

Transactions Report of the Hingurana Sugar Industries Limited for the year ended 31 December 2019,2020,2021 and 2022

The audit of operating activities of the Hingurana Sugar Industries Limited for the last four years ended 31 December 2019,2020,2021 and 2022 were carried out under my direction in pursuance of provisions in accordance with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka., this report shows my observations regarding the functioning of the Board which intend to submit to the Parliament.

1.2 Responsibilities of Management and Controlling parties with preparation of for the Financial Statements

As per sub section 16(1) of the National Audit Act No.19 of 2018, the company is required to maintain proper books and records of its income, expenditure, Assets and liabilities, to enable annual and periodic financial statements to be prepared of the entity.

According to the section 16(2) of the said Act, the annual financial statements in respect of each audited entity, should be submitted by the Chief Accounting Officer to the Auditor General along with the annual performance reports within such period as may be prescribed by rules.

In terms of section 38 (1) (d) of the said Act, the Chief Accounting Officer should ensure the timely preparation and submission of annual reports and other financial statements and in addition he is required to submit annual reports to Parliament pertaining to the entity.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

According to section 150(1) of the Companies Act No. 07 of 2007, the person responsible for the preparation of the financial statements shall ensure that within six months from the date of the balance sheet

2.1 Presentation of Financial Statement

Audit Observation	Comments of management	Recommendation
According to Section 6.5.1 of Public Enterprise Circular PED /12 dated 02 nd June 2003 and Section 6.6 of Public Enterprise Circular No. 01/2021 dated 16 th November 2021, financial statements and draft annual reports submitted to the Auditor General within 60 days of the end of the accounting year. However, the financial statements and draft annual reports related to 7 years from 2016 to 2022 have not been submitted to the Auditor General as of the date of this report.	We have not submitted the financial statements related to these years to the Ministry so far and in order to obtain the information, we have requested the former general manager of Hingurana Sugar Industries Limited to provide the relevant information in a letter dated 27 September 2022.	As per the circular, the financial statements should be submitted to the Auditor General on time.

2.2 Going Concern

Audit Observation	Comments of management	Recommendation
<p>Due to the failure of this institution which was privatized in 1993, it was taken over by the government again in 1997 and no production process took place since 1998. In 2001, all employees were compensated and their services were terminated and part of the land and buildings belonging to this factory were given on a 30-year lease basis and then Galoya Plantations Pvt. Ltd. was established.</p> <p>In the year 2016, nine employees were employed for the protection of assets and administrative work of the institution and at present one general manager was temporarily appointed but he had not done the related work. Accordingly, this factory has become a nominal entity, so the going concern of this entity is uncertain.</p>	<p>As this institution has now become a nominal institution, it will be liquidated through a Cabinet Memorandum.</p>	<p>Immediate steps should be taken to complete the clearance and liquidation of the factory's assets.</p>

2.3 Documentary evidences not made available for Audit

Audit Observation	Comments of management	Recommendation
<p>Payment vouchers, cash book, bank reconciliation statements, staff information and asset verification reports and asset and liability information, balance confirmation of the year 2019, 2020, 2021 and 2022 were requested from the Secretary of the Ministry of Agriculture and Plantation Industries, but the information was not submitted to the audit.</p>	<p>The former General Manager of Hingurana Sugar Industries Limited, Mr. MMM Iftikhar has been informed by a letter dated 28 th December 2022 requesting him to provide the relevant information.</p>	<p>The responsible parties should arrange to provide the necessary information documents and books for the audit.</p>

3 Operational Review

3.1 Existence of assets and liabilities

The details of assets, liabilities, income and expenses shown in the last audited financial statements as on 31st December 2015 prepared by the factory are given below.

Item	Amount Rs.
Non-Current Asset	153,005,563
Current Asset	147,279,541

Total Asset	300,285,104
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Liabilities	

Current Liabilities	83,806,919
Non-Current Liabilities	1,661,688,916

Total Liabilities	1,745,495,835
Net Assets/Ownership	(1,445,210,731)

Total Liabilities and credit	300,285,104
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Total Income	11,702,140
Total expenditure	10,193,734

Surplus	1,508,406
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3.2 Performance

Audit Observation

In the audit, it was observed that the assets of land, buildings, machines and equipments, whose cost shown in the balance sheet is Rs. 183 million, are idle in this factory, which has not had any production process since 1998.

Comments of management

As it is necessary to clear and liquidate the assets of Hingurana Sugar Industries Limited, the draft of the Cabinet Memorandum has been prepared and further work will be done in this regard.

Recommendation

Necessary steps should be taken urgently to make proper use of the existing assets of the factory.

3.3 Management Activities

Audit Observation	Comments of management	Recommendation
(a) Although 277.73 hectares of land belonging to the factory and related factory buildings were given to Galoya Plantation (Private) Company Limited on lease basis for a period of 30 years in the year 2007, the decision of the Council of Ministers dated March 26, 2009 No. AMPA 09/0398/329/003 A lease agreement was prepared and the approval of the Attorney General was not taken.	In this regard, the Land Commissioner General's letter dated 4/10/63593 and 2021.02.15 has handed over the administration of these lands to Galoya Plantation (Pvt) Company.	According to the decision of the Council of Ministers, a formal tax agreement should be prepared and sanction from the Attorney General.
(b) About 20 years ago, 11,232 acres of 2.5 acres were given to 4,493 farmers through lease agreements, but the lease payments had not been received and the period of those lease agreements had also expired. No formal steps were taken to get back these lands or to sign new lease agreements and collect the tax money or transfer them to Galoya Plantation (Private) Company Limited.	The Commissioner General of Lands will negotiate with the Treasury and prepare a tripartite agreement and work on it.	Tax agreements should be prepared for the land given to the farmers and steps should be taken to collect the tax money.
(c) Since physical verification had not been done for more than 20 years Regarding the assets and stock held by the factory, the existence and accuracy of the assets could not be verified during the audit.	It is planned to carry out a physical verification of the assets of Hingurana Sugar Industries Limited during the clearing and liquidation of the assets. The committee appointed to formally take over the property assets located in the Narahenpita premises of Hingurana Sugar Industries Limited has so far identified the goods, equipment, machinery and letter files in that premises and the vehicles (cycles and cars) owned by Hingurana Sugar Industries Limited have been identified. The letter dated 26.09.2022 informed the former general manager of Hingurana Sugar Industries Limited to hand over the asset registration certificate and related keys to the Ministry.	A physical verification should be done to confirm the existence and accuracy of those assets and the reports should be submitted to the audit immediately.

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| (d) | <p>Out of 273 Quarters belonging to the factory, 91 houses are occupied by unauthorized people and no legal steps have been taken to remove them. Also, no arrangements were made to collect rent from other houses.</p> | <p>The Commissioner General of Lands should deal with this matter.</p> | <p>Legal action should be taken against the unauthorized persons residing in the quarters and formal rental agreements should be prepared and rent collected.</p> |
| (e) | <p>In the Narahenpita office, the machinery and equipment belonging to the bottle factory, 3 motorcycles and a car and the assets including machinery and equipment in the Hingurana Sugar Industries Limited premises had been idle since 1997 and had become unusable.</p> <p>The disposal of those assets was not done until the end of 2023.</p> | <p>The tangible and intangible properties belonging to the Hingurana Sugar Industries Limited will be properly identified and properly disposed of and the important documents will be taken over and liquidation will be done with the support of the Treasury. The committee appointed on 29.04.2022 has completed the taking over of immovable and movable property in Narahenpita premises.</p> | <p>Actions should be taken to dispose of idle assets.</p> |
| (f) | <p>At 27 February 2018, the Secretary of the Ministry of Industry and Commerce informed the former General Manager to obtain government valuation reports on all the assets of the factory, and the decisions of the Committee on Public Enterprises held in February 2017 and No. CMP/1972/117/58 dated 27th August 2019. According to the decision of the Council of Ministers orders and approval had been given to liquidate the factory and for that purpose the necessary activities to identify the assets and liabilities and settle them should be done promptly, but the said measures were not taken until the end of the year 2023.</p> | <p>In this regard, the draft of the Cabinet Memorandum has been prepared and further work will be done in this regard.</p> | <p>Assets and liabilities of the factory should be settled and liquidation should be completed promptly.</p> |