

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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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. 167,519,802 completely depreciated at the end of the year under review were being further utilized by the Board, it had not been accounted having assessed the useful life again of such assets or disclosed in the accounts as per paragraph 51 of Sri Lanka Accounting Standards 16.	Measures will be taken to finalize the reassessment of the useful life of the Board's assets in the year 2025 and to account and disclose in the final accounts as per paragraph 51 of Accounting Standards 16 of the year 2025.	Even though it had been completely depreciated, the disclosures should be made in relation to the assets that are being used.
(b)	Even though the long-term Treasury bond interest rate of 11.47 percent should be used as the discount rate in accounting the retirement benefit obligation in accordance with Sri Lanka Accounting Standard No. 19, the Board had used the short-term Treasury bill interest rate of 8.96 percent. As a result, the retirement benefit cost was understated by Rs.384, 779 at the end of the financial year, and the present value of the defined employee benefit obligation and the actual loss on	Disclosures related to rectifications in 2024 will be made in accounts in the year 2025.	In accordance with Accounting Standard, the long-term Treasury bond interest rate should be used as the discount rate in accounting the retirement benefit obligation.

retirement benefits were overstated by Rs.9, 130,758 and Rs. 9,515,537 respectively.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the Board had decided in the year 2022 not to carry out 06 creative activities in the global promotion and marketing program for “Ceylon Tea”, due to the failure to adjust again the expenditure of Rs. 9,414,411 allocated from the fund in the year 2017, current liabilities had been overstated and promotion and marketing deposits had been understated in the year under review.	It was rectified in the year 2025 through the journal entries.	At the end of the financial year, accrued expenses should be reviewed, and necessary adjustments should be made.
(b) Since the Staff Tea stock of Rs. 952,695 supplied to the main stores on 07 February 2024 in relation to the previous year had not been recognized as an expense relating to the previous year, the value of the stock in transit and retained earnings had been overstated by that amount at the end of the year under review.	It will be rectified and submitted in the year 2025.	Expenses related to the accounting period should be accurately identified and accounted in the preparation of financial statements.
(c) The cost of sales had been understated by that amount due to the deduction of Rs. 6,396,185 paid to the SLTB Official Packer for the stocks received in the previous financial year from the cost of sales in the year under review.	It will be rectified and submitted in the year 2025.	Expenses related to the accounting period should be accurately identified and accounted in the preparation of financial statements.
(d) Even though the Board's fixed deposit interest receivable balance as per the financial statements at the end of the year under review was Rs.38,741,610, as per the ledger, the balance was Rs.50,022,298, a difference of Rs.11,280,688 was observed.	It will be rectified and submitted in the year 2025.	Income receivable should be accurately identified and accounted.

(e)	Even though the value of withholding tax deductions for interest received on fixed deposits belonging to the Board as per the financial statements at the end of the year under review was Rs. 3,077,643, according to the self-assessment tax calculation schedule, the value was Rs. 4,251,665. Hence, a difference of Rs. 1,174,022 was observed	The deficit occurred in accounting was rectified in the year 2025.	Action should be taken to accurately adjust the taxes withheld on interest income in the accounts in the preparation of financial statements.
(f)	The Board accounted Rs. 4,678,853 as withholding tax for the interest value received on Treasury bills of Rs. 126,997,434 from which withholding tax was not deducted. Therefore, interest income was overstated by that amount and income tax expense was understated.	It has been rectified in the year 2025 and action will be taken to pay tax deficit in 2025 and submit to the Inland Revenue Department in 2024/25.	Withholding taxes should be accurately identified and necessary adjustments should be made in the accounts.
(g)	The amount of Rs. 9,628,606, which should have been credited to the Promotion and Marketing Deposit Account after deducting the interest received in the previous year from the funds received from the Ceylon Petroleum Corporation under the Tea and Oil Agreement between Iran and Sri Lanka by investing them in fixed deposits, had been accrued as an expense of the Board. Since the said entry was not rectified in the year under review, the accrued expenses were overstated by Rs. 9,628,606, and the promotion and marketing deposits and retained earnings were understated by that amount.	Accounting adjustments will be rectified through journal entries and submitted.	At the end of the financial year, accrued expenses should be reviewed, and necessary adjustments should be made.
(h)	The amount of Rs. 7,360,900 accrued in respect of the previous year was debited to the Promotion and Marketing Tax Investment Interest Income Account instead of being debited to the Accrued Expenses Account in the payment of the year under review, resulting in	The relevant accounting adjustments will be rectified through journal entries and submitted.	Action should be taken to adjust through the correct accounts in the settlement of the accrued payments.

the promotion and marketing investment interest income being understated by Rs. 7,360,903 and the accrued expenses being overstated.

- | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(i) The interest income of Rs. 3,186,800 received in the year under review on funds received from the Ceylon Petroleum Corporation was recognized in the financial statements as interest income received on the Board's funds, which resulted in an overstatement of the surplus for the year and an understatement of the amount payable to the Ceylon Petroleum Corporation.</p> | <p>The relevant accounting adjustments will be rectified through journal entries and submitted.</p> | <p>Action should be taken to accurately identify the income generated through the activities of the Board and adjust the same in the accounts.</p> |
| <p>(j) The interest income of Rs. 13,901,940 received on fixed deposits belonging to the Board was recognized in the financial statements as interest income received on funds received from the Ceylon Petroleum Corporation, which resulted in an understatement of the surplus for the year under review and an overstatement of the amount payable to the Ceylon Petroleum Corporation.</p> | <p>The relevant accounting adjustments will be rectified through journal entries and submitted.</p> | <p>Action should be taken to accurately identify the income generated through the activities of the Board and adjust the same in the accounts.</p> |
| <p>(k) The debtors debited an amount of Rs. 20,178,561 through journal entries without any transaction taking place, and the interest payable to the Ceylon Petroleum Corporation was credited to the account. Therefore, those accounts were overstated by that amount.</p> | <p>The relevant accounting adjustments will be rectified through journal entries and submitted.</p> | <p>Action should be taken to submit adjustments related to the transactions actually made in the financial statements.</p> |
| <p>(l) Since the administrative income of Rs. 1,800,000 and bank charges of Rs. 40,000 to be collected by the Board for the administration of the funds of the Tea and Oil Agreement between Iran and Sri Lanka were not recognized as income, the surplus of</p> | <p>In the year 2025, it has been rectified by making adjustments to the profit of the previous year.</p> | <p>Action should be taken to accurately identify the income generated through the activities of the Board and adjust the same in the accounts.</p> |

the Board had been understated by Rs. 1,840,000 and the amount payable to the Ceylon Petroleum Corporation had been overstated.

(m)	Since the source of income was not identified and accounted related to the amount of Rs. 27,305,276 deposited directly into the bank accounts of the Board by customers, those were not included in the financial statements.	Sources of income have been identified for an amount of Rs. 9,634,259 from direct deposits by 31/01/2025. Relevant actions are being taken to identify the remaining deposits.	Action should be taken to disclose all income related to the financial year in the accounts.
-----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------

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	52,431,050	55,591,150	3,160,100	It is expected to strengthen internal control mechanisms to minimize contradictions in laboratory revenue, obtain the reasons for those contradictions through systems, and identify laboratory revenue.	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 Payables

Audit Observation	Comments of the Management	Recommendation
The tea factory owners had deposited a sum of Rs. 92,049,849 in the Board for complaints made owing to non-payment of the prescribed price for tea leaves. However, action had not been taken to pay the tea leaf owners until	Action has been taken to obtain accurate details of the suppliers and accordingly, the relevant suppliers will be called to those factories and the relevant payments will be	Having accurately identified the payable parties, the money to be paid to them should be promptly settled.

the end of the year under review.

made in the presence of our officers, and any funds for which the suppliers or applicants cannot be identified will be kept in the Sri Lanka Tea Board account and released as per the requests made by the relevant factories.

1.6.2 Advances

Audit Observation	Comments of the Management	Recommendation
The unsettled amount was Rs. 26,369,363 out of the Rs. 125,000,000 advance payments given by the Board to the Tea Small Holdings Development Authority on 14 July 2021 for the special project of 25 million tea plants. Although the period of time of the Memorandum of Understanding entered into with the Authority had also expired on 31 December 2023, action had not been taken to settle the advance payment.	The Tea Small Holdings Development Authority has submitted a complete certified expenditure report related to this project, and accordingly, it is informed that prompt action will be taken to make the relevant accounting adjustments after the Tea Small Holdings Development Authority submits the vouchers related to the payments to the Sri Lanka Tea Board.	If there is any value that has not been utilized for the project as per the agreement, the Board should take prompt action to recover that value and settle the relevant advances.

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

	Reference to laws, rules, regulations	Non-compliance	Comments of the management	Recommendation
(a)	Paragraph 3 of Public Enterprises Circular 01/2021 dated 16 November 2021	Even though the Operational Manual on operating process and controls including the human resource management of board should be prepared, the Operational Manual had not been prepared by board.	The carrying out of procurement activities required for the appointment of resource person had been initiated. It is expected to draft this manual within 2025.	Having prepared the Operational Manual, its functions should be implemented under formal approval.
(b)	Gazette No.2343/63 dated 05 August 2023 of Democratic	Even though the license value transferred to the Marketing Promotion Fund	An amount of Rs.1, 000,000 had been contributed for that	As per the Cabinet Decision and

Socialist Republic of Sri Lanka 2023 and the Cabinet Decision No.CP/24/0152/612/014 dated 13 February 2024	should be utilized for tea marketing promotion activities, in contrary to that, an amount of Rs.1, 000,000 had been provided to Presidential Secretariat Welfare Society and an amount of Rs. 35,000,000 for the construction of a building of National Plantation Management Institute from tea promotion fund by board.	under local advertising expenditure head with an objective of promoting tea as locally. The National Plantation Management Institute renders contribution in relation to implementation of the projects and activities related to development, regulatory and export divisions carried out by Sri Lanka Tea Board. It had been granted the approval of Cabinet of Ministers for use of 50 percent from license fees charged and transferred to marketing promotion fund of Sri Lanka Tea Board for the tea cultivation and the development of tea industry.	Gazette Notification, the value of license fees transferred to Marketing Promotion Fund should not be utilized for the activities outside tea sales promotion activities.
------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.147, 414,751 and the corresponding surplus in the preceding year amounted to Rs.194, 872,796. Accordingly, a deterioration amounting to Rs. 47,458,045 of the financial result had been observed. The reasons for this deterioration are the increase of the development expenses and administrative expenses by Rs. 1,123,281,624 and Rs.65, 768,374 respectively.

2.2 Trend analysis of Major Income and Expenditure items

The income received from Promotion and Marketing Levy Fund and license fees for the development activities is Rs.1, 503,030,247 and the fixed deposit interest income had decreased by 19 percent in comparison with the preceding year and the laboratory income, amount transferred to Tea Board from the interest income of Tea promotion and Marketing

Tax Fund and profit earned from the commercial activities had increased by 66 percent, 79 percent and 12 percent respectively. The development, finance and administrative expenses had increased by 335 percent, 23 percent and 12 percent respectively.

2.3 Ratio Analysis

In the year under review, current and quick asset ratios are 3: 1 and such ratio was 3: 1 in the preceding year. The current assets had decreased by 7 percent as compared with the preceding year and since the current liabilities had decreased by 7 percent similarly, this ratio had remained unchanged as compared with the preceding year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A subsidy of Rs.597,688,264 had been provided to tea exporters from Tea Promotion Levy Fund for advertising the Ceylon Tea Lion Logo trade brand and a specific methodology had not been identified by board for identification how much value added tea exports with Lion Logo in order to verify whether the material targets of project had been achieved.	The obstructions for reaching to quality in exports of tea with lion logo had been solved so far and after it will be discussed with Sri Lanka Customs for identification how many quantities of value added tea with such logo in the future and the information required for that will be included in CUSDEC form. A methodology had been prepared for obtaining overall information on tea certified by this lion logo through CUSDEC form in due course and it is in implementing stage.	The steps should be promptly taken to introduce a specific methodology for whether the expected targets of project had been achieved and verification the benefits comparative with its cost.
(b) A loss of Rs.62, 603,006 had occurred to board from Colombo Tea Sales Outlet called "Tea Moments" started in 2014 and even though it had been informed to Chairman to take appropriate action against the officers who had performed the duties carelessly by the letter dated 06 December 2016 of Secretary of Ministry of Plantation, no action had been taken so far.	Preliminary Inquiry Officer had been appointed by Sri Lanka Tea Board and the inquiry report had not been received to Sri Lanka Tea Board up to now.	The expeditious steps should be taken to identify the responsible parties for this loss and recover it.
(c) As per the directive No.11 of meeting of Committee on Public Enterprises of Sri Lanka Tea Board held on 19 June	It had been decided to take action to transfer the asset having found out the legality of the property by meeting headed by Secretary of	The step should be taken to recover this loan amount given to an external party by board

<p>2012, it had been decided to transfer the ownership of “Ceylon Tea Museum” located in Hantana belonging to Janatha Estate Development Board to Tea Board for a loan of Rs.25, 000,000 provided to Janatha Estate Development Board in 2003 by board and though more than 10 years had elapsed, no action had been taken to transfer the ownership of the asset or recover the loan amount so far. Similarly, a loan amount of Rs.10, 000,000 had been provided to Janatha Estate Development Board by Tea Board with the approval of Board of Directors in 2020 and only Rs.1, 000,000 had been recovered out of that at the end of year under review.</p>	<p>ministry in relation to the transfer activities.</p>	<p>or settle formally. Similarly, the action should be taken to implement the directives given by Committee on Public Enterprises.</p>
<p>(d) Even though it had been verified by the letter No.4/10/37833 submitted to Provincial Land Commissioner, Western Province by Land Commissioner General to lease the land in extent of 1 rood 20 perches in which Kaluthara Regional office is maintained to Sri Lanka Tea board on long-term for 30 years lease since 2014, no lease agreement had been signed so far.</p>	<p>Though it had been requested by Sri Lanka Tea Board, the preparation of lease agreement will be carried out by Palinda Nuwara Divisional Secretariat. It is delay the entering into agreement owing to non-preparation and submission of such lease agreement up to now.</p>	<p>The asset control should be formalized through entering into legal lease agreements.</p>
<p>(e) The ownership of the land in which Nuweraeliya Divisional Secretariat is maintained had not been lawfully transferred to board from Kalani valley Company and Nuwaraeliya Divisional Secretariat.</p>	<p>The functions in relation to transfer the land in which Nuwaraeliya Divisional Secretariat was constructed to Sri Lanka Tea board are being carried out and it had delayed due to carrying out the activities related to transfer of this land in association with other public institutions.</p>	<p>Since the construction of the buildings had been carried out in a land without legal ownership, the action should be immediately taken to obtain the legal ownership to board.</p>

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though an expense of Rs.174,332,138 had been incurred from 2016 to 2020 for creation of Rupavahini sales advertisements in English language for usage of Rupavahini media for traditional higher level advertisements and for the translation it into Chinese, Japanese, Arabic, Ukraine, German and Turkey languages under global promotion and marketing program for “Ceylon Tea”, the purchase of required media for carrying out the advertisements in Rupavahini media which is the main objective of creation of said sales advertisement had not been performed and the related plans had not been prepared. Consequently, no advertisements had been carried out in Rupavahini media. Similarly, it was observed in the audit that 31 creative activities at a cost of Rs. 39,832,808 had not been utilized for the relevant tasks even up to the end of year under review.	These sales advertisements had been created with an objective of advertising in Rupavahini media basically under global promotion and marketing program for Ceylon Tea. However, the media had not been purchased for this, these sales advertisements had been used for various advertising activities.	Subsequent to performing a proper evaluation on possibility of current and future usage of these creative activities, It should be utilized for global promotion and marketing programs based on that.
(b) About 29,228 foreign user accesses had been observed in the year under review as per main web site www.pureceylontea.com and other language translated web sites under the creative activities of global promotion and marketing program for “Ceylon Tea” implemented by Sri Lanka Tea Board and it was observed that adequate user/client attraction had not been received internationally to the web site	Due to non-implementation of the global promotion program, it should be indicated that the expected promotion had not been received for this web site. However, the actions are being taken to provide the required advertisements in the all advertisements implemented by Tea board through this web site.	The measures should be taken to effectively utilize the web site for achievement the expected objectives under global promotion program through obtaining the client/user attraction to the web site internationally.

created at a cost of Rs. 172,939,768.

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(c) Though an amount of Rs.107,088,740 had been incurred during 2019-2023 for the preparation of media plans and media surveys for promotion Sri Lankan Tea globally, such activities had not been implemented up to the end of year under review. Moreover, the duration indicated in the media plans prepared had expired at the end of year under review.</p> | <p>It is accepted that the media plans had not been implemented within the relevant duration.</p> | <p>Subsequent to performing a proper evaluation on possibility of current and future usage of the media plans, said plans should be utilized for global promotion and marketing programs based on that.</p> |
| <p>(d) Even though the Preferential Tariff Rate Quota prevails for tea under India Sri Lanka Free Trade Agreement (ISFTA) and Pakistan Sri Lanka Free Trade Agreement (PSFTA), no considerable utilization of that had been reported from 2021 to 2024 and it was observed in the audit that the tea had not been exported to Pakistan under the trade agreement.</p> | <p>Since the tea required by them can be obtained at very lowest price from other competitive tea exporting countries, the expected export quantities can't be achieved under India Sri Lanka Free Trade Agreement and Pakistan Sri Lanka Free Trade Agreement. Since the price of Sri Lankan tea is high, the tea quantity required for the quota under this trade agreement.</p> | <p>The action should be taken to provide the contribution to Export Development Board by avoiding the restrictions for achievement of maximum results from free trade agreements.</p> |
| <p>(e) Due to non-growth of total tea production and export in Sri Lanka gradually, global tea production quota of 7.4 percent and global tea export market quota of 17.1 percent in 2011, it was observed that it had come down up to 3.7 percent and 13 percent respectively in the year under review as per Supplement to Annual Bulletin of Statistics 2024 and though an amount of Rs.10,127,936,991 and Rs.5,439,616,283 had been made for tea production and the promotion activities respectively by Sri Lanka Tea Board during 2011-2024, it was observed that</p> | <p>The overall tea production had decreased up to the limit of 250-260 kilo million presently and the export quantity had also decreased comparatively. The tea production of other tea producing countries such as China, India, Kenya and other African countries had been increased considerably and this situation had affected to come down the tea production in Sri Lanka as percentage of global tea production.</p> | <p>The board should carry out necessary encouragements for broadening the investments for suitable tea in compliance with the international standards and higher quality in order to develop the tea production and develop the share for Sri Lankan Tea in the Global market, regulate within the industry and control.</p> |

the place and the market owned to Sri Lanka tea within the world context had gradually lost.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
542 Serendib Tea Film DVD worth of RS.1,326,816 which exists as a stock not moving in long term included in stationary stock in main stores and 245 tea pots worth of Rs.587,755 out of 500 pots purchased in 2022 had not been utilized even up to the end of year under review. Since the requirement had not been accurately identified, it was observed in the audit that the funds used for the purchase of stocks which moves slowly and had not moved in long term had remained idle.	The DVD indicated in this will be provided on the request of the parties who have such necessity. The action will be taken to distribute remaining DVD in the future.	The action should be taken to purchase the stock in optimum level by accurately identifying the necessity and utilize such stock for relevant objectives.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
The contract had been awarded to a private company to a value of Rs.2, 902,817 for the renovation of the ceiling of the room of Board of Directors of board and even though the advances should be paid subject to a maximum 20 percent of the contract value as per 5.4.4 of the Procurement Guidelines, contrary to that, an amount of Rs.1, 643,327 which is 50 percent had been paid as advances.	The supplier who had submitted the minimum price had obtained the qualifications in accordance with the technical specifications and 50 percent advance amount had been requested by him. The step had been taken to obtain a 50 percent advance security by minimizing the risk to the government money.	The action should be taken as per the regulations of the Procurement Guideline.

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
No action had been taken by Tea Board to recruit the officers for 04 posts which had been vacant between 01 to 05 years such as Deputy Director (Marketing), Director (Promotion), Director (Finance) and Director (Administration) belonging to top management level.	As per the decision of Board of Directors, the Cabinet Paper drafted had been submitted to the Secretary of Ministry of Plantations on 13.10.2023 for suppression the post of Deputy Director (Marketing). At the	The action should be taken to recruit the officers for the essential posts for fulfil the objectives of board and enhance the

meeting of Board of Directors held on 06.10.2023, the approval had been granted for the filling of post of Director (Administration and Human Resources).
 performance and amend the staff on due approval.

A request had been made to the line ministry to be appointed an officer on secondment basis for the post of Director (Promotion).

4 Accountability and Good Governance

4.1 Effectiveness of Management Information System

Audit Observation	Comments of the Management	Recommendation
An aggregate of Rs.15, 716,148 had been paid to a private company at the end of year under review with a confirmation of Assistant Director (Information Technology) of board on a contract value of Rs.53, 964,995 for the preparation of an information technology system for the tea industry. Even though about 04 years had elapsed, no system had been prepared and a contract grant of Rs.2, 822,400 had been made to above-mentioned private company on 01 September 2022 outside the aforesaid preliminary contract.02 contract grants had not been completed and even though the validity period of the performance securities given by the private company had ended, no action had been taken to extend it as per the contract even up to the date of audit.	The current progress of information technology system had been reported to the Board of Directors and the main barriers faced as an institute presently had been made aware. It had been informed to take necessary steps to the private company to extend the validity period of the performance security.	The action should be immediately taken to extend the performance security and complete the establishment of the information technology system.