Janatha Estates Development Board - 2020

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Janatha Estates Development Board and its subsidiaries for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity, 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, State Agricultural Corporations Act, No. 11 of 1972 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Board. Because of the significance of the matters described in paragraph 1.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I expressed disclaimer of opinion on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 disclaimed 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 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 Sub-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 Audit Scope

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 Company'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 Company'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 Company 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

	Non-Compliance with the Reference to the Particular Standard	Management Comment	Recommendation
(a)	The useful life and scrap value of an asset should be reviewed and if the expected useful life and scrap value are different from the previous year, action should be taken in accordance with the Sri Lanka Accounting Standards 08-accounting policies, changes in accounting estimates and errors. However, such action had not been taken accordingly in respect of fully depreciated assets currently in use with a cost of Rs.348.79 million.	A committee has been appointed to re-value the residual and useful life of these assets and the Procurement Division has been directed to select values for the committee. Once that process is completed, the relevant assessed values will be taken into accounts.	Action should be taken in accordance with Sri Lanka Accounting Standards.
(b)	Even though depreciation of assets should commence once they are available for use in accordance with paragraph 55 of Sri Lanka Accounting Standard 16 and Accounting Policy No.3.2.3 of the Board, the fixed assets worth Rs.5,609,889 purchased by the Estates and Head Office during the year 2020 were depreciated for the year under review irrespective of the date of purchase.	The depreciation of assets from the date of purchase in the Head Office in the years 2020 and 2021 has been corrected in the year 2022, and the depreciation has been correctly done from the date of purchase in the year 2022. The Estate Division has also been correctly depreciated from the date of purchase from the year 2021.	Action should be taken in accordance with Sri Lanka Accounting Standards and the Accounting Policies of the Board.

(c)	According to Paragraph 57 of the Sri Lanka Accounting Standard 19, the defined benefit plans for the entity should be computed by following actuarial assumptions viz. current service cost of the entity, age groups and mortality of the employees, effect on employee turnover, age of retirement, rate of discount, and salaries and increments. Nevertheless, the Board considered only the basic salary received by an employee at the end of the year when computing the benefit plans.	The calculation of gratuity by the Janatha Estates Development Board has been done in accordance with the Payment of Gratuity Act, No. 12 of 1983. I would also like to mention that the Department of Labour is taking action regarding the payment of gratuity arrears in accordance with this Act. The Audit Management Committee held on 25.06.2024 has recommended that it is correct to take action in accordance with the Gratuity Act. Furthermore, this has been disclosed in the financial statements for the year 2020.	Employee benefits should be calculated in accordance with Sri Lanka Accounting Standards.
(d)	Even though the biological assets should be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in terms of Paragraph 12 of Sri Lanka Accounting Standard 41, the stock of consumable biological assets valued at Rs.33,620,787 had been brought forward by the Board as a fixed value rather than being assessed annually. The Audit had not been provided with reports of surveys and assessments on trees updated annually, thus failing to verify the said value. Although the income from trees with a commercial value sold during the year under review amounted to Rs.47,606,468, no action had been taken to eliminate the cost of those trees from the assets.	Since the financial statements for the year 2020 had to be submitted for audit immediately, there was not enough time to adjust the valuation of these biological assets to the accounts in the year 2020 and therefore, it was not possible to include this in the accounts for the year 2020.An Acton will be taken to make these adjustments to the accounts for the year 2021.	According to accounting standards, Action should be taken to identify biological assets at fair value and any costs associated with the sale of the assets must be removed from the assets.
(e)	Even though the method of depreciation for biological assets and ratios of depreciation should be disclosed in financial statements and depreciation should be accounted accordingly by the Board in terms of Paragraph 54 (d) of the Sri Lanka Accounting Standard 41, depreciation on other biological assets valued at Rs.1,835,941 had not been	Depreciation method and depreciation rate disclosed of Rs.6,489,530 out of which Rs.1,928,369 of cocoa has been depreciated in the year 2020, and action will be taken to depreciate cinnamon, pepper and mango cultivation from the year 2022. Also, other biological assets in the	The depreciation method and depreciation rates for biological assets should be disclosed in the financial statements and depreciation should be accounted for

disclosed in financial statements and had not been computed and brought to the accounts.	estates of the Board worth Rs.1, 835,941 include cloves worth Rs.1,182,161 and coffee cultivation worth Rs.653, 780 and action will be taken to disclose the depreciation rates and maturity period of those cultivations in the accounting notes of the year 2022.	accordingly.

1.5.2 Accounting policies

Audit Issue	Management Comment	Recommendation
Even though the total land owned by the Board is 142,593.03 hectares, including 123,306.37 hectares given on lease by the Board, the value of these lands had not been assessed and accounted under investment property and property, plant and equipment in the financial statements as at 31 December 2020, and 2,872.45 hectares of land had not been specifically identified by the Board. Accordingly, the fair value of the lands owned by the Board is not reflected in the accounts and the audit was unable to verify the accuracy and overall value of those lands.	The Ministry has assigned the surveying of the estates owned by the Janatha Estates Development Board to the Survey Department and the Survey Department has informed us that the surveying of those estates has been completed. However, the plans related to those estates have not yet been received by the Janatha Estates Development Board, and the Land Division has verbally informed us that measures will be taken to obtain the assessed value after receiving those plans. Action will be taken to survey and assess the lands owned by the surveying institutions and disclose them in the financial statements in the future.	The fair value of all lands owned by the Board should be assessed and accurately accounted in the financial statements and measures should be taken to identify unidentified lands.

1.5.3 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Cash flow adjustments of Rs.27,155,018 were made as a result of the impact of adjustments made to the profit of the current year in relation to previous years. However, since this amount has not had any impact on the profit of the current year, it was observed during the audit that the unfavourable balance of net cash	Adjustments have been made to rectify errors that affected the profits in previous years and a balance of Rs.27,155,018 can be obtained from the details of the previous years' adjustment account. The journal vouchers relating to this account are contained in the journal voucher files in the year 2020.	Action should be taken in accordance with Sri Lanka Accounting Standards.

	flow obtained from operating activities has further increased by this amount.		
(b)	Even though the Nagstenna Estate was given on long-term lease to a private company in the year 2007,a sum of Rs.2,176,683 receivable from that institution had been brought forward in the financial statements as trade and other receivables over a period of 12 years, according to information received from the Land Division, due to the re-acquisition of the estate by the Board in 2009, the amount due to the company as of 30 June 2024 was Rs.21,986,330.However, no adjustments had been made in the financial statements in this regard.	Nagastenna Estate was given to Queenrich Agro Pvt Ltd on a long-term lease basis in the year 2007. According to the information received from the Land Division, as per the agreement between Queenrich Agro Company and the Janatha Estate Development Board, the amount due to Queenrich Agro Company as at 22.12.2009 due to the re-acquisition of Nagastenna Estate was Rs.24,551,714. After the agreement, the Board has paid an amount of Rs.1,000,000 to Queenrich Agro Company and in addition, they received the money from the brokers from the sale of tea leaves of Nagastenna Estate and after deducting that amount, the total amount due to them is Rs.21, 986,330. The letter of Queenrich Agro Company dated 24.06.2024 has confirmed that the balance due to them is Rs.21,986,330. Accordingly, the account of Queenrich Agro Company has been rectified as at 30.09.2024.	The balance of receivables and payables should be confirmed and the accurate value should be accounted.
(c)	Rs.4,136,733 spent by the Janatha Estates Development Board for the purchase of roofing sheets in relation to the plantation development project implemented by the Ministry of Plantation Industries and completed in the year 2010 had been accounted for as trade and other receivables in the financial statements of the Board for over 10 years. Even though the recovery of this money was uncertain, no provision for it had been made in the financial statements.	This project was completed in 2010 and although the balance should have been paid to the Janatha Estates Development Board by the institution that carried out this project, which was under the patronage of the Ministry of Plantation Industries, since that institution does not exist at present, further action will be taken after conducting a further investigation in this regard.	Since the institution that was supposed to reimburse the Board is not currently operating, action should be taken to make a provision in the financial statements for that purpose.

(d)	A time analysis and balance confirmation were not submitted for audit in respect of balances of Rs.115,546,879 relating to 10 estates out of the balance of Rs.128,122,068 relating to 17 estates, included in the trade and other receivables balance in the statement of financial position of the Board as at 31 December 2020. Furthermore, it was observed that action had not been taken to recover a balance of Rs.7,287,138 which was more than 10 years old and recovery of such a balance was uncertain.	It is acknowledged that the time analysis related to the debt balances of the estates in the year 2020 was not available in the prescribed format and in the year 2021, the time analysis notes of creditors and debtors of all the estates have been prepared in the prescribed format.	Action should be taken to promptly verify and recover the balances related to the debt of the estates and to make provisions in the financial statements for the balances that are in an uncertain state.
(e)	According to the schedule of creditors, although the creditor balance of 9 estates exceeding 05 years was Rs.13,028,558 and the creditor balance of 4 estates exceeding 10 years was Rs.6,512,056, the Board had not taken steps to settle those creditor balances (or to identify the creditors who do not have a claim and take them into income).	The estate divisions have been informed to provide information regarding these balances and were further informed to look into the information regarding the ability to settle these balances. Further action will be taken after the information is provided by the estates.	Action should be taken to settle the creditor balances in the estates.
(f)	The Board had an obsolete tea stock of Rs.3,418,944 in its stock balance as at 31 December 2020 and the value of the obsolete tea stock included in it during the year under review was Rs.1,049,491. The necessary adjustments for these obsolete stocks had not been made in the accounts and stock survey reports related thereto were not submitted for audit.	The Rs.2, 369,453 included in this value is not the value of the obsolete tea stock in the year 2019 and it is a balance brought forward from previous years. The Consumer Division informed that these obsolete and close to-obsolete tea stocks will be returned to the estates for the Refire process to convert them into usable stocks and the Consumer Division informed that after undergoing that process, it will be brought back to the Head Office of the Board and sold. However, the price related to that stock has not yet been adjusted to this account and it will be corrected in the year 2024.	If measures have been taken to make the assets reusable and sell them, necessary adjustments should be made in the stock account and necessary actions should be taken to rectify the balance brought forward from previous years.

1.5.4 Unreconciled Control Accounts or Reports

	Item	As per the financial statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
(a)	Loan and interest balance receivable to Board from Sri Lanka State Plantation Corporation	119,318,496	97,709,342	21,609,154	The only copies of the ledger accounts in the name of our institute of Sri Lanka State Plantation Corporation as the replies to the report sent by us had been sent to us and since there is no adequate information available, it is difficult to verify such accounts.	The action should be taken to get necessary measures to recover again after collecting accurate data on loan and interest balance receivable to Board from Sri Lanka State Plantations Corporation.
(b)	Tree sales revenue	47,606,468	47,158,339	448,129	The action will be taken to rectify the difference of Rs.448,128 between the financial statements and schedules having discussed with Forest Resources Division.	Having prepared a reconciliation report on tress sales revenue, the accurate values should be accounted.
(c)	Assessment Tax Expense	6,542,340	5,908,552	633,788	Even though the balance of Rs.5,908,552 exist as Assessment Tax in the administrative expense of the profit and loss account 2020, it had been shown	Having prepared a reconciliation report on Assessment Tax expense, the accurate values should be accounted.

					as Rs.6,542,340 in the profit and loss account and understated by Rs.633,788.	
(d)	Annual Depreciation Expense	33,487,549	30,666,760	2,820,789	The difference for the ledger and asset register is that the understatement and overstatement in the calculation of monthly depreciation of the estates had been rectified in the ledger. However, this difference was caused due to not showing such rectification in the assets register.	Having accurately reconciled the financial statements and assets registers, the correct depreciation values should be accounted.
(e)	Cost of 05 types of Property, plant and equipment	349,237,039	343,648,415	5,588,624	Group II is Rs.342,258 and Group I is – Rs..5,246,366. Accordingly, this difference had occurred since it had not been included in WIP of Group II. The action will be taken to rectify the difference of Group I.	Having prepared a reconciliation report on assets, the accurate values should be accounted.
(f)	Property, plant and equipment balance unidentified in the fixed assets register	12,284,534	-	12,284,534	A detailed clarification had not been presented by the management on this balance.	Having reconciled the financial statement balances and fixed asset balances, the accurate balances should be identified.

(g)	Trade creditor's balance in Head Office	142,786,753	142,966,115	179,362	Many long term creditor's balances indicated in creditor's schedule the creditor's balances are being paid as per the financial position of the institute as instalments.	After verifying the creditor's balances, the accurate values should be accounted.

1.5.5 Going Concern of the organization

Audit Issue	Management Comment	Recommendation
On continuous losses, the net assets and the working capital of Board had taken minus values of Rs.924.8 million and Rs.2,004.4 million respectively as at 31 December 2020, statutory payment of Rs.1,793.5 million had been defaulted on that date. At the end of year under review, a bank loan balance of Rs.161.5 million had to be settled also. Accordingly, it was observed that a material uncertainty on Board's going concern had existed. Even though Board of Directors had decided to reorganize Board, no such reorganization had been carried out even up to 31 December 2024.	Owing to not carrying out a proper revaluation of land, buildings and other assets belonging to Board and not taking such values into books, such values had been minus and if the assets are valued again, such value will be taken plus. It is indicated that the statutory allowances mentioned couldn't be paid due to continuous working capital shortage in the institute. Since the reorganization activities indicated in the notes No.2.4 for the financial statements 2020 had not occurred on the political changes happened, the action will be taken to remove this note from the 2022 financial statements.	The action should be taken to assess the uncertainty on going concern and prepare the plans to be implemented for minimization it and disclose it through the notes to the financial statements.

1.5.6 Documentary Evidences not made available for Audit

	Item available	Amount Rs.	evidence not	Management Comment	Recommendation
(a)	Land and Buildings –Head Office	1,503,744,550	Land plans, plans, valuation reports, gazettes in relation to transfer, assets physical verification reports	The detailed information on Rs.1,489,375,963 including in Rs.1,503,744,550 had been submitted.	The adequate evidences should be presented with regard to the ownership and

					existence of land and buildings of head office.
(b)	Fixed Assets Balance – Onugaloya Estate	6,013,927	Fixed assets registers, physical assets verification reports	The land for Onugaloya Estate had been taken over by Mahaweli Authority for Mahaweli Project and there is no physical existence of the fixed assets related to that due to inundation by Mahaweli Project. The action will be taken to remove from the assets subsequent to further finding of the information indicating that Onugal Oya Watta had been taken over to Mahaweli Project as per a copy of a letter provided by the Land Division.	The action should be taken to verify the ownership and existence of assets and take further action accordingly.
(c)	Other Assets	8,696,304	Fixed assets Register, schedules, physical verification reports	Any information in relation to Rs.8,696,304 is not available with the institute.	The necessary action should be taken to verify the balances with regard to the other assets.
(d)	Biological Assets-Maturity cultivation	17,925,652	Tree census reports, reports related to the assessment of value	Since the biological assets of Rs. 17,925,652 had existed as a long-term balance prior to 1996, the files are not available with the institute to find out the information related to that.	The action should be taken to identify the balances on which the biological assets had been accounted.

(e)	Working-in Progress	34,244,271	Board papers for approving the work, payment vouchers and performance evaluation reports of finished goods	Since all the information related to this is available in the estates, an adequate time is required for submitting the detailed information.	The reports related to verifying the working-in-progress balances should be submitted to the audit.
(f)	Refundable Deposits	68,859,348	Detailed schedules, age analysis	The schedule in relation to the refundable deposits is not available with the institute and the steps will be taken to maintain such a schedule since 2024. Subsequent to completion of the relevant tasks, the action will be taken to refund this money to the depositors again at the request of the depositors.	If it is not able to identify the deposit balances, the necessary action should be taken as per the decisions of the Board of Directors.
(g)	Tea leaves sales revenue	25,492,128	Details on sales and balance confirmations	In the event of requesting an age analysis related to tea leaves sales revenue receivable from Hatton Plantation Ltd. and Insight Factories Private Company by the Government Audit, it had been supplied by Accounts Division and these balances had been settled on 08.01.2021 accordingly.	The action should be taken to identify the details on tea leaves sales revenue and revenue receivable from the balance confirmations.
(h)	Closing Stock – Nurseries	11,010,075	Board of survey reports, detailed schedules and reports on nurseries	Even though the reports on nurseries should be obtained from the estates,	The action should be taken to verify the balances

				since the time provided for this task is not adequate the measures should be taken to submit said reports in due course.	having obtained the necessary reports with regard to this nursery balance included in the closing stock.
(i)	Trade and other receivables – adjustment balance	30,563,313	Balance confirmations, detailed schedules	Though it had been transferred to this account for removing the balances which existed since a long-time from the relevant accounts and write-off, the institute has no adequate information on these balances.	The steps should be taken to perform the necessary recoveries having prepared debtor's age analysis and detailed schedules and the provisions should be made for the balances that can't be recovered in the financial statements.
(j)	Miscellaneous debtor's -Head Office	4,114,051	Detailed Schedules	It had been indicated under the detailed notes of the financial statements for 2020. An amount of Rs.1,152,879 had been balanced in Jaffna Area Control Account and Jaffna Area Control Account in the estate accounts and there is no balance. Rs.89, 752,740 is the Jana Tea Control Account. This is balanced with	Having identified the debtor's balances, the action should be taken to recover those and the detailed schedules should be presented for the balance confirmations. Furthermore, the provisions

				Head Office Account of Jana Tea Division. The balance of Rs.9,779 prevailing in this account is an accounting error and the action will be taken to verify and rectify this.	should be made in the financial statements in relation to the loan balances that can't be recovered.
(k)	Balance receivable from lease of Montecristo Estate (More than 19 years)	40,503,226	Balance Confirmations	In lease out Montecristo Estate to the private sector, this is a Control Account including the assets and liabilities prevailing in such estate and the action will be taken to verify the balance included in this account.	The action should be taken to identify the balance receivable from lease out of Montecristo Estate and recover the balances after reconciling.

1.5.7 Suspense Account

Item	Amount Rs.	Period in Suspense	Management Comment	Recommendation
Suspense Account Balances included in trade and other receivables and payables as at the end of the year under review.	6,206,317	A period of about 24 years.	The balance belonging to these estates amounting to Rs. 4,342,561 and the balance of the uncertain account of the head office amounting to Rs.1,863,756 are the balances existing since before 1996, and information on this has not been able to be found.	The suspense account balances should be identified and the required actions should be taken regarding the balances that cannot be identified.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
As per the agreement entered into with the buyers registered for the sale of tea leaves of the Board, money receivable should be recovered within a period of 15 days. However, the said debtor balance that exceeded a period from 03 months to 7 years as at 31 December 2020 had amounted to Rs. 40,270,672.	Money has been received from several buyers from the balances receivable for the sales of tea leaves.	The required prompt actions should be taken to recover the receivable balances as of the due dates, and a provision should be made in the financial statements for the balances of which the recovery is uncertain.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
As per the trade creditor time analysis, the necessary measures had not been taken by the Board to settle the balance from 1 to 3 years amounting to Rs.7,758,060, the balance from 3 to 6 years amounting to Rs.12,821,559 and the balance exceeding 6 years amounting to Rs. 92,162,860.	Most of the creditor balances from the long-term creditor balances in the creditor schedule will be paid in instalments as per the financial position of the institution.	The actions should be taken to identify and settle these creditor balances.

1.7 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Sub-section 5 (1) in Part ii of the Payment of Gratuity Act No. 12 of 1983	Although the gratuity payments should be done within 30 days from the date of retirement or death of an employee, the Janatha Estates Development Board had not paid the gratuity amounting to Rs.569,200,642 as at the end of the year under review according to the	Owing to the continuous working capital financial difficulties of the institution, the gratuity amounts for the employees of the institution could not be paid properly, and the employees against whom the cases have been filed will be paid	In accordance with the Payment of Gratuity Act, the actions should be taken to prevent the uneconomic expenses by paying gratuities on time.

		financial statements. Further, as any employer; who fails to pay any due amount, should pay surcharges in addition to that amount calculating according to the provisions of the Act, an amount of Rs. 171,623,502 was to be paid by the Board as surcharge by the end of the year 2020 according to the financial statements.	the gratuities from the amount of Rs.30 million received in accordance with the Cabinet Memorandum No. 23/0768/616/017 of the year 2023 and as per the present cash flow according to the order the employees left and will leave.	
(b)	Section 15 of Employees' Provident Fund Act No.15 of 1958	The employer should deduct the employee's share of the contribution to the Employees' Provident Fund from the employee's earnings and pay the fund before the end date of the following month, and the employer's contribution should also be paid accordingly. However, there was a sum of Rs.860,521,811 as the Provident Fund payable for almost 19 years since the year 2001 and a sum of Rs. 98,883,502 payable as the Provident Fund for Estate Staff (ESPS) and the Ceylon Planter Provident Fund (CPPS), and the surcharges amounting to Rs.28,990,507 had not been paid for the above funds as of the end of 2020 according to the financial statements.	Due to the severe working capital deficit prevailing in the institution, the EPF/ETF could not be paid continuously since around the year 2000, and the funds for the payment of these outstanding statutory funds have been given by the Ministry of Finance in some years. Accordingly, the payments have been made from the said amount. In addition, as per the Cabinet Paper No. 23/0768/616/017 of the year 2023, an amount of Rs.30 million is being given every month to pay these outstanding statutory allowances. The repayment of the arrears of statutory allowance is being made thereby. Further, as per the Employees' Provident Fund Act No. 15 of 1958 and the Employees' Trust Fund Act No. 46 of 1980, the	The steps should be taken to prevent non-economic expenses by properly paying the instalments of the Provident Fund in accordance with the Employees' Provident Fund Act.

			current statutory payments are being made from the funds of the institution from July 2023.	
(c)	Sub-section 16 (1) of the Employees' Trust Fund Act No.46 of 1980	Although the employer should to pay a contribution of about three percent from the total earnings of the employee to the Employees' Trust Fund for each month in which the employee is deployed in their service on or before the last day of the following month, the Board had defaulted the payments of Rs.63,838,198 to the Employees' Trust Fund for a period of almost 9 years since the year 2011, and a surcharge of Rs.407,089 should have been paid to the Trust Fund by the end of 2020 according to the financial statements.	- DO -	The steps should be taken to prevent non-economic expenses by properly paying the instalments to be paid to the Employees Trust Fund.
(d)	Section 93 of the Inland Revenue Act No.24 of 2017	Although an income report for the respective assessment year should be submitted to the Inland Revenue Department within a period of not less than 08 months after the end of each assessment year, the tax returns had been submitted by the Board for the assessment year 2020/2021 on 11.02.2024.	The tax returns up to the year 2020 have been submitted to the Inland Revenue Department, and it has been stated in the reports that there is no income tax value payable related to the year as this institution is an institution that continuously experiences losses.	The arrangements should be made to submit the tax return; included with income related to the assessment year, to the Inland Revenue Department as required in terms of the Sections of the Inland Revenue Act.
(e)	Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 and the Treasury	Although the annual accounts and draft annual report of the institution should be submitted to the Auditor General within 60	Even if the preparation of financial statements had been delayed for more than 02 years as carrying out audits and	The arrangements should be made to submit the annual accounts and draft annual report of the

	Circular No. 01/2004 dated 24 February 2004	days upon the end of a financial year, the financial statements and draft annual reports for the years 2021, 2022, 2023 had not been submitted to the Auditor General and the accounts for the year 2020 had been submitted to the Auditor General on 08 August 2024 as well as the draft annual report for the said year had not been submitted to the Auditor General even as of the date of this report.	preparing accounts had been assigned to a private institution on a decision of the Board of Director, the draft financial statements up to the year 2023 have been prepared by us and submitted to the Board of Directors and the Government Audit on 08.08.2024.	entity to the Auditor General in accordance with the referred Circular.
(f)	F.R. 756(6) included by Paragraph 11.1 of the Public Enterprises Circular No. 01/2020 dated 28 August 2020	Although the Board of Survey Report of the Board is to be submitted to the Auditor General before 15 June of the following financial year as per the time frame to accomplish the annual board of survey, the board of survey report related to the year 2020 was submitted to the Auditor General on 8 August 2024.	The Board owns all the board of survey reports relating to the years 2020, 2021, 2022 and 2023 and the board of survey reports related to the year of audit have been given to the Government Audit so far. The actions are taken to send the board of Survey Reports for the years 2021, 2022 and 2023 to the Government Audit in October 2024 and the board of survey reports will be provided within the due timeframe from the year 2024.	In accordance with the Circular and the Financial Regulations, the Annual Board of Survey reports should be submitted to the Auditor General within the prescribed time frame.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a loss of Rs.348,392,616 as compared to the corresponding loss of Rs.757,593,788 for the preceding year. Accordingly, a positive decline of Rs.409,201,172 from the overall loss was observed in the financial result. The increase in the main incomes of the Board by Rs.242,927,543 and the decrease in selling cost related to tea and rubber cultivations by Rs.130,403,650 as a whole had mainly attributed to the positive decline of this loss.

2.2 Trend Analysis of major Income Expenditure Items

The income generated in the year under review through the sale of tea leaves had declined by 4.8 per cent as against the year 2018, and the income from rubber and other crops had dropped by 45 per cent as against the year 2018. The cost related to tea leaves and consumer tea cultivation for the year 2019 as compared to the year 2018 had increased by 177 per cent and 22 per cent respectively.

2.3 Ratio Analysis

- The current ratio and quick ratio for the year under review and the preceding year were in equal level and it was at 1:0.32 and 1:0.29.
- The gross loss ratio of the year under review was 24 per cent, and the said ratio in the preceding year was 72 per cent.
- The net loss ratio of the year under review was 34 percent, and the said ratio in the preceding year was 88 percent.

It was further observed in audit during the examination of the said ratios of the Board for the years 2020 and 2019 that the current liabilities could not be set off against the existing current assets, and there existed a risk for going concern of the Board in the backdrop of financial adversity attributed by the continuous growth of gross and net loss and the debt capital exceeding the equity capital.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	According to the Financial Statements of the Board, the annual income generated by the income from the sales of tea leaves, income from the sales of production tea, income from the sales of tea and rubber latex in the estate which are the main sources of income, except other income earned by the estates, was Rs.703,920,345 and the total of the general expenses, expenses for field works and expenses incurred for production which are the main sources of costs included in the selling cost as per the Ledger Account was Rs. 1,055,242,384.Consequently, the 16 estates except for Diyaluma Estate, had not been able to earn income beyond these main expenses.	Agreed	The steps should be taken to prepare the action plans for each estate to increase income and to achieve the said goals efficiently and effectively by taking actions to control the expenses under close supervision.

3.2 Transactions in contentious nature

Audit Issue	Management Comment	Recommendation
A fund called "Chairman Welfare Fund" had been established in the year 2020 without a formal approval by crediting 0.25 per cent from the income of the Board and the Estates, and a sum of Rs.2,475,672 had been credited to the Fund in the year under review.	The approval received by the Accounts Division related to the Board Paper on the formation of the Chairman Welfare Fund has been given to the Audit Division by the Accounts Division.	The actions should be taken to receive the approval of the Treasury for the Chairman's Welfare Fund.