

Sri Lanka Tea Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Tea Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of comprehensive income, statement of changes in equity and the 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, Sri Lanka Tea Board Act No.14 of 1975 and the Finance Act No.38 of 1971. My comments and observations which I consider should be reported 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on 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 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 Accounting Standards and for such internal control as management determines 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 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 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement 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 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 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

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 preparation of the Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to relevant Standard	Comments of the Management	Recommendation
(a) Even though the assets with a cost of Rs.183,520,144 completely depreciated at the end of the year under review were being further utilized by board, it had not been accounted having assessed the useful life time again of such assets or disclosed in the accounts as per paragraph 51 of Sri Lanka Accounting Standards 16.	As at 31 December 2024, the action will be taken to properly revalue these all assets and disclose in the financial statements.	Even though it had been completely depreciated, the disclosures should be made in relation to the assets which are being used.
(b) In accordance with Sri Lanka Accounting Standards 07, even though the relevant adjustment should be made to the profit before tax in the year under review in the preparation of the cash flows statement, the adjustment had been made in the cash flow statement by using the profit after tax.	The rectified cash flow statement had been submitted.	In the preparation of the cash flow statement, the relevant adjustments should be made to the profit before tax in the year under review.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Since an amount of Rs.5, 573,342 paid for reservation of the stalls and visa in the “Prodexpo 2024” exhibition scheduled to be held in Moscow in Russia in 2024 had been accounted as an expense in the year under review without accounting as the pre payments, the expenses of the year under review had been overstated by same amount and the pre payments had been understated.	The relevant rectifications had been made through journal entries.	The payments made for future period should be accurately accounted.
(b) Instead of adjusting the expense for participation for international exhibitions and trade fairs of Rs. 4,800,000 understated in the preceding year promotion and marketing deposit account, it had been adjusted under the retained earnings. Therefore, from that amount the retained earnings account had been understated and the promotion and marketing deposit account had been overstated.	The relevant adjustments had been made to promotion and marketing deposit account through the journal entries.	The expenses should be accurately accounted in preparation of the financial statements.
(c) The expenses of the year under review had been overstated by Rs.586, 550 due to debiting to participation expenses for international exhibitions and trade fairs account instead of debiting to promotion and marketing deposit account in paying back of Rs. 586,550 in the year under review out of the advance received in 2021 from 05 exporters for participation for international exhibitions and trade fairs.	The action had been taken not to occur this error again by incurring the participation expenses for all international exhibitions and trade fairs through an advance account.	It should be accurately accounted in settlement of received advances.

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| (d) | It had been decided by the board in 2022 not to carry out 06 creative programs in the global promotion and marketing program for “Ceylon Tea”. Since the provision of Rs. 9,414,411 performed in 2017 for that had been accounted under the marketing and promotion accrued expenses even up to the closing of the year under review without taking action to adjust again, the current liabilities had been overstated by same amount and the promotion and marketing deposits had been understated. | Since a problematic situation had arisen in relation to this payment, the steps had been taken to keep this provision until the proper instructions will be given related to the payment. | The action should be taken to adjust again the provisions allocated for the activities which had not been implemented. |
| (e) | A payable amount of Rs. 4,534,238 to SLTB Official Packer had been accounted twice as payable. | The error occurred had been rectified through the journal entries. | The payable balances should be accurately accounted. |
| (f) | Since the finished tea stock of Rs. 2,628,416 supplied to the main stores by SLTB Official Packer in the year under review had not been included in the cost of sales in tea outlet, the surplus of the year had been overstated by this amount. | By making adjustments to the profit in the previous year, the error occurred in 2023 had been rectified through journal entries. | The finished tea stock should be correctly accounted in preparation of the financial statements. |
| (g) | Since the promotion materials (except tea and packaging) worth of Rs. 905,187 freely issued in the year under review from the main store for promotion had been debited to tea issuance expense account for foreign operations and debited to the cost of sales, the cost of sales in the year under review had been understated by Rs. 905,187 and overstated the expense account from same amount. | The error occurred in 2023 had been rectified presently through journal entries by making adjustments to the profit in the previous year. | The necessary adjustments should be made for cost of sales. |
| (h) | Since In calculation of the final stock value as at 31 December 2023, the stock of clothing bags worth of Rs. 3,774,644 existed in the main store had been accounted in both promotion materials and stationeries accounts, the consumer materials stock value had been overstated from that amount and the surplus had been understated in the financial statements. | It had been already rectified having adjusted to the profit of previous year through the journal entries. | The stock should be accurately accounted in the preparation of the financial statements. |

- (i) Even though there was Rs. 51, 300,000 in a provision account for organic fertilizer subsidy project at the beginning of 2023, a subsidy of Rs. 1,100,000 paid for that project in 2023 had been debited to expense account without debiting to provision account. Therefore the surplus of the year had been understated by same amount and the provision for organic fertilizer subsidy project had been overstated.
- The debit of provision to expense account had been rectified through the journal notes.
- The issuance of money to the recipients of subsidy should be accurately accounted.
- (j) Rs.4, 208,900 received from sale of finished tea stock in the tea outlet belonging to Tea Board, had been identified as exporter pack sale income. Accordingly, tea sale income had been understated by Rs. 4,208,900 in the financial statements at the end of the year under review.
- The action will be taken to accurately account in the future.
- The sales income of the board should be accounted having classified accounts accurately.

1.5.3 Unreconciled Control Accounts or Reports

Subject	Value as per the financial statements Rs.	Value as per corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
Laboratory Income	31,589,500	42,927,750	11,338,250	The charge of fees or not for all the tests carried out by Laboratory Division is determined by Tea Commissioner Division and this income contradiction had arisen owing to not informing by Tea Commissioner Division to Laboratory Division to adjust again the laboratory income for the samples on which fees are not charged.	Having strengthened the internal control related to laboratory tests of the board, such income should be accurately accounted.

1.6 Accounts Receivable and Payable
1.6.1 Receivables

Audit Observation	Comments of the management	Recommendation
<p>(a) Even though Rs.918,679 remained from 15 countries out of Rs. 51,604,457 given to the foreign embassies for Global Tea Party in 2017 and Rs.868, 578 to be received from the embassies from china, United Kingdom and Moscow had been remitted to the Ministry of Foreign Affairs in Sri Lanka from relevant embassies, it had been accounted as a balance receivable without taking action to obtain the money from the ministry even up to the date of audit.</p>	<p>It had been informed that the money deposited in the general deposit account by the Ministry of Foreign Affairs will be expeditiously released to Sri Lanka Tea Board and the follow-up is being carried out.</p>	<p>The action should be immediately taken to settle the money receivable having discussed with relevant institutions.</p>
<p>(b) Even though it had been decided to stop the functions of the tea promotion unit of Sri Lanka Tea Board established in United Arab Emirates since 30 April 2022 as per the decision of Board of Directors No.2022/513/10 dated 28 February 2022, the fixed assets of Rs.1, 849,494 and current account balance of Rs.8, 237,377 of the unit had not been settled up to 31 December 2023.</p>	<p>Though it had been informed to the embassy about current account balance at several occasions, they had not respond for that. The fixed assets under the custody of the tea promotion unit had been transferred to the consular division and the action will be taken in 2024 to adjust the assets after obtaining the reports on that.</p>	<p>The action should be expeditiously taken to settle the fixed assets and current account balances.</p>
<p>(c) Even though the amount of Rs.1,098,063 (AED 12,500) received from sale of motor vehicle which had been purchased at a cost of Rs.2, 366,735 in 2013 for tea promotion unit of Sri Lanka Tea Board established in United Arab Emirates on 31 August 2023 had been remitted to Ministry of Foreign Affairs in Sri Lanka, said amount had not been received to the board even up to March 2024 and it had been accounted as a receivable balance.</p>	<p>The action had not been taken by Ministry of foreign Affairs to remit it Sri Lanka Tea Board.</p>	<p>The action should be immediately taken to settle the amount to be received to board.</p>

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
<p>A deposits of Rs. 90,304,143 which had been deposited in the board by owners of tea factories for the payment to tea leaf owners in change of the ownership of the tea factories and payment for the complaints made owing to non-payment of exact price to tea leaf owners and had not been properly settled until the end of year under review but had existed and the deposits exceeding more than 05 years was Rs.4, 759,784 within it.</p>	<p>The approval required for the payment of money to the tea leaf suppliers by tea factory owners had been informed to the regional offices and it had been informed to tea commissioner unit by regional offices having carried out relevant activities. Subsequently, the action will be taken to report to audit division after settling the relevant progress within next 03 months.</p>	<p>Having accurately identified the payable parties, the money to be paid to them should be promptly settled.</p>

1.6.3 Advances

Audit Observation	Comments of the Management	Recommendation
<p>An amount of Rs. 33,470,665 out of advance amount of Rs. 125,000,000 given to Tea Small Holdings Development Authority by board for a special project of 25 million tea plants on 14 July 2021 had been included in the advance account as at 31 December in the year under review. The period of time of the memorandum of understanding entered with the authority had expired on 31 December 2023 and the board had not taken steps to recover the value which had not been utilized for the project as per the agreement and settle the relevant advances.</p>	<p>It had been informed by Tea Small Holdings Development Authority that paying vouchers will be immediately provided. Once such vouchers will be received, the action will be taken to submit the vouchers for audit after making adjustments in the accounts.</p>	<p>In accordance with the agreement, since the period of project had expired, the action should be promptly taken to recover the remaining money and settle the relevant advances.</p>

1.7 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules ,regulations	Non-compliance	Comments of the Management	Recommendation
(a) Regulations 02 and 03 of gazette notification of Democratic Socialist Republic of Sri Lanka No.1677/14 dated 27 October 2010	Even though the gazette notification for charging a tax of Rs.3.50 for each tea kilogram from every registered tea exporter in granting the permission in CUSDEC by Director General of Sri Lanka Tea Board by allowing to export tea, had been revoked by the gazette notification No.2258/15 dated 14 December 2021, an amount of Rs.1, 003,428,373 had been charged from tea exporters by board from 15 December 2021 to 04 August 2023.	After Legal Draftsman's Department had informed that the charging tax is illegal as per section 25 of Tea Board Act, the gazette notification No. 1677/14 dated 29.10.2010 had been revoked by the gazette No. 2258/15 dated 14.12.2021. However, the tax amount of Rs.3 had been paid by the tea exporters to Tea Board on the concurrence of the Board of Directors.	The enforcement of and implementation of the regulations should be performed in formal and periodical manner taking into consideration the legal provisions in preparing the regulations.
(b) Paragraph 3 of Public Enterprises Circular No.01/2021 dated 16 November 2021	Even though the Operational Manual on the operational process and the controls including the human resources management of the board should be prepared, its activities had not been completed by board up to the end of the year under review.	The drafting of the operational manual had been already performed.	After preparing the operational manual, its activities should be implemented under a formal approval.

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a surplus of Rs. 194,872,796 and correspondingly, the surplus in the preceding year was Rs.210,289,737. Accordingly, it had been observed a deterioration of Rs.15,416,941 in the financial result. The increase of development, administrative and financial expenses by Rs. 190,785,879 , Rs.59,914,670 and Rs.72,914 respectively had mainly caused for this deterioration in comparative the previous year.

2.2 Trend Analysis of major Income and Expenditure items

Subject -----	2023 Rs. -----	2022 Rs. -----	Difference Rs. -----	Difference as : percentage -----
Income -----				
Laboratory Income	31,589,500	19,802,796	11,786,704	60
Income of Rs.1.50 received from promotion and marketing tax fund for development expenses	212,786,346	-	212,786,346	100
Income of Rs.1.50 received from the license fee income for development expenses	154,483,798	-	154,483,798	100
Promotion and marketing tax fund	150,000,000	409,228,000	259,228,000	63
Fixed deposit interest income	112,610,616	75,129,356	37,481,260	50
Income earned from the commercial activities	21,812,366	10,200,165	11,612,201	114
Other Income	11,927,460	8,656,261	3,271,199	38
Expenditure -----				
Development Expenses	335,444,475	144,658,596	190,785,879	132
Financial Expenses	247,508	174,594	72,914	42
Administrative Expenses	564,794,804	504,880,134	59,914,670	12

The income received from the promotion and marketing tax fund and license fee income for development expenses was Rs.367, 270,144 and the amount transferred to the Tea Board from tea promotion and marketing tax fund had decreased by 63 percent comparing with the previous year and the laboratory income, fixed deposit interest income and profit earned from the commercial activities had increased by 60 percent, 50 percent and 114 percent respectively. The development, financial and Administrative expenses had increased by 132 percent, 42 percent and 12 percent respectively.

2.3 Ratio Analysis

In the year under review, current and quick asset ratios 3:1 and 3:1 and such ratios were 7:1 and 7:1 in the preceding year. The current assets had increased by 29 percent in comparison with the previous year but these ratios had decreased by 55 percent in comparison with the previous year owing to increase of current liabilities by 184 percent through existence of Rs.3,732,026,204 payable to the exporters received to board in 2023.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though it had been confirmed by the letter	Even though it had been requested by Sri Lanka Tea Board, the lease	The control of assets should be formalized

<p>No.4/10/37833 submitted to Provincial Land Commissioner, Western Province by Commissioner General of Lands that the land in extent of 1 rood 20 perches in which Kaluthara regional office is maintained is given to Sri Lanka Tea Board on long-term lease basis for 30 years since 2014, the lease agreement had not been signed so far.</p>	<p>agreement will be prepared by Palinda Nuwara Divisional Secretariat. The entering into agreement had delayed owing to non-preparation of such agreement so far.</p>	<p>through entering into legal lease agreement.</p>
<p>(b) The ownership of the land in which Nuwaraeliya regional office is maintained had not been legally transferred to board from Kelanivalley Company and Nuwaraeliya Divisional Secretary.</p>	<p>The activities for taking over the land in which Nuwaraeliya regional office had been constructed to Sri Lanka Tea Board are being performed and there is a delay of activities due to association with other public institutions related to this matter and it is a fact beyond control of Sri Lanka Tea Board.</p>	<p>Since the buildings had been constructed in a land without a legal title, the action should be immediately taken to get the legal ownership of the land to board.</p>
<p>(c) The Board had failed to recover a lease amount of Rs. 986,253 receivable to board from 2019 to 31 December 2023 from tea outlet of Nuwaraeliya regional office of Sri Lanka Tea Board.</p>	<p>On the backdrop of the tourist industry owing to Covid pandemic and Easter attack, the lessee had expected a concessionary solution from Sri Lanka Tea Board and a concession had been given to the lease rental from April 2021 to September 2021 on a board decision. Subsequent to adjusting the all charges to be received from lessee, an amount of Rs.986, 253 had to be charged at the end of 2022.</p>	<p>The action should be immediately taken to charge the rent income from the external parties.</p>
<p>(d) A loss of Rs. 62,603,006 had occurred to the board from Colombo Tea Outlet named "Tea Moments" commenced in 2014 and even though it had been informed to the Chairman to take appropriate action against the officers who had discharged the duties in a careless manner by the letter dated 06 December 2016 of</p>	<p>It had been noted to take action for carrying out a preliminary inquiry against the officers who had commenced without a feasibility study and acted in careless manner.</p>	<p>A formal measure should be taken to recover the loss having identified the responsible parties for this loss.</p>

the Secretary of Ministry of Plantation industries, no action had been taken so far.

(e) The Liquid Chromatography Mass Spectrometer purchased at a cost of Rs. 32,132,088 in 2009 had not been utilized up to date due to not in compliance with the expected specifications and a charge sheet had been issued against the Assistant Director attached to the laboratory at that time about the discrepancies occurred at the time of purchase. Even though the Board of Directors had decided to perform a disciplinary inquiry again after dismissing the decisions of the disciplinary inquiry, the board was unable to take necessary disciplinary actions at the end of year under review. The accused Assistant Director had retired in 2022 and the gratuity amount of Rs. 1,559,775 had been paid to the officer by board and an amount of Rs. 205,454 had been incurred by board for disciplinary inquiry.

The inquiry report made for the relevant matters had been submitted to Board of Directors on 03 May 2024 and the action will be taken to obtain the instructions from the Attorney General as per the approval of Board of Directors.

The action should be immediately taken to recover the loss occurred to board from the responsible parties due to the procurements not complied with the specifications.

(f) As per regulation No.11 of Public Enterprises Committee of Sri Lanka Tea Board held on 19 June 2012, it had been decided to transfer the ownership of “Ceylon Tea Museum” located in Hanthana belonging to Janatha Estate Development Board for a loan of Rs. 25,000,000 given to Janatha Estate Development Board by Tea Board in 2023 but more than 10 years had

The action will be taken to come to an exact concurrence having discussed about the loan in the future.

The steps should be expeditiously taken to recover the loan given to the external parties by board or settle in formal manner.

elapsed. No action had been taken to take over the ownership of the asset or recover the loan amount. Similarly, a loan amount of Rs. 10,000,000 had been given to Janatha Estate Development Board by Tea Board on the approval of the Board of Directors in 2020 and only Rs.1, 000,000 had been recovered at the end of year under review.

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| <p>(g) An amount of Rs. 150 million had been given to Tea Small Holdings Development Authority in the year under review for direct tea cultivation project implemented by Small Tea Holdings Development Authority with the financial assistance of Rs. 750 million by Sri Lanka Tea Board and no memorandum of understanding had been entered into between both parties in relation to this matter.</p> | <p>As decided in the discussion held in Ministry of Plantation and as per the instructions of the Ministry of Plantation, this direct tea cultivation project had been commenced subject to board paper No. 2023/526/107 of Sri Lanka Tea Board and no memorandum of understanding had been entered into between both parties.</p> | <p>The action should be taken to come to a formal agreement in relation to the project activities performed between both parties and funds.</p> |
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3.2 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
<p>(a) Even though an amount of Rs. 174,332,138 had been incurred for creation of Television advertisement in English language for usage of Television media for traditional higher level advertisement under global promotion and marketing programs for “Ceylon” tea and translation those into Chinese, Japanese, Arabic, Ukraine, German and Turkey</p>	<p>The contract related to completion the creative activities under global promotion program had been awarded on 06.11.2016 and even though the relevant 31 items had been completed, the contract pertaining to the preparation of media plans and purchase of media had been awarded on 21.03.2018 and accordingly, the preparation of plans required only for media survey and media purchases had been completed up to 20.03.2023. The Covid pandemic had</p>	<p>It should be utilized for global promotions and marketing programs based on the evaluation carried out on ability of present and future usage of these creative activities. .</p>

languages from 2016 to 2020, the purchase of required media for performing the advertisements in television Media which was the main objective of creation of such advertisements and related plans had not been prepared. Therefore, no advertisement had been made in Television Media. Similarly, it had been observed that 31 creative activities created with a cost of Rs. 39,832,808 had not been utilized for the relevant activities even at the end of year under review.

- (b) In accordance with the data obtained on the functions such as foreign user access to URL of Where to buy which provides the online facilities for internet purchases enabling to directly order Ceylon tea from exports and salesmen through the main web site www.pureceylontea.com and key components of other translated web sites and the web site under the creative activities of global promotion and marketing program for “Ceylon Tea” implemented by Sri Lanka Tea Board, it was observed that such access was in very low level at the data analysis on consumer relations web site and the consumer/user attraction had not been received to the web site internationally. Accordingly, it was observed at the inspection of web sites that the web site created at a cost of Rs. 172,939,768 had

affected for this delay. Even though the tender procedure in relation to purchase of media in 2019 had been commenced in Russia and Ukraine, the commencement of method for purchase of media and global promotion activities had delayed due to an external barriers and mismatch of procurement method in Sri Lanka.

The facts such as non-implementation of global promotion program and non-establishment of “Marketing Cell” had caused for under-utilization of this function. It had been decided by Board of Directors to carry out a preliminary inquiry related to the overall activities carried out so far and process including this task of global tea advertising program implemented by Sri Lanka Tea Board.

The action should be taken to effectively utilize for achievement of the expected objectives under global promotion program through obtaining the consumer/user attraction to the web site internationally.

- not performed an effective role for achieving the expected objectives under global promotion program.
- (c) Even though an amount of Rs. 107,088,740 had been incurred from 2019 to 2023 for the preparation of the media surveys and media plans for promotion of the Sri Lanka tea globally, the period of time of the media plans submitted for the all other countries except the media plan prepared for Chilli State among the plans prepared had expired but such functions had not been implemented up to the end of year under review.
- (d) Only media plan activities and media surveys had been completed in 12 selected countries out of the functions to be carried out by the contracted private company from 2018 to 20 March 2023 with 02 years extension 2018 and the contracted activities such as scheduling the media, perform duties as Media Purchase Consultant, proposing and development of key performance indicators, performance evaluation of media programs and appointment of full-time Digital Media Manager had not been completed.
- (e) Even though the both parties should enter into a written
- It is accepted that the implementation of the media plans had not been carried out within relevant time frame.
- The consultation for scheduling of media and purchase of media should be carried out by Dentsu Grant Institute subject to launching of media purchase and global promotion activities by Sri Lanka Tea Board and similarly, it had been proposed to carry out digital media optimization through full-time Digital Media Manager subject to purchase of media. Further, the evaluation of the effectiveness of the global promotion activity is a responsibility of the consultant. Since the all tenders called for purchase of this global advertising media had not compiled with the existing procurement procedures and had not succeeded. As a result of that, an opportunity had not arisen to carry out the above task by Dentsu Grant private company. For this task, an estimated amount had not been incurred.
- A copy of the amended agreement had been submitted to the Secretary
- After carrying out a proper evaluation on the ability for present and future usage of the media plans, such plans should be utilized for the global promotion and marketing programs.
- The action should be taken to complete the contracted activities related to the program in optimum level within the stipulated time.
- An agreement should be entered into between the

agreement at every occasion where the period of contract is extended as per paragraph 3.2 of the agreement signed between Sri Lanka Tea Board and the contracted company on 21 March 2018 for the promotion of Sri Lankan tea, there was no agreement signed between the company and board for extending the relevant period of contract from 21 March 2021 to 20 March 2023 and an amount of Rs.58,066,874 had been paid to the company within that period for media plans.

(f) Even though a preferential tariff rate quota had prevailed for tea under India Sri Lanka Free Trade Agreement (ISFTA) and Pakistan Sri Lanka Free Trade Agreement (PSFTA), a considerable utilization had not been reported from 2021 to 2023 and it was observed in the audit that total export quantity to India and Pakistan had decreased by 10 percent and 100 percent respectively in comparative with the previous year.

(g) Even though it had been observed that 18 percent world prod share for Sri Lankan tea in 2011 owing to no gradual growth of total tea production and exports in Sri Lanka had decreased up to 3.88 percent in the year under review as per Supplement to Annual Bulletin of Statistics 2023, no appropriate action had been taken to improve the market share.

of Ministry of Plantations on 09.09.2022 and a copy of that had been requested from Ministry of Plantations.

As a result of prevalence of non-tariff obstructions such as export/market access limitations and long delays for certifications and compliances with requirements, the quota had not been maximally utilized through the agreement and an identification in the observation is accepted.

It is accepted that a decrease identified in the observation had occurred. This had been affected by the other products and increase of their own products by export countries and participation for the international trade.

company and board in every occasion where the period of time is extended as per agreement.

It should be taken measures to promote the exports having avoided the restrictions for achievement of the maximum outcome through free trade agreements.

The necessary encouragements for expanding the investments for suitable tea in compliance with the international standards with high quality in order to enhance the share for Sri Lankan tea in the global market and improvement the tea production should be performed by board.

<p>(h) A loan of Rs. 3,093,468,442 had been given to the tea factories at the end of 2023 by board on 8 percent interest basis for providing the fertilizer. In accordance with section 2.4 of the agreement entered into between board and relevant parties, when it is failed to pay the loan instalment at the end of stipulated period of time, 21 percent delay interest should be charged annually on the receivable balance. Within the year under review, the board had not charged any delay interest on the loan balances recovered with delay.</p>	<p>The action will be taken to recover the delay interest to be charged on the loan balances received with delay to the board in due course.</p>	<p>The necessary action should be taken as per the agreements entered into with the factories and board.</p>
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3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>583 Serendib Tea film DVD worth of Rs. 1,427,184 which had existed as a stock not moving in long-term including in the stationery stock of the main stores and 420 tea pots out of 500 tea pots worth of Rs. 1,007,580 purchased in 2022 had not been used even up to the end of year under review. The funds utilized for the purchase of slow moving and not moving in long-term stocks had been idle owing to non-identification of the requirement existing as a stock not moving in long-term accurately including in the stationery stock of the main stores.</p>	<p>500 sets of tea cups had been prepared in 2022 for the usage of tea pots branded to Ceylon Tea under un-boxing method which is a major promotion and marketing strategy carried out by Key Opinion Leaders (KOLS) under Global Promotion Program. Accordingly, tea cups manufactured likewise are being used for KOLS promotion activities which had been carried out. The Serendib Tea films in the stores had been written in 1000 DVD in 2012. Presently, the sale of this video had declined due to ability of downloading through YouTube.</p>	<p>The action should be taken to identify the requirement and purchase the stock in optimum level and utilize those stocks for relevant objectives.</p>

3.4 Delays in Projects or Capital Work

Audit Observation	Comments of the Management	Recommendation
<p>An aggregate of Rs. 15,716,148 had been paid to a private company up to 31 December 2023 from a confirmation of Assistant Director (Information Technology) of board on a contract value of Rs. 53,964,995 for preparation of an information technology system for the tea industry. As per the agreement, even though the task should be completed within 18 months, the system had not been prepared even elapse about 03 years Even though the performance security of Rs. 26,982,497 provided by this private company had expired on 30 April 2022, no action had been taken to extend it even up to the date of audit.</p>	<p>This project had to be completed within 18 months as per a timetable. In accordance with the condition 3.5 of the agreement, the discussions had been conducted with the supplier private company to extend the performance security related to the above procurement and the steps in the basic stage had been taken to update the relevant agreement.</p>	<p>The action should be expeditiously taken to extend the performance security and complete the process of establishment of information technology system.</p>

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>No action had been taken by Board to recruit the officers for 03 posts such as Deputy Director (Marketing), Director (Promotion) and Director (Administration) belonging to the top management since 01-04 years.</p>	<p>The approval of the Board of Directors had been granted for filing the post of Director (Administration and Human Resources) and an acting officer from Ministry of Plantation Industries had been appointed for acting in the post. The Director (Advertising) is a post entrusted to perform the tea advertising activities in the zone giving priority to United Arab Emirates and the action will be taken to fill such vacancy after taking the final decision of starting such tea advertising office. Similarly, a draft cabinet paper had been forwarded to the Secretary of Ministry of Plantation Industries on 13.10.2023 for suppressing the post of Deputy Director (Marketing) as per the Decision of Board of Directors.</p>	<p>The action should be taken to recruit the officers for the essential posts in order to fulfil the objectives of the board for improve the performance and step should be taken to amend the cadre on the proper approvals.</p>