

Kithul Development Board - 2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Kithul Development Board” (“Board”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance, statement of changes in equity/ net assets, and cash flow statement, for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions 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 ,Coconut Development Act, No. 46 of 1971 ,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, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Opinion.

1.3 Responsibilities of 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 Public Sector 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 Board’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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

1.4 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 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 Board'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 Board'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 Board 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 Board, and

whether such systems, procedures, books, records and other documents are in effective operation;

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

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Treasury Circular No. 842 dated 10 December 1978, issued by the Secretary to the Treasury.	Even though fixed assets amounting to Rs. 1,202,977 availed as at 31 December 2025, a fixed asset register had not been maintained by the board.	Work on preparing the fixed asset register is currently underway.	Action should be taken in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 147,953 and the corresponding deficit in the preceding year amounted to Rs. 1,063,835. Therefore, an improvement amounting to Rs. 915,882 of the financial result was observed. The reason for the improvement is an increase in Treasury grants amounting to Rs. 14,822,920.

2.2 Trend Analysis of major Income and Expenditure items

Item	Item	Year Under Review Rs.	Preceding Year Rs.	Difference compared to Preceding year Rs.
Government Grants	26,933,211	12,110,291	14,822,920	122
Other Income	94,272	313,055	(218,783)	(70)

Salaries, Wages and Employee Benefits	11,407,572	6,733,502	4,674,070	69
Supply and Maintenance Service Costs	3,837,021	2,280,573	1,556,449	68

The following observations are made.

- (i) Even though the government grants during the year under review were amounted to Rs.26,933,211;i.e. a 122 percent increase compared to the preceding year, an amount of Rs.7,940,000, i.e. 40 percent out of the Rs.20,000,000 allocated for 07 targeted projects for the year, remained unutilized.
- (ii) Other income in the year under review decreased by Rs.218,783, i.e. 70 percent compared to the preceding year. The fact that the remaining balance of funds allocated for projects was lower compared to the preceding year was directly contributed to this situation.

2.3 Ratio Analysis

Although the standard current assets ratio should be at a ratio of 2:1, the Board's current assets ratio was 0.002:1 during the year under review, and that figure was 0.25:1 in the preceding year. A decrease in current assets by Rs. 323,965 contributed to the deterioration of the current assets ratio.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Although the sample test report had been received on 26 February 2026, no market survey had been conducted by the audited date of 30 April 2026 and no action had been taken to give legal effect via a gazette notification to the standards currently formulated for Kithul treacle and Kithul jaggery, and the cost incurred for this was Rs. 3,008,659.	The necessary steps to conduct market research are currently underway as this is the first time such an undertaking is being carried out. Furthermore, several further committee meetings will be held in due course based on this report and while studying current market conditions, action will be taken to publish a gazette notification with the assistance of the Standards Institute and the Consumer Affairs Authority to avert significant market disruptions.	Steps should be taken to issue the gazette notification enforcing standards for Kithul treacle and jaggery, and to expedite the completion of the long delayed market investigations.

3.2 under-utilization of Funds

	Audit Issue	Management Comment	Recommendation
(a)	A plot of land suitable for model cultivation should have been identified, and one Kithul plant nursery should be established under the project to develop it, and although an amount of Rs.800,000 had been allocated for the development of a model plantation and the planting of 25,000 Kithul saplings, only about Rs.100,000 of that amount had been spent.	Kithul plants had been planted on 5 hectares in collaboration with the Sri Lanka State Plantations Corporation.	The proposed project should be implemented effectively.
(b)	An allocation of Rs. 2,500,000, earmarked for the provision of equipment assistance, the enhancement of production facilities, and coordination under the Kithul-based entrepreneurship development project, had remained unutilized.	In this instance, plans had been made to provide a kithul-tapping knife to the artisans who tap kithul flowers; however, a suitable knife was not available for purchase in the market.	The proposed project should be implemented effectively.
(c)	Although an amount of Rs. 1,870,000 had been allocated to set up sales outlets at two strategic locations and to hold a culinary exhibition featuring Kithul-based products under the project to expand market opportunities through sales promotion, only about Rs. 470,000 of that had been spent.	Approval has been granted by the National Crafts Council to allocate a sales stall to this Board at the Sigiriya Craft and Cultural Village, located in the Sigiriya area.	The proposed project should be implemented effectively.

3.3 Procurement Management

	Audit Issue	Management Comment	Recommendation
(a)	Although a detailed annual procurement plan categorized into work, goods, and other services should be prepared in terms of the Guideline 4.1.3 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka for the year 2024, A corresponding procurement plan had not been prepared by the Board for the year 2025.	A draft procurement plan had been prepared for the year 2025. Furthermore, the detailed procurement plan for the years 2026-2028, the annual procurement plan for the year 2026 had been prepared and submitted for audit with the approval of the Board of Directors.	A procurement plan should be prepared in accordance with the guidelines.

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| <p>(b) Advance payments may be made only for contracts of goods and works in terms of the section 5.17 of the 2024 Procurement Guidelines, and provisions for advance payments had not been included prior to the commencement of projects for non-consultancy services. However, based on the recommendations of the Technical Evaluation Committees and Departmental Procurement Committees, 66 percent of the quoted amount had been released as the initial financial allocation required to commence the research projects.</p> | <p>No answers have been submitted.</p> | <p>Procurement guidelines should be adhered to.</p> |
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3.4 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
A Kithul product sales outlet had been operating since 2022 in a building constructed on a land belonging to the Yatiyantota Divisional Secretariat; and although the Board carried out repairs to that building in the years 2023 and 2024 at a cost of Rs. 1,879,737, the building remained idle, unused for any economic activity.	Arrangements are being made to conduct a field inspection very soon, in collaboration with officials from the Ministry, the Kithul Board, and the Yatiyantota Divisional Secretariat, and to take subsequent steps.	Assets should be utilized effectively.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
Although the recruitment procedure for the approved staff of the Kithul Development Board had been approved by the Department of Management Services on 20 December 2021, it was noted that there are vacancies for 02 Assistant/Deputy Manager positions, 17 Research and Development Assistant positions, and 04 Management Assistant positions, and	Requests required to fill the vacancies have been forwarded to the relevant line ministry.	Recruitment for essential positions should be expedite to get the proper discharge the functions of the Board.

the duties of the post of General Manager, Internal Auditor, Administrator, and Accounts Officer had been performed by acting officers.

3.6 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
No action had been taken to value and formally vest in the Board 02 vehicles that had been received from the Ministry of Plantation Industries and were being used by the Board.	Those vehicles have not been acquired so far.	Action should be taken to acquire the assets used by the Board.

4. Accountability and Good Governance

4.1 Annual Report

Audit Issue	Management Comment	Recommendation
Although the annual performance report should be submitted to Parliament before the expiration of 180 days from the end of the financial year in terms of the sub-section 47(4) of the Public Financial Management Act, No. 44 of 2024, The annual report -2023 had also not been tabled to date.	The Ministry forwarded the Annual Report-2022 had been forwarded to Parliament on 14 March 2026 for tabling.	Action should be taken in accordance with the provisions of the Act.

4.2 Objectives and Corporate Plan

Audit Issue	Management Comment	Recommendation
(a) The corporate plan had not been prepared by the Board for the year 2025 in terms of the Paragraph 01 of Annexure 01 of the Guidelines on Corporate Governance and Section 2.3 of the Guidelines Manual in accordance with Public Enterprises Circular No. PED 01/2021 dated 16 November 2021 issued by the Secretary to the Treasury. However, an amount of Rs. 1,146,905 had been spent in the years 2024 and 2025 to prepare the corporate plan.	No answers had been submitted.	The corporate plan should be prepared in accordance with the prescribed format as stipulated in the circular.
(b) Necessary measures had not been taken to fulfill the Board's intended	Further action will be taken regarding this matter following	Necessary steps should be taken to

objectives of promoting animal husbandry, popularizing and promoting the cultivation of coconut and other crops alongside Kithul cultivations on lands used for Kithul cultivation in accordance with the Extraordinary Gazette notification dated 17 March 2021 regarding the establishment of the Kithul Development Board.

discussions with the Board of Directors.

implement the activities required to achieve the primary objectives of establishing the Kithul Development Board.

4.3 Annual Action Plan and Progress of targeted Activities.

Audit Issue	Management Comment	Recommendation
The action plan for the year 2025 submitted for audit by the Board had not been prepared in the correct format, incorporating the organization's objectives, strategies, activities, monthly targets, and responsible officers, in terms of Paragraph 02 of Annexure 01 to the Guidelines on Corporate Good Governance and Section 2.3 of the Guidelines Manual in accordance with Public Enterprises Circular No. PED 01/2021 dated 16 November 2021 issued by the Secretary to the Treasury.	No answers have been submitted.	The action plan should be prepared in accordance with the circular instructions.

4.4 Sustainable Development Goal

Audit Issue	Management Comment	Recommendation
Individual public institutions are bound by the Sustainable Development Act No. 19 of 2017 to identify and implement the Sustainable Development Goals and targets to be achieved during the period from 2015 to 2030 according to the United Nations Sustainable Development Agenda. Accordingly, steps had not been taken to clearly identify and implement the Sustainable Development Goals, targets, and indicators relevant to the Board.	No answers have been submitted.	Sustainable development goals should be identified in accordance with the Sustainable Development Act.