1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka State Plantation Corporation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971 read in conjunction with the Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

1.4 Audit Scope (Auditor's Responsibilities 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 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 judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	Even if the non-financial assets should be accounted at fair value in accordance with paragraph 27 of Sri Lanka Financial Reporting Standards 13, the value of the land with an extent of 9,960 hectares belonging to 15 out of the 16 estates owned by the Corporation had not been calculated and accounted as assets.	The estates under the control of the Corporation have been surveyed in several stages; with the intervention of the Ministry, based on government budget provisions. Accordingly, a request had been made to the Valuation Department to provide government valuation reports in order to get an idea of the value of the lands. The Ministry; by the letter dated 15 May 2025, had made a request to the Government Valuation Department asking to valuate these estates at a concessional price as they fall under the category of government estates.	All the lands owned by the corporation should be accounted at fair value.
(b)	As per paragraph 55 of Sri Lanka Accounting Standard 16, depreciations should be done from the point the asset becomes available for use. However, even if the Colour Separate machine purchased for the Gomara Tea Factory had been used for production purposes from 28 March 2023, depreciation had been made for the machine only for the month of December 2023. Accordingly, depreciation had been accounted short of Rs. 2,169,966 related to the year 2023.	In depreciating the Color Separate machine imported from China for the installation at the Gomara Tea Factory, the depreciation was calculated for the month of December 2023 only as shown in the audit report. Therefore, under-calculation of the depreciation for the year 2023 was a mistake. Consequently, the necessary steps are being taken to calculate the depreciation correctly in accordance with Sri Lanka Accounting Standards 16 and correct the said error during the preparation of the final accounts for the year 2025.	The depreciations should be done as per the accounting standards.

(c)	According to paragraph 57 of Sri Lanka Accounting Standards 19, the actuarial valuation method should be used in the calculation of the service benefit obligation of the entity. However, as the actuarial valuation method had not been used, the accuracy of the employee benefit obligation balances amounting to Rs. 763,932,645 stated in the statement of financial position was not confirmed during the audit.	Although the actuarial valuation method should be used in the calculation of the service benefit obligation of the Corporation according to the Sri Lanka Accounting Standards 19, it could not be done to date as it costs a lot to obtain the services of an Actuary or an Actuarial Firm, and as it has been difficult to spend a large amount on that purpose due to the financial difficulties of the Corporation.	The actuarial method should be used when calculating service benefit obligations as per the standard.
(d)	Although the exchange differences occurred in settling the financial items should be identified within the profit or loss in the period they occur as per the paragraph 28 of Sri Lanka Accounting Standard 21, the gain on the change in the exchange value arisen related to the purchase of the Color Separate machine amounting to Rs. 137,618 in the year 2023 and Rs. 3,405,805 in the year 2024 had not been identified in the financial statements.	It is our mistake not to account the foreign exchange gain from the importation of the Color Separator machine in the income statement correctly, and it is expected to correct this error by making the necessary adjustments when preparing the final accounts of the year 2025.	The proceedings should be done as per the Sri Lanka Accounting Standards.
(e)	Although it is stated; as per the paragraphs 12 and 30 of Sri Lanka Accounting Standards 41 and the Accounting Policy No. 3.1.4.2, that the consumable biological assets should be measured at fair value subsequent to the deduction of costs for selling at the initial identification and the end of each reporting period, the plantations such as Grandis, Albicia, Teak, Eucalyptus including 104,691 timber harvestable trees spread in 14 estates of the Corporation had been accounted as Rs. 3,362,969,544 in the Statement of Financial Position without proper valuation or assessing at a fair value as at the end of the year	List out the commercial forest plantations owned by the Corporation have already been accomplished, and the valuation of these plantations is currently underway. At present, these valuation activities are limited to the valuation of the plantations in the Opalgala Estate only. Consequently, the actual value of the plantations has been unable to be recorded in the statement of financial position at this juncture. Once this task is completed, the steps will be taken to show the cost of the trees sold by deducting from the bearer biological balance. The cost of reforestation in the Corporation's ledger; Rs. 48,388,411, has been shown under the expenditure of bearer forest plantations, and the value of the trees in	As per the accounting policy 3.1.4.2 included in the financial statements, the consumable biological assets should be accounted at fair value and presented separately as mature and immature.

under review. Also, even if the consumable biological assets should be presented separately as mature and immature plantations as per paragraph 43 of the standard, 32,820 different timber plants cultivated between 2020 and 2024 had not been presented as mature and immature.	harvestable status; Rs. 3,085,476,423 and Rs. 229,104,709, has been shown under the consumable biological assets. The total of the values shown in the accounts separately has been shown as a single value in the financial statements, and the expenditure incurred for bearer forest plantation has not been separated into mature and immature to date.	

1.5.2. Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	According to the calculations of depreciations related to the year under review, the depreciations for buildings had been overstated by a sum of Rs. 218,769 and the depreciations for equipment, furniture, cars, computers and machinery had been understated by a sum of Rs. 1,038,206.	The errors occurred in calculating the depreciation of fixed assets have been caused by the unavailability of an accurate fixed asset register owned by the corporation. However, it is expected to calculate the depreciation of fixed assets accurately when preparing the final accounts for the year 2025, and the necessary steps will be taken to correct the errors occurred.	The depreciation should be calculated and accounted correctly.
(b)	The tea drying machine and the building of the Gomara Tea Factory had been damaged on 15 July 2024, and the value of the damage had been estimated at Rs. 2,652,300 and a sum of Rs. 2,200,630 had been received from insurance with respect to the damage. Accordingly, a loss of Rs. 451,670 had been identified from the damage to the assets. Although the total loss related to the removal of the assets was Rs. 45,386, the profit of the corporation had been understated by Rs. 406,284 since the loss on the removal of the assets was stated as Rs. 451,670.	The loss caused to the tea drying machine at the Gomara factory has not been calculated correctly, and what have calculated as the loss is the difference amounting to Rs. 451,670 between the value of the damage caused by the fire estimated as Rs. 2,652,300 and the insurance amount of Rs. 2,200,630. The error occurred in calculating this loss will be corrected in the preparation of the final accounts of the year 2025. Also, the error in calculating the depreciation of this damaged machine will also be corrected in the year 2025.	The loss should be accurately calculated and accounted.

(c)	Although 1007 rubber trees in the Walahanduwa Estate had been sold for a price of Rs. 3,791,359 in 2024 subsequent to calling tenders, its cost had not been deducted from the bearer biological balance. Consequently, the assets had been overstated.	The balance shown in the financial statements for the rubber trees in the Walanduwa Estate is an old balance dating back to around the year 2000. Further, as the rubber trees cut down were more than 30 years old, and the estate did not have accurate data about those trees, it was unable to accurately identify the cost of the cut down rubber trees and deduct it from the bearer biological balance.	The cost of bearer biological assets should be accurately identified and accounted.
(d)	Although an income of Rs. 141,951,100 had been generated from the sale of trees during the year under review, its cost had not been identified and deducted from the consumable biological asset balance of the year. Consequently, the consumable biological asset balance had been overstated.	Although an income of Rs. 141,951,100 was earned from the sale of trees during the year under review, the cost of those trees could not be deducted from the biological consumer asset balance of the Corporation due to the unavailability of accurate information in the estates.	The consumable biological assets should be accounted at fair value.
(e)	The gratuity provision balance of the Corporation in the year under review and the gratuity expense paid during the year had also been separately adjusted in the cash flow statement, and the difference of Rs. 41,025,510 in the value of gratuity payable with the previous year's balance had been adjusted through the changes in working capital.	We believe that we have correctly accounted the matters stated in our audit report in the cash flow statement. However, if there is a deficit in our accounting, we request you to advise us to correct it.	The cash flow statement should be prepared correctly.
(f)	As the lease income of the Corporation in the year 2024 was under-stated by Rs. 1,252,504, the Corporation's profit had decreased by that amount and the lease income receivable had also decreased by the said amount.	According to the information provided by the Land Division to the Finance Division, the lease income receivable is accounted subsequent to the issuance of invoices for those by the Finance Division. However, as there were errors in the document given by the Land Division to the Government Audit Division on 03 October 2024 regarding the lease income receivable from leased properties, the actions have been taken to rectify it again.	The lease income should be accounted correctly.
(g)	There was a balance of Rs. 166,412,556 not offset against each other in the current accounts being maintained for the exchange of	Amongst the current accounts being maintained to record the transactions occurred between the head office and the estates and between the regional office and	The steps should be taken to offset the current account balances accurately.

goods between the head office and the estates, between the regional office and the estates and between the estates in the trade and debtors balance of the estates as at 31 December 2024. This included a debit balance of Rs. 7,963,019,263 and a credit balance of Rs. 7,525,771,264 for more than a year. In the debit balance of the estate current account (Estate C/A Balance), there was a balance of Rs. 1,681,780,263 was remaining as the necessary journal entries had not been entered in recording the transactions between the estates for the years 2019 and 2020. The steps had not been taken to date to correct it.

the estates in the trade and debtor balance of the estates, the largest amount (Rs. 166,412,556 as at 31.12.2024) is the old unsettled balances. Out of these, it is expected to further seek about some amounts from the balance of Rs. 1,681,780,263 relating to the years 2019 and 2020 and to reduce those unsettled balances entering the relevant journal entries in the year 2025.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financi al Statements (Rs.)	Value as per Correspo nding Record (Rs.)	Difference (Rs.)	Management Comment	Recommendation
Property, Plants and Equipment	504,307,691	380,289,813	124,017,878	The reason for this change has been the unavailability of an accurate fixed assets register in the Corporation for a long time. The Corporation has now started preparing a complete and accurate fixed assets register with the support of the Line Ministry. As the first stage of this, the listing of fixed assets (furniture and equipment, computers) of the Kelebokka Estate was initiated. Since the physical verification of these fixed assets was carried out by the officers of the institution itself, they were unable to accomplish this task as they engaged in this task in addition to their daily duties.	The changes in assets should be checked and corrected, and a fixed asset register should be prepared.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not made available	Management Comment	Recommendation
Refundable Deposits	28,751,363	The records of the refundable deposit holders and balance confirmations	Money for the refundable deposits is paid by us once their receipts are checked afterwards the relevant persons make a request to refund that money. Although a separate register/list with details of refundable deposits is not maintained, those details have been duly recorded in the ledger. It takes a long time to obtain the details about who should be paid the refundable deposit balances from the ledger and prepare a list. However, the actions are currently being taken by the Procurement Division to maintain a separate register to record details of the refundable deposits.	A refundable deposit register should be prepared.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
It was observed that the Corporation had failed to recover the balance amounting to Rs. 58,872,707 overdue for 05 years from the trade and other receivables amounting to Rs. 348,085,497 of the head office and the estates.	A major item included in the balance of trade and other receivables as stated in the audit report is the amount of Rs. 42,739,676 to be paid to our Corporation from the Janatha Estate Development Board. Since there is a sum of Rs. 97,709,346 to be paid to the said institution from the Corporation, the Corporation has to pay an amount of Rs. 54,696,666 to Janawasama. These transactions have been discussed continuously and a doubtful loan amount has also been set aside in the year 2012 for the balance receivable to our Corporation from Janawasama and the actions are being taken to recover the other loan amounts.	The urgent actions should be taken to recover long-term receivable balances.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
There was a balance of Rs. 253,147,140 older than 05 years out of the trades and other payables of the Head Office amounting to Rs. 479,620,080 as at 31 December of the year under review, and it included a balance of Rs. 219,546,538 older than 12 years. This was 46 percent of the payable creditor balance.	Although we have requested the institutions to write off these debts regarding those older than 12 years, no consent has been given thereto. . 01. Chilaw Plantation Company - Rs.42,810,959 02. Lanka Mineral Sand Company- Rs.25 Million 03. Ceylon Fertilizer Company – Rs.35.93 Million 04. Janatha Estate Development Board – Rs.97,709,346 05. State Resource Management Corporation - Rs.28,709,029.00	The urgent actions should be taken to settle the outstanding balance and interest.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 15 and 16 of the Employee Provident Fund Act No.15 of 1958	The Employees Provident Fund amount of Rs. 695,690,845 to be paid from 2000 to 2024 had not been paid as at the end of the year under review, and the surcharge payable thereon was Rs. 85,854,420 as at 31 December 2024. The contribution payable to the Estate Staff Provident Fund (ESPS) by the estate employees who do not contribute to the above fund was Rs. 89,799,721, and the contribution payable to the Ceylon Planters Provident Fund (CPPS) by the estate managers was Rs. 21,984,422.	Due to the financial crisis prevailed in the Corporation for some time, the above-mentioned arrears of statutory payments (EPF, ETF, ESPS, CPPS, Gratuity) could not be made as scheduled. A Cabinet Memorandum has been submitted in March 2025 regarding the arrears of statutory payments. A committee has been appointed to study and make recommendations regarding this and if the necessary financial provisions are provided by the Cabinet of Ministers to make the due statutory payments, the arrears of statutory amounts are expected to be paid in full.	The steps should be taken to settle the issue of outstanding contributions immediately.

(b)	Paragraph 16 (1) in Part 02 of Employees' Trust Fund Act No.46 of 1980	The contribution payable to the Employees' Trust Fund from 2000 to 2024 was Rs. 47,537,485 and the surcharge payable thereon was Rs. 10,425,561.	Due to the financial crisis prevailed in the Corporation for some time, above-mentioned arrears of statutory payments (EPF, ETF, ESPS, CPPS, Gratuity) could not be made as scheduled. A Cabinet Memorandum has been submitted in March 2025 regarding the arrears of statutory payments of three government institutions including the Corporation.	The issue of outstanding contributions should be resolved promptly.
(c)	Section 5(1) in Part II of the Payment of Gratuities Act No.12 of 1983	The total gratuity payable as at the end date of the year under review from 2010 to 2024 was Rs. 588,227,195, consisted with Rs. 583,316,046 for the estate employees and Rs. 4,911,149 for head office employees, and the surcharge payable thereon was Rs. 27,777,163.	Due to the financial crisis prevailed in the Corporation for a considerable period, the above-mentioned arrears of statutory payments (EPF, ETF, ESPS, CPPS, Gratuity) could not be paid as scheduled. A Cabinet Memorandum has been submitted in March 2025 regarding the arrears of statutory payments of three government institutions including the Corporation.	The steps should be taken to make payments as per the Act.
(d)	Section 18 (1) of the National Audit Act No.19 of 2018 and the Section 13(2) of the Finance Act No.38 of 1971	Audit fees amounting to Rs. 6,585,858 for the 6 years from 2018 for which invoices were submitted in accordance with the Act, and the audit fees amounting to Rs. 6,393,289 for the years from 1998 to 2017 had not been paid.	Audit fees for the years 2017, 2018, 2019 and 2020 have been accounted as audit fees payable. A board paper was submitted to obtain the instructions of the board of directors regarding the payment of audit fees for the years 2021 and 2022. The board of directors has decided not to make such payments due to the financial difficulties of the institution. Therefore, it is expected to seek the instructions of the board of directors again on the payment of audit fees.	The audit fees should be paid.

(e)	The paragraph 2(a) of the Assets Management Circular No.2018/01 dated 19 March 2018 and the paragraph 02 of the Public Finance Circular No.2015/02 dated 10 July 2015	74 out of 122 vehicles owned by the institution; that is 61 percent, are not in the running condition and most of those were vehicles that had not been in running condition for a period of 8-14 years. Although the Committee on Public Enterprises held in 2024 had also instructed to take urgent actions for the disposal of the vehicles, the said vehicles had not been disposed even as of 31 May 2025.	74 vehicles owned by our organization are proposed to be disposed. The special survey boards have been appointed to identify the vehicles suitable to be disposed and the district-wise boards/ committees have been appointed to assess the identified vehicles.	The urgent actions should be taken as per the circular to dispose the vehicles not in running condition
(f)	Financial Regulation of the Domocraric Socialist Republic of Sri Lanka F.R 756 (2) (b)	Although the officer in charge of the relevant goods or the nearest officers cannot be appointed to the Board of Survey, the Estate Superintendent of the relevant estate had been appointed to the Board of Survey of the Estates. The instances; where the copies of the preceding year's board of survey reports were signed without physically inspecting the goods by the board of survey, were observed.	The Estate Superintendent of the relevant estate and two other officers are appointed as a tradition in the plantation sector to physically inspect the goods by the board of survey. This is the method followed in the estates of the State Plantation Corporation for a period of about 50 years. If a method different to this should be followed, the related instructions should be given and a circular should be sent for this purpose.	The proceedings should be done in accordance with Financial Regulations.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a deficit of Rs. 68,640,456, and the corresponding deficit of the preceding year amounted to Rs. 92,673,903. Accordingly, the financial result showed an increase of Rs. 24,033,447 compared to the previous year. The increase in other income of the Corporation by Rs. 57,442,896 and the decrease in administrative expenses and financial expenses by Rs. 29,840,866 and Rs. 13,174,092 respectively in the year under review compared to the preceding year had been the main reason for this increase.

2.2 Analysis of major Income and Expenditure items.

The comparison of the main income and expenditure items of the year under review with those of previous year is as follows.

	2024 (Rs)	2023 (Rs)	Variation (Rs)	Percentage of the Variation %
Revenue	991,042,009	1,012,615,844	(21,573,835)	(2)
Financial & Other Incom	192,316,491	135,743,884	56,572,607	42
Cost of Sale	969,188,394	915,210,110	53,978,284	6
Administration Expense	222,934,082	252,774,948	(29,840,866)	(12)
Financial Expense	59,876,479	73,048,571	(13,172,092)	(18)

2.3 Ratio Analysis

(a) The current asset ratio of the year under review and the previous year was 0.24:1 and 0.17:1 respectively and the quick asset ratio was 0.19:1 and 0.13:1 respectively. The trade value and other payables of the year under review and the previous year was Rs. 2,178,669,294 and Rs. 2,156,877,357 respectively and the increase in the value of current liabilities had been the main reason for the deterioration in the current asset and quick asset ratios.

(b) The gross profit ratio in 2023 and 2024 was 10 percent and 2.2 percent respectively, and the net loss ratio of 9.2 percent in 2023 had been reduced to a net loss ratio of 6.93 percent in the year under review.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Although the basic educational qualification for the recruitment of external candidates for the post of Deputy General Manager (Administration and Human Resources) of the Corporation is a first degree in Human Resources/ Business Administration/ Business Studies/ Business Management/ Public Administration/ Management/ Commerce/ Public Management obtained from a university recognized by the University Grants Commission, and a post-graduate degree in the relevant field, a retired Air	A copy of the degree certificate of Bachelor of Business Administration in Human Resources (BBA in HRM) obtained from Jawaharlal Nehru International Institute of Education and Research, India in the year 2010 certified by the Ministry of Foreign Affairs, Sri Lanka,	An officer who has fulfilled the expected qualifications should be recruited for the post of Deputy General Manager (Administration and Human

	Force officer who did not have a first degree obtained from a university recognized by the University Grants Commission had been appointed to the post of Deputy General Manager (Administration and Human Resources).	has been attached herewith. He has also completed the Postgraduate Diploma in Defense Management (Pg Dip in Def. Mgt) from Sir John Kotelawala Defense University in 2015, and the Postgraduate Diploma in Human Resource Management (Pg. Dip. in HRM) from the Open University of Sri Lanka in 2016 and a Master of Business Administration in Human Resource Management (MBA in HRM) from the Open University of Sri Lanka in 2017.	Resources).
(b)	30 officers had been recruited for the estate staff of the Sri Lanka State Plantations Corporation from 05 May 2024. The salary of the estate staff had been decided in accordance with the 03-year Collective Agreement between the Sri Lanka State Plantations Corporation and the Estate Workers' Trade Unions from 01 October 2022 to 30 September 2025, and the recruitment should be made accordingly. However, out of the 30 persons recruited for the estate staff, 15 persons had been paid a salary higher than the salary specified in the collective agreement from May 2024. As a result, a sum of Rs. 256,375 had to be paid exceeding the prescribed salary for a month.	The approved number of staff required for the administration and operational activities of the estate staff had been approved by the Board of Directors, and only the candidates with relevant qualifications and experience have been recruited only for the employees vacant in the approved cadre through newspaper advertisements and a qualified interview board according to the prescribed methodology. In the recruitment of 15 persons for various posts, a relatively minimum salary is specified in the collective agreement, and it has been observed that if a suitable salary level is not set based on the high market demand for jobs in the said field, it is not possible to recruit any qualified and experienced applicants for the above jobs. Consequently, the qualified and experienced applicants for the posts of	The sstate staff salaries should be determined according to collective agreements.

		Administrative Officer, Assistant Field Officer, Factory Officer, Field Officer, Junior Estate Medical Officer, Senior Assistant Factory Officer were called for the interview and subsequent to considering their experience in the field, qualifications and salary details obtained in the said field, they were recruited taking into account the necessity of the service and placed in appropriate salary scale based on the recommendations of the interview board.	
(c)	As per the newspaper advertisement dated 13 February 2024 regarding the recruitment of Field Officers, it had been stated that the experience required for a Field Officer should be more than 03 years of experience in the post of Assistant Field Officer in a Regional Plantation Company or a State-Owned Estate, 04 out of the 06 persons appointed as Field Officers on 20May 2024 were the persons retired from the Defense Service (Sri Lanka Air Force) and they had not fulfilled the above experience.	Due to the rapid increase in unauthorized seizure of lands in the Walahanduwa State Estate owned by the Sri Lanka State Plantations Corporation and the death threats to the Estate Superintendent and his staff, the institution had lost its control over the estate. For the purpose of ensuring the security of the lands and the officers of the estate, the only option to establish control of the estate was to recruit the retired military officers and deploy them on field duty, ensure the security of the estate staff and restore administration. All these proceedings were done with the approval of the top management and the Board of Directors.	The recruitments should be made according to the qualifications specified in the relevant recruitment procedure.

3.2 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The working capital of the Corporation as at 31 December 2024 had taken a negative value of Rs. 1,655,781,536. Also, the current liabilities amounting to Rs. 2,181,121,788 included a long-term statutory payment balance of Rs. 1,443,249,668, a bank loan of Rs. 221,977,368 and a bank overdraft of Rs. 2,452,494, and it was observed that the Corporation encountered with a problem of insufficient working capital.	Due to the financial difficulties prevailing in the institution for a long time, it has been unable to pay a large amount of long-term and short-term liabilities, including statutory payments to employees. The factors such as the decrease in the tea leaf harvest due to the inability to apply the necessary fertilizer to the estates on time in the past few years owing to the financial difficulties of the corporation, and the increase in the salaries of the estate workers by about 35% in the years 2021 and 2024 have mainly caused an economic crisis in the Corporation. The priority has currently been given to provide necessary fertilizer to the estates in order to overcome this unfavourable situation and increase the income of the corporation. Accordingly, it is expected that the tea harvest of the corporation will be able to be increased in the future.	The actions should be taken to settle long-term outstanding balances.
(b)	The 360 view point naturally located in the Kelebokka Estate is a popular destination for local and foreign tourists and the ability of setting camps and having accommodations is also there. The distance of about 6 km to the said site; which generates an annual income of over Rs. 600,000, was in a very dilapidated condition by 29 February 2024, and the area around the site had not been cleaned. The temporary shelters that had been erected were decaying and there were no sanitary facilities for the tourists who came to camp and spend the night. Due to the lack of facilities for the tourists, the income from this site, which generated an income of about Rs. 663,000 in the	Since the 360 viewpoint of Kelebokka is located on the top of a mountain, obtaining water from natural springs is difficult. Further, as there the electricity is not available at this location, it is not possible to operate a water pump. However, it is expected to improve the facilities given for this viewpoint in the future. Further, the actions will be taken to prepare an estimate to repair the road of about 06 kilometer to reach the location, and it will be submitted to the Provincial Road Passengers Transport Authority for approval.	The necessary facilities should be set up for the viewing center.

	year 2023, had decreased to Rs.424,600 that is about 36 percent, in the year 2024.		
(c)	According to the forest management plan belonged to the Opalgala Estate, the quotations had been called in 2024 to sell 300 trees to be harvested in 2022, and the bidders had submitted quotations Rs. 2,299,822 less than the valuation price. As reasons thereto, it had been stated in the tender that the trees were old and consequently the period of their timber value had expired, and that the glue had been oozed and it has also been confirmed by the site inspection carried out by the members of the Board of Directors. According to the forest management plan, those trees had been planted 42 years ago and the management had not paid attention for selling those during the period when the timber value could be obtained.	As the Opalgala Estate has been located adjacent to the Knuckles Reserve and the Buffer Zones, a long period was required to obtain permits for felling trees, and this estate has been located in the arid zone being isolated from the other estates of the Corporation, the internal physical structure of these trees is severely damaged (cracks, splits) due to high temperatures and weather conditions. Consequently, this was a major reason for the decline of the timber value of these trees despite the fact that those trees were of the same age as the trees in other estates owned by the Corporation.	According to the forest management plan, the actions should be taken to sell the trees during the period of their timber value.
(d)	In line with the Guideline No. 03/2019 of the Sri Lanka Tea Research Institute, the standard number of tea trees per hectare is 12,500. According to the records of the Kotaganga State Estate, it had been informed that there were 1,101,683 tea plants in 221.12 hectares and according to the records of the Rangala Estate, there were 1,216,089 tea plants in 135.79 hectares. As per the standards of the Tea Research Institute, there should be 2,764,000 tea trees in the Kotaganga Estate and 1,697,375 tea trees in the Rangala Estate. However, only 40% of the said amount is currently in the Kotaganga Estate and 72% in the Rangala Estate. Accordingly, the	According to the slope situation in the Meda Rata region, the average number of tea trees per hectare should be corrected as 12,500. Similarly, the number of tea bushes per hectare in the Kotaganga estate is approximately 4982. This is merely due to the damage of tea bushes in seeds tea plantations that are more than 100 years old. Similarly, as per the number of tea bushes per hectare of tea plantations in the Rangala estate, there is only 18%, and there is about 74.26% for shoot tea plantations. In this situation, maintaining tea seeds plantations is not practically profitable, and the land should be cleared of tea bushes, fertilized and re-cultivated in accordance with the instructions of the Tea Research Institute. Similarly, during the pruning cycle of tea plantations, dead plants should be replanted and updated.	The steps should be taken to cultivate the required number of tea plants per hectare.

	standard number of tea plants was not available in the land areas of tea cultivation in the Kotaganga and Rangala Estates.		
(e)	The tea harvest of Kotaganga and Rangala estates subjected to the sample test had decreased by 28 percent and 35 percent respectively as the required amount of fertilizer per hectare in a year was not applied in 2022 and 2023 according to the Guideline No. 2021/4 of the Tea Research Institute.	According to the financial strength of our corporation, the fertilizer was given to the estates in 2020 and 2021. In relation to that, the leaf harvest also increased. However, as the price of fertilizer decreased to a certain amount in 2023, it was possible to apply nearly 128,000 kg of fertilizer. However, this is a quantity of 20% for income generating tea fields. The tea harvest has also decreased in comparison to that.	The amount of fertilizer to be applied to a hectare should be applied.
(f)	252,000 plants and 330,000 plants had been planted in 20.16 hectares of Kotaganga estate and 26.43 hectares of Rangala estate respectively under the tea replanting project. As per the Instruction Circular 00/2 issued by the Tea Research Institute in July 2000, 1,100 kg of fertilizer per hectare should be applied for the plants during the first year and 1,600 kg of fertilizer per hectare should be applied for the plants during the second year. However, 39% of the fertilizer requirement for the plants in Kotaganga estate and 6.28% of the fertilizer requirement for the plants in Rangala estate had been applied.	Since the fertilizer prices increased several times, the application of fertilizer for new plantations in 2022 and 2023 was at a very low level. Therein, 39% of the fertilizer requirement for the plants in Kotaganga and Rangala estates respectively and a minimum fertilizer quantity of about 6.28% for the plants in Rangala estate was purchased and applied according to the cash flow of the Corporation.	The required amount of fertilizer should be applied to tea plants.
(g)	The Corporation had failed to provide the machinery and other facilities needed to start the production at the Rangala Estate Tea Factory, which has been closed for renovations since November 2022, even as of 24 January 2025. Even if about 80% of the works required to start the production had been completed, it was observed that this delay had occurred due to the inability to provide the machinery required for tea production.	The stove section of the tea factory was extremely run-down in the year 2022. The factory was immediately shut down to prevent the factory from being destroyed by fire due to that. This factory had not been renovated from 1984 to 2022. Accordingly, it was also suggested by the Tea Testing Board that the factory should be renovated in parallel to this to produce quality tea according to the modern market. It is expected to complete the remaining renovation works of the factory as soon as possible according to the financial capacity of the corporation and to use for made tea production activities.	The works should be completed immediately and the factory operations should be started.

(h)	Although a sum of Rs. 1,065,150 had been spent to plant 2,600 Gampela, 1,732 Eucalyptus, 250 Cassia and 10 Kumbuk plants in the Rangala Kalduriya section; wherein timber trees were replanted during the period from 2020 and 2021, it was confirmed in the audit that those plants had not been cultivated.	The reason for the difficulty of obtaining details on this matter is that the Estate Superintendent Mr. A.C. Abeywarna, who served as the Estate Superintendent of the said estate during that period, is not among the living, and the Assistant Estate Superintendent; Mr.C.J. Mapa, who served as the Assistant Estate Superintendent, is no longer in the Sri Lanka State Plantation Corporation Service. However, we are investigating the information at present and expect to send those details to the National Audit Office immediately after we obtain the details.	The officers responsible for this should be identified and the amount spent should be recovered.
(i)	In relation to the cultivation project to develop the Walahanduwa State Estate as a model estate using modern technology, it had been confirmed in the physical inspection carried out in May 2024 on the coconut, cinnamon and tea plantations done in the years 2022 and 2023 that 1114 out of 1551 coconut plants cultivated; this is 72 percent, 21488 out of 28,800 cinnamon plants cultivated; that is 75 percent, and 51 percent out of 27,500 tea plants cultivated were not in the cultivation land. The management has accepted that this has occurred due to the lack of proper supervision by the Acting Estate Superintendents and Field Officers who were in service during the implementation of this project, and the steps have not been taken to recover the related expenses from them.	As the Acting Estate Superintendent and the Field Officers; who were serving at the time of the project to develop the Walahanduwa Estate as a model estate, did not properly supervise the project, the post of the Acting Estate Superintendent has been removed from the said post and transferred to Kelebokka State Estate for his substantive post of Assistant Estate Superintendent. The service of one of the two field officers has been suspended for the time being, and the other field officer is currently working at the estate. The appropriate actions will be taken against them based on the inspection report of the internal auditor.	The actions should be taken to recover losses from the responsible officials.
(j)	During the surveying of the estates owned by the corporation, it was observed in the audit that 06 estates had 1,112 hectares less than the land amount given by the gazette and one estate had 3.19 hectares extra.	We have made a written request to our Ministry to re-survey the 05 estates that have been under-recorded and provide a more accurate survey. The necessary steps are underway to rectify it. We believe that such a lower value has	The steps should be taken to accurately survey the possessed lands.

	been recorded as a survey has not been carried out when the land extent of the Hunnasgiriya estate; of which a larger extent has been reported than the extent indicated in the Gazette, was included in the Gazette.	

3.3 Human Resource Management

Audit Issue	Management Comment	Recommendation
As per paragraph 3.2 of the Guideline for Public Enterprises No. 01/2021 dated 16 November 2021, the corporation had not obtained approval for the scheme of recruitment procedure except for primary positions even as of 31 December 2024.	The approval has presently been given by the Department of Management Services only for primary posts regarding the recruitment and promotion process, and approval has not been given for the remaining posts. However, since our corporation was to be restructured by the government in 2019, the approval has not been granted for this. As our State Plantation Corporation and the Janatha Estate Development Board are scheduled to be merged at present, it was informed that these approvals would be granted in the future.	The approval for the recruitment procedure should be be obtained.