the preparation of the Action Plan of that special project, the saplings have been mentioned as the target by a mistake and the target is the total saplings to be planted in the year 2023 in the North Coconut Triangle. According to the Action Plan, although the financial progress of the project was 100%, the physical progress has been 67% .</p>	<p>Plans should be prepared separately for each task in the projects and steps should be taken immediately to include realistic and accurate goals for the Annual Action Plan and achieve those goals.</p>
<p>(b) The physical progress in the activities of identifying infected coconut saplings and injecting selected saplings was 47 per cent and 60 per cent respectively under the management of Weligama coconut leaf wilt disease.</p>	<p>Infected trees have been marked by Hambantota and Galle Regional offices. Nevertheless, as there are 319 Grama Niladhari Divisions in the Matara Regional Office area, it was difficult to deploy 16</p>	<p>Actions should be taken immediately to accomplish goals by managing staff shortages and time.</p>

officers to carry out these tasks. The infected trees were not marked in the Matara Regional Office in the month of December 2023 and the marked diseased trees have been vaccinated. Accordingly, the number of trees that could not be vaccinated in the year 2022 was left for vaccination in the year 2023. Accordingly, it has not been possible to achieve the target of vaccination of the marked trees while carrying out this work by 20 field officers in the last 5 ½ months of the year 2023 .

3.3 Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A loan balance of Rs. 36,116 receivable from an officer transferred out of the Ministry could not be recovered for more than 28 years.	It has been applied to obtain approval from the Treasury to write off the loan balance of Rs.36,116 of this officer.	Arrangements should be made without delay to recover the loan balance or write off on a formal approval.
(b) Actions had not been taken by the Ministry even by the year under review to recover a debt balance totalled to Rs.398,511 to be collected from 03 suspended officers from 14 to 26 years.	Even though legal advices have been received to cover the amount of Rs.255,997 from the property owned by the officer, since the ownership of the land has been transferred in the name of Director General, necessary arrangements are being made to change it as	Every possible effort should be taken to recover the loan balance and actions should be taken to write off irrecoverable long-term debt on formal approval.

Secretary, Ministry of Agriculture and Plantation Industries and requests have been made to seek the approval from the Treasury to write off the loan balance of Rs.30,760. Actions will be taken through the Attorney General against the respective officer for the balance of Rs.111,754 to be received..

3.4 Losses and Damages

Audit Observation

It had been impossible to the Ministry to recover or write off losses and damages totalled to Rs. 5,221,961 relating to 06 cases remained between 01 to 12 years by 31 December of the year under review.

Comments of the Chief Accounting Officer

Cases have been filed in 3 cases and the approval has been received to write off the loss regarding the remaining cases.

Recommendation

Actions should be taken to recover losses and damages and it should be written off by conducting a full investigation of irrecoverable losses and damages.

4. Human Resources Management

Audit Observation

The approved staff of the Ministry as at 31 December of the year under review was 833 and as the actual staff was 772, there were 61 vacancies.

Comments of the Chief Accounting Officer

With the abolition of the State Ministries on 22.07.2022, the Ministry of Public Administration has informed that the staff of those State Ministries should be treated as the

Recommendation

It should accurately identify the staff vacancies and recruitments should be made for essential posts.

staff of the relevant Cabinet Ministry and accordingly, the staff for the Ministry of Plantation Industries has been approved by the Director General of Management Services letter No. DMS/CM/17 dated 31.03.2023. The Ministry of Public Administration has informed to fill the vacant posts accordingly.