Janatha Estates Development Board - 2019

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1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Janatha Estates Development Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and notes to 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, State Agricultural Corporations Act No. 11 of 1972 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.
I do not express an opinion on the financial statements of the Board. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to significance of the matters described in paragraph , Basis for Disclaimer of Opinion, of this report.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimed based on the matters described in paragraph 1.5 of this report.
I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 disclaimed 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 Sub-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 Scope of the 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 judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with the Reference to Particular the Relevant Standard	Management Comment	Recommendation
a)	According to Paragraph 17 of the Accounting Standard 20, the grants for specific expenses should be recognized either as profits or losses during the period incurring the expenditure. Nevertheless, the Government grants of Rs. 2,947 million received by the Board during 2014-2019, had been brought to accounts as reserves. As such, reserves and losses of the Board had been overcomputed by that amount.	Action will be taken to correct the erroneous accounting process in the year 2022.	The grants for expenses should be recognized as revenue of the relevant period as per the Sri Lanka Accounting Standards.
b)	According to Paragraph 57 of the Sri Lanka Accounting Standard 19, the defined benefit plans for the entity should be computed by following actuarial assumptions viz. current service cost of the entity, age groups and mortality of the employees, effect on employee turnover, age of retirement, rate of discount, and salaries and increments. Nevertheless, the Board considered only the basic salary received by an employee at the end of the year when computing the benefit plans.	Action will be taken to follow actuarial assumptions from the year 2023.	Necessary adjustments should be made as per the Standard in computing for defined benefit plans.

c)	A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in terms of Paragraph 12 of Sri Lanka Accounting Standard 41. Nevertheless, the stock of consumable biological assets valued at Rs. 33,099,131 had been brought forward by the Board as a fixed value rather than being assessed annually. The Audit had not been provided with reports of assessment and surveys on trees updated annually, thus failing to verify the said value. Furthermore, the income from trees with a commercial value sold during the year under review, amounted to Rs. 28,207,665, but no action had been taken to eliminate the cost of those trees from the assets.	Action will be taken to account for such assets after being assessed from the year 2023.	Biological assets should be computed to the fair value and brought to accounts.
d)	Contrary to Paragraph 34 of the Sri Lanka Accounting Standard 40, the value of lands in an extent of 111,790 hectares given on lease to 20 divisional estate companies by the Board, the value of 744.56 hectares given on lease out of the lands administered by the Board, and the value of lands in extent of 2.4 hectares in Colombo given on lease to 13 parties, had not been assessed and brought to accounts under invested properties in the financial statements. Furthermore, a sum of Rs. 1,941,522,859 had been shown as non-current assets in the statement of financial position though, the Audit had not been provided with detailed schedules required to verify the existence of such assets by recognizing them separately.	The value of lands and buildings vested in the Janatha Estates Development Board, has not yet been accounted for. However, considering the fact that many verdicts had been returned on cases stating that rights to those lands had belonged to the Janatha Estates Development Board, the possibility exists for the value of those lands to be brought to accounts, but in order to do so, the assets should be assessed, and no sufficient funds exist. The lands should also be surveyed before being assessed.	The invested properties should be properly accounted in the financial statements and the schedules should be made available to the Audit.

	Audit Issue	Management Comment	Recommendation
e)	Contrary to Paragraph 37 of Sri Lanka Financial Reporting Standard 13, the value of 18 estates in the extent of 11,585.44 hectares belonging to the Janatha Estates Development Board, had not been assessed and shown under Property, Plant and Equipment in the financial statements as at 31 December 2019.	The value of lands and buildings vested in the Janatha Estates Development Board, has not yet been accounted for. However, considering the fact that many verdicts had been returned on cases stating that rights to those lands had belonged to the Janatha Estates Development Board, the possibility exists for the value of those lands to be brought to account, but in order to do so, the assets should be assessed, and no sufficient funds exist. The lands should also be surveyed before being assessed.	The value of lands should be assessed and brought to accounts.

1.5.2 Accounting Policies

	Audit Issue	Management Comment	Recommendation
a)	It was mentioned under Accounting Policy No. 3.2.3 in the financial statements of the Board that depreciation would begin when the assets were available for use in terms of Paragraph 55 of the Sri Lanka Accounting Standard 16. Nevertheless, the fixed assets purchased by the estates in the year 2019 at the value of Rs. 8,141,293, had been depreciated for the year under review itself by disregarding the date of purchase.	Amortization had been done by the Head Office since 2019 based on the date of purchase, and amortization had been done for the entire year of the estate sector. Corrective measures had been taken from the year 2022 on accounts in accordance with the said accounting policy.	The Accounting Policy No. 3.2.3 should be followed as the fixed assets of the Board become available.
b)	The Board had computed depreciation on assets without considering the useful life of the assets.	The entity consists of Head Office and the estates. Factories and machinery are maintained at the estates, and considering the functionality thereof, the amount of depreciation is higher and hence, depreciation had been done at two rates of depreciation. The two rates of depreciation being	The useful life of assets should be taken into consideration when computing depreciation for fixed assets.

		in use at present, will be used for computers and printers as well. Once the old assets are fully depreciated, the new rates of depreciation will be maintained by the Board.	
c)	The period of transferring the capital expenses incurred on tea and rubber, from un-grown cultivation to fully grown cultivation, had been specifically shown under Accounting Policy 3.2.7; but, the growing periods for the other biological assets in the estates of the Board such as, cocoa, mango, cinnamon, areca, cardamom, and pepper along with consumable biological assets of timber and ginger, had not been disclosed in the accounting policy of the Board.	Action will be taken to disclose in the accounting policy from the year 2020.	The correct accounting policies should be disclosed and accounting should be done in accordance therewith.

1.5.3 Accounting Deficiencies

	Audit Issues	Management Comment	Recommendation
a)	Although the "Estate Development Project" implemented by the Ministry of Plantation Industries had been completed in the year 2010, the sum of Rs. 4,136,733 incurred by the Janatha Estates Development Board for purchasing roofing sheets under the project, had been shown as a trade and other receivable balance in the financial statements of the Board. This receivable balance remained due over a period of 09 years, and it was observed that recovery of that balance remained doubtful. However, no provision whatsoever in that connection had been made in the financial statements.	The institution under scope of the Ministry of Plantation Industries had implemented a project in the year 2009 to provide roofing sheets for the estates. The JEDB had purchased roofing sheets under that project and the said institution reimbursed the relevant funds. Although the said project had come to a conclusion in the year 2010, the sum not reimbursed to the Janatha Estates Development Board amounted to Rs. 4,136,732.52. This sum had continuously been indicated in the financial statements, and action will be taken to write off that amount under the approval of the Board of Directors by revising the accounts as this institution and the project does not remain functional at present.	Necessary provision should be made on suspense balances.

b)	A sum of Rs. 40,503,226 being the value of net assets of the Montecristo estates vested in the private sector on a lease basis in the year 2001, had been brought forward under other debtors in the financial statements over a period of 18 years. In reply to the draft audit report of this year, this balance had been shown as a receivable income from the Montecristo estates given on lease. Accordingly, recovery of this receivable balance remained doubtful, but no action had been taken even in the year under review to make provisions for that balance.	What is maintained at the Head Office under Montecristo (H/O 62910) is the lease rent income from the Montecristo institute, and incorrectly mentioning it as the value of net assets of the Montecristo estate in the replies to the audit query of the preceding year, should be corrected.	Action should be taken to recover the outstanding loan balances and make provisions for suspense balances.
c)	The value of sales income of trees with commercial value in the year under review amounted to Rs. 28,207,665 as per the financial statements of each estate. However, this income had been recognized as Rs.25,883,500 under other income in the financial statements, and hence, the other income of the Board had been understated by Rs. 2,324,165.	The income of Rs. 28,207,665 being the income through the sale of trees is correct , but the estates had brought to accounts the values on a cash basis. Action will be taken to inform the estates to follow the accrual basis of accounting in due course.	The sales income should be correctly brought to accounts.
d)	The accumulated value of depreciation relating to the matured rubber cultivation amounted to Rs. 123,452,405 by the end of the year 2018, but an opening balance for accumulated depreciation on the rubber cultivation had not been brought forward in the year 2019. Furthermore, an adjustment valued at Rs. 44,092,274 had been made to the accumulated depreciation on the said rubber cultivation in the year under review, but detailed information in that connection had not been made available to the Audit. The accumulated balance of depreciation for tea cultivation amounted to Rs. 160,145,049 by the end of the year 2018, but the opening balance of	As disclosed in the note to Property, Plant and Equipment in the financial statements of the year 2019, the accumulated depreciation as at 2018.12.31 had been corrected as at 2019.01.01. Although corrective measures had been taken on accumulated depreciation relating to biological assets and Property and Plant, the value of accumulated depreciation had not changed in general, nor had the accumulated depreciation been undervalued, thus causing no impact on the balance sheet of the profit and loss account in the financial reports of the year. Moreover, a decline in the accumulated depreciation on rubber cultivation had been shown in the	The recognized errors should be corrected properly and disclosures should be made separately in the financial statements.

	accumulated depreciation had been shown as Rs. 290,650,606 in the financial statements of the year 2019. Accordingly, it was observed that the opening balance of accumulated depreciation for the year 2019 had been overstated by Rs. 130,505,557.	year 2019 as compared to the preceding year, but it was a correction, and no undervaluation had occurred.	
e)	The value of accumulated depreciation amounted to Rs. 531,598,418 by the end of the year 2018 whereas the opening balance of the accumulated depreciation for the year 2019 amounted to Rs. 488,602,828 (before adjustments). As such, a difference of Rs. 42,995,589 was observed between the two values.	Allocations for accumulated depreciation for biological assets and Property, Plant and Equipment had not been correctly made in the year 2018, and corrective measures had been taken by 2019.01.01. In general, however, allocations for accumulated depreciation had not changed as at 2018.12.31 and 2019.01.01. This had been disclosed through the notes to financial statements of the year 2019.	The recognized errors should be corrected properly and disclosures should be made separately in the financial statements.
f)	The method of depreciation for biological assets and ratios of depreciation had been disclosed in financial statements by the Board in terms of Paragraph 54 (d) of the Sri Lanka Accounting Standard 41. Nevertheless, depreciation on other biological assets valued at Rs. 10,124,003 had not been computed and brought to accounts.	Ratios had been disclosed with respect only to tea and rubber cultivations. Action will be taken to disclose from the year 2020 that depreciation would be calculated according to the straight-line method.	Depreciation on biological assets should be done correctly and brought to accounts.

1.5.4 Un-reconciled Control Accounts or Records

	Item	Value as per Financial Statements	Value as per Corresponding Reports	Difference	Management Comment	Recommendation
		Rs.	Rs.	Rs.		
(a)	Payable balance of the gratuity account.	520,297,487	445,947,513	74,349,974	According to financial statements of the year 2019, the payable balance of the gratuity account was	Schedules should be prepared correctly, and those balances should be brought to accounts.

					equal to the balance of the gratuity account payable as at 2019.12.31	
(b)	Balance of the gratuity surcharge account.	152,431,129	152,740,006	308,877	Balance of the gratuity surcharge account is not similar to the balance of the gratuity surcharge account mentioned in the schedule as per the financial statements. The balance that you pointed out as being mentioned in the schedule, was not similar to the balance in the schedule as well.	Schedules should be prepared correctly, and those balances should be brought to accounts.
(c)	Balance of the allocations for the gratuity account.	729,874,650	723,568,859	6,305,791	According to the financial statements of the year 2019, the balance of the allocations for the gratuity account amounted to Rs. 729,874,650 whilst the balance of the allocations for the gratuity account mentioned in the schedule presented by us as at 2019.12.31, was equal to that amount.	Schedules should be prepared correctly, and those balances should be brought to accounts.
(d)	Balance of loan and	119,318,496	97,709,342	21,637,005	The accounts receivable from	The receivable balances should be

interest receivable by the Board from the Sri Lanka State Plantations Corporation.		the Sri Lanka State Plantations Corporation, had been verified, and the letter of confirmation of balances together with the report of verification had been sent to the Sri Lanka State Plantations Corporation on 22 September 2023 for verification by mentioning the balance as Rs. 119,318,495. However, no reply has been received from them thus far, and according to our accounts, the balance maintained by the Sri Lanka State Plantations Corporation at present was similar to the said value.	verified through confirmation of balances, and the correct values should be brought to accounts.

1.5.5 Going Concern of the Organizations.

Audit Issue	Management Comment	Recommendation
In the wake of continuous losses being sustained, the net assets and working capital of the Board had become minus values of Rs. 607.02 million and 1,795.70 million respectively as at 31 December 2019 whilst the value of statutory payments defaulted as at that date, amounted to Rs. 1,513.49 million. As such, it was observed that there existed a material uncertainty on	The reason for the net assets to become minus was that the values of lands, factories and buildings vested in Janatha Estates Development Board by the Land Reforms Commission, had not been brought to accounts. With the value of those assets being included, the net assets shall reach a positive	The assets should be assessed and brought to accounts, and the defaulted statutory payments should be settled without delay.

the going concern of the Board. Despite being disclosed in Note No. 2.4 to the financial statements that a decision had been taken by the Board of Directors to restructure the Board, the Board had not been restructured even up to 31 March 2024.	value. Furthermore, a large amount would be spent for revaluing those assets. This problem has been in existence since the inception of the Board.

1.5.6 Documentary Evidences not made available for Audit.

	Item Available	Amount Rs.	Audit Evidence Not Furnished	Management Comment	Recommendation
(a)	Lands and buildings of the Head Office.	1,503,744,550	Detailed schedules, plans of the lands, and Gazettes relating to the transfer. Assessment reports, annual reports of physical verification.	The building plans are not in our possession at present. The lands and buildings vested in the Land Reforms Commission in the year 1972, were transferred to the Board later. Hence, the Board does not possess the engineering plans, nor had the properties been assessed.	The Audit should be provided with sufficient and relevant evidence to verify the value, existence and rights of the lands and buildings.
(b)	Payment of gratuity and surcharges by the Rockwood estates.	12,656,292	Schedule for payment of gratuity and payment vouchers.	Schedules relating to allocation for gratuity sent by the Diyaluma estates and Mulhalkele estates, information on Rockwood estates, have been furnished to the Audit herewith.	Due to the inadequacy of information given to verify the payment of gratuity and surcharges, the relevant and sufficient evidence should be made available to the Audit.
(c)	Closing stock.	74,377,945	Stock valuation reports, reports of physical stock verification.	Report of evaluating stock value based on production cost/average net sales value (NSA),	Relevant and sufficient evidence should be made available to the Audit in order to verify the stock

				is furnished herewith.	balance.
(d)	The balance continuing from 2012 included in the opening balance of the advance account.	9,071,137	Detailed schedules.	There existed no registers to find information on the balance of Rs. 9,071,137 brought forward since the year 2012. Action has been taken to settle a sum of Rs. 3,424,718 out of Rs. 4,772,794 recognized as advances not settled during 2012-2016. The sum to be settled further amounted to Rs. 1,298,077.	All the measures possible should be taken to analyze and recognize the long term balance of advances.
(e)	The sum received from the Ministry of Mahaweli to the Kotmale reservoir project in the year 2000, but not spent on the intended purpose.	36,310,518	Bank confirmations and particulars on the receipt of funds.	The funds received for constructing houses, had not been spent on the intended purpose. As the said value belonged to the year 2000, no information whatsoever in that regard exists at the Board. As such, action will be taken to write off the sum in due course.	As the Chairman informed that the relevant work had not been executed by utilizing the sum of Rs. 36.3 million, an inquiry should be conducted on those funds received from the Ministry thereby taking suitable action.
(f)	Other payable balance.	130,900,290	Letters of confirmation of balances.	Furnished.	The Audit should be provided with documentary evidence required to recognize the other payable balances.
(g)	Balance of fixed assets of Onugaloya	6,013,927	Register of Fixed Assets, reports of verification of	The JEDB then owned estates named Onugaloya	Measures should be taken formally by recognizing the

	estates continuing to exist over 20 years.		physical assets.	on which the Mahaweli reservoir was later constructed. Although there was no physical existence for the assets of that estates, there was no sufficient evidence to write off from the books. Hence, information for the write-off could not be made available.	evidence of assets without physical existence despite being included in the financial statements.
(h)	Work in progress.	15,675,572	Papers of the Board of Directors relating to approval of works, payment vouchers, performance evaluation reports on the failure in completing works,	Action will be taken during the stock verification in the year 2023 to obtain a confirmation from the Superintendent of the estate as to whether the balance (capital) of the work in progress exists physically or not and present it to the Board of Directors under the recommendation of the Internal Auditor thereby writing off the balance.	Substantial evidence on assets without physical existence at present despite being included in the financial statements, should be identified, and measures should be taken formally in that connection.
(i)	Matured cultivation shown under Property, Plant and Equipment of the financial statements.	17,925,652	Reports of surveys on trees, explanations and reports relating to the assessment of values.	Action will be taken to present the relevant reports and show under biological assets of the year 2020.	The biological assets should be correctly accounted for in the financial statements, and consistency and assessment reports of those assets

					should be made available to the Audit.
(j)	Balance of adjustment shown under trade and other receivables in the statement of financial position.	30,574,666	Detailed registers, confirmation of balances.	In order to remove from the relevant accounts and write off, the old balances had been transferred to this account, and necessary action will be taken in due course under the approval of the Board of Directors to write off from accounts.	The old balances and adjustment balance should be reconciled correctly, and action should be taken to recognize those balances.
(k)	Balance of other assets included in the Property, Plant and Equipment.	8,696,304	Schedules are required to examine the comparisons between the type of assets, existence, accuracy and their values.	As no information whatsoever is in possession of the Board relating to the sum of Rs. 8,696,304 brought forward in the financial statements since 1996 with respect to the estates of the JEDB, action will be taken to write off that value from books.	Action should be taken to recognize this balance of assets, and suitable measures should be taken.
(l)	Minus balances in the trade receivable account of the ledger.	122,753,947	Detailed schedules.	The reason for minus balances in the receivable accounts is that lease rents have been collected for ensuing periods as advances. In such instances, those balances should be shown as creditors in terms of accounting standards.	Accurate data should be maintained on the balances in the trade receivable account of the ledger. Such data should be updated as well.

				Nevertheless, the other inaccurate minus balances are being corrected at present.	
(m)	Value of surcharges payable on the Employees' Provident Fund of estates, Employees' Trust Fund, Estates Staffs' Provident Society, and Ceylon Planters' Provident Society.	11,541,671	Schedules, and legal documents relating to values of surcharges.	At present, the Board accounts for surcharges only when a case is filed in that connection. However, surcharges will be computed against the balance payable in terms of the Act and brought to accounts in due course.	Surcharges should be computed against the balance payable in terms of provisions of the Act and brought to accounts, and referenced documents and schedules should be made available to the Audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issues	Management Comment	Recommendation
a)	The creditors' balance of the Head Office of the Board that remained unsettled over 01-05 years amounted to Rs. 19,485,533 whilst the balance over 05 years amounted to Rs. 39,018,431. The Board had not taken action to settle those balances, or no suitable measures had been taken on creditors who had not claimed the balances older than 05 years.	The invalidated cheque account with a creditor balance of Rs. 601,413 continued to exist over 05 years, had been corrected in the year 2021. A sum of Rs. 200,413 through the PH&SWT account with a balance of Rs. 18,057,479, and a sum of Rs. 352,891 had been paid in the years 2021 and 2022 respectively. Payments will be made in due course subject to working capital of the Board. Furthermore, of the rates and taxes amounting to Rs. 15,083,982, the assessment tax is paid in the relevant quarter properly. As for the outstanding assessment tax, a sum of Rs. 500,000 will be paid in installments in every 03 month period from September 2022. A sum of Rs. 3,000,000 has been paid at present.	Action should be taken to settle the unsettled balances.

b)	With the Nagstenna estates given on long - term lease to a private company in the year 2007,a sum of Rs. 2,176,683 receivable from that institution had been brought forward in the financial statements under trade and other receivables over a period of 11 years. As such, it was observed that the receipt of that sum remained doubtful.	As the institution had not possessed information on the sum of Rs. 2,176,683 receivable from Quenrich Agro Company for over 11 years, action will be taken to prepare a policy on bad and doubtful debts and obtain approval of the Board thus making provisions on doubtful and bad debts in due course.	Approval should be obtained on a formal policy for receivable balances, and necessary provisions should be made in the accounts accordingly.
c)	Confirmation of balances, sufficient information on those balances, and documents relating to the sum of Rs. 1,693,337 mentioned in the statement of financial position as sundry debtors, had not been in the Board's possession. No action whatsoever was taken for the recovery of those balances that remained due since 1996.	A policy on bad and doubtful debts will be prepared before being written off in due course.	Approval should be obtained for a formal policy on receivable balances, and necessary provision should be made in the accounts accordingly.
d)	According to agreements entered into with buyers registered for selling tea leaves of the Board, funds should be recovered within a credit period of 15 days. Nevertheless, the debtor's balance continued to exist over a period from 03 months to 06 years amounting to Rs. 10,482,485 as at 31 December 2019.	Of the debtors as at 2019.12.31, the balance relating to Deenside Tea Factory Limited had been settled. As transactions are already performed with Hatton Plantations PLC, the outstanding balances have been settled. Furthermore, the Case No. DMR 67818 is being heard at the district court in Colombo with respect to the outstanding balance receivable from Ratwatta Tea Factory. As a security deposit of Rs. 750,000 is in our possession to settle the outstanding amount receivable from Nildalukanda Tea Factory, action will be taken to settle the balance using that deposit.	Prompt action should be taken in terms of the agreements to recover the funds receivable from buyers.

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

	Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
a)	Sub-section 5 (1) of Part II of the Payment	Gratuity should be paid within a period of 30 days since the	The payments could not be made on time	Action should be taken to avoid

	Of Gratuity Act No. 12 of 1983.	retirement or death of an employee. However, gratuity totalling Rs. 520,297,488 had not been paid by the Janatha Estates Development Board as at the end of the year under review as per the financial statements. Furthermore, an employer defaulting on the payment of gratuity, is liable for paying surcharges as computed in terms of the Act. According to the financial statements, a surcharge of Rs. 152,431,129 remained payable as surcharges by the Board as at the end of the year 2019.	properly due to adverse working capital deficit of the Board since 2000. However, payments will be made continuously with effect from July 2023.	uneconomic expenses by paying gratuity on time in terms of Payment Of Gratuity Act No. 12 of 1983.
b)	Section 15 of the Employees' Provident Fund Act No. 15 of 1958.	The employer of an employee shall deduct and pay to the Fund the contribution for each month of such employee before the last day of the succeeding month from the earnings of such employee; however, a sum of Rs. 729,997,398 remained as payable provident over a period of 18 years since 2001, and balance of 49,809,062 remained due for the Estates Staffs' Provident Society (ESPS). According to financial statements by the end of the year 2019, surcharges amounting to Rs. 9,202,722 and Rs. 1,093,871 remained payable to the Provident Fund and Estates Staffs' Provident Society respectively.	As funds had been received from the Treasury at Rs. 30 million per month since June 2023 following approval of the Cabinet, the said outstanding amount is being settled. Statutory payments will be made from funds of the Board with effect from June 2023.	Action should be taken to avoid uneconomic expenses by paying contributions to the gratuity in accordance with Employees' Provident Fund Act No. 15 of 1958.
(c)	Sub-section 16 (1) of the Employees' Trust Fund Act No. 46 of 1980.	The employer of every employee shall, in respect of each month during which such employee is employed by such employer, be liable to pay in respect of such employee, to the Fund, on or before the last day of the succeeding month, a contribution	As funds had been received from the Treasury at Rs. 30 million per month since June 2023 following approval of the Cabinet, the said outstanding	Action should be taken to avoid uneconomic expenses by paying contributions to the Employees' Trust Fund and Ceylon Planters' Provident

	of an amount equal to three per centum of the total earnings of such employee from his employment under such employer during that month. However, over a period of 08 years since 2011, the Board had defaulted on contributions amounting to Rs. 39,062,916 and Rs. 10,350,340 payable to the Employees' Trust Fund and Ceylon Planters' Provident Society (CPPS) respectively. According to financial statements by the end of the year 2019, surcharges amounting to Rs. 407,089 and Rs. 837,989 also remained payable to the Employees' Trust Fund and Ceylon Planters' Provident Society respectively.	amount is being settled. Statutory payments will be made from funds of the Board with effect from June 2023.	Society.
(d) Nation Building Tax Act No. 09 of 2009,			
(i) Section 2 (i) (c).	Provisions of the Nation Building Tax are applicable to every person manufacturing a certain article or supplying services of any nature. However, the Board had not taken action to pay the nation building tax of Rs. 1,138,577 with respect to the lease rent income on lands amounting to Rs. 51,436,256 earned in the accounting year of 2019 and other income amounting to Rs. 5,492,601.	In the year 2019, an allocation of Rs. 1,551,040 had been made by us in the financial statements for economic service charges.	The payments required for the relevant period should be made regularly in terms of Nation Building Tax Act No. 09 of 2009.
(ii) Section XIV of Schedule I.	Tax exemptions are given for tea supplied only to brokers registered to sell at the tea auction in Colombo, but tax had not been computed for a sum of Rs. 153,413,370 being the other tea sales income, in the year under review.	The stock of tea received from estates of the JEDB is directly received by the consumers' division of the Head Office, and the tea so received, is supplied to the Sri Lanka Army and Navy. As	The payments required for the relevant period should be made regularly in terms of Nation Building Tax Act No. 09 of 2009.

			stocks of tea had been sold in the way as same as supplied by the estate, nation building tax had not been computed.	
(e)	Section 02, 06 and 10 of Economic Service Charge Act No. 13 of 2006.	Every institution of which the quarterly income exceeds Rs. 10 million, becomes entitled to this Act. However, as the Board had not complied accordingly, a sum of Rs. 2,161,090 being the economic service charges for the year under review and the sum of Rs. 6,357,269 brought forward in the financial statements since 2007, had not been paid by the Board. Furthermore, in case of the service charge for a certain quarter not being paid on or prior to the date specified, it is deemed to have been defaulted, and it was observed in audit that every Director or other chief officers of the Board would be considered to have neglected the Act.	Although those funds had not been paid, it was agreed with the Department of Inland Revenue at the discussion of the consultancy Committee held on 2023.12.01 that the said tax would be written off.	The Board should take action to pay the economic service charges regularly, and make relevant adjustments under formal approval of the Department of Inland Revenue.
(f)	Financial Regulation 387 of the Democratic Socialist Republic of Sri Lanka.	The Paying Officer should always ensure that the bank balance is adequate to meet all his payments made by cheque. No official bank account must be overdrawn. As a sum of Rs. 80,851,833 maintained by the Janatha Estates Development Board in 04 accounts at Bank of Ceylon, Nations Trust Bank, and People’s Bank, had been kept as overdrafts by the year 2019, an overdraft interest of Rs. 14,054,430 had been paid.	Such overdraft facilities had been obtained even in the preceding years based on requirements of the Board under approval of the Board of Directors. Given that the Board is a semi-government institution involved in conducting public enterprises, overdrafts had been obtained to supply financial provision to continue the activities.	The Financial Regulations should be followed, and deviations should be done by the Board only under prior approval of the Treasury.

(g)	Paragraph 3:1 of Part I of the Public Finance Circular, No. 01/2020 dated 28 August 2020, and internal Circular No. JEDB/Finance/10/2018 dated 09 August 2018.	Contrary to the Circulars mentioned, 72 instances were observed in which advances ranging from Rs. 50,000 to 10,000,000 had been given.	According to the Circular, the maximum amount for cash advances is Rs. 50,000, but such a limit is not mentioned for payments made by way of cheques. Such advance payments had been made to suppliers selected through Procurement Process.	Advances should be given in accordance with Circulars.

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a loss of Rs. 757,593,788 as compared to the corresponding loss of Rs. 477,742,649 for the preceding year thus observing a deterioration of Rs. 279,851,139 in the financial result. Decrease in sales income from rubber and other crops by Rs. 70,829,816 as against the preceding year, and increase in cost on the sale of consumer tea and sales cost on tea leaves and stocks of tea by Rs. 123,650,228 and Rs. 229,135,656 respectively, had mainly attributed to this deterioration.

2.2 Trend Analysis of major income Expenditure Items.

The income generated in the year under review through the sale of tea leaves had declined by 4.8 per cent as against the year 2018 whilst the income from rubber and other crops had dropped by 45 per cent as against the year 2018. The cost on tea leaves and consumer tea cultivation for the year 2019, had increased by 177 per cent and 22 per cent respectively as compared to the year 2018.

2.3 Ratio Analysis

- Current ratio and quick ratio for the year under review and the preceding year stood at 0.3:1 and 0.3:1.
- The gross profit ratio of the year under review was 71 per cent, and the same was 43 per cent in the preceding year.
- The net loss ratio of the year under review was 88 percent, and the same stood at 58 percent in the preceding year.

It was further observed in audit during the examination of the said ratios of the Board for the years 2018 and 2019 that the current liabilities could not be set off against the existing current assets, and there existed a risk for going concern of the Board in the backdrop of financial adversity attributed by the continuous growth of gross and net loss and the debt capital exceeding the equity capital.

3. Accountability and Good Governance

3.1 Submission of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003 and the Treasury Circular, No. 01/2004 dated 24 February 2004, the financial statements and the draft annual report should be presented to the Auditor General within a period of 60 days after the end of the year of accounts. However, the financial statements and the draft annual report for the years 2021, 2022 and 2023 had not been presented to the Audit even by 31 October 2024.