

Sri Lanka Tea Board - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Sri Lanka Tea Board Act No. 14 of 1975 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either 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 of the Board.

1.4 Audit Scope (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 judgment and maintain professional skepticism throughout the audit. I also:

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

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of

information to enable a continuous evaluation of the activities of the Board and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
Although the computer equipment, intangible assets, water fittings and electrical equipment, library books, decorative equipment, laboratory equipment, office equipment, furniture and fixtures and machines and machineries which were fully depreciated by the end of the year under review by the Board cost at Rs.132,903,015 were further being used, the useful life of the assets had not been restated and accounted for in accordance with paragraph 51 of Sri Lanka Accounting Standards 16	Due to the high cost has to be incurred for the revaluation of computer equipment, intangible assets, water fittings and electrical equipment, library books, decorative equipment, laboratory equipment, office equipment, furniture and fixtures and machinery mentioned in the audit query the approval for it has not been received.	Useful life of fully depreciated assets should be restated to a proper method and accounted for.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The source of income could not be identified for the Rs.2,602,782 and Rs.4,900,294 which were directly deposited by customers in Bank of Ceylon Kollupitiya Second Branch	It was impossible to identify the sources of income of direct deposit of customers of Second Branch Kollupitiya Account No. 1633709 and	The source of income should be accurately identified in respect of direct deposits and

<p>account number 1633709 and in Bank of Ceylon Bambalapitiya Branch account number 718391 respectively and, the amount of income whose source of income could not be identified was Rs.4,326,882 in previous years. Accordingly, the income had been understated by Rs.11,829,958 in the financial statements at the end of the year under review.</p>	<p>all identifiable deposits have been accounted for in the respective sources of income when the bank reconciliation statement is prepared in April 2023 and some identifiable deposits have been accounted for as other income and adjustments have been made for all direct deposits for the year 2022 .</p>	<p>accounted for.</p>
<p>(b) Payments made in advance amounted to Rs.10,437,332 to the Embassy of Russia for visa and organization of the "Prodexpo 2023" exhibition to be held in Moscow, Russia from 6 to 10 February 2023 had been accounted for as an expenditure of the year under review.</p>	<p>Relevant corrections have been made in the year 2023.</p>	<p>It should be accounted for as an expenditure of the year 2023.</p>
<p>(c) The 50 per cent expenditure portion of Rs.11,771,399 collected from exporters participating in " Prodexpo 2023" exhibition in the year 2023 had been credited to the expenditure account in the year under review.</p>	<p>Relevant corrections have been made in the year 2023.</p>	<p>This amount should be accounted for as receipts in advance.</p>
<p>(d) Gampola Divisional Office Building capitalized under land value in previous years amounted to Rs.8,500,000 had been transferred to the building account in the year under review and that value had been recorded as purchase buildings for the year in the financial statements.</p>	<p>Indication of this adjustment in Note F as additions of the year by a mistake, arrangements will be made to show under the accurate classification in the financial statements of the year 2023 .</p>	<p>The accounting error should be corrected in the year 2023 .</p>

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per financial statements	Value as per Corresponding Records	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
Laboratory Income	19,802,796	38,577,200	18,774,404	A process for proper reconciliation of laboratory revenues is currently being set up and actions will be made not to occur such differences in the future.	Laboratory income should be reconciled and the reasons for the difference should be found and necessary adjustments should be made.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the Management	Recommendation
(a)	A sum of Rs.317,232 incurred for the foreign travel expenses of the officers of Tea Small Holding Development Authority and Rs. 79,200 incurred for the foreign travel expenses of the officers of Kalubowitiana Tea Factory Company Ltd. had been stated in the financial statements as a receivable balance for more than 03 years and actions had not been taken to recover this amount even by the end of the year under review.	It has been informed that an amount of Rs.317,252 receivable as foreign travel expenses of officers of Tea Small Holdings Development Authority will be forwarded by its Financial Manager to the Board of Directors of the Authority in June 2023 and the relevant amount will be settled.	Foreign travel expenses incurred for the external parties should be recovered promptly.
(b)	A sum of Rs.918,679 remained from 15 countries out of Rs.51,604,457 given to	Verification documents and relevant information required to identify the respective	The receivables should be recovered from

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| <p>Embassies for the Global Tea Party in 2017 and although an amount of Rs.868,578 receivable from Embassies of China, United Kingdom and Moscow had been remitted to the Ministry of Foreign Affairs of Sri Lanka by the relevant Embassies, actions had not been taken to recover money from the said Ministry even by the date of audit.</p> | <p>remittance have been forwarded on 28.01.2023 in accordance with the requested format as per the letter dated 09.01.2023 forwarded by the Ministry of Foreign Affairs. A specific answer in this regard has not been forwarded by the Ministry of Foreign Affairs to the Sri Lanka Tea Board by now.</p> | <p>the Ministry of Foreign Affairs of Sri Lanka.</p> |
| <p>(c) A loan amount of Rs. 8,760,400 had been paid to Elkaduwa Plantation Company from the Tea Promotion Fund of the Board for Diwali festival advance payment to workers of Regional Plantation Companies in the year 2019 and although 03 years had elapsed after paying this advance, the Board had not taken actions to recover any amount from that balance up to 31December 2022 .</p> | <p>Elkaduwa Plantation Company was notified on several occasions to settle the amount of Rs.8,760,400 given to workers of regional plantation companies for Diwali advance payment and proper responses to that have not been given and steps are being taken furthermore to settle the amount.</p> | <p>Prompt actions should be taken to recover this loan amount from the plantation company and the parties responsible for this of the Board should be identified and formal steps should be taken against them.</p> |
| <p>(d) In analyzing the remittances made by the Promotion and Marketing Levy Fund maintained by the Tea Board, loan amount of Rs.1,055,625,000 given by this Fund to the Ministry of Finance, Central Bank of Sri Lanka and Janatha Estates Development Board had not been recovered even by 31 December 2022 .</p> | <p>Arrangements will be made to collect the receivable amount of Rs. 10,055,385,399 in the future as per Note M of the financial statement.</p> | <p>The debts receivable should be recovered promptly.</p> |

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
The value of deposits made with the Board and failure of properly settled by the end of the year under review for the payment by tea factory owners to suppliers of green leaf as at 31 December 2022 was Rs.92,245,738 and out of which, the sum of Rs.6,508,027 was the deposits as old as 10 years.	Arrangements have been made to publish a public notice for the payment of the relevant amount to the green tea suppliers and submitted to the Tea Board with confirmations. Payments have been made only to tea suppliers who have submitted relevant confirmations and approval has been given to consider the amount not properly presented as an income for more than 10 years and if reasonable requests will be made for deposits accounted for as income, to be paid subject to approval of the Board.	Deposits should be settled promptly by identifying the parties to be paid.

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
Financial Regulation of Democratic Socialist Republic of Sri Lanka F.R. 396 (d)	Actions had not been taken in terms of Financial Regulations in respect of cheques which were not presented to the bank for payment for more than 06 months after the date of issuance and date of validation that is from the year 2019 totalled to Rs.1,078,533 under current	These cheques which were issued for subsidies are stipulated to be issued to the beneficiaries and actions will be taken in terms of F.R. 396 (d) in this regard.	Actions should be taken for the cheques not presented for payment for more than 06 months in terms of Financial Regulation.

account number 78285018
of Kollupitiya Bank of
Ceylon.

1.8 Non-compliance with Tax Regulations

Audit Observation	Comments of the Management	Recommendation
In recognizing the tax expense on investment income of the Sri Lanka Tea Board for the year under review, as interest income of Rs.10,493,150 was not taken to tax income, the tax expense and tax payable had been understated by Rs.2,518,356 in the financial statements.	The prescribed income tax of Rs. 2,518,356 for the interest income of Rs. 10,493,150 has been remitted to Inland Revenue Department on 15.05.2023 .	The tax expenditure should be accurately identified and accounted for .

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a surplus of Rs.210,289,737 and, the corresponding surplus of the preceding year was Rs.8,194,034. Accordingly, an improvement of Rs.202,095,703 was observed in the financial result. Decrease of development expenditure by Rs. 32,362,518 as compared to the preceding year and increase of funds transferred to the Tea Board from the interest income of the Tea Promotion and Marketing Levy Fund by Rs.290,228,000 had mainly attributed for this.

2.2 Trend Analysis of Major Income and Expenditure Items

Item	2022 Rs.	2021 Rs.	Difference Rs.	Percentage
Revenue				
Laboratory Income	19,802,796	4,993,851	14,808,945	297
Promotion and Marketing Levy Fund	409,228,000	119,000,000	290,228,000	244
Fixed Deposit Interest Income	75,129,356	22,808,317	52,321,039	229
Profits Earned from Commercial Activities	10,200,165	5,015,129	5,185,036	103
Other Income	8,656,261	4,951,504	3,704,757	75

Expenditures

Development Expenses	144,658,596	177,021,114	32,362,518	18
Administrative Expenses	504,880,134	449,018,159	55,861,975	12

In comparison with the preceding year, Laboratory income by 297 per cent, the amount of money transferred to the Tea Board from the interest income of the Tea Promotion and Marketing Levy Fund by 244 per cent, the fixed deposit interest income by 229 per cent, and the profit earned by commercial activities by 103 per cent had increased and the development expenditure had decreased by 18 per cent.

2.3 Ratio Analysis

The ratios of current assets and quick assets were 7 : 1 in the year under review and those ratios had been 14:1 in the preceding year. Even though the current assets had increased by 15 per cent compared to the previous year, due to the fact that current liabilities had increased by 124 per cent these ratios had changed by 50 per cent as compared to the preceding year

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though it had been informed that the land in extent 1 Rood , 20 perches, where the Kalutara Regional Office is being functioned, the approval of the Minister approval was obtained from the letter No. 4/10/37833 submitted by the Land Commissioner General to the Provincial Land Commissioner of the Western Province to give the Sri Lanka Tea Board on a long-term lease basis for a period of 30 years From the year 2014, a lease agreement has not been signed yet.	The Kalutara Regional Office has also received the survey charge from the Sri Lanka Tea Board by now and the building constructed on the respective land was done by the Sri Lanka Tea Board. Accordingly, the building was assessed in the year 2022 by the Government Valuation Department on the concurrence of Palindanuwara Divisional Secretary and that value has been accounted for.	A legal lease agreement should be entered into.
(b) Although the ownership of the land acquired by the Nuwara Eliya Divisional Secretary from	Land acquisition activity of the Nuwara Eliya Regional Office should be done by the	Prompt steps should be taken to receive the

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| <p>the Kelani Valley Estate Company, which runs the Nuwara Eliya Regional Office, had not been legally transferred to the Board, the buildings cost at Rs.148,013,695 had been constructed by the Board.</p> | <p>Regional Office and the details should be given.</p> | <p>the legal ownership of the land to the Board.</p> |
| <p>(c) Although the business activities of the Tea Shop of Sri Lanka Tea Board Nuwara Eliya Regional Office was leased out for a Rs.8,162,296 with an agreement to a private party in the year 2019 for a period of 6 years, as the Board had not checked the ability of payment of the institution while contracting with the respective party, the lease amount receivable from the Nuwara Eliya Tea Shop to the Board from the year 2019 to the year 2022 amounted to Rs. 986,253 had not been charged up to the end of the year under review.</p> | <p>The lessee has been notified in writing to collect the relevant charges.</p> | <p>Arrears of rent should be recovered from the lessee without delay.</p> |
| <p>(d) The loss of Rs.62,603,006 incurred by the Board because of the establishment of the Colombo tea sales centre called "Tea Moments" in 2014 without carrying out a feasibility study and not being implemented in an effective manner, had been written off. Although the Chairman was informed through the letter dated 06 December 2016 from the Secretary, Ministry of Plantation Industries that the appropriate actions should be taken against the officers who acted recklessly in this regard, as the Board of Directors had decided that the taking</p> | <p>It was a decision taken by the Board of Directors to establish the tea sales centre named "Tea Moments" and there was no intervention by officers. Therefore, the officers are not responsible for the loss, the Board of Directors has decided that taking actions against them is not suitable.</p> | <p>An investigation should be initiated to identify the officers or Board Members responsible for this loss and recover the money.</p> |

disciplinary action was inappropriate, proper actions had not been taken even by the end of the year under review against the parties responsible for the loss.

- (e) As a result of non-compliance of the Pesticide Chemical Constituent Analysis Machine (Liquid Chromatography Mass Spectrometer) purchased for Rs.32,132,088 in the year 2009 is not being used up to now and although a charge sheet was issued against the then Assistant Director attached to the laboratory regarding the irregularities in the purchase and, the formal disciplinary inquiry was completed and submitted to the Board on 22 September 2022, since the Board of Directors had again appointed an independent officer to verify the fairness and impartiality of the conclusions of the charge sheet and the formal disciplinary inquiry, though the necessary disciplinary actions had not been taken so far, the accused Assistant Director had retired at the end of the year under review and the Board had also paid a gratuity amount of Rs.1,559,775 to the Officer. A sum of Rs. 205,454 had also been spent by the Board for disciplinary investigations.
- (f) Even though it had been decided to transfer the ownership of the "Ceylon Tea Museum" located in Hanthana, which belongs to Janatha Estates Development Board, to the Tea Board for a loan amount of Rs.25,000,000 given by the Board to Janatha Estates
- Agree. Due to the illness of the officer appointed to further verify the summaries of the charge sheet and the conclusions of the formal disciplinary inquiry conducted by the Board of Directors, it has been decided to appoint another officer in the Meeting of Board of Directors held on 27.04.2023. The appointment has already been made and actions will be taken to submit the report within a month.
- The Chairman of Janatha Estates Development Board, who participated in the Meeting of Board of Directors of T Museum held on 13.01.2023, has informed that necessary steps will be taken to resolve the related problem in
- Actions should be taken to expeditiously conclude the disciplinary inquiry and recover the loss caused to the Board due to this irregularity, from the responsible parties.
- Arrangements should be made to take over the "Ceylon Tea Museum" located in Hanthana for the loan given

Development Board on 19 September 2003 as per the Directive of the Committee on Public Enterprises held on 19 June 2012, although more than 10 years had elapsed, this process had not been completed and ownership of the Ceylon Tea Museum had not been taken over up to now and , no action whatsoever had been taken to recover the loan amount. The Tea Board had again given a loan of Rs.10,000,000 to the Janatha Estates Development Board for the payment of labour wages in the estate of the Janatha Estate Development Board on 27 February 2020 and only a sum of Rs.1,000,000 out of that had been recovered by the end of the year under review.

the future. Accordingly, further actions are being taken.

by the Board to the Janata Estates Development Board.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although there is a Preferential Tariff Rate Quota for tea under the Indo-Sri Lanka Free Trade Agreement (ISFTA) and the Pakistan-Sri Lanka Free Trade Agreement (PSFTA), it was impossible to record a significant utilization in the year 2022 also and the total exports to India and Pakistan It had decreased by 32 per cent and 100 per cent respectively in the year under review as compared to preceding year.	Lengthy delays to comply with certifications and requirements that limit market access, very high price of tea in Sri Lanka , the quota remains underutilized because of a high passion for Kenyan CTC tea in comparison with Orthodox Ceylon tea from the majority of Pakistani consumers and less than 1 million kg of tea will be exported almost every year.	Export promotions should be done by identifying the obstacles to achieving maximum results from free trade agreements through overcoming those obstacles.

- (b) Although the global tea market share (World Prod Share) for Sri Lankan tea is 18 per cent in 2011 due to the fact that the total tea production and export of Sri Lanka is not growing steadily, it was observed that the global tea market share for Sri Lankan Tea had dropped to 3.88 per cent by the year under review as per the Supplementary to International Tea Committee News Bulletin.
- Although the tea export and tea production capacities have decreased in the year 2022 compared to the year 2021, there is progress in the export of tea as compared to the value of tea production. It is an increase of 3.71% from 93.47% to 97.18%. A progress in exports compared to production (2022) was seen in the last year by meeting the demand for Sri Lankan tea and recording a high percentage as compared to the decline in production due to policy decisions.
- Actions should be taken to improve the production of tea and to increase the share of tea for Sri Lanka in the global market.
- (c) According to the Annual Plan 2022, A sum of Rs.200,000,000 had been allocated in Budget Estimates to participate in 34 foreign trade fairs and a sum of Rs.104,201,553 had been spent during the year for the participation of 25 trade fairs. As a result of failure of carrying out follow-up actions on the progress of the trade show after providing opportunities and the subsidies given to selected exporters by the Board to participate in foreign trade fairs and, although data on received orders and obtaining their values by providing evaluation forms to evaluate the progress of the exporters after the trade fair, it could not be satisfied in audit that there had been an adequate evaluation whether the subsidy money given to the exporters was used in an effective manner due to failure of evaluating the actual export growth of the respective exporters.
- Due to the travel restrictions caused during the last covid epidemic season, there has been a tendency for exporters to participate in foreign trade fairs again in the year 2022. In this, a confirmation of the progress of the order received at that time is made by an evaluation paper at the end of those exhibitions of the exporters participated in the respective trade fairs. Therein, as most of the order prices and the nature of the order are remaining at temporary level, an evaluation of the actual export growth at the time of the completion of the respective trade fair is done by comparing the data obtained from the exporters with the data in the SLTB data system.
- To develop criteria to measure progress at the end of a trade fair and the Board should introduce a follow-up process for the evaluation of export promotion.

Therefore, the export quality evaluation for the trade fairs participated in the year 2022 is being done in this year (2023).

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| <p>(d) Although the regulatory activities including registration of tea factories, improvement of tea factories should be done under the control of the Board under the Tea Control Act No. 51 of 1957, a number of 76 factories had produced 11,630,711 kg of tea exceeding the approved capacity.</p> | <p>Examinations are being done in these factories at present and about the factories where the production of these factories exceeded the approved capacity and actions have been taken to carry out legal proceedings regarding the factories where irregularities have committed and also to direct the Committee to increase the capacity of other factories.</p> | <p>Monitoring and regulation of tea factories should be strengthened.</p> |
| <p>(e) It was observed that a specific methodology had not been established as at the date of audit in respect of the inclusion of receipt of packaging stocks used for packaging of Made Tea Stocks of the Board, uses in production, reporting and removal of damaged stock into the computerized stock control process on movement of packaging stock.</p> | <p>This requirement is a new requirement which was not provided in the collection stage. The institution has been informed about that need by now and it is expected to include the facility accordingly.</p> | <p>Packaging stock control should be computerized.</p> |

3.3 Delays in Projects or Capital Works
Audit Observation

Comments of the Management

Recommendation

The approval of the Cabinet of Ministers had been received in 2016 to establish an Information Technology System for the tea industry and even though Rs.220,000,000 was received from the Tea Marketing and Promotion

After giving the final decision of Technical Evaluation Committee on 16 June 2020, practically implementation of the Project has been commenced awarding the establishment of Tea Value

Arrangements should be made to complete the activities of setting up the Information Technology

Fund to the Board on 03 July 2018, it had been entered into agreement with a private entity on 30 September 2020 to install the system retaining the money in idle for more than two years. Accordingly, although the entire system was planned to be completed in two years and six months for Rs.53,964,995, the work had not been completed by 30 April 2023. Due to obtaining this amount on overestimate, an amount of Rs.166,035,005 had remained in idle furthermore and the amount had been shown in the financial statements under other payables.

Chain Management System (TVCMS) to a private company on 16 July 2020 . As a result of COVID 19 travel restrictions, Project implementation was delayed by almost 1 year. The entire project consists of 3 separate phases and they have already deployed parts related to phase 1 in the live environment. In addition to that, they have completed the factory process which comes under phase 2 . About 30% of the total amount has been paid to that private institution.

system promptly and to make marketing and promotion of tea efficient by transfer the remaining money to that Fund.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
A detailed estimate had not been prepared for the contract of Rs.32,182,460 for the supply, installation and maintenance of the central air conditioning system in the new building of the Sri Lanka Tea Board in terms of Section 4.3.1 of the Procurement Guidelines.	Written instructions have been provided to ensure that not to occur such deficiencies again.	Estimates for the contract should be prepared in accordance with the Procurement Guidelines.

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
The approved cadre of the Board was 335 as at 31 December 2022 and the actual cadre was 246. Accordingly, there were 89 vacant posts including 03 posts (between 03 years and 06 months) of Deputy	Since the government has temporarily suspended the filling of vacancies from the year 2019, it has not been possible to recruit for the vacant positions of the Sri Lanka Tea Board. Although	Actions should be taken to recruit officers for essential posts.

Director (Marketing), Director (Promotion) and Director (Administration) belonging to the Higher Management Level and the Board had not taken steps to fill up those posts or revise the approved number of employees.

the requests were continuously submitted to the Public Enterprises Department through the Ministry to fill those vacancies based on the need of the service, approval has not been given to fill up those vacancies so far. However, as the Tea Board requires approved staff to efficiently deliver services to tea industry stakeholders by achieving annual targets, the staff cannot be revised and reduced.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
<p>Even though Rs.13,462,663 and Rs.10,684,706 had been paid in the years 2021 and 2022 respectively for the contract for the supply, installation, operation and maintenance of the centralized air conditioning system in the new building of the Sri Lanka Tea Board, it was observed during the audit that there was no formal budgetary control because of the budget allocations were not made for that purpose in the respective years.</p>	<p>Since a request has not been made by the Procurement Division, to make provisions in the financial statements of the year 2019 for installation, operation and maintenance of the central air conditioning system mentioned in the query and because the works have been commenced in 2019, disclosures were only made in the financial statements of the year 2019.</p>	<p>Budgetary control should be strengthened.</p>