

Janatha Estate Development Board - 2022

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Janatha Estate Development Board and its subsidiaries for the year ended 31 December 2022 comprising the statement of the financial position as at 31 December 2022 and 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 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 the provisions of the National Audit Act, No.19 of 2018, State Agricultural Corporations Act No.11 of 1972 and the 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 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

My opinion is disclaimed based on the matters set out 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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer 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 intends 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 for 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 it 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 controls.
- Obtain an understanding of internal control relevant to the audit 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 for 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 the preparation of the financial statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with the relevant standard	Comments of the Management	Recommendation
(a) Even though the assets, liabilities, income, and expenditure should not be presented in the financial statements after set-off except for the event allowed in the standard as per paragraph 32 of Sri Lanka Accounting Standard No.01, the opening debit balance of Rs.1,067,176 of the gratuity account of Mulhalkale of the Board had not been identified and deducted from the total payable gratuity balance. Consequently, the payable gratuity balance of the Board had been understated by the same amount.	The payable gratuity balance in the balance sheet related to Mulhalkale Estate shows a debit value and the information in relation to these balances has not with the institute. Therefore, the action will be taken to separately show the said balance in the balance sheet for the year 2024.	It should be rectified after identifying the balance as per the accounting standard.

- (b) An amount of Rs.11, 832,543 incurred at the end of the year under review with regard to the compost manufacturing project as per paragraph 06 of Sri Lanka Accounting Standard 16 had not been identified as an expense and mentioned under work-in-progress.
- The compost stock remained in the estates is not physically available now and the said stock had been applied to immature cultivation of the relevant estate on the instructions of the management at that time. Therefore, the action will be taken to provide the relevant instructions to the estates to remove the cost of this compost manufacturing project from work-in-progress and capitalize on the immature cultivation of the relevant estate.
- The compost value which can't be identified as assets and not physically, available, should not be capitalized as per the accounting standard.
- (c) Even though the scrap value and useful life of property, plant and equipment should be reviewed and re-valued at least in every financial year as per paragraph 51 of Sri Lanka Accounting Standard 16, no action had been taken in relation to property, plant and equipment with a cost of Rs.597, 433,175 which are fully depreciated but still used at the end of year under review.
- The committee will be appointed to obtain the revaluation of the residual and useful life of these assets and it had been referred to the procurement division for the selection of the Valuation Officers for said committee. An adequate period of time is required for that. Subsequent to the occurrence of that process, the action will be stepped in to take relevant valuation amounts to the accounts.
- As per the standard, the assets that are utilized again and fully depreciated should be valued and accounted.
- (d) Even though the actuarial method should be used for the calculation of the employee benefit obligation as per paragraph 50 of Sri Lanka Accounting Standard 19, the employee benefits had been calculated based only basic salary of an employee drawn at the end of the year.
- The calculation of gratuity had been made in accordance with the Payment of Gratuity Act No.12 of 1983 by the Janatha Estate Development Board previously. It is also mentioned that the action is taken in relation to outstanding gratuity payment by the Department of Labour as per this Act. At the Audit and Management Committee meeting held on 10.06.2024, it was mentioned that the action taken as per the Payment of Gratuity Act is correct.
- Since the actuarial method is a more effective method for the calculation of employee benefits as per the accounting standard, the action should be taken accordingly.
- (e) The lands in extent of 123,856.11 hectares leased by the Board as per paragraph 34 of Sri Lanka Accounting Standard 40 had not been valued and accounted under the invested properties and the value of the lands in extent of 18,716.16 hectares controlled by the Board had not been valued
- The total land extent of 142,592.27 hectares belonging to the Board had been rectified as 142,572.27 hectares in update the existing register of land in accordance with the Land Division. Moreover, the lands in extent of 2872.48 hectares mentioned as not precisely identified had been reduced to 2604.75 hectares as per the Land Division.
- As per the accounting standard, the lease property should be accounted under invested properties and the other assets of the Board should be valued and

- | | | |
|--|---|---|
| and accounted under the property, plant and equipment in the financial statements. | Similarly, the estates belonging to Janatha Estates Development Board had been surveyed presently under the provision of the line ministry and the surveying activities of 4741.95 hectares of 07 estates provided to the Department of Survey by the line ministry for surveying activities of estates had been completed. | accounted under property, plant and equipment. |
| (f) In accordance with paragraph 12 of Sri Lanka Accounting Standard 41, the consumable biological assets of Rs.43,860,677 had not been annually valued and carried forward in the fixed way. Even though the biological assets of Rs.92, 644,464 had been sold in the year under review, no action had been taken to remove the cost related to that. | The timber valuation reports for the years 2022, 2023, and 2024 had been obtained by the Forest Resources Division. Accordingly, the action will be taken to make the relevant adjustment through the account and present in 2024 as disclosed through the notes to the financial statements in the year 2021. | As per the standard, the assets should be valued and accounted and the cost of sales should be removed from the assets. |
| (i) In accordance with paragraph 54(d) of Sri Lanka Accounting Standard 41, other mature biological assets of Rs.8,481,159 had not been verified for their existence and depreciated and accounted. | The above-mentioned values as at 01.01.2015 of mature cardamom cultivation and mature cloves cultivation had continuously existed in the accounts and it had been informed by the estates that those are not physically available. The step will be taken to obtain verification on that from the Superintendent of Estate and present it. Accordingly, the action will be taken to verify the physical existence of these assets and make depreciation or take appropriate action in the future. | The existence of the assets should be verified and depreciated as per the standard. |

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the opening tea stock of Rs.2, 369,453 included in the stock balance of Rs.3,180,485 prevailed in the Consumer Division as at 31 December 2022 is not physically available as per the report of the board of survey, no step had been taken to remove it from the stock.	Rs. 2,369,453 is not the value of obsolete tea stock in 2019 and that is a balance carried forward since the preceding years. This obsolete tea stock and the stock which is about to become obsolete stock had been sent to the estates for undergoing re-fire process which converts this stock into usable condition by the Consumer Division and it had been informed by said division that the tea stock will be brought back to the head office of the board after undergoing such a process and sold later. The adjustment of price relevant to such stock to this account had not been carried out so far and that action had been taken to rectify it in the year 2024.	The measures should be taken to identify the stock value that is not physically available and remove from the books.
(b) Even though the tea stock and tea plant stock of Rs.2,761,476 in relation to 11 estates included in the produced tea stock of Rs.32,762,427 as at 31 December 2022 are not physically available, it had been shown in the financial statements.	It is accepted that the tea stock of Rs.2, 761,476 with regard to 11 estates is not physically available. Since the institute has no documents, including supporting information required to write off these balances from the accounts, those balances continuously exist in the accounts. The detailed information related to obsolete stock in the Consumer Division had been included in the ledger account No. 54680 – Ten. It is stated that the institute has no adequate evidence or documents to write off the opening balance.	The step should be taken to identify the stock that is not physically available and remove from the books.
(c) Even though the cost of the biological assets taken over in the financial statements of the Board is Rs.17,925,652, the cumulative depreciation value was Rs.18,520,206 at the end of the year under review due to depreciation exceeding the cost. The net book value of the asset had a minus value of Rs.594,554.	These values had existed since before 2016, and the action will be taken to submit the information after finding out the depreciation value exceeding the cost again.	The step should be taken to rectify the depreciation of the assets exceeding the cost.

- | | | | |
|-----|--|--|---|
| (d) | The Tea factory and land located in 01 acre and 1.3 perches belonging to Hanthana Estate had been leased for a period of 30 years since 01 January 2001. The lease rental of Rs.39,100,000 recoverable within 21 years from the commencement up to date had not been charged and said receivable lease rental had not been accounted. | The details related to the lease rental of the tea factory located in this Hanthana estate had not been received to the Accounts Division in writing so far and the step will be taken to obtain the information in this regard from the Land Division and account in the future. | The lease rental recoverable to the Board should be exactly identified and accounted. |
| (e) | Though "Estate Development Project" implemented by the Ministry of Plantation Industries had been completed in 2010, an amount of Rs.4,136,733 incurred by the Board for the purchase of the roofing sheets in relation to that project had been carried forward since more than 12 years as another receivable balance in the financial statements of the Board. It had not been identified from which institute this balance should be reimbursed and though the recovery is uncertain, no provision had been made in the financial statements for that. | These projects had been completed in 2010 and though this balance should be recovered from the company that carried out this project sponsored by the Ministry of Plantation Industries to the Janatha Estate Development Board, the said institute is not functioning now. Therefore, the future action will be taken after finding out further information in this regard. In addition, the action will be taken to obtain the approval of the Board of Directors for the preparation of a policy for bad debts and doubtful debts of the institute. | The recovery of due amounts should be examined and a provision for doubtful debts should be made on the uncertainty for recovery. |
| (f) | The suspense account balance of Rs.1,863,756 included in trade and other payables at the last date of the year under review had not been identified and accurately accounted. | The balance of suspense account of Rs.1,863,756 of the head office had existed since 1996 and the information related to this couldn't be found. Since there is no information available in the institute in this regard, it couldn't be written off from books. | The step should be taken to settle the balance of the suspense account. |
| (g) | An advance amount of Rs.1,614,000 paid to the buyer for the purchase of a fuel tank for fixing in Lulkadura Estate had been accounted as work-In-progress without accounting as an advance. | Even though this fuel tank had not been physically received to Janatha Estate Development Board so far, 60 percent of the total cost had been paid for that. Since this fuel tank had not been physically received, it had been shown as work-in-progress. The step will be taken to account for the relevant asset account subsequent to work completion and receipt of such tank. | Since the procurements had been made as purchase of assets, the money provided should be accounted as advances. |

- | | | | |
|-----|--|--|---|
| (h) | Even though the cost incurred for the construction of Eco Tea Garden in Rathungoda Estate was Rs.2,775,742, an amount of Rs.3,644,726 from the work-in-progress account had been capitalized and as a result of that, the assets had been overstated by Rs.868, 984. | The adjustment of income and expense in Rahathungoda Eco Tea Garden asset account had been carried out in 2022. Accordingly, the balance of such an account had been mentioned as Rs.868,984. The action will be taken to rectify such account in 2025 by removing the income expense adjustment in 2022 from that account. | The measures should be taken to rectify the asset accounts and income expense accounts. |
| (i) | An office and an outlet in a floor area of 1,240.5 square feet on the ground floor of the head office belonging to the Board had been maintained by Halawatha Plantation Company since 2019 without payment and agreement. An amount of Rs.8,537,096 had been identified as receivable to the Board in relation to the period from 2019 to 2022 and no step had been taken to account or recover such money. | A request had been made to charge a lease rental for the part of the building with 1,240.5 square feet of the head office of Janatha Estate Development Board used by Halawatha Plantation Company since 2019 and accordingly, the step will be taken to set-off against the loan amount and interest payable to them. Though the action had been taken to sign the lease agreement with the arrival of such company to these building premises, it couldn't be fulfilled. However, the step had already been taken to charge the lease rental as per the valuation of the Government. | The action should be taken to recover and account for the money receivable to the Board through a formal agreement and a valuation. |
| (j) | The salary of Rs.1, 582,601 paid to the watcher included in the construction cost of tea outlet of Hanthana Estate had been shown in the asset account without accounting as revenue expenses and consequently, the assets had been overstated by the same amount. | It had been erroneously debited to the asset account by Hanthana Estate and the action will be taken to rectify since 2025. | The measures should be taken to rectify the assets and expense accounts. |
| (k) | Monthacristo Estate had been leased to the various parties since 2003 and the cost of property, plant and equipment and the biological assets of Rs.32,168,955 belonging to this estate had been carried forward since many years under leased property and the Board had not verified the existence of such assets and made relevant adjustments and | Since the documents pertaining to the assets of this Monthacristo Estate are not available, these assets have not been depreciated and it is difficult to further verify the existence of these assets also. | The depreciation should be made after verifying the existence of assets. |

calculated the depreciation related to such assets and accounted it.

1.5.3 Unreconciled Control Accounts or Reports

Item	Value as per financial statements Rs.	Value as per the corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
Loan and interest balance receivable to the Board from the Sri Lanka State Rubber Corporation	119,318,496	97,709,342	21,609,154	The receivable loan balance of Rs.119,318,496 from Sri Lanka State Rubber Corporation to Janatha Estate Development Board been analysed and summarized and a report on that had been submitted to State Rubber Corporation, Government Audit and the audit of the ministry also and only copies of the ledger accounts belonging to Estate Development Board as per their accounts had been sent to us by Sri Lanka State Plantation Corporation as the reply for the report sent by us and since the adequate information is not available, it is difficult to verify said accounts. However, the loan balance receivable from the Sri Lanka State Plantation Corporation is Rs.119,318,496 as per the Janatha Estate Development Board.	After accurately identifying the balance receivable and should be accounted.

1.5.4 Going Concern of Organization

The net assets and working capital of the Board had taken minus values of Rs.1,224,346,735 and Rs. 2,325,555,749 respectively as at 31 December 2022 due to the continuous occurrence of losses and the payable statutory payments were Rs.2,276,278,024 on that date. The adequate investments had not been made to settle these obligations and the payable bank loan balance was Rs.195, 969,195. Accordingly, it was observed that a material uncertainty exists on the going concern of the board as per paragraph 25 of Sri Lanka Accounting Standard No.01.

1.5.5 Documentary Evidence not made available for audit

	Item	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendation
(a)	Lands and buildings of the head office, buildings of estates, fixed assets and other balances, balance of the water supply project and old balances including the compost project of Nagasthenna and Galaboda estates balance related to the Onugaloya estate including in the property, plant and equipment balance of the board	1,535,427,939	Deeds of lands, plans, gazette notifications related to valuation reports and annual physical verification reports in relation to examination of the references	The detailed information on Rs.1,489,375,963 included in the Land and buildings belonging to the head office of Rs.1,503,744,550 mentioned as lands and buildings of the head office had been provided with the financial statements for the year ended 31 December 2020. The detailed information pertaining to other properties and buildings couldn't be found.	The action should be taken to physically examine the existence of lands, buildings and other properties and verify the accuracy of the balance of assets.
(b)	Immature other cultivations existed before 2015 included in the biological assets and mature other cultivation balances existed before 1996	14,501,969	Physical verification reports, tree census reports and reports related to assessment the value	These values have being carried forward in the financial statements since 1996 and action will be taken to rectify the balances after finding out the information required for each period of time.	The step should be taken to verify the accurate balances after carrying out a physical examination.

(c)	Deposit, other deposits and other creditor balances against operating lease assets included in the trade payables	379,809,047	Balance confirmation, receipts and age analysis related to the deposits	The balance of Rs.49,603,011 out of this balance had existed before 2015 and there is no possibility of finding out the information with regard to these balances within the institute presently. The other deposit balance of Rs.193,755,519 included in the balance payable is the advance balances received from the lessees for the future and the action will be taken to verify and rectify the balances including other creditor balances of Rs.120,258,519.	The measures should be taken to verify the accurate balances and settle through the balance confirmations.
(d)	Produced tea stock, old debtor balance in consumer division, receivable retained tax and Value Added tax	108,971,479	Stock valuation reports, balance confirmation, debtor age analysis and relevant source documents	The board of survey reports for the year 2022 had been submitted to the audit on 01.11.2024 and the information on the opening balance of the old debtor balance of Rs.4,441,537 in the consumer division is not available with the institute. Similarly, the recovery of retained tax of Rs.9,694,535 from receivable retained tax and Value Added Tax Rs.13,512,887 can be made when Corporate Income Tax (CIT) is paid. Since the Janatha Estate Development Board had incurred losses so far, the Corporate Income Tax had not been paid and therefore, this retained tax couldn't be recovered.	The stock values should be accurately calculated and the balances should be verified. The action should be taken to correctly adjust the balances that are not in the documents from the accounts.

(e)	<p>Loan amount obtained from People's Bank, payable tax liabilities (VAT, NBT,ESC),payable staff salaries and wages, unchanged old general reserve balance, plantation development project balance and payable balance for Mahaweli Housing Projects</p>	596,513,479	<p>Approval of Board of Directors and loan agreements, details of loan payments and balance confirmation, grace periods received from Department of Inland Revenue, source from which funds were received and policy for accounting it, work done reports and certified bills, age analysis and vouchers.</p>	<p>The loan amount obtained from the People's Bank is a very old balance and the information on this balance is not available with the bank. The balance related to the payable tax liability had existed since preceding years and the payments couldn't be made due to the financial difficulties prevailing at that time. The balances of Rs.224,486,712, Rs.55,280,753, and Rs.16,028,738 included in unchanged old general reserves are the balances unchanged since 2016. The payable balance of Rs.36,310,518 for the Mahaweli Housing Project had been provided by the Mahaweli Development Board to the Janatha Estate Development Board for the renovation of the buildings and lands submerged from the Mahaweli Project, and said money had not been utilized for that purpose by the institute.</p>	<p>The action should be taken to verify the balances through the documentary evidence and settle.</p>
(f)	<p>Control account balance related to the assets and liabilities Montha Cristo Estate included in trade and other receivables</p>	40,503,226	<p>Detailed information is required for verification of the existence of the balances of assets and liabilities.</p>	<p>Since the information in relation to the assets and liabilities included in this account is not available, it is difficult to verify this account.</p>	<p>After physically identifying the assets and liabilities, the action should be taken to verify the balances.</p>

1.6 Accounts Receivable and Payable
1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
(a) According to the debtors' period analysis report submitted in relation to the Board's estates, out of the trade and other debtor balance of Rs.100,315,563, there was a debtor balance of Rs.59,908,107 that was over 5 years old and the Board had not taken appropriate actions to recover this balance.	According to the trade and other debtors' period analysis reports of Rs.100,315,563 related to the estates, the outstanding balance of Rs.59,908,107, which is more than 4 years old, will be collected from the relevant estate and action will be taken to recover it in the future, after confirming whether the balance is actually receivable.	Steps should be taken to recover the arrears in the estates that have been outstanding for many years.
(b) According to the debtors' period analysis report of the head office, out of the trade receivable balance of Rs.402,730,972, Rs.44,307,866 receivables between 3-6 years, Rs.53,147,964 receivables exceeding 6 years and Rs.16,461,219 receivables exceeding 03 years in the consumer sector had not been recovered even by the year under review.	Due to errors such as errors in lease agreements, failure to systematically issue monthly and annual invoices to the lease purchaser and the accounts department, account balances are not correct and those balances are currently being corrected.	Actions should be taken to recover the outstanding balances that have been outstanding for many years.

1.6.2 Payables

Audit Observation	Comment of the Management	Recommendation
(a) Actions had not been taken to settle the balance of other payables of Rs.133,090,331 included in the Board's trade payables for many years.	These outstanding balances have been coming from before 2015 and SRMC is currently a non-operating entity.	Actions should be taken to settle balances that have existed for many years or to write them off by following the correct procedures.
(b) According to the creditor period analysis of the estates, out of the creditor balance of Rs.102,707,782, Rs.7,289,247 between years 03-05 and Rs.75,078,035 beyond 05 years had not been settled.	The creditor balances of the estates, including Rs.7,289,247 for the period of 3-5 years and Rs.75,078,035 for more than 05 years, will be investigated to determine whether they actually exist and the necessary corrections will be made and payments will be made according to the financial position of the institution.	Actions should be taken to verify and settle transactions related to creditors.

- (c) Out of the trade creditor balance of Rs.154,246,177 belonging to the Board's head office, a creditor balance of Rs.128,696,631 was outstanding for more than 6 years, and a creditor balance of Rs.2,319,990 was outstanding for 3-6 years without settlement. The payments to these creditors have been delayed due to the severe working capital deficit of the institution, and efforts will be made to pay this balance at present as funds are available. Transactions pertaining to the Creditors should be identified and payments should be made systematically.

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

Reference to laws, rules, regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Sub-section 5 (1) of Part II of the Payment of Gratuity Act, No. 12 of 1983	Even though gratuity payments are required to be made within 30 days from the date of retirement or death of an employee, there was a gratuity balance of Rs.708,580,586 payable and a surcharge balance of Rs.206,283,256 payable at the end of the year under review.	Due to the continuous working capital financial difficulties of the institution, it has not been possible to pay the employees' gratuity money properly and the employees who have filed the lawsuit are being paid gratuity money from the monthly amount of Rs. 30 million received as per the Cabinet Paper No. 23/0768/616/017 of the year 2023 and the current cash flow, in the order of their departure from service at present. However, according to this Cabinet Paper of 2023, the receipt of money has stopped from June 2025.	Actions should be taken to prevent uneconomic expenses by paying gratuities on time in accordance with the Payment of Gratuity Act.
(b) Section 15 of the Employees' Provident Fund Amendment Act, No. 15 of 1998	From the year 2001 to the year 2022, there was a provident fund amount of Rs.1,076,169,148 payable and from the year 2008, there was a provident fund balance of Rs.159,197,542 to the Estate Staff Provident Society (ESPS) and the Ceylon Planters Provident Society (CPPS) and as per the financial statements, the surcharge payable to the above funds of	Due to the severe working capital financial deficit in the institution, it has been unable to continue paying EPF/ETF since around the year 2000 and the Ministry of Finance has provided funds for the payment of these statutory dues in some years. Accordingly, payments have been made from that amount. In addition, as per Cabinet Paper No. 23/0768/616/017 of the year 2023, an amount	Statutory payments should be made on the due date as per the Act and actions should be taken to settle long-standing arrears and prevent uneconomic expenses through timely payment of installments.

Rs.29,465,691 had not been paid even by the end of the year under review.

of Rs. 30 million was being provided every month for the repayment of these arrears of statutory allowances and the repayment of the arrears of statutory allowances was being carried out through this, but as per this Cabinet Paper of 2023, the receipt of money has been stopped from June 2025. Further, in accordance with the Employees' Provident Fund Act No. 15 of 1958 and the Employees' Trust Fund Act No. 46 of 1980, the current statutory payments are being paid systematically from the institution's money from July 2023.

(c) Sub-section 16 Contributions of (1) of the Rs.78,168,238 had not been Employees' Trust paid to the Employees' Fund Act, No. 46 Trust Fund since 2007 and of 1980 as per the financial statements, there was a surplus balance of Rs.3,567,176 payable to the Trust Fund at the end of the year under review.

Due to the severe working capital financial deficit in the institution, it has not been possible to continue paying EPF/ETF since around the year 2000 and the Ministry of Finance has provided funds for the payment of these statutory deficits in some years. Accordingly, payments have been made from that amount. In addition, as per Cabinet Paper No. 23/0768/616/017 of the year 2023, an amount of Rs. 30 million was being provided every month for the repayment of these arrears of statutory allowances, thereby continuing to repay the arrears of statutory allowances. However, according to this 2023 Cabinet Paper, the receipt of funds has been stopped from June 2025. Further, in

Statutory payments should be made on the due date as per the Act and actions should be taken to settle long-standing arrears and prevent uneconomic expenses through timely payment of instalments.

accordance with the Employees' Provident Fund Act No. 15 of 1958 and the Employees' Trust Fund Act No. 46 of 1980, the current statutory payments are being made gradually from the institution's funds from July 2023.

- | | | | | |
|-----|--|--|---|--|
| (d) | State Agricultural Corporations Act, No. 11 of 1972 | Contrary to the Act, a fund called "Chairman's Welfare Fund" had been established in the year 2020 at 0.25 percent of the income of the Board and Estates. A sum of Rs. 2,782,654 had been credited to this fund during the year under review and Rs.3,323,870 was spent from this fund for employee contributions, various donations and bicycle loan instalment payments during the year under review. Treasury approval had not been obtained for the establishment of this fund. | This fund has been credited with only Rs.1,058,243.60, which is 0.25% of the income of the people in the year 2022. This crediting has been done with the approval of the Board of Directors. I would also like to mention that the relevant approval has been obtained since the Line Ministry and the Ministry of Finance have orders in this Board of Directors. Accordingly, it will be stated that it cannot be stated that this fund was established without formal approval. | The approval of the Board of Directors as well as the approval of the Treasury must be obtained to establish the fund. |
| (e) | Section 93 of the Inland Revenue Act, No. 24 of 2017 | The income tax returns for the assessment year 2022/2023 had not been submitted even by 22 July 2025 and the income tax payment for the period had not been made. | There has been a delay in submitting the company's financial statements to the Income Tax Department due to the delay in submitting the company's financial statements. This is due to the need to submit audited financial statements to the Income Tax Department. | According to the Act, Actions should be taken to submit the income tax returns for the assessment year and make the tax payment. |
| (f) | Treasury Circular No. 842 dated 19 December 1978 | The Board had not maintained a fixed asset register that was properly prepared and included relevant information such as the type of asset, purchase value, date, | The institution has been maintaining separate fixed asset records for the estates and the head office since 1996 and 2008 respectively for accounting purposes, but a formal fixed asset record has | Actions should be taken to maintain a fixed asset register including relevant information as per the circular. |

vehicle disposals, annual not been maintained. purchases, withdrawals, Necessary actions will be transfers and the balance of taken to maintain a fixed property, plant and asset record in a proper equipment held by the manner in the future. Board's head office and estates, so that each asset could be identified separately.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a profit of Rs.20,000,509 and the corresponding loss in the preceding year amounted to Rs.459,399,025. Therefore, a decrease in the total loss of Rs.479,399,534 was observed in the financial result. The reasons for the decrease in loss was mainly due to an increase in the sales income of the Board related to tea, rubber and other crops by Rs.191,947,476 and a decrease in the total sales cost of Rs.382,952,881.

2.2 Trend analysis of major income and expenditure items

The income from the sale of tea leaves in the year under review had increased by 33 percent in 2022 compared to 2021, while the income from rubber cultivation increased by 9 percent in 2022 compared to 2021. The cost of tea production in the tea leaf and consumer sectors decreased by 23 percent and increased by 20 percent respectively in 2022, compared to 2021. Similarly, the cost of rubber cultivation had decreased by 6 percent in 2022 compared to 2021.

2.3 Ratio Analysis

- The current ratio was 0.34:1 and 0.32:1 in the year under review and the preceding year.
- The quick asset ratio was 0.30:1 and 0.29:1 in the year under review and the preceding year.
- The gross profit ratio for the year under review was 2.8 percent while the gross loss ratio for the preceding year was 44 percent.
- The net profit margin in the year under review was 1.4 percent while the net loss margin in the preceding year was 38 percent.

During the audit check of the above-mentioned ratios in the Board for the years 2021 and 2022, it further observed that the institution's financial difficulties and the risk of going concern were due to the fact that its current assets were not able to cover its current liabilities and that the institution had debt capital exceeding its share capital.

3. Operational Review
3.1 Uneconomic Transactions

Audit Observation	Comment of the Management	Recommendation
(a) Although a private company had paid Rs.13,989,750 for software installation and monthly payments from 2021 to 30 April 2025 for a software system to perform 7 accounting activities at the head office and estates without the approval of the Board of Directors, the software system had not been able to achieve the objectives of preparing consolidated financial statements, stock control, income and expenditure control, etc.	The Account Division will regularly inform the governing authority in this regard.	The money paid for unperformed accounting activities should be recovered and actions should be taken to obtain a new system based on the existing weakness in the system.
(b) The amount of Rs.826,387 incurred in 2017 for the introduction of the Sage software system for 17 estates for the preparation of financial statements had become uneconomical as the system was not operational by the end of the year under review.	The estates are not currently using this Sage software. The expenses incurred for this will be written off with the approval of the Board of Directors.	Before incurring expenses, you should make plans and spend money only on productive tasks.
(c) Although a cost of Rs.3,208,115 had been incurred by the end of the year under review for the tea shop constructed in 2019 at the Hanthana Estate, which is currently not operational, it had not been used for commercial purposes for 6 years and had remained idle.	This tea shop has been operated by the Hanthana Estate from 2019 to 2023.09.14 and although an agreement was entered into with a lessee by the head office on 15.09.2023 for its lease, the institution has not received any money in relation to the lease agreement due to the lessee not accepting the tea shop. Hanthana Estate has accounted only Rs.100,000 as income from operating the tea shop from 2019 to 2023 in 2022. Despite continuous inquiries from the estate regarding information related to this tea shop, the estate has failed to provide proper answers.	Actions should be taken to put the Idle assets to productive use.

3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The Board had failed to effectively fulfil the objectives and functions established in relation to the balances of agriculture,	It has agreed with the facts presented by the audit.	Actions should be taken to achieve the objectives and functions of the Board

production, estate management, business, finance and operations, in accordance with the objectives for establishing the Board under the State Agriculture Act No. 11 of 1972. Further, formal plans had not been prepared and actions had not been taken to maximize the productivity of the agricultural and estate lands assigned to the Board in accordance with the objectives of the Board and actions had been taken to maintain the tea and rubber estates profitably with formal management. Further, although the Board of Directors had decided to reorganize the Board through Note 2.4 of the 2022 Financial Statements, such a reorganization had not been carried out until 22 July 2025.

in accordance with the Act, and reorganization of the Board should be carried out in accordance with the decisions of the Board of Directors.

(b) The tea factory and land located on 1 acre and 1.3 perches belonging to the Hanthana Estate had been leased to the Tea Board for a period of 30 years from 1 January 2001. The Board had obtained a temporary loan of Rs. 25,000,000 in 2003 and Rs. 10,000,000 in 2020 from the Tea Board due to financial difficulties and Rs. 1,000,000 of this loan had been repaid to the Tea Board. Due to the fact that the Board is unable to repay this loan, though it was agreed to transfer the Hanthana Tea Factory and land to the Tea Board as per the decision of the Board's Board of Directors held on 27 February 2020, the transfer of the property or the recovery of the outstanding tax money from the Tea Board in terms of the tax agreements had not been carried out even by 22 July 2025. Further, during the

Details regarding the lease of the tea factory located in the Hanthana Estate have not yet been received in writing by the Accounts Division and the relevant information in this regard will be obtained from the Lands Division and actions will be taken to account in the future.

An investigation should be conducted to recover the money owed to the Board in terms of the agreements and to find out the facts regarding the transfer of the Board's factories to the private sector without the Board's permission.

physical inspection carried out at the factory on 04 July 2025, it was found that the factory was being run as a tea museum by a private institution and that any benefit had not been received by the Board or the Sri Lanka Tea Board.

- (c) Although an advance of Rs.1,613,000 had been given to the Board and the Lulkandura Estate on 28 September 2022 for the purchase of a fuel storage tank, the fuel tank had not been purchased and installed by 22 July 2025. Payments are being accepted for this tank and further actions will be taken in 2025 to investigate the details. Since the fuel tank has not been installed, the advance payment should be recovered or action should be taken to recover it from the responsible officials.
- (d) Although there is no provision for the provision of alternative lands under the State Agricultural Corporations Act No. 11 of 1972, based on a decision taken at the Board of Directors meeting on 23 July 2019, land in the extent of 22 acres 00 roods 30.08 perches in Penrith Estate had been provided to two individuals as alternative lands from the Hanthana Uduwela Estate. Based on that approval, the ownership of this land had been transferred by the Land Reforms Commission to the two individuals on 31 July 2020 for a low value of Rs.101,109. Furthermore, the owners of this land had sold the relevant land to a property sales company on 11 December 2020 for Rs.159,753,600 by way of Sale Agreement No. 5792, and later it had been sold to a private company for a hotel on 22 July 2025. As the Pussellawa Plantation Company failed to release the land of 22 acres and 30.02 perches granted by the Penrith Estate Land Reforms Commission in the Colombo District to Sandasiri Lakshman Weeraratne and Induka Tissa Weeraratne, the Land Reforms Commission requested that they be granted 22 acres and 30.08 perches from the Uduwela Estate as an alternative. Accordingly, the request was forwarded to the Board of Directors of the Janatha Estate Development Board and the Board of Directors has approved it. Accordingly, approval has been given to the Land Reforms Commission to provide this plot of land in response to that request. It is hereby informed that the Janatha Estates Development Board has not taken any decision regarding the value of this land and that the Janatha Estates Development Board cannot intervene in this regard. It is hereby stated that the land was later sold and registered on the basis of the deed given to the above-mentioned persons by the Land Reforms Commission. An investigation should be conducted into the Board's approval to provide alternative lands from the lands assigned to the Board for agricultural development and the issuance of deeds by the Land Reforms Commission in this regard.

- (e) Although a memorandum of understanding had been signed to lease the Nagastenna Estate to a private company since November 2007, the estate had been taken back to the board after the company illegally cut down 120 trees in the estate within a year of the agreement was signed. A case had been filed with the Criminal Investigation Department in May 2008 to recover the damages for those trees. The Board had not taken actions to assess and recover the loss, and the case was concluded on 28 December 2009, by agreement between both parties without any compensation being received.
- A Memorandum of Understanding was signed in 2007 to establish Ceylon United Plantations Private Limited, a joint venture between the Janatha Estate Development Board and Quinrich Agro Private Limited, to manage the Nagasthenna Estate and Quinrich Agro Private Limited invested Rs. 30 million. The amount was paid to the Janatha Estate Development Board, thereby settling the statutory arrears of the Nagasthenna Estate. Subsequently, the estate was managed by Ceylon United Plantations Private Limited, and 120 trees of commercial value in the Nagastenna estate were felled. Accordingly, although the then plantation manager had given a declaration stating that a loss of Rs. 11,200,000/- had been incurred by the estate, the case No. B 2683/08, which had been filed against the felling of the trees, was settled at a value of Rs.7,529,688. Although it is stated that the said value was obtained from the District Forest Officer on 12.08.2008, we do not have a copy of it. It is further informed that steps will be taken to obtain a copy of it.
- The Board should take action to assess the loss incurred and recover it from the taxpayer.
- (f) Even though about 11 years had passed since the theft of Rs.1,539,546 and Rs.1,256,046 from the Nagastenna and Kandal Oya estates respectively, the current status of the case had not been investigated and the responsible officers had not been identified and actions had not been taken to recover the losses.
- This case is still pending in the Kandy High Court under Case No. HC 223/20. Arrangements have been made to reconvene on 11.12.2025. Since the proceedings are still going on, it has not been possible to recover the loss and further legal action will be taken.
- Actions should be taken in accordance with Financial Regulation 104 (1).

- (g) The expenditure of Rs.753,449 incurred for special projects and water bottle projects that are not currently operational and included in the work in progress balance of the year under review has become uneconomic expenditure. It is true that the expenditure incurred on these bottled water projects has become uneconomical. The estate authorities have confirmed that these projects are currently non-existent. Projects should not be implemented without a plan.

3.3 Transactions of Contentious Nature

Audit Observation	Comment of the Management	Recommendation
<p>Two warehouses owned by the Board located on Vauxhall Street had been leased to a private company in 2005 without inviting competitive bids for a period of 30 years at a monthly rent of Rs.105,000. As per the terms of the lease agreement, it had been agreed to pay the monthly rent based on the valuation report. Actions had not been taken to collect for the increase in the monthly assessed value which was Rs.4,655,000 for 49 monthly instalments of Rs.95,000 each and Rs.2,450,000 for 14 monthly instalments of Rs.175,000 each and the total value of Rs.7,105,000, which was the increase in the tax rent from December 2005 to February 2011. Before the first lease agreement expired, an agreement had been entered into with the same lessee in March 2011 to pay the same monthly rent of Rs. 105,000 and to lease the property for 30 years, removing the clause regarding the payment of monthly rent based on the valuation reports.</p> <p>Due to the removal of the tax levy conditions based on the assessment report as per the second lease agreement, the Board had lost a total of Rs.40,634,000 of tax revenue due from March 2011 to December 2022 due to the fact that the increase in the monthly assessed value since March 2011 was Rs.6,902,000 for 58 monthly</p>	<p>Two warehouses located on Vauxhall Street had been leased to Nilona Lanka Private Limited and there is no information in the file regarding the invitation of competitive bids for the lease of those buildings. Since the employees who were involved in that work are not currently in service, it is not possible to investigate it. However, necessary actions will be taken to recover the arrears of taxes for the period from 2005 to 2011 that you have indicated.</p> <p>It is accepted that the Board has incurred this loss due to the inability to revise the tax amount based on the assessment as per the tax agreement signed in 2011. Although discussions were held to sign a new agreement, the court ruling in the case with the Ileperuma party and the Urban Development Authority's refusal to permit the construction of multi-storey buildings on this land have been an obstacle.</p>	<p>Actions should be taken to recover the arrears due according to the assessment report and to amend the agreement clauses and draft a new lease agreement.</p>

instalments of Rs.119,000 each,
Rs.12,708,000 for 36 monthly
instalments of Rs.353,000 each, and
Rs.21,024,000 for 48 monthly
instalments of Rs.438,000 each
according to the assessment report.