

Transactions report of the Elkaduwa Plantations Limited -2024

The audit of the operational activities of Elkaduwa Plantations Limited for the year ending 31 December 2024 was conducted by me in accordance with the provisions of the National Audit Act No. 19 of 2018, read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. This report presents my observations on the company's operations, which I consider should be submitted to Parliament in accordance with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

As per Section 16(1) of the National Audit Act No. 19 of 2018, every entity being audited is required to maintain proper books and records of its income, expenditure, assets, and liabilities so as to enable annual and periodic financial statements to be prepared relating to that entity.

As per Section 16(2) of the said Act, every entity subject to audit shall have its annual financial statements, together with its annual performance reports, submitted by the chief accounting officer to the Auditor General within the timeframe specified by the regulations.

In accordance with Section 38(1)(d) of the Act, it must be ensured that annual reports and other financial statements are prepared within the required timeframes, and in addition, the chief accounting officer must ensure that the annual reports of the audited entity are submitted to Parliament.

2. Report on Other Legal and Regulatory Requirements

Special provisions in this regard are included in the National Audit Act No. 19 of 2018 and the Companies Act No. 7 of 2007.

2.1 Existence of Assets and Liabilities

The details of the assets, liabilities, income, and expenditures as disclosed in the financial statements last prepared by the company as at 31 December 2022 are set out below.

Item	Value
Assets	Rs.
Non-current assets	1,700,148,750
Current assets	286,562,970
Total assets	1,986,711,720

Liabilities

Non-current liabilities	189,783,327
Current liabilities	834,464,205
Total liabilities	1,024,247,532
Net assets / equity	962,464,187
Total income	758,109,440
Total expenditure	(427,159,794)
Surplus	330,949,646

2.2 Presentation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
Although, in terms of paragraph 6.6 of the Operations Manual for Public Enterprises issued in accordance with Circular No. PED 01/2021 dated 16 November 2021, financial statements are required to be submitted for audit within 60 days of the end of the financial year, the financial statements for the years 2023 and 2024 had not been submitted for audit even as at the date of this report.	Due to unavoidable circumstances faced during the COVID-19 pandemic, the final financial statements relating to the years 2021, 2022, and 2023 could not be submitted for audit within the stipulated time. However, the audit activities for the year 2022 have now been completed, and the relevant audit report as well as the transaction report for 2024 have been received. Nevertheless, action is currently being taken to submit the accounts for the years 2023 and 2024 to the Auditor General before 31 December 2025.	A formal mechanism should be established to ensure that annual financial statements and draft annual reports are submitted for audit within the stipulated time, and action should be taken against parties responsible for failing to submit financial statements within the prescribed deadlines.

2.3 Non-compliance with Laws, Rules, Regulations, and Management Decisions

	Reference to Laws, Rules, Regulations, and Management Decisions	Non-compliance	Comment of the Management	Recommendation
(a)	Section 16(1) of Part II of the Employees' Trust Fund Act, No. 46 of 1980, and Sections 15 and 16 of the Employees' Provident Fund Act,	As the company had failed to remit the contributions in accordance with the relevant regulations, amounts payable as at the end of 2024, inclusive of surcharges, amounted to Rs. 2,645,276 to the Employees'	Agreed. Due to persistent cash flow deficiencies prevailing since the establishment of the company, it has been unable to settle	A formal procedure should be formulated to ensure the timely settlement of contributions payable in

No. 15 of 1958	Trust Fund, Rs. 236,781,312 to the Employees' Provident Fund, Rs. 12,338,852 to the Estate Employees' Provident Fund (ESPS), and Rs. 19,747,642 to the Ceylon Planters' Provident Society (CPPS), aggregating to Rs. 271,513,082.	statutory employee-related payments properly and on a systematic basis. From 2020 to date, an amount exceeding Rs. 370 million has been paid out of the company's funds through legal proceedings towards the settlement of arrears of statutory funds. Action is currently being taken to settle the total outstanding arrears, amounting to approximately Rs. 530 million, in the year 2026 with the intervention of the line ministry and the General Treasury.	accordance with statutory provisions, and a proper investigation should be conducted to take appropriate action against the parties responsible for the payment of surcharges.
(b) Section 5(1) of Part II of the Payment of Gratuity Act, No. 12 of 1983	Although gratuity payments due to an employee are required to be paid within 30 days from the date of retirement or death of the employee, the company had failed to pay gratuity within the stipulated period; consequently, a sum of Rs. 290,751,806, inclusive of surcharges, remained payable as at 31 December 2024.	Agreed. Due to ongoing cash flow deficiencies since the inception of the company, statutory employee payments have not been settled in a timely and systematic manner, and action is being taken to settle the outstanding amounts in 2026 with the intervention of the line ministry and the General Treasury.	- Do -
(c) Circulars of the Secretary to the Treasury	(I) Circular No. PED 01/2015 (i) dated 27 October 2016	Although officers holding the posts of Manager (Human Resources) and Sales Manager are not entitled to receive transport allowances and fuel expenses, the institution had paid them transport allowances amounting to Rs. 7,151,613 for Transport facilities have been provided to executive-level officers of the institution based on a Board of Directors' decision for official requirements.	Allowances should be paid in accordance with the circular, and prompt action should be taken based on the

	the period from 2013 to December 2024 and fuel expenses amounting to Rs. 3,185,015 for the same period, resulting in a total payment of Rs. 10,336,628.	However, recommendation in this regard has been submitted to the line Ministry requesting further instructions and approval for the continuation of these facilities.	recommendations of the Treasury and the line Ministry.	
(II)	Circular No. PED 01/2015 (ii) dated 14 January 2022	Despite the Chairman being entitled to only one allocated vehicle, two vehicles of the company were assigned for the Chairman's use from 29 May 2023 to October 2024, and a sum of Rs. 3,978,542 had been incurred for motor vehicle repairs and maintenance from June 2023 to June 2024. In addition, the Chairman who served from 01 November 2024 to May 2025 was also provided with the use of two vehicles.	From the fleet of vehicles provided to the company by the Ministry, a car has already been allocated to the Chairman. A jeep, designated as part of this fleet, is generally used for estate inspection duties and other emergency transport requirements.	Proper action should be taken regarding the unauthorized use in accordance with the circular.
(III)	Circular No. PED 01/2015 (ii) dated 14 January 2022			
(i)		Although the Manager (Information Technology) was not entitled to an allocated vehicle, fuel expenses amounting to Rs. 1,135,472 had been reimbursed for the period from May 2023 to 31 December 2024, contrary to the prescribed provisions.	- Do -	Allowances should be paid in accordance with the circular, and proper action should be taken regarding unauthorized payments.
(ii)		Although the Internal Auditor was not entitled to an allocated vehicle, he had privately used a company fleet vehicle from February 2020 to December 2024, and fuel expenses amounting to Rs. 662,655 had been reimbursed. In addition, as the company vehicle was involved in an accident, fuel expenses of Rs. 1,215,918 were reimbursed for his private vehicle from August 2022 to	- Do -	- Do -

December 2024, bringing the total reimbursed fuel expenses to Rs. 1,878,573.

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| (iii) | | Although the post of Assistant Accountant (Finance Officer) is not entitled to a monthly transport allowance of Rs. 15,000 and a fuel allowance of 100 litres, such allowances had been approved in contravention of circular provisions, and a total sum of Rs. 841,800 had been paid as allowances for the period from January 2023 to December 2024. | The payment of transport and fuel allowances to the post of Finance Officer has been suspended from October 2025 based on the current Board of Directors' decision. | - Do - |
| (d) | The Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| (I) | Financial Regulation 137 | Although, upon the completion of services, works, or supplies, the relevant claims should be approved by the duly authorized approving officer empowered to accept such liabilities, eight (08) payment vouchers valued at Rs. 1,109,827 had been paid without such approval. | Agreed. Measures will be taken to rectify these deficiencies in the future. | Actions should be taken in accordance with the Financial Regulations, and measures should be taken against officers who made unauthorized payments. |
| (II) | Financial Regulation 138 | Although vouchers should be certified by an officer duly authorized to certify vouchers, the company had made a payment on 16 August 2024 in respect of a voucher valued at Rs. 1,500,000 without certification. | Agreed. Measures will be taken to rectify these deficiencies in the future. | Actions should be taken in accordance with the Financial Regulations, and measures should be taken against officers who made payments without voucher certification. |
| (III) | Financial Regulation 387 | In respect of all payments made by cheque, the paying officer should always ensure that sufficient bank balances are available, and despite the prohibition on obtaining | Although payments had been made through this permanent overdraft facility to meet | Actions should be taken in accordance with the Financial Regulations, and formal measures should be taken |

		overdraft facilities from any government bank, the plantation company had obtained an overdraft facility amounting to Rs. 37,086,565 from its Bank of Ceylon account as at 31 December 2024.	financial difficulties and emergency requirements, based on the instructions of the current Board of Directors, this permanent bank overdraft had been settled by May 2025.	against officers who acted contrary to them.
(IV)	Section 371(2)(b) of the Financial Regulations, as amended by Public Finance Circular No. 03/2015 dated 14 July 2015	The advances register maintained by the company had not been updated after March 2025, and even the advances register that had been maintained for the period from January 2024 to March 2025 had not been timely updated. Further, the advances register had not been subjected to supervision by a staff officer. As settlement vouchers relating to the clearance of advances had not been produced, the audit was unable to satisfy regarding the accuracy of the settlement of advances.	Agreed. Measures have already been taken to update the record.	Actions should be taken in accordance with the Financial Regulations to update the records, and settlement vouchers for advances that have not been submitted for audit should also be submitted for audit.
(V)	Financial Regulation 454(i), Financial Regulation 752 and Financial Regulation 754	According to the regulations, an Inventory Book in General Form No. 44 should be maintained in every office, and all receipts and issues of government property and stores items should be recorded therein. However, the institution's inventory book had not been properly maintained or kept up to date. Although the inventory book should be balanced at the end of each financial year, this inventory had not been balanced.	The Inventory Book is currently being maintained in an updated manner.	Steps should be taken to act in accordance with financial regulations and to keep documents up to date, and action should be taken against officers who fail to do so.
(VI)	Financial Regulation 756	The board of survey activities in respect of 05 divisions of the company for the year ended 31 December 2024 had not been completed even as at 03 September 2025, the date of audit.	The board of survey reports for all divisions of the company (except the Colombo office) have now been completed.	A program should be developed to ensure taking timely action in accordance with financial regulations.

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| (e) | Paragraphs 2.14 and 2.5 of the Circular issued by the Secretary to the Ministry of Finance, bearing No. PED/3/2015 dated 17 June 2015 | Although the circular stipulates that when the Chairman of the relevant institution also holds the post of Chief Executive Officer (CEO), he is entitled to receive an allowance for only one position, and that no additional payment may be made when an officer covers duties of another post while holding a permanent post within the same institution, the company had paid the Chairman an allowance amounting to Rs. 3,400,000 for performing duties in the post of Chief Executive Officer for the period from 01 January 2022 to October 2024. | The monthly allowance of Rs. 100,000 paid for the post of Chief Executive Officer from 2022 to October 2024 has been revoked by the new Board of Directors. A complaint regarding this allowance, which was received without proper approval, has also been submitted to the Commission to Investigate Allegations of Bribery or Corruption. | Actions should be taken in accordance with the circular, and proper measures should be taken regarding any irregular payments. |
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3. Operational Review

3.1 Performance

	Audit Observation	Comment of the Management	Recommendation
(a)	The company's estimated tea harvest in 2023 was 2,684,566 kilograms, whereas the actual tea harvest amounted to only 63 percent of that estimate or 1,685,131 kilograms. In 2024, out of an estimated tea harvest of 2,499,800 kilograms, the actual harvest achieved was approximately 71 percent, amounting to 1,780,247 kilograms. Accordingly, the company failed to achieve the estimated tea harvest targets in both 2023 and 2024. Furthermore, the estimated production for 2024 was reduced by 184,766 kilograms compared to 2023.	Due to the acute shortage of chemical fertilizers in the market from 2020 until early 2024, it was not possible to apply the estimated quantities of fertilizer to the fields. Further, following the ban on the use of chemical weedicides since 2020, weed control in the fields became extremely difficult, resulting in workers being reluctant to harvest tea shoots in these areas. In addition, the use of fertilizers was not practically feasible, and the deployment of labour for manual weeding was also not economically viable; consequently, it has been difficult to achieve the expected estimated yields.	Based on the age analysis of the tea plantations, a proper plan should be formulated and implemented to maintain sustainable cultivation and to enhance tea shoot yields, and steps should be taken to increase the targeted annual yield rather than reducing it.
		Moreover, according to the age profile analysis of the company's existing tea plantations, more than 90	

percent of the plantations consist of very old, low-yielding tea stands, which has also adversely affected the achievement of the expected tea production. Although the most suitable time has now arrived to uproot and replant approximately 63 percent of the existing seed tea plantations, the company is constrained by a shortage of working capital, and as such replanting requires more than six years to generate investment returns, the company has been unable to allocate its limited resources for long-term capital investments.

- (b) The cost of production per kilogram of raw tea leaves increased across all estates in 2023 compared to 2022, with the increase at the Elkaduwa Estate amounting to Rs. 42, representing a rise of 27 percent. Similarly, the cost of production per kilogram of raw tea leaves increased in all estates except the Salagama Estate in 2024 compared to 2022, while at the Elkaduwa Estate it rose by Rs. 81, or 41 percent.
- The reduction of the expected tea yield in 2024 by more than 30 percent compared to previous years led to an increase in the fixed overhead costs of the estates, which was a major factor contributing to the rise in total production costs. Similarly, the increase in the daily wage rate to Rs. 1,350 from August 2024, together with the corresponding increase in statutory payments, has been a primary reason for the escalation of the company's production costs.
- An arrangement should be made to increase tea leaf yields and minimize costs through the proper management of tea cultivation.
- (c) Compared to 2022, the average selling price per kilogram of tea increased in 2023 at every estate by an amount ranging from Rs. 16 to Rs. 29. However, except at Pitakanda Estate, the cost of production at all other estates exceeded the average selling price by amounts ranging from Rs. 2 to Rs. 24. In 2024, although a decrease in the selling price was observed at all estates except Selagama Estate, the cost of production at those estates continued to exceed the average selling price by amounts ranging from Rs. 28 to Rs. 111.
- Compared to previous years, the expected tea yield in 2024 declined by more than 30 percent, which mainly contributed to an increase in total production costs due to the rise in fixed overhead costs in plantations. Furthermore, the increase in the labour wage to Rs. 1,350.00 from August 2024, together with the corresponding increase in statutory payments, has been a primary factor contributing to the rise in the company's production costs.
- A systematic procedure should be established to improve quality under proper management and to maintain good prices for tea leaves.

- (d) Compared to the estimated rubber production of the company, the actual rubber production in 2023 and 2024 had decreased by 26% and 16%, respectively. Further, compared to 2022, the company's actual rubber production decreased by 15,554 kilograms or 14 per cent in 2023 and by 9,527 kilograms or 9 per cent in 2024.
- According to the age analysis of the company's existing rubber plantations, 73 percent consist of seed rubber plantations that are over 60 years old and have no economic productivity, while the proportion of productive grafted rubber plantations remains at a low level of 27 percent. In order to achieve the standard rubber latex yield per hectare, it is essential to uproot and replant seed rubber plantations that are over 60 years old; however, due to the company's prevailing working capital constraints and the fact that it takes more than 08 years to realize returns on such investments, the company has found it difficult to allocate its limited resources for long-term capital investments.
- According to the age analysis of rubber plantations, a structured plan should be implemented to maintain sustainable plantations while increasing rubber production through methods such as establishing new productive rubber plantations and grafted rubber plantations.
- (e) According to the action plan of the company, it was planned to cultivate coconuts on 47.58 hectares annually in 2023 and 2024. However, no coconut cultivation was carried out in 2023, and only about 1 hectare was cultivated in 2024, as indicated in the progress report. Age analysis of the company's coconut trees revealed that approximately 68 percent of the trees are over 40 years old and have low productivity.
- According to the age analysis of the company's existing coconut plantations, approximately 70 percent consist of trees over 40 years old. Uprooting and replanting these over-aged plantations is essential. However, due to the company's limited working capital and the fact that it takes more than 08 years to realize investment returns, it has been difficult to allocate its limited resources to long-term capital investments. Furthermore, the growth and yield of all trees have declined sharply because the company has not supplied the necessary chemical fertilizers to its coconut estates for over two decades.
- A systematic plan should be implemented to maintain a sustainable coconut plantation, increase coconut yield, and minimize production costs.
- Compared to 2023, the production cost per coconut in 2024 increased by 31 percent to 48 percent among two coconut estates. Although the average selling price per coconut also increased in 2024 compared to 2023, at the Hapugaspitiya estate, the cost relative to the selling price amounted to 83 percent in 2024.
- (f) Although the standard rate of fallen coconuts in the coconut industry is 5 percent, the number of fallen coconuts at Alkaduwa Plantation Company in
- In the coconut estate, 21,330 trees, or 70 percent of the total, are over 40 feet tall, with a significant portion exceeding 60
- Proper management of the coconut harvesting process should also be carried

2023 and 2024 amounted to 386,700 and 240,139, respectively, representing approximately 34 percent and 28 percent of total coconut production in those years. Accordingly, at the Millawana estate, the proportion of fallen coconuts over the ten-year period from 2015 to 2024 ranged from 17 percent to 35 percent, significantly exceeding the industry standard of 5 percent.

feet in height. Coconut harvesting in this estate is carried out on a contractual basis, with the maximum allowable harvesting height limited to 60 feet. Currently, the percentage of fallen coconuts has been continuously increasing due to the shortage of harvesters and their reluctance to climb the very tall trees in the field.

out to reduce the percentage of fallen coconuts.

3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The raw cashew nut production of the Nalanda Estate in 2024 amounted to 10,423 kilograms. Of this, stock of 5,778 kilograms of raw cashew nuts was initially taken by the then Estate Superintendent to the tea factory located at the Rathwatte Estate for drying. However, no Goods Receipt Note (GRN) was obtained from the Rathwatte tea factory for this transfer. Following the drying process, 3,928.2 kilograms of dried cashew nuts, representing 68 percent of the raw cashew weight, were sold. From the second stock of cashew nuts in 2024, a minimum dried cashew of 74 percent was obtained after drying. Accordingly, it is likely that the first stock of cashew nuts taken to the Rathwatte Estate tea factory could also have yielded at least a 74 percent. Consequently, an estimated loss of approximately Rs. 128,664 was incurred by the company.	Agreed. The relevant Estate Superintendent has been informed to provide explanations for the loss of Rs. 128,664 incurred.	A formal investigation should be conducted, and action should be taken against the responsible parties, and to recover the estimated loss.
(b) The company's invested fixed deposits were pledged as security for bank overdrafts on current accounts over a period of 12 years. Due to the failure to settle the overdrafts, the interest expense incurred on the overdrafts exceeded the annual interest income earned from the fixed deposits. As a result, the company incurred a net loss of Rs. 40,908,739 during the 12-year period from 2012 to 2024.	Agreed. The relevant bank overdraft was fully settled in May 2025, and as a result, a net interest income of Rs. 6.4 million was earned for the first nine months ended 30 September 2025.	Under a proper financial management system, a plan should be formulated to generate additional income and reduce expenses in order to settle the bank overdraft.

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| (c) | The buildings owned by the company had not been valued as at 31 December 2024, and therefore, the accurate value of these assets had not been determined. | Agreed. The company expects to revalue all its assets in the future. | The accurate worth of the assets should be identified within the prescribed period. |
| (d) | Although 03 buildings located in two estates owned by the company are currently occupied by unauthorized encroachers, management has not taken action to evict these unauthorized occupants. | Agreed. Legal action has already been taken in respect of the unauthorized occupants. | Action should be taken in a proper manner to evict the unauthorized occupants and implement a plan to safeguard the assets. |
| (e) | Vehicles owned by the company had not been valued up to 01 September 2025, and as at 31 December 2024, there were 25 vehicles being used by the Elkaduwa Plantations Company that had not been formally transferred to its ownership. | Agreed. Action will be taken to revalue all vehicles owned by the company in the future. In addition, the Sri Lanka Plantation Company, as the absolute owner of the vehicles not yet transferred to the company, has been formally notified in writing to transfer these vehicles. | Action should be taken to transfer ownership of the vehicles not yet transferred and to have the vehicles valued within the prescribed period. |
| (f) | According to the advances register maintained during 2024, advances amounting to Rs. 16,275,000 granted on 12 occasions remained unsettled for periods ranging from 8 days to 197 days. | Agreed. However, at present, instructions have been given that no advances should be released until previously granted advances are fully settled, and that all advances provided should be settled within a period of 14 days. | Actions should be taken in accordance with financial regulations, and measures should be taken against the parties who delayed the settlement of advances. |

3.3 Operational Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The Company owns 06 factories. Of these, the Salagama and Pansalatenna factories had been leased to the private sector until the year 2043. The Alkaduwa and Pitakanda factories have remained non-operational since 1987 and 2002, respectively, while production activities at the Bandarapola factory are currently being carried out by	Agreed. However, the Rathwatte Tea Factory had been modernized by the relevant lessee (A.P.N. Plantations) at a significant cost, and the factory has already been taken over by the Company. Initial payments have also been made to the Department of Valuation for the purpose of valuing this factory,	Action should be taken to utilize the factories operating at an inactive level through a systematic study and an action, to expedite the recovery of arrears of lease rentals, and to regularize operational activities.

the Company. Although the Rathwatte Tea Factory was leased in 2008 on a 30-year lease basis, the factory was taken back over by the Company in 2019 due to the expiry of the initial lease period and the failure to pay the lease rentals due for that period; however, as at 31 December 2024, a sum of Rs. 5,630,494 was still recoverable from the lessee. At present, this factory remains idle, and the Company had not taken appropriate action to commence its operations. and it is expected that the relevant legal actions will be taken immediately upon completion of the valuation process.

3.4 Assets Management

	Audit Observation	Comment of the Management	Recommendation
(a)	Due to the failure to carry out timely maintenance and repairs of buildings under a proper plan and supervision, 20 buildings belonging to 05 estates of the Company have completely dilapidated and have become unfit for use, and the destruction of government property has been allowed as a result of inadequate maintenance.	Agreed. Due to the current difficulties faced by the Company in mobilizing capital funds, it has not been possible to carry out repairs to these buildings, and action has been taken to offer the identified lands and buildings to suitable external investors through the line Ministry.	Appropriate steps should be taken to safeguard government property by adopting a systematic procedure and policy decisions.
(b)	In relation to six estates, 53 buildings, both currently in use and unfit for use, remain in a state requiring repairs. However, the management had not implemented an appropriate arrangement to rehabilitate these buildings up to now.	Agreed. Due to the current difficulties faced by the Company in mobilizing capital funds, it has not been possible to carry out repairs to these buildings, and action has been taken to offer the identified lands and buildings to suitable external investors through the line Ministry.	A suitable mechanism should be implemented to rehabilitate such assets and bring them into use.
(c)	A total of 29 vehicles belonging to 06 categories had remained idle for periods ranging from 6 to 25 years, and management had not paid due attention to either repairing and putting them back into use or disposing of them.	Agreed. It is expected to dispose of these unusable vehicles in an appropriate manner in due course.	Steps should be taken to utilize the assets in a systematic manner.
(d)	The jeep assigned to the Estate Superintendent of the Hapugaspitiya Estate had been taken to a garage in Weragama for repairs on 14 September	Agreed. However, the mechanical repairs of the relevant motor vehicle have been completed, and it is	Steps should be taken to utilize the assets in a systematic manner.

	2023 due to a mechanical failure. However, it had not been restored to service as at 31 December 2024.	expected to release the vehicle upon settlement of the related payments.	
(e)	As the lorry used by the Bandarapola Estate was not in running condition, it had been sent to a garage for repairs in April 2024. However, as at 31 December 2024, it had not been restored to service and had remained idle for a period of nearly 08 months.	Agreed. As repairing this lorry is not economically viable, it is expected to dispose of the vehicle.	-Do-
(f)	The Alkaduwa Plantation Company had not maintained logbooks for its vehicles.	Agreed.	Logbooks should be properly maintained.
(g)	According to the information provided on the physical condition and current locations of 16 vehicles of the Company, details relating to the present status of those vehicles had not been submitted to the audit.	Agreed.	Information requested by the audit should be submitted to the audit.

3.5 Uneconomic Transactions

	Audit Observation	Comment of the Management	Recommendation
(a)	Deviating from the approved scheme of recruitment and without obtaining the approval of the Department of Management Services, the Board of Directors, by a Board Paper dated 26 July 2024, created the post of “Group Manager” for two Estate Superintendents of the company and approved the payment of an allowance of Rs. 50,000 each. Accordingly, an allowance totaling Rs. 250,000 was paid to the two Estate Superintendents for a period of 05 months from August 2024 to 31 December 2024, without obtaining Treasury approval.	Agreed. However, all responsibilities relating to the estates, which have been assigned to the currently vacant post of General Manager of the institution, are being carried out by these two Group Managers, and as a result, the company has been able to save approximately Rs. 2.5 lakhs out of the total monthly expenditure of nearly Rs. 3 lakhs that would otherwise have been incurred for a General Manager. However, one Group Manager has resigned from the post.	A formal investigation should be conducted, and action should be taken to recover the allowances paid from the parties responsible for creating the posts and making the related allowance payments without obtaining Treasury approval.
(b)	Two internal workers may be engaged for executive bungalows, and where the officer to whom the bungalow is	Agreed. Although no bungalow had been provided to the Sales Manager for residential	Disciplinary action should be taken, the loss should be recovered

assigned engages internal workers, their attendance should be verified by the Field Officer, after which their names should be entered in the field muster roll and the check roll, and monthly wage payments should be made to the relevant workers through the estate office. However, although no bungalow had been provided for residential purposes to the Sales Manager who was in the service of the company from 01 February 2019 to 31 December 2024, he had obtained a labour allowance amounting to Rs. 4,459,949 for the aforesaid period, stating that he had engaged two internal workers.

The Field Officers had not confirmed that two internal workers had been engaged, and the two workers had not reported for the morning muster on any day during the said period. Nevertheless, the allowances had been personally obtained by him. Further, the letter dated 10 January 2019 issued by the Chairman to the said individual did not state that a labour allowance could be obtained in cash for a private residence or by the said officer personally. In addition, the company had to bear unrecoverable statutory payments totaling Rs. 557,872 in respect of Employees' Provident Fund contributions and Employees' Trust Fund contributions relating to the two workers.

- (c) The Chairman who served the company from 2020 to 2024 had been provided with the Pansalthenna Bungalow at the Rathwatta Estate, and he had also obtained reimbursement from the Elkaduwa Plantations Company for his personal meal expenses. Accordingly, the company had borne daily meal expenses amounting to Rs. 2,202,293 on behalf of the Chairman for a period of 40 months during the aforesaid period.

purposes, and although the Field Officers had not confirmed that two internal/registered workers had been engaged at the said bungalow, and despite the fact that 12 recent musters had been held at the Nalanda Estate during which the said workers had not reported for any of those musters, a labour allowance amounting to Rs. 4,459,949 was fraudulently obtained by falsely stating that two internal/registered workers had been engaged. Further, an irrecoverable loss of Rs. 557,872 was incurred due to payments made towards statutory funds in respect of the said workers.

Accordingly, a complaint has been lodged with the Commission to Investigate Allegations of Bribery or Corruption in respect of the above matter, and at present the service of the said officer has been temporarily suspended and a charge sheet has been issued to him.

Agreed. A complaint has been lodged with the Commission to Investigate Allegations of Bribery or Corruption in respect of the personal consumption expenditure of Rs. 2,202,293 incurred by the Chairman who served during the relevant period.

immediately, and an internal mechanism should be implemented to prevent the recurrence of such situations in the future.

The loss should be recovered by taking formal measures.

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| (d) | An officer serving as the Information Technology Manager, a non-executive position of the Elkaduwa Plantations Company, had been provided with an executive official residence at the Rathwatta Estate. Further, upon the request of the Information Technology Manager, approval had been granted on 09 May 2024 to engage a worker at the said executive bungalow. However, for a period of 08 months from May 2024 to December 2024, the Information Technology Manager had obtained a sum of Rs. 256,050 without engaging such a worker or any substitute worker to perform internal duties at the bungalow. | Agreed. A complaint has been lodged with the Commission to Investigate Allegations of Bribery or Corruption regarding the Information Technology Manager receiving Rs. 256,050 without engaging a worker for duties. | Disciplinary action should be taken to recover the loss immediately, and internal controls should be strengthened to prevent such situations. |
| (e) | An internal auditor had requested an official residence of the institution; however, as this requirement could not be met, the Board of Directors, by a resolution dated 04 October 2023, approved a monthly housing allowance of Rs. 50,000 for the internal auditor without obtaining Treasury approval. Accordingly, from November 2023 to December 2024, a total of Rs. 700,000 was paid under an invalid statutory rental agreement, also without Treasury approval. | Agreed. The monthly housing allowance of Rs. 50,000 previously paid to the internal auditor has now been cancelled. | Formal action should be taken to recover the payments made without Treasury approval from the parties responsible for the housing allowance. |
| (f) | An officer appointed to the post of Assistant Accountant (Financial Officer) on 21 March 2011 had been placed in the MM-1-1 salary scale for the post in accordance with a decision made at the Board of Directors meeting held on 05 December 2022. However, in accordance with the scheme of recruitment, the post currently held by the officer should have been placed in the JM-1-1 salary scale. As a result, an excess salary payment of Rs. 986,690 was made from January 2023 to December 2024. | Agreed. The payment of salary at an incorrect salary scale, which was outside the scheme of recruitment, has now been corrected. | Actions should be taken in accordance with the scheme of recruitment, and the excess salary paid should be recovered from the relevant party. |

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| (g) | In accordance with the scheme of recruitment, the salary scale for the post of Secretary to the Chairman should have been JM-1-1. However, the officer holding that post had been placed in the MM-1-1 salary scale from 01 November 2022, and salary was paid accordingly. As a result, an excess payment of Rs. 540,785 was made to the officer from November 2022 to December 2024. | Agreed. The payment of salary by placing on an incorrect salary scale outside the scheme of recruitment has now been corrected. | - Do - |
| (h) | An officer serving as the Financial Manager of Elkaduwa Plantations Company on a contractual basis from 23 January 2024, was provided with a company-owned vehicle for official use without reaching a concurrence in the contractual agreement. From March 2024 to December 2024, fuel expenses amounting to Rs. 882,448 were reimbursed to the officer. | Agreed. This transport facility was provided based on the Board of Directors' decision for official requirements; however, recommendations have been submitted to the Line Ministry requesting the necessary guidance and approval regarding the continued provision of these facilities. | Actions should be taken in accordance with the agreement, and any payments made in violation of it should be recovered from the relevant party. |

3.6 Procurement

	Audit Observation	Comment of the Management	Recommendation
(a)	According to paragraph 3.4.3 (a) of the Government Procurement Guidelines, suppliers had not been registered for the Alkaduwa Plantation Company for the year 2024.	Agreed. However, the annual registration of suppliers has been commenced with effect from the year 2025.	Action should be taken in accordance with the Procurement Guidelines.
(b)	During the year 2024, except for vehicle repairs and the purchase of spare parts, the Company had not appointed Technical Evaluation Committees when carrying out other procurement activities. Although the Procurement Committee had performed the responsibilities and functions of the Technical Evaluation Committees as stipulated in paragraph 2.6 of the Government Procurement Guidelines, purchases valued at a total of Rs. 36,971,390 were made on 59 occasions without the recommendation of a Technical Evaluation Committee, and without appointing any person with specialized knowledge of the items being procured to the Procurement Committee. Furthermore, although the Procurement	Agreed. Action will be taken to appoint suitably qualified persons with the requisite technical expertise to the Technical Evaluation Committees whenever possible in the future, and procurement activities will be carried out in accordance with paragraph 1.2.1 of the Government Procurement Guidelines.	Action should be taken against the relevant party following a formal inquiry, and an arrangement should be implemented to ensure compliance with the Procurement Guidelines.

Committee report stated that open competitive bidding had been carried out when calling for quotations, these procurements were made without acting in accordance with the objective stated in paragraph 1.2.1 of the Government Procurement Guidelines, which requires that equal and maximum opportunities be provided to all suitably qualified and interested parties to participate in the procurement process.

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| (c) | Although, in terms of section 2.7.5 of the Government Procurement Guidelines, an external officer similar to the rank of Assistant Secretary the Ministry should be appointed to the Procurement Committee, no external officer had participated in the Procurement Committee for any procurement activity carried out during the year 2024. | In the year 2025, members have been appointed from the Ministry to the Company's Minor and Major Procurement Committees. Accordingly, three members from within the institution have been appointed to the Minor Procurement Committee, and two members from within the institution together with an officer of Director level from the Ministry have been appointed to the Major Procurement Committee. | - Do - |
| (d) | Although Chapter 5 of the 2006 Government Procurement Guidelines stipulates that bidding documents used in procurement should include all information required by a bidder to prepare bids for goods or services with technical specifications, quotations had been called without issuing such bidding documents or without informing bidders of the specifications, designs, or other requirements of the institution. | Agreed. Action will be taken in future in accordance with Chapter 05 of the Government Procurement Guidelines. | - Do - |
| (e) | According to paragraph 2.8.1(a) of the Government Procurement Guidelines, no member should serve on both the Procurement Committee and the Technical Evaluation Committee. However, in this institution, there were 10 occasions where the same members had been appointed to both the Technical Evaluation Committees and the Procurement Committee for procurements related to vehicle repairs and the purchase of vehicle spare parts. | Agreed. Action will be taken in future in accordance with paragraph 2.8.1(a) of the Government Procurement Guidelines. | - Do - |

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| (f) | When calling for procurements, quotations had been invited in the names of individuals instead of calling for quotations from the institutions that carry out the relevant procurement activities. | Not replied. | - Do - |
| (g) | In two instances, procurement decisions valued at Rs. 1,312,821 had been taken and procurements had been carried out irregularly based solely on the concurrence of a single officer, without obtaining the approval of the Procurement Committee. | At the time of granting procurement approval, two members of the Procurement Committee had participated via telephone and given the relevant approval verbally, and such approvals had subsequently been formalized by obtaining their signatures at a later stage. | - Do - |
| (h) | Although the Procurement Committee decision relating to the repair of one vehicle had been granted on 29 March 2024, a voucher amounting to Rs. 31,000 had been submitted for payment on 28 March 2024, prior to obtaining such approval. Similarly, in respect of another vehicle, while the procurement decision for carrying out repair works had been obtained on 25 July 2024, an advance payment of Rs. 500,000 had been made to the repair company on 18 July 2024, before the approval was granted. Accordingly, irregularities in the procurement process were observed. | Agreed. | A formal investigation should be conducted, and action should be taken against the parties responsible for the irregular procurement, and steps should be taken to regularize the procurement process. |

3.7 Other Matters

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| (a) | According to paragraph 5.1 of the scheme of recruitment of Alkaduwa Plantations Limited, when recruiting an officer externally to the post of Manager (Human Resources), it is required to possess a degree from a recognized university in Business, Public Administration, or Human Resource Management, together with 03 years' experience in administration in a government or a recognized private institution and knowledge of information technology. However, it was observed that the officer who had served on a contract basis in the | Agreed. It has been stated that the officer holding the post of Manager (Human Resources) is following a degree programme through an online learning mode. | Action should be taken in accordance with the scheme of recruitment, and a formal investigation should be conducted into the relevant recruitment. |

- said post and as Manager (Outgrower) from 15 January 2019 to 30 November 2021, and who had been granted a permanent appointment as Manager (Human Resources) with effect from 01 December 2021 and continues to serve in that capacity, did not possess the qualifications stipulated in the scheme of recruitment
- (b) An officer who had been granted a permanent appointment to the post of Manager (Human Resources) with effect from 01 December 2021 had also been appointed to act in the post of Manager (Out-grower), and an acting allowance of Rs. 10,000 had been paid without obtaining the approval of the Treasury. From that date up to 12 January 2024, a total sum of Rs. 253,648 had been paid to the officer for the period during which he had acted in that post.
- (c) According to the scheme of recruitment of Alkaduwa Plantations Limited currently in operation with effect from 04 January 2012, the post of Manager (Information Technology) does not exist among the approved cadre positions. Nevertheless, an officer who had been serving as an Accounts Assistant since 03 October 2005 had been promoted to the post of Manager (Information Technology) with effect from 01 August 2014. Further, instead of placing his salary in the IM-1-1 grade with effect from 12 December 2022, it had been placed in the MM-1-1 grade, resulting in excess salary payments amounting to Rs. 1,218,933 being made to the officer for the period from 12 December 2022 to 31 December 2024.
- (d) The officer appointed as the Internal Auditor of Alkaduwa Plantations Limited with effect from 01 August 2017 had not been granted a formal appointment by the appointing authority, and had continued to perform duties as Internal Auditor for a period of nearly 07 years from that date without a formal letter of appointment.
- Agreed. The allowance has now been cancelled.
- Agreed. The payment of salary by placing the officer on an incorrect salary step, contrary to the recruitment procedure, has now been corrected.
- Agreed. A letter has been sent to the Attorney General's Department seeking further instructions regarding this appointment.
- Do -
- Do -
- Legal guidance should be obtained promptly, action should be taken in a proper manner, and the progress thereof should be reported to the audit.

- (e) According to the letter No. DMS/E3/34/8/220/1 dated 03 August 2011 issued by the Department of Management Services, the approved cadre of the Company is 35, whereas the actual cadre stood at 27 as at 31 December 2024. It was observed that one person was employed on a contract basis in the senior level post of Finance Manager and one person was employed on a contract basis in the tertiary level post of Assistant Estate Superintendent. Accordingly, as at the date of audit on 02 September 2025, four posts at the senior and tertiary levels and one post at the secondary and primary levels remained vacant.
- Agreed. However, letters have been forwarded to the Prime Minister's Office through the line Ministry seeking approval in respect of these recruitments.
- A staff analysis should be carried out, and action should be taken to fill only the most essential staff vacancies required to achieve the objectives and mandates of the Company.
- (f) In accordance with the approved scheme of recruitment, the Company had not appointed a permanent General Manager since 2012, and instead, General Managers had been appointed on a contract and acting basis up to the date of audit on 02 September 2025.
- Agreed. However, the recruitment of a General Manager to the Company has been continuously delayed as a writ petition filed in the Colombo Court of Appeal in relation to this recruitment is presently under consideration.
- Action should be taken to expedite the conclusion of the court proceedings and appoint a permanent General Manager.
- (g) Although the approved cadre for estate staff for the year 2024 was 89 as per the annual budget, the actual cadre stood at 63, resulting in 26 vacancies.
- Agreed. Action will be taken in future to carry out recruitments for the currently vacant estate staff positions based on the requirements of the Company.
- The actual need should be properly identified and appropriate steps should be taken to fill the vacancies accordingly.
- (h) Eight payment vouchers of the Plantation Company valued at Rs. 736,834 relating to the year 2024 had been misplaced, and two voucher copies were not produced for audit.
- Agreed. As the relevant payment vouchers have been misplaced, further investigations are being carried out.
- A formal inquiry should be conducted, the relevant vouchers should be produced for audit, and appropriate action should be taken against the responsible parties.
- (i) Although the individual who served as the Chairman of the Alkaduwa Plantation Company from 10 July 2020 to 19 October 2023 had obtained reimbursements amounting to Rs. 3,010,839 for fuel expenses incurred for vehicles used from July 2020 to September 2024, the relevant vehicle running charts had not been maintained by him.
- Agreed. A complaint has been lodged with the Commission to Investigate Allegations of Bribery or Corruption regarding the reimbursement of fuel expenses amounting to Rs. 3,010,839 incurred by the Chairman who served during the relevant period, without maintaining vehicle running charts.
- Having conducted a formal investigation, appropriate action should be taken against the parties responsible for this process.

