

Head 501 - Non Cabinet Ministry of State Plantation Enterprises and Reforms - 2024

1. Financial statements

1.1 Opinion

Head 501 - The audit of the financial statements of the Non Cabinet Ministry of State Plantation Enterprises and Reforms for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report which includes my comments and observations on these financial statements of the Non Cabinet Ministry of State Plantation Enterprises and Reforms issued to the Chief Accounting Officer on 23 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 09 June 2025 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament in due course.

In my opinion, the financial statements of the Non-Cabinet Ministry of State Plantation Enterprise Reforms for the year ended 31 December 2024 present fairly, in all material respects, the financial position and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of matter - Basis of preparation of financial statements

Attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the needs of the Non-Cabinet Ministry of State Enterprise Plantation Reform, the Treasury and Parliament in accordance with Public Finance Regulations 150 and 151 and Public Accounts Guidelines No. 06/2024 dated 16 December 2024 amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Non-Cabinet Ministry of State Enterprise Plantation Reform, the Treasury and the Parliament of Sri Lanka. My opinion on this matter will not be modified.

1.4 Responsibilities of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for preparing financial statements that give a true and fair view of all material aspects in accordance with Public Finance Regulations 150 and 151 and Public Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 and for determining such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.5 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The total net allocation made to the Ministry had been Rs. 156.35 million, of which Rs. 51.6 million had been utilized by the end of the year under review. Accordingly, Rs. 104.75 million or 67 percent of the net allocation remained.	As a newly established ministry, expenditure had been incurred on the basis of the provisions provided by the Budget Department for which an estimate had not been prepared and submitted to the State Budget Department when this ministry has been established. The provisions remained due to the non-occurrence of expenditure and the abolition of the ministry on 24 September 2024.	The Chief Accounting Officer should particularly ensure that estimates are prepared with due care.

2.2 Irregular Transactions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
04 payment vouchers worth of Rs. 3,042,170 were missing.	Payments had been made for vouchers worth of Rs. 1,515,505 in July and August 2024, but the vouchers have been misplaced due to a delay in submitting the vouchers for the handover of cheques in relation to those payments. The relevant subject officer has been instructed to submit those vouchers for audit immediately and to ensure that such errors do not occur in the future.	Care should be taken to prevent misplacing payment vouchers.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	Even though the primary objective is to optimize the utilization of underutilized lands under the control of the relevant plantation companies by encouraging suitable local entrepreneurs to invest in export-oriented commercial plantation industries, and to grow, add value and export export-oriented commercial plantation crops using new technologies through local enterprises, in 2024, only 03 state plantation enterprises had identified underutilized lands, but no further action had been taken to identify suitable local entrepreneurs.	While the 03 State Plantation Enterprises, which mainly have underutilized lands, were identified as the initial phase, even though the development of underutilized lands owned by regional plantation companies had been proposed as the second phase for the year 2025, further work could not be carried out due to that non-cabinet ministry has been abolished on 24.09.2025.	Plantation entrepreneurs should be identified and action should be taken to work to grow, value add and export the export-oriented commercial plantation crops using new technologies.
(b)	The audit could not verify the actions taken during the year 2024 regarding the formulation of policies and management of relevant institutions to introduce enterprise reforms to promote sustainability and profitability of the institutions I.e. the Sri Lanka State Plantations Corporation, the Janatha Estate Development Board and the Kalubowitiyana Tea Factory Company Limited.	Even though measures have been initiated to develop underutilized lands owned by these institutions, lease loss-making factories to suitable investors, and enter into contracts with tea estates that provide sufficient tea leaves, further work could not be carried out since that non-cabinet ministry has been abolished on 24.09.2024, before the year 2024 passes.	Policies should be formulated to introduce enterprise reforms to promote the sustainability and profitability of institutions.
(c)	It has been stated that 344 out of 621 lands of the 3 institutions had been surveyed to determine the extent of land owned by the institutions by marking the outer boundaries of the estates belonging to the Sri Lanka State Plantation Corporation, the Janatha Estate Development Board and the	It has been proposed to survey 17 estates owned by the Sri Lanka State Plantation Corporation, 18 estates owned by the Janatha Estate Development Board and 414 estates under regional plantation companies under the project to conduct perimeter surveys and prepare boundary	Steps should be taken to determine the land by marking and mapping the outer boundaries of estates owned by companies.

Regional Plantation Companies and conducting full mapping. Accordingly, 45 percent of the total land area, i.e. 277 estates, had not been surveyed.

maps of estate lands controlled by these institutions. Since Kurunegala Plantation Company Limited and Chilaw Plantation Company Limited are controlled as estate groups consisting of several estate divisions, the survey activities of these plantation companies are carried out as estate divisions.