

## **Sri Lanka State Plantation Corporation - 2018**

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### **1.1 Adverse Opinion**

The audit of the financial statements of the Sri Lanka State plantation Corporation for the year ended 31 December 2018 comprising the statement of financial position and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies year ended 31 December 2018, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in the section of the basis for the adverse opinion of my report, the accompanying financial statements do not give a true and fair view of the financial position of the corporation as at 31 December 2018 and its financial performance and cash flow statement for the year then ended in accordance with Sri Lanka Accounting Standards. .

### **1.2 Basis for adverse Opinion**

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAus). 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 adverse 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 Auditor's Responsibility for the Audit of Financial Statements**

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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 skepticism 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 Corporation's 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 Company 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 Comments on Financial Statements

### 1.5.1. Noncompliance with the Sri Lanka Accounting Standards.

Non compliance	Comments of the management	Recommendation
<p>a) Although it should be disclosed the cash flows from interest receipts separately in accordance with the paragraph 31 of standard No.07, the interest income of Rs2,853,628 received in cash during the year under review, had not been disclosed separately.</p>	<p>I agree with the statement that there cash flow generated by interest income should be shown separately in accordance with the paragraph 31 of the Sri Lanka Accounting Standard No.07 and although the cash flow generated from interest income is stated, it had not been revealed separately. The arrangements have been made to expose this disclosure occurs that in the preparation of cash flows accurately.</p>	<p>It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards.</p>
<p>b) Although the non-cash transactions should not be included in the cash flow statement in accordance with the paragraph 44 of the standard No.07,the reduction of the total aggregate of differed</p>	<p>Here after, the Steps have been taken to rectify this in accordance with the Accounting Standards NO 07 for the preparation of cash flow statement.</p>	<p>It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards.</p>

assets and working progress of Rs.683,214 had been mentioned under investing activities in the cash flow statement

- c) The lands of 10,917 hectares which belong to the 14 estates of the corporation and freehold lands which have been valued at Rs.649 million of the statement of the financial position for a period of more than 10 years, had not been valued at a fair value in accordance with paragraph 37 of the Standard No.13. Identifying and preparing the list of fixed assets has been completed for all estates up to now, as the necessary basic step for preparing the fixed assets register, valuation and identification of fixed assets while preparing the fixed assets register. The expert services required for the preparation of the documents should be obtained from a specialist person or Institution. The letters have been sent to the Ministry and the General Treasury, requesting the necessary funds for this purpose and I kindly request you to pay some reasonable attention in this regard. It should be taken action to comply with the provisions of the Sri Lanka accounting standards.
- d) Although it has been mentioned that only the similar nature and assets in use should be categorized and accounted in accordance with the paragraph 37 of the Standard in No.16, all the types of fixed assets such as computers, equipment, furniture and fitting, which belong to the estates of the corporation had been stated under the furniture as a single item in the statement of financial position in year under review. The preparation of fixed assets identification and assets register of each estate has been successfully completed as the first step in identifying, valuing and preparing these fixed assets in the preparation of the fixed assets register and also the expert services required for the preparation of the final register should be obtained from a person or institution specialized in it. Letters have been sent to the Ministry and the General Treasury requesting the necessary funds for this purpose and I kindly request you to pay It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards

some reasonable attention in this regard.

- e) Although the depreciation rate or useful lifetime should be disclosed in the financial statements in accordance with the paragraph 73(c) of the Standard No. 16, it had not been disclosed the depreciation rates used in depreciating of the Land Development cost in the Financial Statements in the year under review. This is not included in the final accounts of 2018, due to the error of omission in the preparing of financial statements for the financial year under review of 2018 and the area and the arrangements have been made to rectify this error of omission from the final accounts for the financial year 2019. Should be taken action to comply with the provision of the Sri Lanka Accounting Standards.
- f) Though the model used to measure investment property is required to be disclosed by the financial statements in accordance with paragraph 75(a) of the standard No. 40, it was not disclosed whether, which model has been applied out of the two models of, the cost of investment property or the fair value which have been disclosed according to the financial statements of the corporation for the year under review and it has been mentioned the same value of Rs.1,611.5 million as mentioned in the balance sheet of the regional estate company in the year 1992, in the statement of financial position under These investment properties are taken to the 2012 accounts at a value of Rs.1,611,520,641 and it is informed that I agree with issues prevailing here. These regions and estates are directly controlled by the General Treasury and no informational relationship has not been established between the corporation and the regional estates, to report and disclose the changes occurred since 1992. The necessary steps are being taken to resolve these issues urgently. It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards.

investment properties in the year under review.

- g) Although the description of the investment property by the financial statements should be disclosed in accordance with the paragraph 78(a) of standard No.40, it had not been disclosed about the assets transferred to the corporation by the government Gazette notification No. 181/12 dated 27 February 1982 from the financial statement
- These investment properties have been taken to the 2012 accounts at the value of Rs.1,611,520,641 and it is informed that I agree with issues prevailing here. These regional estates are directly controlled by the General Treasury and no informational relationship has been established between the corporation and the regional estates, to report and disclosed the changes annually occurred since 1992. The necessary steps are being taken to resolve these issues urgently.
- It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards.
- h) Although the forest cultivation should be accounted under consumer biological assets in accordance with the paragraph 04 of the Standard No 41, the forest cultivation of the cost of Rs.24, 505,428 has been accounted under bearer biological assets.
- The preparation of fixed assets register and the biological assets register is now in progress and the financial provisions of the Ministry and the General Treasury have been informed and that these issues need to be rectified in the coming financial year 2021 by correcting the issue in order to report, in accordance with the Sri Lanka Accounting Standard, and at present the corporation is unable to bear up these expenses due to the financial difficulties of the corporation. I kindly request you to pay some reasonable attention in this regard.
- Assets should be accounted to comply with the Sri Lanka Accounting Standards
- i) Although the biological assets should be presented separately as mature and immature cultivation in accordance with paragraphs 43, 44 and 45 of the Standard No.41, the biological Assets
- The preparation of fixed assets register and the biological assets register is now in progress and the financial provisions of the Ministry and the General Treasury has been informed that these issues
- It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards

of Rs.152,272,484 which has been disclosed under non-current assets in the financial statement of the year under review, has not been submitted with such categorizing.

need to be rectified in the coming financial year 2021 by correcting the issue in order to report, in accordance with the Sri Lanka Accounting Standard, and at present the corporation is unable to bear up these expenses due to the financial difficulties of the corporation. I kindly request you to pay some reasonable attention in this regard.

j) Although the useful life time or the applied depreciation rate regarding the bearer biological assets should be disclosed in the financial statements in accordance with the paragraph 54(e) of the standard No.41, it has not been disclosed the applied depreciation rate which was used for the depreciation of tea cultivation of 4114 hectares of 17 estates belong to the corporation, in the financial statements.

This is not included in the final 2018 accounts due to an error of omission in the preparation of financial statements for the financial year 2018 under review and the arrangements have been made to rectify this error of omission from the final accounts for the financial year of 2019.

It should be taken action to comply with the provisions of the Sri Lanka Accounting Standards.

#### 1.5.2 Accounting Policies

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The following observations are made

Audit observation -----	Comments of the management -----	Recommendation -----
a)Although the consumer biological assets are valued at a fair value as per the Accounting Policy 3.1.4.2 of the notes to the financial statements, the biological Assets of Rs.3,312,160, 200 were in 2012 and the biological Assets of Rs.2,420,933 capitalized in	The reason for the difference you have stated is, capitalizing the value of commercial Timber added during the year. For over many years, these values have been capitalized and depreciated as the cost of forest cultivation and these capital additions have been made in response to previous	The consumer biological assets should be fairly valued and accounted in accordance with the Accounting Policy 3.1.4.2 of the accounts notes in the financial statements.

the year 2018 had not been valued and accounted to the fair value. Further, instead of being valued and accounted to a fair value, the losses incurred by the corporation had been overstated due to the fact that the cultivations spreading over 726.73 hectares of 11 estates owned by the corporation were depreciated at 4 percent or Rs.698,603 at the end of the year under review.

### 1.5.3. Accounting deficiencies

The following observations are made

Audit observation	Comments of the management	Recommendation
<p>a) Although the correct amount of depreciation in the year under review for the seven categories of fixed assets registered under fixed assets in the statement of financial position should be Rs.6,716,561 due to an increase of Rs.428,654 In the difference between the ledger accounts of the corporation and accurately calculated depreciation amount, the loss has been over stated in that particular amount.</p>	<p>The preparation of fixed assets register and the biological assets register is now in progress and the financial provisions of the Ministry and the General Treasury have been informed that these issues need to be rectified in the coming financial year 2021 by correcting the issue in order to report, in accordance with the Sri Lanka Accounting Standard and at present the corporation is unable to bear up these expenses due to the financial difficulties of the corporation. I kindly request you to pay some reasonable attention in this regard.</p>	<p>Replies have not been provided in accordance with observation. The depreciation amount of the assets stated under fixed assets should be calculated and accounted accurately.</p>
<p>b) It could not be satisfied with the accuracy of the financial results of the corporation due to</p>	<p>It has not done any stock verification at the end of the financial year in our estates and, the necessary actions have</p>	<p>The year-end stock verification should be conducted and those physical stock quantities should be accurately valued and</p>



financial statement are prepared based on the book value without conducted the stock physical verification of the stock of Mosquito sticks Rs.1,609,054 and 44,639 kg of finished tea value of Rs.23,381,823 relating to states of Kelebokka, Midland and Rangala and the stock of fertilizer and the chemical stocks of 15 estates in the year under review.

- been arranged to prepare the final accounts in accordance with the Sri Lanka Accounting Standards No.02, if there are any necessary adjustments with the book value after conducting physical stock verification on that day according to your instruction since the financial year of 2019.
- presented in the financial statements.
- c) The value of plant nurseries of Rs.6, 644,470 had been included to the debtor balance under the current assets in the statement of financial position. The value of them had been taken the amount of zero due to physically nonexistence or expired of the nurseries which were valued as Rs.4,978,340 of six estates.
- The arrangements have been made to rectify the situation in the next financial year or the financial year 2019.
- The value of non-existent nurseries should be removed from the financial statements.
- d) The amount paid of Rs.1,910,225 by the corporation as compensation in the labour tribunal case in 2016, had been stated as deposits under the current assets in the financial statement of 2016. Furthermore in statement of financial position in 2017, that amount had been stated as an expense and it had been revealed as a current liability. Due
- That money was paid court payment as there was a reasonable confirmation that some reservation would have to be made in relation to this judgment. (On the advice of the legal division) It was stated under current assets in the statement of financial position because there the bank account was debited and Rs.1,910,225 and this amount of money is already only in the custody of the court.
- After then as you have given
- This error should be corrected in the financial statements.

to the above erroneous accounting entries, that particular balance has also been remained unchanged under current assets and current liabilities in the statements of financial position of the year under review.

need to identify it as a Contingent Liability and an Expenditure, so debit it as an adjustment to the previous year profit (identification of expense) and as this is a payment that we have not yet been able to identified, this was presented in the balance sheet as a contingent liability until a court decision is made. (Financial Year 2017) The decision has now been received and it has been removed from the Statement of financial position using a double entry to offset the contingent assets and liabilities we identified in the Financial of 2019 Year.

e) Due to including the recurrent expenditure of Rs.602,039 which has been spent for the repairing of vehicles, as the trade receivables of the current assets in the statement of financial position, during the year under review, current assets have been overstated and the loss had been understated from that amount.

These error will be corrected from the financial year 2019

This error should be corrected in the financial statements

f) ( Although an interest expense of Rs.1,600,000 should be added under the adjustment done for losses in the cash flow statement, the cash flow generated from the operating activities had been decreased as the reason of above amount stated as addition and

An interest expense of Rs.10,490,415 has been identified as the financial cost paid in the cash flow statement which has been prepared and presented for the year ending 31st December 2018. The amount of Rs.12,090,415 has been identified as financial expenditure. It is shown under the adjustment made on accrual

Only the cash transactions should be adjusted in the cash flow statement when stating the financial expenses in the cash flow statement.

same amount stated as deduction. basis for transactions and events and the amount that is not paid in cash on behalf of the Chilaw plantation company as you mentioned but the amount which is realized as an interest expense of Rs.1,600,000 adjustments are listed separately. It is stated that action will be taken in accordance with the Sri Lanka Accounting Standards No. 7 in making adjustments as to, whether the transaction should be made separately or not, and it was not agreed with the statement that the cash flow has been decreased which generated from the operating activities due to this cash flows with in operating activities. Arrangements have been made from the year 2019 to consider whether the difference in adjustments should be shown separately or the net value in the presentation.

II. The value of It has been stated Rs.1,240,487 This adjustment should be done accurately in the cash flow statement.  
 Rs.1,081,138 which has on behalf of the adjustments  
 been identified as done for the profit or the loss  
 adjustment to prior for the prior period and a  
 period in the year under difference had been taken place  
 review, had been in the prevailed balance of the  
 considered as opening balance of non-  
 Rs.1,240,487 it was financial nature which is with  
 decreased by Rs.159,349 the value of Rs.159,349. It is as  
 when adjusting to the follows  
 cash flow statement.

1. The cumulative Depreciation (property, plant and equipment) balance was Rs.289,862,495 according to the final accounts of the opening balance and it was Rs.289,803,147 as

per the ledger accounts. The difference of this was Rs.59, 349.

2. The difference between the opening balance in year of 2018(according to the ledger accounts) the balance of final accounts of 2018 of the biological Assets of the estate was Rs.100,000, the difference of the total opening of Rs.159,349 was the difference of a adjustment made to final accounts of 2018 and we are going to do the corrections in accordance with the Accounting Standards No.7. However this difference of the opening balances has been occurred for several years and it has been corrected in the year 2018. This discloses has been corrected since the year 2019.

- iii. Though the payment had been made previous year for the computer software of Rs.235,500 purchased during the year under review, it has been mentioned under investment activities of the cash flow statement in the year under review. Due to, an amount of Rs.253,500 which is a non-cash payment for purchasing computer software by the head office, is prevailing in the investment activities, it has been taken necessary steps to reveal whether there is a reduction of the cash flow which is generated by the investment activities from the financial year 2019 after studying the Sri Lanka Accounting Standard No. 7 which is considered in The purchasing of property, plant and equipment must be accurately adjusted in the cash flow statement.

preparing the cash flow statements.

1.5.4 . Un reconciled control accounts

Audit observation	Comments of the Management.	Recommendation
It was observed a difference of Rs.1,930,180 between the debit and credit balances of inter estate Control Accounts	There is a view that some errors may be reflected by removing this in the accounts of the corporation (compared to other estates related accounts) we expect your advice for that if it is necessary to do any change.	These balances in the inter estates control accounts occurred due to an accounting error. It should be identified and the balance should be cleared.

1.5.5. Unexplained changes

Observation	Comments of the Management	Recommendation
a) It was observed the differences of Rs.174,726,841 and Rs.360,271,689 respectively in the ledger accounts of the fixed assets register and the relevant assets such as the bearer biological Assets and property plant equipment which has been stated under the non-current assets in the statement of financial position.	The preparation of fixed assets register as well as <b>biological assets register is now in progress.</b>	It should be considered into these changes and the differences which should be corrected by doing the necessary reconciliation.
b) Although the value added for other intercropping as per the financial statements for the year under review was Rs.591,779 it was observed a difference of	The preparation of fixed assets register as well as <b>biological assets register is now in progress.</b>	It should be considered into these changes and the differences should be corrected by doing the necessary reconciliation.

Rs.318,142 between these balances hence the balance was Rs.273,637 according to the accounts of the estates.

1.5.6. Receivable and payable accounts

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Observations are as follows

Observation -----	Comments of the Management -----	Recommendation -----
a. The total credit balance of the corporation was Rs.1,089,138,983 at the end of the year under review and from this balance an amount of Rs.543,711,753 or 50% belong to the period of the time from 4 years to 14 years, necessary action has not been taken to settle these long-term credit balance even in the year under review.	Out of this amount of Rs.543,711,753 is a loan amount of older more than 14 years, of which about 80%, consists of Provident Fund, Trust Fund and gratuity amount to be paid. These are actually debt balances to be paid by the corporation. A special attention has been paid regarding this and these loan amounts are the payments to be made to the employees who worked in our company. The board of directors headed by the Honorable chairman has taken several decisions to repay the loans and the necessary actions will be taken to make the payments for this in the financial year 2021.	Adequate actions must be taken to settle these long-term debt balances.
b) It had not been taken action to settle the total value of the Rs.786,379 the Tree tender deposits and advance of the Opalgala estate for the year 2010 and 2011, by the end of the year under review.	The deposit advances for the tenders, SLSPC/PL/TB/T-88/2010 and SLSPC/PL/TB/T-111 are not being refunded due to a dispute condition between customers and the corporation. The necessary information needed for these, will be obtained from the procurement division and it is planned to make the payments in the next financial year 2020 or to	The appropriate actions should be taken to Settle these balances.

identify these as revenue to the corporation during the next year.

- c) In the outstanding balance of Rs.88,813,279 under other current assets stated in the financial statements, it has been included the outstanding loan balance of Rs.70,092,898 which has been prevailed from the period of 04 years and 14 years' time and a loan balance of Rs.15,404,568 which is to be received from the BCC company which has been beyond 15 years. The adequate steps have not been taken by the corporation to collect this debtor balance even in the year under review.
- Replies have not been provided.
- The corporation should take effective steps to recover these debtor balances.
- d) The corporation had been granted a loan of Rs.6 million to Elkaduwa plantation company on 15<sup>th</sup> October 2014 without entering to an agreement and the unrecoverable loan balance was Rs.1,916,092 due to negligence of paying the loan installment since the year 2015.
- The balance confirmation of a balance of Rs.1, 916,092 has been obtained by the Elkaduwa plantation Company which is to be receivable from the Elkaduwa Plantation Company up to 31<sup>st</sup> December 2018 and the arrangements are being made to recover the amount. The top management of the corporation has decided relevant actions to obtain the balance which is to be received in the financial year 2020, 2021
- The effective steps should be taken by the corporation to recover this debtor balance

1.5.7. Lack of evidence for audit  
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Audit observation -----	Comments of the Management. -----	Recommendation -----
<p>a. The deeds/ licenses for certifying the ownership of the buildings of the value of Rs.175,008,452 and the lands with the value of Rs.649,377,817 registration Certificates for certifying the ownership of vehicles under property plant and equipment of Rs.1,140,025,407 of the statement financial of financial position had not been submitted to the audit.</p>	<p>The main reason for the problem which has been prevailing for several financial years are that we do not have an accurate fixed assets register. The necessary steps will be taken to rectify this during the financial year 2020 and the required fixed assets register (all the estates, regional offices and head office) has been completed up to now. The corporation does not have necessary funds to carry out the relevant valuations and due to the prevailing financial crisis, the letters are being prepared ,requesting from the Ministry and the General Treasury asking them to take necessary steps to provide necessary funds through the direct intervention of the Ministry or The General Treasury. The other necessary actions are being conducted to resolve this issue in the next financial year 2021.</p>	<p>The Deeds/ licenses to Prove the ownership of lands and buildings and the registration certificate to prove the ownership of vehicle should be submitted to the audit.</p>
<p>b) The documents and the information required to verify the Assets balance of consumer biological Assets of Rs.3,314,581,133 and bearer Biological Assets of Rs.160,864,640 which has been stated under the non-current assets in the statement of financial</p>	<p>The main reason for the problem which has been prevailing for several final years is that we do not have an accurate fixed assets register, the necessary steps will be taken to rectify this during the financial year 2020 and the required fixed assets register (all the assets, regional offices, head office) has been</p>	<p>The documents and information required to verify consumer biological assets and the bearer biological assets balance must be submitted to the audit.</p>



position had not been submitted to the audit. completed up to now. The corporation does not have necessary funds to carry out the relevant valuations and due to the prevailing financial crisis, the letters are being preparing, requesting from the Ministry and the General Treasury asking them to take necessary steps to provide necessary funds through the direct intervention of the Ministry or the General Treasury. The other necessary actions are being conducted to **resolve** this issue in the next financial year 2021.

- c) An inactive accounts balance of Rs.1,933,043 which has been prevailing before the year 2012 had been mentioned in the current liabilities as the other payables in the statement of financial position even in the year under review and documentary evidence to verify this balance had not been submitted to the audit. This has been found to be an error in the preparation of the accounts and it has been arranged to take actions to remove this from the accounts during the financial year 2021. This has been found to be an error in the preparation of the accounts and the necessary steps should be taken to remove this from the accounts in the financial year 2021.
- d) The creditors balance with the total of Rs.118,319,660 relating to head office and estates were respectively Rs.103,131,935 and Rs.15,187,725 and the balance confirmations of 09 debtor balances with the total of **Rs.53,881,380** and the subsequent balances settlement reports have not been submitted to the audit. The arrangements have been made to confirm the balance that could not be confirmed by contacting them in the future. The balance confirmation for creditors balance and subsequent balance settlement reports should be submitted to the audit.

- e) A balance of Rs. 6,379,570 as the refundable tender deposits which belong to 12 estates from the year 2006 had been mentioned under the current liability in the statements of financial position in the year under review and the documentary evidence has not been submitted to the audit to confirm this balances.
- The corporation does not have a proper record of the tenders on which the refundable deposit was received and to which tenderers should be paid up to now. The arrangements have been made to forward those balances to the board of directors for write off from the books during the financial year 2020 and thereafter forward to the General Treasury and get the approval.
- The documentary evidence should be submitted to the audit for confirm of this balances.
- f) From the year 2011 to the year under review an amount of Rs.3, 486, 444 had to be paid as value added tax to the Department of Inland Revenue, further the documentary evidence had not been submitted to the audit for the confirmation of the opinion of the corporation that the value added is released from the tax.
- The amount of Rs.3,486,444 was a collected amount from the customers as the payable amount on the value added up to end of the financial year under review and due to the financial difficulties prevailed then, this amount has been stated in the statement of financial position.
- The value added tax should be duly remitted to the Department of Inland Revenue.
- g) The corporation had not the necessary documentary evidence to prove the debtor balance of Rs.50, 220, 922 which has been disclosed under current assets of the statement of financial position.
- At the end of the year under review the balance of Rs.70,092,898 was between 4 and 14 years out of this total outstanding balance of Rs.88.813,279.50. These balances are actually supplemented by loans and completed by investments as loans made in a particular financial year, and for this, the balance confirmation letters are being sent for each year and many have been returned with the confirmation.
- Action should be taken to remove from the statement of financial position in the statement of the financial statements.
- h) The relevant information to check the accuracy of
- I do not agree with this statement that you were not
- The reply is incorrect. The information to check the

provisions for doubtful debts of Rs.1,591,349 and allocation of Rs.47,537,070 provision for special impairment of which stated as a deduction from the debtor balance in the statement of financial position in the year under review which has been prevailing even prior to the year 2012, have not been submitted to the audit.

submitted the detailed information on how has the balance of Rs. 47,53 7,070 been generated on the value of allocation for special impairment and the doubtful loan with the value of Rs. 1,591,349 doubtful loan which has been prevailing prior to the year 2012 .The documents for that, have been submitted to you while the Audit was being conducted.

accuracy of the allocations for special impairment and the allocation for doubtful loans should be submitted to the audit. Further the acceptable audit evidence regarding that should be submitted to the audit.

- i) The fixed assets such as the buildings, vehicles and machinery with the value of Rs.73,683,136, which was prevailed up to 31<sup>st</sup> December of the previous year, had been removed from the fixed assets register of the year under review and the reasons which were the cause for this, had not been stated.
- The Other necessary actions are being conducted by now with the aim of resolving this issue in the financial years 2021.
- The fixed assets register should be updated by mentioning the reasons for the removal of assets from the fixed assets register.
- j) The necessary documentary evidence had not been submitted to the audit to examine the expenditure of forest management of Rs.1,645,340 which has been stated under property plant and equipment in the statement of financial position.
- The other necessary actions are being conducted change with the aim of resolving this issue in the financial years 2021.
- Documentary evidence, required to examine the expenditure of Forest Management should be submitted for the audit.

1.6. Non-compliance with law ,rules, regulations and the management decisions

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 Following observations are made

Reference to law, rules and regulation etc.	Non compliance	Comments of the management	Recommendation
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a) Section 15 of the Employees Provident Fund Act No.15 of 1958 and section 16(i) of Part ii of Employees' Trust Fund Act No 46 of 1980.	The actions had not been taken to pay the liabilities of Rs.367,667,260 of Employees Provident Fund, the liabilities of Rs.8,189,921 of Employees Trust Fund from the year 2006, up to the last date of the year under review due to that, an amount of total Rs.50, 263,217 had been enforced as the surcharge for the corporation.	Payable to gratuity, Employees Provident Fund, Employees Trust Funds was Rs. 621,185, 916. At the end of the financial year 2018. And This is due to financial difficulties that have aroused on the weakness of the management since 2002.	Actions should be taken to settle the liability in accordance with Section 15 of the Employees Provident Fund Act No.15 of 1958 and section 16(i) of part ii of the Employees' Trust Fund Act No.46 of 1980.
b) Paragraph 6.5.1 of the Public Enterprises Circular No. 12 dated 02 <sup>nd</sup> June 2003.	Although the annual accounts related to the entity should be submitted to the Auditor General within 60 days after the ending of the financial year, the accounts of the corporation had been submitted to the Auditor General on the 29 <sup>th</sup> June 2020 of the year under review and by then the relevant period of submitting the accounts had been passed by 1 1/2 years.	This can be stated as the result of the delaying of final accounts of the corporation for several years (12 years).	The relevant annual accounts should be submitted to the Auditor-General within the stipulated time frame.
c) Paragraph 02 of the Public Finance Circular No 438 dated 13	07 tea factories belong to the corporation has not been used from 5 years to more than 40	It has been decided to make a accurate assessment of the defective material,	Since the buildings, machinery, tools and equipment in the closed factories are out

November, 2009. years, though the and calling for bids of used during the existing building, through the tender closed period, the machinery, tools and procedure and action should be taken equipment had not discarding of the to dispose of these been used even during defective material and assets or implement an the closed period, obtain an income for activity which is more action had not been the corporation in the profitable for the taken to equip them in financial year of 2021. corporation. a profitable investment activity or to discard those assets.

d) Paragraph 02(a) It had not been taken It has been decided to The action should be of the Assets action to dispose 13 obtain a profit for the taken to dispose these Management lorries, 25 tractors and corporation by assets. Circular No 01/ trailers, 7cars, 03 disposing defective materials by accurate assessment and the ds paragraph 02 of 43 motorcycles which would be called through a tender procedure during comprehension in the the Public were owned to the financial year 2021. Finance Circular corporation and out of the usage up to 31st financial year 2021. No 02/2015 the December 2020 financial year 2021. Dated 10<sup>th</sup> July 2015.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements submitted, the financial results for the year ended 31<sup>st</sup> December 2018 was a loss of Rs.147,798,507 and due to the loss of Rs.94,932,600 in the previous year, the loss had been increased by Rs.52,865,907 in the year under review, when compared to the corresponding year. The main reason for that was the declining of Rs.60,257,117 in the sales revenue of green tea leaves and the sales income of rubber when compared to the corresponding year.

When it is analyzing the financial results of the year under review and financial results for the last 04 years, the contribution of the Year 2014 was Rs.247,673,971 and it had been decreased up to Rs.213,603,074 in the year 2015 and again it had been taken a marginal increase of Rs.256,171,541 in the year 2016. It had been depicted a considerable increase of the contribution up to Rs.502,277,402 ,due to the increasing of sales income of finished tea and green tea leaves in the year 2017and while the contribution of the income of raw tea leaves and rubber had increased up to Rs.430,855,881.

3. Procurement and contract process  
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Audit observation -----	Comments of the management. -----	Recommendation -----
a) A procurement plan has not been prepared by the corporation in accordance with the 4.2(a) of the Procurement Guidelines for the year 2018.	The procurement plan for the year 2018 has been prepared and submitted to the board of directors on 02-05-2018.	A procurement plan should be prepared by the corporation in accordance with the 4.2(a) of the Procurement Guidelines.
b) When purchasing flat Stainless steel for estates, spending a cost of Rs.1,398,000 the bid security had not been obtained by the bidder in accordance with the 5.3.11(a) of the procurement guidelines, a letter of acceptance has not been issued for the supplier in accordance with 8.9.1 of the Procurement Guidelines	It had done accordingly to expedite the installation of the office to a new premise.	A bid security should be obtained from the bidder in accordance with 5.3.11(a) of the procurement guidelines and a letter of acceptance should be issued to the supplier in accordance with 8.9.1 of the Procurement Guidelines.
c) No of 200,000 Packing covers for mosquito sticks of Rs.840,000 had been purchased in the year under review and when obtaining bids, it had been obtained via E-mail without obtaining into the tender box or through registered post in accordance with 6.3.1(a) of the procurement guidelines. Further the	It had been acted on verbal instruction from the officers of the institution on service requirement.	When obtaining bids, it should be obtained into the tender box or through registered post in accordance with 6.3.1 (a) of the guidelines.

bidding and evaluation process had been made delay by 100 days, due to non-compliance with 7.4.1 of the Procurement Guidelines.

- d) The partitions had been done to divide the parts of the ground floor and the first floor of the head office spending a cost of Rs.1,950,000 the minimum period of time had not given to the bidders in accordance with 6.2.2 of the procurement guidelines. In accordance with 2.8.1(b) of the procurement guidelines an expertise of the subject had not participated in the technical evaluation committee, and formal acceptance letter had not been issued to the contractor in accordance with 8.9.1 of the procurement guidelines. A written agreement had not been signed in accordance with 8.9.1(a) the procurement guidelines and the final payment of Rs.250,000 had been made to the contractor without obtaining the completion report in accordance with 8.12.2 of the procurement guidelines.
- I acknowledge that there is no other assistance from a qualified technical adviser.
- It should be taken action in accordance with 6.2.2, 2.8.1(b), 8. 9.1, 8.9.1(a) and 8.12.2 of the procurement guidelines.