

Sri Lanka State Plantation Corporation - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka State Plantation Corporation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 a summary of significant accounting policies, 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 and in terms of section 14 of Sri Lanka State Plantation Corporation Act No. 04 of 1958. 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 2022, 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) In accordance with the paragraph 42 and 43 of Sri Lanka Financial Reporting Standards 08 after adjusting of prior periods errors retrospectively the comparative information should be presented in the financial statements in the year under review however, comparative information relating to corrections of errors was amount to Rs.151.63 million the Corporation had stated in the statement of changes in equity as at 31 December 2022 and Rs.170.45 million was in the year 2021 had not been furnished with the financial statements.	Action will be taken to correct this deficiency in the preparation of the financial statements for the year 2023 in accordance with the paragraph 42 and 43 of Sri Lanka Accounting Standards No. 08.	In accordance with the Standard comparative information of relevant corrections should be stated in the accounts.

- (b) In accordance with the paragraph 27 of Sri Lanka Financial Reporting Standards 13 A fair value measurement of a non-financial asset should takes into account. Accordingly the details have been submitted to the audit by the Corporation out of the 16 Estates of the Corporation, The extent of 71.38 hectares of walahanduwa Estate had been included in the financial statements valuing at Rs.620 million and 280 number of lands which had been transferred to 20 Regional Estate Companies on a 53 years of long - term lease rent basis the value of investment property had been stated as Rs. 1,611.52 million. However 10,918 hectares owned to 15 estates of the Corporation had not been accounted for valuing any other basis and only an amount of Rs. 25.35 million had been stated as the value of land development under the fixed assets. As such the land of Head Office located in Colombo 10, was Rs. 590 million as per the bank assessment however in the financial statements it had been stated as Rs. 4.03 million. Accordingly this to state that was observed the lands owned to the Corporation was not accounted for at fair value.
- It is expected to forward to the Board of Directors after that having instructions from the National Audit Office whether it is appropriate include these values in to our financial statements. Although the lands owned to 15 Estates had not been stated in the financial statements assessing at a fair value up to now the activities of assessing that lands has been commenced by now.
- Fair value of all lands and Estates should be disclosed by the financial statements.
- (c) In accordance with the paragraph 57 of Sri Lanka Accounting Standards 19 the actuarial technique should be utilized when
- The service of the Actuary should be taken for the Actuarial method. There had been a few institutions in Sri
- The actuarial technique should be used as per the standard when

calculating employee benefit obligations of the entity however, the actuarial technique had not been used by the Corporation when calculating employee benefits of Rs.643.92 million.

Lanka offering this service and a large amount of money had to be incurred to have their service. Due to the current financial crisis, the Sri Lanka State Plantation Corporation has faced has faced, securing the necessary funding for this service has become difficult. Since action will be taken to take necessary steps for this in future.

calculating employee benefit obligations.

(d) In accordance with the paragraphs 12 and 30 of Sri Lanka Accounting Standards 41 and according to the accounting policy No. 3.1.4.2 it is stated that consumable biological assets when initially identifying and the end of the each reporting period should be valued at a fair value after deducting expenditure for sales and however forest cultivation of Grandis, Albesiya, Teak, Ucaplits etc. includes 99,502 trees that have the potential to yield scattered across 14 estates, had been accounted for in the statement of financial position as Rs.3,360.58 million without proper assessment even at the end of the year under review.

Acknowledge with the issues mentioned in the report of the Auditor General and as an initial step of assessing consumable biological assets all the trees with commercial value in all estates have already been completed numbering and taking in to inventories. Necessary actions have been made taking approval of the Board of Directors regarding this up to now.

According to the accounting policy of Note No. 3.1.4.2 to the financial statements consumable biological assets should be accounted for at a fair value.

(e) In accordance with the paragraph 43 of Sri Lanka Accounting Standards 41 although biological assets should be presented separately as mature and immature cultivations, the value of Rs. 29.31 million of biological assets of Coconut, Rubber and Paper etc.

Tea cultivation is separately shown in the financial statements as mature and immature from the year 2021. However it was impossible to present the other biological assets as such Coconut, Rubber, and Paper separately as a mature and immature in the financial

Biological assets should be stated in the financial statements classifying separately as mature and immature.

had been disclosed under non-current assets in the statement of financial position of the year under review were not classified and presented as such.

statements up to now. Although more cultivations through the other cultivations were been got old more than 4 years and those are already got in to the matured level. Since action will be taken in future to present expenditure relevant to cultivations which is newly added separately in the financial statements as mature and immature.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although Rs. 96.11 million had been earned from the sales of trees during the year under review since the cost of that trees had not been deducted from the balance of consumer biological assets of the year the balance of consumer biological assets of the Corporation had been over valued by that amount.	Since the cost of cut and removed trees relating to the amounting to Rs. 96.106 million could not be identified at the time of preparing the financial statements in the year 2022 it was impossible to show deducting from the consumer biological assets.	Biological assets should be accurately adjusted in the financial statements.
(b) Since the fixed deposits interest income of Rs. 0.19 million relevant to the year was being accounted for as fixed deposits without being accounted for as interest income of the year the fixed deposits as at the date of 31 December 2022 had been over calculated by that amount and fixed deposit interest had been under calculated by a similar amount.	This issue has arisen due to accounting for an amount of Rs.186,355 of interest receivable for the period from 21.09.2022 to 31.12.2022 related to the fixed deposit account No.0466001000056675 at People's Bank under the fixed deposit account during the preparation of financial statements relating to the year 2022.	Adjustments of income should be accurately made in the financial statements.

- (c) As per the cash flow statement although the investment on fixed deposits in the cash out flow from investment activities was Rs. 0.36 million accordingly the fixed deposit schedule it was Rs. 0.24 million, since the value of cash out flow from investment activities had been over calculated by Rs. 0.12 million.
- In the statement of cash flow in the year under review under the cash flow relating to investment activities in the value of Rs. 359,413 stated as investment in fixed deposits an interest income has included relating to the period of time from 20.09.2022 to 31.12.2022. Since cash inflow from investment activities will be corrected as Rs. 239,760 as stated in the audit report.
- Cash outflows should be accurately adjusted in the financial statements.
- (d) Although the current accounts maintained to report transactions occurring between the Head Office and Estates and between each other Estates should be balanced at the end of the year there had been an unsettled debit balance of Rs. 156.62 million as at the end of the year under review and it was included in the current assets as other debtors. Accordingly it was observed that the current account had not properly been maintained.
- In the current accounts between the Head Office and Estates in the unsettled balance of Rs.156,615,421 that was not adjusted each other as at the end of the year indicate a total of unsettled balances were before the year 2021. Most of the balances relating to the year 2021 and 2022 have been settled and when preparing financial statements in the year 2023. Checking further the above mentioned balances carried forward before the year 2021 will be corrected as far as possible.
- Current account balances should be accurately balanced

1.5.3 Un reconciled Control Accounts or Records

Item	As per Financial Statements (Rs.)	As per Corresponding Records (Rs.)	Difference (Rs.)	Management Comment	Recommendation
(a) Property , Plant and equipment	Million 442.44	Million 329.92	Million 112.53	There had not been an accurate register of fixed assets for a long period	Corrections should be done finding differences and

of time was caused to comparing about this difference. Property, Plant.

(b)	bearer biological assets	Million 421.33	Million 421.24	Million 0.09	Values relating to Mango and Banana cultivations have not been included in the schedule and that value of Rs.94,862.42 and there had been a difference of Rs. 20,981 also related to cultivations of Tea, Pepper, Rubber, Areca-nut, Cinnamon etc. It is expected to be corrected studying the reason for that difference.	Should be made corrections identifying the differences of bearer biological assets and making comparisons needed.
(c)	Bank balance	Million 4.33	Million 4.27	Million 0.06	Although noted as a Rs. 4,237,303 in the draft report of the Auditor General there had been bank balances of Rs. 36,482.89 in addition to main bank accounts in several banks and it was not added to the value mentioned in the report of the Auditor General. The reasons for the balance difference was being posting the bank account balance owned to the Gomara Estate in the cash in hand account of the accounting package, and the balance of cash in hand account as the	Corrections should be done finding differences were in the bank balance and making necessary adjustments.

balance of bank account. Further a difference of opening bank balances relating to several Estates in the year 2019 and 2021 has caused to the difference mentioned in the Audit report.

1.5.4. Documentary Evidences not made available for Audit

	Item	Amount (Rs.)	Evidence not made available	Management Comment	Recommendation
(a)	Trade and other balance payable	Million 176.7	Balance confirmations, Schedules	Balance confirmations could be submitted to the audit for the balances of Rs. 233.571 million including in the trade and other balances payable in Head Office. Out of these balances regarding the balances which have been brought forward from a long period of time and remain unsettled up to the date necessary procedures will be taken by studying further during preparation of financial statements in the year 2023.	Necessary evidence should be submitted to the audit for the verification of the balances.
(b)	Trade and other balance receivable	Million 144.83	Balance confirmations, information of past settlements	Information regarding that will be forwarded to the audit having clarifications from the audit regarding these balances.	Balance confirmations and information of past settlements should be submitted to the audit.

1.6. Accounts Receivable and Payable

1.6.1. Receivables

Audit Observation	Management Comment	Recommendation
In the balance of trade and other receivables of Rs. 301.44 million was as at the end of the year under review the balance that had lapsed 05 years amounted to Rs. 52.88 million and although the balance for more than 01 year was Rs. 10.58 million it was impossible to settle that money to the Corporation and no provisions also for that had been made.	Since the uncertainty to recover the debtor balances more than 5 years provisions had been made for that balances under the doubtful debts in the year 2012. Out of the balance debtors necessary actions are being made regarding the recovery of debtor balances older than 2 years and it has expected to be made provisions for the balances which have issues regarding recovering under the doubtful debts in preparation of financial statements in the year 2023.	Adequate procedures should promptly be taken to recover these long-term receivable balances.

1.6.2. Payables

Audit Observation	Management Comment	Recommendation
(a) An overdraft of Rs. 147.58 million had been borrowed from the People's Bank by the Corporation at the end of the year under review and repayment even a part of the loan amount of Rs. 100 million had been borrowed in the year 2020 was impossible due to the inverse financial condition had been in the year under review. Similarly an interest of Rs. 40.07 million payable on the overdraft and loan amount for the year 2022 Rs. 6.54 million out of that had not been paid even at the end of	Due to the financial crisis had been facing for a long time in our Corporation lack of adequate cash flow to made daily operational activities, was mainly attributed to borrow this loan amount of Rs. 100 million in the year 2020. Instalments relating to the afore mentioned loan amount of Rs. 100 million could not be paid on due time since the financial crisis in our Corporation. However Rs. 9.31million has paid as bank interest during the year 2022 by the Corporation. Further out of	Prompt action should be taken to settle these loan balances and interest balances doing proper study about the financial crisis of the Corporation.

the year under review. Further it was informed by the answer has been given to the draft report to state that negotiations are being ongoing by the Management regarding restructuring these loan and overdraft balance in to 5 years of long term loan.

this loan amount Rs.21 million has been paid for the bank up to now. Necessary action has been implementing along with the People's Bank by now to convert this short term loan and overdraft in to a long term loan and loan instalments relating to that will be expected to settle up within 5 years.

- (b) Eight number of credit balances of 5 years lapsed were Rs. 228.81million as at the end of the 31 December 2022 and in that Rs. 33 million for Halawatha Plantation Limited, Rs. 25 million for Lanka Mineral Sand Limited, Rs. 35 million Fertilizer Corporation, Rs. 28 million State Resources Management Corporation and Rs. 97 million for Janatha Estate Development Board had been included however action had not been taken to settle those money by the Corporation.
- It has been impossible to settle this loan amount due to the financial crisis the Corporation has been faced for a long time.
- Prompt action should be taken to settle these loan balances doing proper study about the financial crisis of the Corporation.

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 and sections 16 (i) and 27 of part II of Employee's Trust	Action had not been taken to pay contribution to the Employees' Provident Fund amounting to Rs. 637.48 million, contribution to Employees' Trust Fund amounting to Rs. 46.01	Due to the financial crisis it has been impossible to properly make these payments. In the year 2021 the facts such increasing in wages for labour by 34 percent, since impossible	Current contribution should be properly paid and the issue of unpaid subscription should be made promptly settle.

Fund Act No.46 of 1980 million, contribution to Estate Employees Provident Association amounting to Rs. 53.06 million and contribution to Ceylon Planter's Provident Association amounting to Rs. 14.48 million of the Corporation up to the last day of the year under review. Value of surcharges payable for Employees Provident and Employee's Trust Fund as at 31 December 2022 had not been prepared in terms of the Act and only the Rs. 77.73 million and Rs. 6.43 million respectively determined by the proceedings had been accounted for as surcharges. to supply of fertilizer required for our plantations with the prohibition of importing chemical fertilizer decrease of green tea yield, due to the Covid 19 pandemic with the weakening of economic activities decreased in demand for our commercial timber, were caused. Cases regarding the statutory payments the General Treasury had agreed to allocate Rs. 21.3 million from the month of September 2023 to pay for the relevant parties, and the first and second allocations of money for that have been made in the month of September and October 2023.

- (b) Section (5) (1) of Part II of the Payment of Gratuity Act No. 12 of 1983 Although gratuity payments should be paid within 30 days from the date of retirement or death of an employee, due to non-payment of gratuity in due date by the Corporation the amount of gratuity payable as at the date of 31 December 2022 was Rs. 552.31 million. The value of surcharges payable for gratuity by the end of the year 2022 had not been prepared in terms of the Act and amount of surcharges Due to the financial crisis it has become properly impossible to pay the required contributions. The financial crisis of the Corporation's has become worse due to such factors of 34 percent increase in labour wages, restrictions on importing chemical fertilizers, the Covid-19 pandemic and a decrease in demand for our commercial timber. Action should be taken to settle the statutory liabilities properly.

Rs.20.62 million determined by cases had been accounted for.

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| (c) | Paragraph 3.1 of Paragraph 3.1 Public Administration Circular No. 30/2016 dated 29 December 2016 | The fuel consumption should be examined in every 12 months period or after running a distance of 25,000 Kilometers or after carrying out a major engine repairs, whichever occurs first, however examination of the fuel consumption relating to vehicles belonging to the Corporation had not been done such a fuel consumption test. | After studying the relevant circulars how to test fuel combustion is studied. Since there has to be incurred a heavy cost for that the financial condition of the corporation has been problematic. Action will be taken in future as per the relevant circulars discussing with the top management of the institute. | Action should be taken to examine the fuel as per the circular. |
| (d) | Paragraph 2 (a) of the Assets Management Circular No. 01/2018 dated 19 March 2018 and Paragraph 2 of the Public Finance Circular No. 02/2015 dated 10 July 2 | Action had not been taken to dispose even at the date of audit the Corporation owned vehicles not in running condition should be disposed of 15 Lorries, 09 Tractors and Taylors, 06 Cars, 05 Jeeps, 01 Ambulance, 30 Motor Bikes and a water Bowser as total of 67 numbers. | Examining regarding all the vehicles in the entity and has been separately identified vehicles which are in running condition and vehicles which are not in running condition. Checking 61 number of vehicles for sales as scraps has been recommended by the officers of the Department of Motor Traffic. | Action should be taken to dispose vehicles which could not be able to use and vehicles which could be able to repair should be use after a proper repairing as per the circular. |

1.8 Non-compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
As per the Section 90 and 93 of the Inland Revenue (Amendment) Act No. 24 of 2017 on income earned from a	Since the losses have been continuously reported by the Corporation except the year 2022 the income tax reports	As per the Revenue (Amendment) Act calculating and paying income tax should be made.

business on self - assessment basis, should pay tax, if any, at the end of a quarter to the Inland Revenue Department on or before August 15, November 15, February 15 and May 15 of the following year respectively, and the remaining tax if any, should be paid on or before September 30 of the following year. Such reports had not been submitted by the Corporation from more than 15 years period of time. Even though there had been accounting profit of Rs. 19.67 million for the year 2022 relevant income tax reports on self - assessment basis had not been sent even by the date of 31 August 2023. It was disclosed by the notes to the financial statements. Since within the past 27 years of period (1995-2021) Only the 4 years had been earn profit That there is no need to pay taxes.

for previous years has not been submitted up to date. A profit amounting to Rs. 19.672 million has been reported in the year 2022 by the Corporation. Income tax reports relating to the year 2022 are being preparing by now on the corporation of the income tax consultant. Further meeting the relevant officers of the Department of Inland Revenue and having instructions regarding the impossibility to submit income tax reports relating to the previous year's up to now by us and action will be taken according to that.

2. Financial Review

2.1 Financial Result

The operational result of the year under review amounted to a surplus of Rs. 19,671,760 and the corresponding deficit of the preceding year amounted to Rs.. 231,197,596. Therefore an improvement amounting to Rs. 250,869,356 of the financial result was observed. Increase in other income by Rs. 246,355,927 and Rs. 20,537,781 respectively in the estates and Head Office include in sales income of green leaves and the other income and decrease in cost of sales by amounting to Rs. 92,553,133 of the Corporation in the year under review with compared to the previous year had been mainly attributed this improvement.

2.2 Trend Analysis of major Income and Expenditure items.

	2022 (Rs.)	2021 (Rs.)	Increase / (Decrease) (Rs.)
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Revenue	1,070,663,514	845,341,718	225,321,796
Other Income	157,979,459	194,790,022	(36,810,563)
Cost of Sale	934,986,055	1,027,539,188	(92,553,133)
Administration Expense	224,870,036	204,870,371	19,999,665
Finance Expense	49,115,124	38,919,776	10,195,348

2.3 Ratio Analysis

- (a) The current asset ratio of the year under review and the previous year was 0.21:1 and 0.19:1 respectively and the quick asset ratio was 0.19:1 and 0.15:1 respectively. Being the value of trade and other balances of payable Rs.1,949,734,849 and Rs.1,640,065,683 respectively and increased the value of current liabilities, had been mainly attributed to the deterioration of current asset ratio and quick asset ratio.
- (b) The gross profit ratio and the net profit ratio of the year 2022 was 13 percent and 2 percent respectively and since the gross profit ratio and the net profit ratio in the preceding year were 22 percent and 27 percent respectively, in the year under review the gross profit ratio and the net profit ratio had been increased by 35 percent and 29 percent respectively.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	As per the Action plan of 2022 although it has been planned to cultivate side and minor crops in extent of 34.50 hectares in the year 2022, any activity had not been done during the year regarding this.	The programme of cultivating minor exporting crops and other crops in extent of 34.50 hectares included in to the Action plan of the year 2022 has been impossible to implement.	Preparing the action plan including activities achievable and action should be taken to achieve those objectives.
(b)	Accordingly the Annual Action plan of 2022 although there had been a target with the	Accordingly the Action plan only the extent of 5 hectares out of 18 hectares of timber cultivation	Preparing the action plan including activities achievable and action

- Corporation cultivating timber in the extent of 18 hectares, since timber had only been cultivated in 5 hectares Accordingly the Action plan the progress had only been 28 percent.
- could have been made due to lack of labour.
- should be taken to achieve those objectives.
- (c) Although it was planned to carry out modernization activities and other maintenance activities on machinery and equipment in 3 factories incurring Rs. 89.66 million during the year by the Corporation, out of which only the activities of 02 factories had been completed during the year under review incurring of Rs.17.33 million. It was only 19 percent of total expenditure estimated.
- Due to the financial crisis and the Covid pandemic situation has been arose in the country during the year 2021/2022 due to imposing import restrictions, due to prohibiting and confining importing machinery and raw materials, an amount of Rs.2.10 million had been incurred under that items by the 3rd quarter. However with the gradual liberalization of these import restrictions incurring an amount of Rs. 27 million under the above items for the tea factories of Goomera and Kellebokka, could be possible to carry out modernization activities. This will be 30 percent amount compared with the total estimate.
- Preparing the action plan including activities achievable and action should be taken to achieve those objectives.
- (d) Tea yield of the State Plantation Corporation in the year 2022 was 6,659,726 Kilogram and it was 36 percent of decrease with compared to the estimated quantity of 10,338,657 Kilogram and 21 percent decrease was observed was observed with compared to the year 2021. a decrease in tea yield of all the Estates that own to the Corporation was observed ranging from 10 percent to 35
- In the year 2021 under the scheme of fertilizer subsidy in the year 2021 out of the estimate of all tea cultivations an amount of more than 90 percent fertilizer were being fertilized by us. Consequently a higher yield of tea green leaves was possible to gain in that year. However, in the first half of the year 2022 a decision was taken by the Government to eliminate the use of chemical fertilizers in the
- Procedures needed to increase the tea yield should be taken.

percent in the year 2022.

country. Therein it was difficult to investing in purchasing fertilizers out of the earnings of the Corporation. Due to the scarcity of chemical fertilizers, prices of the fertilizers were costly. Therefore the yield in all the Estates has decreased ranging from 10 percent to 35 percent.

- (e) Out of the land extent given to external cultivators although tea yield of 1,006,605 Kilogram has been expected in the year 2022 the actual yield had only been gained 601,960 Kilogram. It was a 40 percent decrease with compared to the expected tea yield.
- In the first half of the year 2022 a decision was taken by the Government to eliminate the use of chemical fertilizers in the country. Due to the scarcity of chemical fertilizers, prices of the fertilizers were costly. For that reasons the yield in all the Estates has decreased ranging from 10 percent to 35 percent.
- Procedures needed to increase the tea yield of external cultivators should be taken.
- (f) Although the Sri Lanka State Plantation Corporation has planned to processing and planting of 2,250,000 number of tea plants in the underutilized land extent of 180 hectares by Ministry allocation of Rs.200 million in the year under review. Planting tea plants had only been done the extent of 96.91 hectares as at the end of the year. Accordingly the initial plan although it was planned to cultivate processing tea plants by the Corporation 1,079,172 number of tea plants had been purchased from external parties incurring Rs.28.18 million and it was reported to the audit that tea planting has been completed in
- Rs.200 million had allocated through the Ministry of Plantation for re cultivating extent of 180 hectares of the land underutilized. However only Rs. 178.64 million has been received. The land extent completing preparation of soil and conservation and completed planting plants as at the date 31.12.2022 was 96.91 hectares. This was 60 percent extent out of land extent revised. Out of the total amount of Rs. 178.64 million received for this project from the Ministry Rs. 126.92 million has been allocated after the date of 2022.11.14. Therefore the activities of this project were not possible to complete during the
- Action should be taken to fulfill the objectives processing and planting tea plants Complied with the initial plan.

extent of 146 hectares by 30 September 2023 by the Chairman of the Corporation.

year 2022. The land extent that completed planting under this project as at 30.09.2023 was 146 hectares. Planting in the rest of land extent of 14.5 hectares to be planted also will be completed by the date of 30.11.2023.

3.2 Procurement Management

Audit Observation	Management Comment	Recommendation
(a) Although in terms of the paragraph 4.2.1 (b) of the Procurement Guidelines, a Master Procurement Plan should be formulated at least for coming three years, including desired procurement activities the Corporation had formulated the Procurement Plan only for the year 2022.	Procurement Plan formulated for the year 2023 has been submitted to the Ministry of Plantation Industry with the approval of the Board of Directors. Information required is being collected to submit the Procurement Plan for coming three years (2024/2025/2026) from the year 2024 and after preparing it, is planned to submit it to the Ministry having approval of the Board of Directors.	Procurement Plan should be formulated comply with the Procurement Guidelines.
(b) According to the Procurement Guideline 5.3.11 (a) although bid securities should be obtained from all bidders who participated to the National Competitive Bidding procedure since no obtaining of bid securities in the procurement relating to purchasing 1,159,600 number of tea plants for 11 Estates of Sri Lanka State Plantation Corporation due to rejecting the bids by the bidders	In the tender which has been held for purchasing tea plants it was recommended by the Technical Evaluation Committee that obtaining bid securities is not practical and as reasons for that it has been observed that most of tea suppliers are carrying out these businesses as personal basis, to state that tea suppliers are small scale suppliers, if the Corporation	Action should be taken to obtain bid security comply with the Procurement Guideline and alternatives should be used for the practical issues redundant to that.

only 30,000 tea plants had been purchased from these bidders.

- (c) Accordingly the paper advertisement of procurement relating to planting tea plants in the Walahanduwa State Plantation although it was planned to do that task in the land extent of 20 acres on the occasion of awarding the tender also the land extent of 15 acres after the field inspection also the land extent of 08 acres by recommending that as suitable due to no pre readiness for the procurement by identifying properly required extent of land in the initial stage as per the 2.3.1 of the Procurement Guideline it was observed that the responsibilities of the procurement entity has been neglected. Similarly when selecting the bidder however the bidder who has submitted the lowest prices has been selected as per the 3.12.2 of the Procurement Guideline since examining the pre qualifications has not made however planting in 08 acres should be completed by two months from 19 November 2022 planting tea plants had been completed only 6 acres by the end of the October 2023 and only soil processing has been started in the rest of 02 acres.

has demand for bid securities since no understanding about submitting bid securities that the opportunity to submit bids may be missed.

In the Walahanduwa Plantation it was planned to planting tea plants in the land extent of 20 acres and after contracts has been awarded to process soil in 15 acres in the observation field visit held with the participation of the officers of the Tea Board and Tea Research Institute leaded with General Manager it was decided to implement this project only in the land extent of 08 acres. Accordingly, processing of land extent of 06 acres had been completed by April 2023 and rest of the land extent of 02 acres processing land has started. Awarding of the contract has been delayed due to issue of financial condition has been in the institute.

Action should be taken to made pre procurement activities properly and complete the project activities promptly and efficiently.

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| (d) | <p>Non-compliance with the 5.3.11 and 5.4.8 of the Procurement Guideline in procuring amounted to Rs. 1.435 million relating to repairing Furnace machine in the Kellebokka tea factory of the State Plantation Corporation had been entered into an agreement without a bid security and a performance security.</p> | <p>After being selecting Trima Holdings to implement this task due to the economic issuing condition prevailing in the country on that occasion to submit a bid security or a performance security were dislike by them entering in to an agreement with the approval of the management repairing activities of the Furnace machine in the Kellebokka tea factory was made. When repairing activities were made in estates on the recommendation of that it was been properly done and payment being made proper procedure under the approval of the General Manager.</p> | <p>A bid security and a performance security should be obtained for the repairing activities compliance with the Procurement Guideline.</p> |
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3.2 Human Resources Management

Audit Observation	Management Comment	Recommendation
(a) As per the paragraph 3.2 of the Good Governs guidelines for Public Entrepreneurs No. 2021/01 dated 18 November 2021. The recruitment and Promotion procedure which had been prescribed by which stipulates the educational and other qualifications to be fulfilled for recruitment to a particular position had not been approved by that time.	The recruitment procedure that currently prepared for the Corporation forwarded to the Department of Management services for approval through the line ministry in the month of March 2021 and again making amendments forwarded to the Department of Management services through the line ministry in the month of January 2022 and May 2023. After that requisitions were	The Corporation should take actions getting promptly approved the recruitment and promotion procedure.

made to take actions get approved promptly by the Deputy General Manager (Administration/Human Resources) holding discussions with the officers of the Department of Management services.

- (b) As per the Paragraph II of the Management Services Circular No. 03/2018 dated 18 July 2018 the corporation had given appointments for 04 posts of Administration Assistant, Forman, Assistant Accountant and Office Assistant that are not included in the approved cadre without prior approval of the Department of Management services and an amount of Rs. 2.66 million had been incurred for that officers during the year under review.
- This Administration Assistant, Forman, Assistant Accountant and Office Assistant appointments has been given before the year 2017 and when having approval of the Department of Management services in the year 2017 a submission has not been forwarded for these appointments by mistake. So that, to approve these posts as personal to the holder has been forwarded to the Salary and Cadre Commission through the line ministry on the dates of 18.10.2022 and 15.03.2023. Since there had not been sent a reply from the Salary and Cadre Commission or the Department of Management services It has informed by the Ministry that a letter of reminder will be forwarded.
- As per the Circular referred recruiting officers and making payments should be made on the prior approval.