

Tea Research Board- 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tea Research Board 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 and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Interest income received in cash in the calculation of net cash flows generated from the operational activities of the cash flow statement had been understated by Rs.782,970. Further, the value of fixed assets impairment amounting to Rs. 1,594,200 and the value of fixed assets revaluation amounting to Rs. 4,632,556 which were not cash inflows or outflow and not taken into account in the net profit / loss calculation for the year under review had been adjusted to the cash flow statement contrary to the Paragraph 30 of the Sri Lanka Public Sector Accounting Standard No.02.	In preparing the Cash Flow Statement, the interest income amounting to Rs.6,746,688 for the period of 2020 is shown under interest receipts in the Cash Flow Statement and interest receipts not applicable for the period amounting to Rs.782,970 had been adjusted as accrued interest receivables under working capital changes in the cash flow statement. In preparing the financial statements for the year 2021, arrangements will be made to present the amount of interest received in cash and the interest applicable for the period separately and	The Cash Flow Statement should be prepared in accordance with Sri Lanka Public Sector Accounting Standards No. 02.

accurately in cash flow statements.

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| <p>(b) Although the fully depreciated 5 vehicles belonging to the St. Joachim Estate at a revaluated value of Rs. 6,815,000 are being further used, action had not been taken to disclose in this regard in terms of paragraph 92 (b) of the Public Sector Accounting Standards No. 07 and action had not been taken to amend the estimate error about these assets in accordance with Sri Lanka Public Sector Accounting Standards No. 03 and shown again in the financial statements.</p> | <p>Action will be taken to disclose fully depreciated vehicles which are further being used through notes of the accounts and present in the financial statements by revalue again in the future.</p> | <p>The effective life of assets should be estimated again and accounted in accordance with Sri Lanka Public Sector Accounting Standards.</p> |
| <p>(c) Accordance to the Paragraph 16 of the Sri Lanka Public Sector Accounting Standards No.18, although the value of the Biological Assets should be estimated and accounted, the 5,654 valuable trees in the Talawakele, Ratnapura, Hanthana, Passara and Kottawa regional offices had not been assessed and shown in the financial statements.</p> | <p>Action will be taken to assess the commercial value of timber valued plants in consultation with the relevant agencies and necessary actions to accounts it will be taken thereafter.</p> | <p>The value of Biological Assets should be assessed and accounted</p> |

1.5.2 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) The machines imported at a cost of Rs. 4,142,173 in 1982 by the Board had not been used as they were not suitable for the relevant project and although the Parliamentary Committee on Public Enterprises had ordered in 2014 that the value of these</p>	<p>According to the recommendations given by the Ministries and the Tea Research Institutions Audit and Management Committee Meetings held on 25.03.2021 and 07.07.2021 respectively, actions were taken to send a</p>	<p>Action should be taken as per orders of the Parliamentary Committee on Public Enterprises.</p>

machines should be write-off from books with the approval of the Treasury, the values of these machines had been shown in the financial statements under the Work in Progress without being written off. Therefore, the value of Work in Progress at the end of the year under review was overstated by the above amount in the financial statements.

letter to the Treasury through the Ministry of Plantation on 05.08.2021 by requesting to write off these expenditures stating that such expenditure details were not maintained regarding the things expected to be carried out by the project, the machinery purchased and the time period for which these researches were conducted etc. Necessary action will be taken by following up on this.

- (b) Although 08 vehicles belonging to the Sri Lanka Tea Board amounting to Rs. 8,913,550 were revaluated and stated in the financial statements, the ownership of the vehicles had not been transferred to the Tea Research Board. It was also not disclosed in the notes or in the financial statements.

Two vehicles had already been taken over out of the 09 vehicles belonging to the Sri Lanka Tea Board. Form CMT 52 had been handed over to the Department of Motor Traffic to take over the ownership of 04 more vehicles. The remaining three vehicles had been referred for repairs and action will be taken to acquire ownership after obtaining emission reports. Vehicles that had not been transferred the ownership will be disclosed through notes of the accounts in the future.

Action should be taken to take over the ownership of the vehicles as soon as possible.

- (c) The income tax of Rs.1,619,925 to be paid on the interest income of Rs. 6,749,688 during the year under review had not been accounted and the value of 8,504 kg of dust tea were remained without being sold at St. Coombs Estate at the end of the year under review had not been charged and accounted. Also, the construction cost of Rs. 1,583,508 of the "Save the Children" project belonging to

Necessary action will be taken on the reply received to the letter sent by the institution inquiring whether it is necessary to pay income tax on the interest income received. Previously, dust tea stocks had not been disclosed in financial statements and action will be taken to disclose the stock of dust tea from the notes of the accounts during the preparation of the accounts for the year 2021.

Assets and liabilities should be clearly identified and taken into the accounts or disclosed in financial statements.

the above estate which was completed in the year 2019 had been shown as Work in Progress without being capitalized.

The balance of the work in Progress account related to the Save the Children Project will be capitalized in the preparation of accounts for the year 2021.

- (d) The vouchers and supporting documents for a sum of Rs.2,381,613 paid on obtaining ISO certificate indicated under Intangible Assets in the Financial Statements of the St. Coombs Estate had not been submitted for audit.
- The ISO certification for the St. Coombs Estate expired in 2014 and the Audit and Management Committee meeting held on 25.03.2021, it was recommended the cost of Rs.2,381,613 incurred until then, adjust to the profit of the financial statements as a prior year adjustment and deduct the value of those intangible assets from the accounts .
- Confirmation documents relating to the expenses incurred for obtaining the ISO certification are currently being prepared for submission to the Board of Directors by a Board Paper. Action will be taken later to remove it from the accounts.
- I.S.O standard certificate and related supporting documents should be submitted to the audit.
- (e) According to the financial statements, the value of the vehicles of the Tea Research Board is Rs. 72,132,125 and an un-reconciled difference of Rs.371,534 was observed because their value was Rs.71,760,591 as per the schedules submitted with the accounts.
- Due to having to adjust the revaluation values relevant to 01.01.2015 to 31.12.2018, there is a difference of Rs. 371,543 between the Talawakele Vehicle Schedule Balance and the Ledger Account Balance of the Tea Research Institute due to a sum of Rs. 371,543 remains in the vehicle ledger account without being removed. This will be corrected by the 2021 accounts.
- The reasons for the difference should be identified and corrected.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The actions had not been taken to recover the Analytical Charges amounting to Rs. 1,033,905 due to the Tea Research Institute from the estates from the year 2017 to the year 2020.	Arrangements will be made to obtain a balance confirmation from the relevant service providers regarding the revenue to be received for the analysis activities in the years 2017, 2018, 2019 and 2020 and to carry out future accounts.	Action should be taken to recover the receivable money without delay.
(b) A sum totalling Rs. 901,846 receivable from the institutions such as the Ministry of Plantation Industries, Tea Small Holdings Development Authority and the Sri Lanka Tea Board were included in the other debtor's balance of Rs. 1,960,497 in the statement of financial position of the St. Coombs Estate are being carried forward since 2011 and it had not been recovered until the end of the year under review.	It was informed that the information was not in the office. Therefore, it has become impossible to recover this money. It has been directed to investigate in further and report to the Audit and Management Committee meeting.	Action should be taken to recover the amount receivable without delay.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
The credit balances amounting to Rs. 1,820,148 to be paid to the creditors since 2010 were included in creditors and payable amounts of the St. Coombs Estate and the action had not been taken to settle them.	The action will be taken to settle those credit balances in the future.	Action should be taken immediately to settle to the relevant parties or if the claim is not made, it should be confirmed and credited to the income.

1.6.3 Advances

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
The advances amounting to Rs.1,504,723 were given by the Tea Research Board during the year under review, 2017 and 2019 for the supply of goods and services had not been settled even as at end of the year under review.	The unpaid advances given in the years 2017 and 2019 will be reconsidered and the necessary actions will be taken to settle through the accounts in the year 2021. Advance payments for the year 2020 will be settled and disclosed through the accounts for the year 2021.	Arrangements should be made to settle the advance as soon as the work is completed.

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

----- Reference to Laws, Rules Regulations etc. -----	----- Non-compliance -----	----- Management Comment -----	----- Recommendation -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571(3)	The action had not been taken on retentions amounting to Rs. 831,705 which were unsettled over 02 years as per the regulations.	Action will be taken to remind again to the Engineering Division regarding retentions exceeding 02 years and action will be taken in the year 2021 to release the retention money or identify it as income on the work certificate issued by the Engineering Division.	Steps should be taken to settle or credit to the income if it is confirmed that there is no claim.
(b) Section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although an acting appointment should be made on temporary basis until a permanent appointment is made, the appointments had been	Applications are already called and the necessary arrangements will be made to conduct interviews in the future after obtaining	Permanent appointments should be made instead of acting appointments.

made on an acting basis approval.
 for the post of Senior
 Accountant, 4 posts of
 Divisional Heads and 2
 posts of Stores Managers
 of the Board for a period
 of 2 to 8 years and a sum
 of Rs. 1,533,765 had been
 paid during the year under
 review.

- (c) Public Enterprises Circular No. PED / 12 dated 02 June 2003 and Section 11 of the Finance Act No. 38 of 1971. Although the approval of the Minister of Finance and the relevant Minister should be obtained when investing money, such approval had not been obtained by the Board for the investment of Rs.80,678,533 in the short-term deposits as at 31 December 2020. The funds maintained up to 2008 for Gratuities of the Tea Research Institute and an amount of Rs.80,678,534 comprising the revenue from St. Joachim Estate for the year 2021 had been invested in the short term deposits with the approval of the Board of Directors in 2008 and 2013. The approval of the Minister of Finance and the relevant Minister should be obtained when investing money according to the Circular.
- (d) Public Enterprises Circular No. PED / 12 dated 02 June 2003.
- (i) Section 9.14 Although a Procedure Manual for the formulation of rules and regulations for human resource management should be prepared and the approval of the Secretary to the Treasury should be obtained, actions had not been taken by the Board accordingly. A letter dated 28.07.2021 had been sent to the Department of Public Enterprises for advice on further action to be taken in this regard or regarding the general format mentioned above. According to a telephone conversation had with the Department of Public Enterprises, it was Action should be taken as per the Circular.

informed that the general format will be unveiled in the next two weeks.

- (ii) Section 6.5.1 A draft of the Annual Report along with the financial statements had not been submitted to the Auditor General. Action will be taken to submit a draft of the 2020 Annual Report to the Auditor General. Action will be taken to submit a draft of the Annual Report to the Auditor General along with the financial statements from 2021. A draft of the Annual Report should be submitted to the Auditor General along with the financial statements.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 48,058,726 and the corresponding deficit in the preceding year amounted to Rs. 151,170,276. Therefore a deterioration amounting to Rs. 103,111,550 of the financial result was observed. The decrease of deficit in St. Joachim Estate and St. Coombs Estate by Rs. 32,816,911 and decrease in Administration Expenditure by Rs. 92,575,248 were mainly affected for this situation.

3. Operational Review

3.1 Uneconomic Transactions

Audit Issue -----	Management Comment -----	Recommendation -----
<p>Purchased of Walk in Type Environmental Controlled Facility at a cost of Rs. 14,030,854 on 24 November 2017 from India had not been installed and commissioned properly. Although 03 years had passed, it had not functioned at the desired level and therefore it couldn't be used for research purposes.</p>	<p>Arrangements were made to file a case against the company that purchased the device through the Attorney General's Department. State Counsel Ms. Maithri Amarasinghe, who is in charge of the file, said that the complaint had been prepared and it will be filed in the Nuwara Eliya District Court by the Nuwara Eliya State Counsel as soon as possible after</p>	<p>Legal action should be taken expeditiously to recover the losses.</p>

referring it to the Director of the Institute.

3.2 Management Inefficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
(a) The bank overdraft balance of Rs.13,453,726 of the Board for the year 2019 had increased up to Rs.30,611,962 during the year under review and the interest expenditure that had to be paid by the Board during the year under review was Rs.1,459,726.	According to the Cash Book of the Tea Research Institute, although a bank overdraft of Rs. 16,352,742 was shown in the Bank of Ceylon Corporate Branch, as the Bank of Ceylon maintains a fund management savings account (Call Deposit type) in connection with the current account of the Corporate Branch, cheques presented to the current account are drawn from the deposit account and payments are made from cash.	Financial management should be done in a way those benefits to the institution.
(b) Although buildings were constructed at a cost of Rs. 72,031,804 in Walahanduwa, Deniyaya and Kottawa Regional Offices before 2010, the action had not been taken to transfer the ownership of those lands to the Board.	The Walahanduwa land is owned by the State Plantation Corporation and action had been taken to bring it to the attention of the Ministry of Plantation to take over the ownership of the portion occupied by the Tea Research Institute. The Deniyaya land is owned by the Talawakele Plantation Company and ownership is being applied and it will hope to discuss this with the relevant plantation company in the future. Necessary affidavits signed by the present Chairman of the Tea Research Board had been sent to the Yakkalamulla Divisional Secretariat in Galle on the instructions of the tax officers for the acquisition of the Kottawa land on a long term lease basis for 30 years.	Action should be taken to transfer the ownership of the relevant lands to the Board.
(c) The bonds valued at Rs.15,054,891 couldn't be recovered by the end of the year under review	The cases were filed against four officers who failed to return to work by violation of bond agreements. At present, bond agreements signed by officers who are	Examine whether the delays in legal proceedings were intentional and

due to breach of agreements entered into with the Board in 2005 and 2009 by the four officers who were not return to work from abroad after finishing of full pay study leave.

on study leave for local and foreign training are carried out properly and systematically.

take appropriate actions, implementing possible alternative methods for finding information about officers.

- (d) Although the loss of Rs.10,300,169 incurred from a financial fraud that occurred in 2017 due to internal control weaknesses in the St. Coombs Estate is being in the debtors balance, it had failed to recover damages or take disciplinary actions up to the end of the year under review by conducting investigations.

The actions taken on the cash fraud incurred on the sale of tea at the St. Coombs Estate Tea Shop amounting to Rs. 7,073,432 and the fraud on cash deposits amounting to Rs. 5,207,571 incurred in the current accounts of St. Coombs Estate Office were attached with this. The investigation activities on these activities are being done by the Administration Division.

Action should be taken to conduct formal investigations and disciplinary inquiries relating to financial fraud without delay.

- (e) It was observed that the Board did not have the original vehicle registration Certificates for two vehicles belonging to the Tea Research Board and the physical assets verification conducted for the year 2020 revealed that the Hanthana sub-office had not registered a 2 wheel hand tractor with the trailer.

The details of the originals of the vehicle registration certificates are as follows.

- No. 32-1806, this hand tractor belonging to the Hanthana sub-centre was received by the Tea Research Institute about 25 years ago. Further actions for registration will be taken after inquiring to the Department of Motor Traffic.

Urgent action should be taken to obtain the original registration certificates of the vehicles belonging to the Board.

3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) There was less tendency to replanting is observed because the capital expenditure incurred as replanting from 2015 to 2020 at St. Joachim Estate were seem to decreased Rs.9,242,229, Rs.1,822,004, Rs.1,325,706, Rs.655,369, Rs.21,000 and Rs.283,187 respectively and it is observed that this condition directly affects also the decrease in the yield of the crop. Accordingly, it was observed that this situation had caused the entire factory with an annual capacity of 1,020,000 kिलograms of processed tea to become underutilized from 72 per cent to 85 per cent of that capacity last year and during the year under review.</p>	<p>Replanting had not been possible for many years due to lack of funds. The Estates Advisory Committee had recommended operating the factory at a lower capacity until the deficiencies in the machinery are rectified and the lack of working capital, to minimize the loss of the factory. Further, it was also recommended to the installation of a color sorting machine and to increase capacity based on the price received from it. A color sorting machine had already been purchased to enhance the quality of the processed tea and it is hoped to increase the income of the estate and maintain the factory at optimum capacity. The Ministry of Plantations had already approved a provision of Rs. 50 million for development of St. Joachim estate.</p>	<p>Action should be taken to increase the capital allocation required for replanting and crop rehabilitation.</p>
<p>(b) Out of the 103 research projects currently under implementation in the Board's Action Plan for the year under review, only 34 projects were completed during the year under review and it was observed that the progress of the remaining 69 projects ranged from 2 to 95 per cent. According to the information submitted to</p>	<p>All research projects belong to the long-term research category. Therefore, research activities related to projects will be carried out over a period of several years. According to the Corporate Plan 2013 - 2017, some of the decisions taken by the Tea Research Institute to postponed 38 research and development projects submitted with the participation of stakeholders in the tea industry are,</p>	<p>Action should be taken to successfully complete and effectively utilize the research projects currently in operation shown in the Action Plan.</p>

the audit, out of the research projects initiated from 2013 to the year under review, 10 research projects due to the shortage of skilled human resources in the tea industry by the year 2019 and 28 research projects cost at Rs.40,891,685 had been postponed or abandoned due to various reasons.

conduct by considering the current requirements on the recommendations of the

(i) Scientific Advisory Committee (SAC) and

(ii) Consultative Committee on Research (CCR).

These projects had to be postponed due to lack of suitable human resources which are not under the control of the institution. However, to meet those needs, some of the projects selected on the advice of the Tea Research Board and the Advisory Committee on Research were commenced in 2020/21 with external universities and foreign institutions.

- (c) It was observed that out of the total number of plants in the year under review, namely 111,608 plants valued at Rs. 2,899,177 out of 175,286 in the tea nurseries at the Deniyaya, Hanthana, Kottawa and Passara Regional Offices of the Tea Research Institute had remained unsold at the end of the year and it was 64 per cent of the total number of plants. The cost incurred for a plant had also varied from Rs. 17.15 to Rs. 29.54.

The tea shoot planting in nurseries is done at different times of the year according to the Nursery Calendar and the region. (Low Country - July to September, Uva - September to November) It usually takes 9 to 12 months to get a quality tea plant. Therefore, at the end of each financial year, there are usually a significant number of tea plants in the nurseries. Tea plants are also retained for mother plant projects and research purposes. The unit cost of the same centre also varies from year to year because of the change of the cost of preparation of nurseries, soil and expenditure on labor for tea nurseries.

Strategic measures should be introduced to increase the sales of plants in tea nurseries.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
It was observed that there were 17 totally unperformed procurement activities amounting to Rs.2,585,000 up to end of the year under review according to the Procurement Plan.	The performance of the procurement programme should be revised.	Plans should be prepared that can be implemented in practice.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) Although there were 36 senior management posts on the approved cadre of the Board, 26 posts had vacant during the year under review. There were also 13 vacancies in senior academic and research positions and 60 per cent vacancies out of technical and non-technical management assistant posts. Further, as per Public Administration Circular No. 25/2014 dated 12 November 2014, although 98 employees who had been recruited on temporary or casual basis for more than 180 days had been given permanent appointments with effect from 24 October 2014, the approval of the Department of Management Services had not been obtained for inclusion into the staff of the Board until the end of	Out of the 36 senior management posts, 26 posts are internal promotions as per the approved scheme of recruitment and could not be filled due to lack of qualified internal candidates. It was submitted to the Board for approval to fill the posts of Deputy Director (Projects), Deputy Director Research (Processing and Technology). Letter of appointment for the post of Additional Director was issued. Also, applications had been called by publishing newspaper advertisements for the recruitment of Research and Extension Officer posts. According to the Public Administration Circular No. 25/2014 dated 12 November 2014, the Cabinet Memorandum submitted for approval to legalize the permanent appointments granted had not yet been approved. There are currently 29 vacancies in the PL 1 category due to death or retirement and the	Action should be taken to expedite the recruitment of essential posts in the approved cadre where vacancies exist. Approval of the employees who were given appointments in the year 2014 should be obtained from the Department of Management Services for admitted to the staff.

the year under review.

Ministry of Plantation had requested the Department of Management Services for the necessary approval to include those in the vacancy list.

- (b) Although there are no Officer in Charge (OIC) posts within the approved cadre, a sum of Rs. 360,000 had been spent as Acting Allowances during the year under review by appointing 07 officers to act in those posts. A sum of Rs.360,000 had been spent as Acting Allowances during the year under review by appointing 07 officers to act in those posts and total amount spent on this up to now from 2010 was Rs. 3,713,802.
- The post of Officer in Charge (OIC) is not a permanent post and not within the approved cadre of the Tea Research Institute. However, to carry out the administrative and financial activities smoothly in six Regional Centres, those officers who were appointed as Senior Research or Advisory Officers attached to those centres are done those activities and a monthly allowance of Rs. 5,000 is paid with the approval of the Tea Research Board because they are responsible for performing their duties 24 hours a day at the relevant centre.
- Appointments should not be made for any unapproved post.

4. Accountability and Good Governance

4.1 Tabling of Annual Report in Parliament

Audit Issue	Management Comment	Recommendation
The Annual Report of 2019 had not been tabled in Parliament.	The approval of the Ministry of Plantation had been received for the printing of the Annual Report of 2019 on 28.07.2021. Its background report was submitted to the Ministry of Plantation. The relevant copy of the report was handed over to the Government Press for the printing of that report. The first draft of the English version of the Annual Report of 2019 was now received by us from the Government Press and editing of the Sinhala and Tamil versions of 2019 are in progress.	The Annual Report should be tabled in Parliament as per the Public Enterprises Circular No. PED / 12 dated 02 June 2003.

4.2 Budgetary Control

Audit Issue	Management Comment	Recommendation
<p>The instances of incurred expenditure amounting to Rs. 123,016,573 or 105 per cent exceed the estimated allocation of Rs.116,668,160 in 17 Expenditure Codes were observed and the instances of utilization of provisions of Rs. 5,113,435 only or less than 50 per cent out of the total provision of Rs. 35,997,000 were observed in 16 Expenditure Codes. It was observed in instances where expenses had been incurred when no provision had been made as well as the instances of total allocation of Rs. 13,800,000 were totally saved. Accordingly, it was observed that the budget had not been used as an effective control factor.</p>	<p>The expenses had to be incurred by exceeding the provisions as the essential activities of the institution had to be carried out. Further, although the annual budget was prepared in other years, the Expenditure Head for 2020 was prepared on a quarterly basis. Thereafter, the budget for the whole year 2020 was prepared and then the expenditure had exceeded the allocation. Further, expenditure on capital items was made from last year's budget and through special projects.</p> <p>There were instances where left more than 50 per cent of the funds outstanding due to the quarantine curfew and isolation imposed by the COVID-19 pandemic situation.</p> <p>Three insurance payments for 2019 had been made in 2020 in the instances where provisions had not been allocated. The totally saved provisions were carried forward to the year 2021.</p>	<p>The budget should be used as an effective control factor.</p>

4.3 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
<p>According to the United Nations' Sustainable Development Goals "2030 Agenda", although the Tea Research Board should identify sustainable targets and their progress measurement indicators and annual milestones for the activities under its purview and include those activities in the Annual Action Plan, it had not been done accordingly.</p>	<p>The Sustainable Development Goals (SDG) numbers were included in each project in the Tea Research Institute Action Plan 2020 and activities were carried out accordingly. Further, in addition to the Sustainable Development Goals (SDG) numbers for the Tea Research Institute Action Plan 2021, the</p>	<p>Action should be taken in accordance with the Sustainable Development Act No. 19 of 2017.</p>

relevant numbers of Vistas of Prosperity (VP) and the Ministry of Plantation Strategic Plan –MP SP (2021-2025) had been included.