Transactions Report of the Janatha Estates Development Board 2021, 2022 and 2023

The audit of the operational activities of the Janatha Estates Development Board for the years ended 31 December 2021, 2022 and 2023, was carried out under my direction in pursuance of Section 13(1) of the Finance Act No. 38 of 1971 and provisions of the National Audit Act No. 19 of 2018 read in conjunction with provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments on the functionality of the Board which I consider should be presented to Parliament in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

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

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity.

In terms of Section 16(2) of the said Act, annual financial statements of every auditee entity shall be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports of those entities within such period as may be provided by rules.

The Section 38(1) (d) of the said Act requires ensuring the preparation of annual reports and other financial statements within the required periods, and the Chief Accounting Officer shall be responsible to submit the annual reports pertaining to the auditee entity to Parliament.

2. Financial Statements

2.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular No PED/12 dated 02 June 2003 and Treasury Circular No. 01/2004 dated 24 February 2004, the financial statements and draft annual report should be presented to the Auditor General within a period of 60 days after the close of the year of finance. However, financial statements of the 05 preceding years had been presented to the Auditor General after a delay of several years whilst the financial statements and draft annual reports of 2021, 2022 and 2023 had not been presented to the Auditor General even by 30 December 2024.

2.2 Maintenance of Books of Accounts and Registers

Although the affairs of the Board had been continued, the ledger accounts, books and registers relating to the years mentioned in the report had not been completed.

2.3 Existence of Assets and Liabilities

Particulars on assets, liabilities, income and expenditure shown in the financial statements last prepared by the Board as at 31 December 2020, are as follows.

Asset	Value (Rs.)
Non-current Assets	1,963,257,721
Current Assets	948,969,760
Total Assets	**2,912,227,482**
Liabilities	
Current Liabilities	2,953,451,992
Non-current Liabilities	883,608,025
Total Liabilities	**3,837,060,017**
Net Assets/ Equity	(924,832,535)
Total Income	1,129,930,153
Total Expenditure	(1,478,322,769)
Deficit	(348,392,616)

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

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Management	Recommendation
a) Section 5.1.3 of the Public Enterprises Circular No. 12 dated 02 June 2003.	The Action Plan should be prepared prior to 15 days of the commencement of the year of finance, and once approved by the Board of Directors, the Action Plan should be presented to the Line Ministry, Department of Public Enterprises, the Treasury, and the Auditor General's Department.	Action Plans for the years 2022, 2023 and 2024 have been prepared by the Board, and action will be taken to present those Action Plans to the Audit as soon as possible.	The Action Plan should be prepared on time as per the specified Format, and presented to the relevant institutions.

		However, the Action Plan prepared for the year 2021, had been presented to the Audit on 15 December 2021. The Action Plans for the years 2022 and 2023 had not been presented to the Audit even by 31 December 2023.		
b)	Section 5.1 of Public Finance Circular No. 01/2014 dated 11 February 2014.	It is the responsibility of the Board of Directors to prepare a Corporate Plan for a period of at least 03 years for an institution thereby maintaining the enterprise by fulfilling the expected targets. The Corporate Plan so prepared, should be sent for approval of the Secretary to the relevant Ministry after being approved by the Board of Directors. However, the Janatha Estates Development Board had not prepared a Corporate Plan for the years 2021, 2022 and 2023 and obtained approval of the Secretary to the relevant Ministry.	Approval of the Board of Directors was received for preparing the business plan and making payments. Hence, payments had been made accordingly.	Action should be taken to prepare a Corporate Plan for the Board and obtain approval thereon.
c)	Section 03 of the Procurement Guidelines-2006 issued by the National Procurement Agency	Having assigned a private institution on 21 December 2021 to prepare the business plan for the	As the Board had faced a financial crisis, it was necessary to present the	Qualified and experienced institutions should be chosen for obtaining services

		period 2022-2024 without following the Procurement Guidelines, a sum of Rs. 2,025,000 had been paid by the Board during the period from December 2021 to May 2022. As the objectives and activities mentioned in the report prepared by that institution were impractical, the report had not been approved by the Ministry of Plantations. That report had not been implemented even by the end of the year 2023, and the expenditure incurred thereon had become fruitless.	Corporate Plan in order to expeditiously obtain a bank loan during the Covid-19 period to meet the working capital requirements. Thus, an external party had been assigned to prepare the plan, and the plan so prepared, had been presented to the Line Ministry. The Ministry informed that deficiencies in the plan be corrected and should be re-submited the plan. Action Plans have been prepared and implemented based on that Corporate Plan.	by following the Procurement Guidelines.
d)	Section 1.2 of Circular No. PED 01/2020 of the Ministry of Finance, Economic and Policy Development dated 27 January 2020.	A Chairman is entitled to either an official vehicle or a monthly transport allowance. However, an official vehicle had been provided for the Chairman whilst a sum of Rs. 2.35 million had been paid by the Board as transport allowances relating to the period from 2020 to 31	Payments on fuel used by the Chairman had been made as per Public Enterprises Circular, No. PED/01/2015 relating to the period from January 2020 to November 2020. A fuel allowance of Rs. 50,000 had been paid under	Action should be taken against the officers who approved and recommended the payment of additional fuel whilst providing an official vehicle and transport allowances contrary to the Circular. Prompt action should be taken for the

	December 2023. Although the Chairman had been entitled to 150 liters of fuel per month, approval had been given by the 09th Board of Directors on 11 December 2020 to grant a fuel allowance of Rs. 50,000 along with an extra 100 liters of fuel. This fuel allowance had been obtained along with the Chairman's allowance paid monthly. However, it was observed that the Chairman had used 7,491.16 liters of fuel worth Rs. 1,819,131 more than the limit given in the Circular during the period from March 2020 to 31 December 2023.	the approval of the Board of Directors during the period from 2020 to 2023.12.31, and the said Board of Directors comprised representatives from the Ministry of Finance and the then Line Ministry. The distance of a return journey from the Head Office to each estate was 7476 km including travels within estates. The fuel expense of Rs. 1,819,131 for the Chairman would be average.	recovery of overpayments from the responsible officer.
e) Sections 02 and 3.1 of the Public Enterprises Circular No. 01/2015 dated 25 May 2015.	Chairman of public enterprises, Chief Executive Officer , Managing Director, Executive Director, Director General, Chief Financial Officer, Chief Operational Officer and any officer with a salary category of HM 1-1 approved by the Department of Management Services, had been entitled to an official vehicle; and such	The Board of Directors had taken action to grant transport allowance to the said officers in terms of State Agricultural Corporations Act No. 11 of 1972 by which the Janatha Estates Development Board had been established. Powers had been vested in the	Allowances for fuel and transport should be paid in accordance with the said Circular. The necessary amendments should be made under approvals as mentioned in the Circular.

officers were also entitled to fuel allowances as well as per the Circular. However, contrary to this Circular, payments amounting to Rs. 8.6 million and Rs. 12.3 million had been made by the Board to 16 officers not entitled to fuel and transport allowances in the years 2021 and 2022 respectively. Furthermore, a sum of Rs. 10.25 million had also been paid as fuel and transport allowances to 11 officers in the year 2023. Instances were also observed in which it was mentioned in the letter of appointment that fuel and transport allowances would be paid when recruitments were made to the posts not entitled to such allowances.

Board of Directors of the Board through Sub-sections 5.b, 5.e, 8.8 (1) (b), and 8.1 (b) to take such decisions. Furthermore, as no other post except for Chairman, Board of Directors and General Manager, had been included, those officers had to execute duties beyond their scope. Additionally, conditions had been mentioned that those allowances would be paid, in the appointment letters of some of the officers to whom the said allowances had been paid. The employer abodes by the letter of appointment to provide employees' allowances, and payments had been made to those officers as per the letter of appointment.

The other officers had been given this allowance in

			order to avoid the anomaly among the officers of the same Grade.	
f)	Paragraph 07 of the Circular No. SP/RD/02/10 of the Presidential Secretariat dated 03 February 2010.	All heads of Government institutions should ensure that land revenue receivable to the Government is properly recovered. The value/lease rents of Government lands being disposed of through lease, sale or grants, should be determined through the chief valuer of the Government. Nevertheless, of the 93 lands and buildings given by the Janatha Estates Development Board to external parties on lease or rent, assessment reports had not been prepared for 62 lands and buildings. Furthermore, lease rents had not been properly recovered for those lands and buildings.	The number of lands and buildings given by the Janatha Estates Development Board to external parties on lease was 193, and the lease agreements relating to 115 of those properties remain effective. Reports of assessment had been obtained for some of them at the time of being given on lease whereas assessment reports of the Government had been obtained later for others. For lands and buildings for which assessment reports had not been obtained, requests had been made for such reports. There existed 32 lease agreements in which conditions had not been included to increase lease	Lands and buildings should be given on lease or disposed of based on the value of the chief valuer of the Government. Provision required to recover lease rents by formally amending the agreements should be included in the lease agreement.

			rents based on reports of assessment. Lease rents cannot be recovered based on Government assessment with respect to the agreements in which such conditions had not been included. Lease rents could not be recovered properly on lease agreements against which cases had been filed.

3. Operating Review

3.1 Performance

3.1.1 Functionality and Review

	Audit Observation	Comment of the Management	Recommendation
(a)	Six vehicles were being used by the Head Office of the Janatha Estates Development Board and the estates thereof, belonged to the State Plantations Corporation of Sri Lanka, but no action had been taken to acquire those vehicles to the Janatha Estates Development Board. Two of those vehicles had been kept at a garage for repairs since May 2024.	When the JEDB and State Plantations Corporation had functioned under the same management, those vehicles had been used by both the Board and the Plantations Corporation. Although requests had been made in writing to the State Plantations Corporation in 2023 to take over the vehicles, no response has been received thus far. Only 06 vehicles owned by the State Plantations Corporation will be used by the Board.	Action should be taken expeditiously to take over the vehicles of other institutions being used by the Board. Necessary action should be taken to make use of those vehicles productively.
(b)	Long-term losses had been sustained due to reasons such as lack of proper	The reasons for sustaining losses included, failure of the estates to follow the correct	Action should be taken promptly to maintain a minimum production cost

	management of estates including irregularities management inefficiencies of 17 estates of the Board, entering into agreements in a manner not favorable for the Board, assets not given on lease in line with the assessment value of the present day, inefficiencies in collecting revenue on time and erroneous payments, along with the use of old machinery, and weaknesses in internal control systems. The loss sustained by 17 estates over a period of 06 years ranged between Rs. 80 million -540 million.	agricultural practices, minimum prices for tea leaves, and the machineries used in factories were as old as 100 years. The reason for the decreased revenue from tea leaves was the non-continuation of chemical fertilizer from 2020 to 2023. The reasons such as increased production cost of finished tea in the wake of 25 per cent increase in the salaries of staff of the estates, salaries of employees had increased from Rs. 500 to Rs. 1,000, and an increase in gratuity and statutory allowances in accordance therewith, had attributed to the loss.	through proper management by following a proper system of internal control, and increasing the revenue from tea leaves.

3.2 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	According to Section 12 of Sri Lanka Accounting Standard 41, the fair value should be measured once the expenses on sales are deducted at the time of initial recognition of biological assets and at the end of every period of reporting. Nevertheless, the value of timber cultivation had not been so assessed and documented.	In order to determine the fair value of timber with commercial value, assessments will be obtained from the National Institute of Plantation Management and disclosed. At present, the sales cost on the sale or removal of trees is deducted from the revenue earned through the sale of trees. It was disclosed under Note 5.5 of the financial statements for the year 2021 that the assessment value of biological assets (trees used for timber) would be correctly adjusted to the accounts of the year 2024, and it will be so done in due course. Such adjustments should be done after correcting the values in	The biological assets should be correctly assessed and brought to registers.

		the accounts of the estates, and a considerable time would be required for that process. Hence, adjustments will be made for the year 2024. The revenue generated through the sale of timber totalled Rs. 356.97 million up to December 2023.	
(b)	The General Manager had sent a letter to the general manager of a private institution on 27 August 2021 informing that the price of raw tea leaves would be decreased by 05 per cent, approval of the Board of Directors had been received thereon, and action would be taken to provide tea leaves at revised prices in September. However, approval of the Board of Directors had not been received for revising the prices, and the Board had sustained a loss of Rs.1,093,049 as the prices had been revised following the decision of the General Manager.	It was mentioned in the letter of the acting General Manager addressed to Hatton Plantations Company dated 2021.08.27 that approval of the Board of Directors had been received on 2021.08.26 to decrease the price of tea leaves in September 2021 by 05 per cent. However, approval of the Board of Directors had not been received.	The Price of tea leaves should be decreased only under a formal approval. Action should be taken promptly to recover the loss sustained by the Board due to transactions done without formal approval.
(c)	In order to recover lease rents for the period from April 2012 to 31 December 2015, invoices and letters were issued by the land division of the Board to Elkaduwa Plantations Ltd. However, the outstanding lease rent as at 31 January 2022 totaled Rs. 23,292,240 as per the land division whereas the outstanding lease rent as	The sum of Rs. 8,723,921 maintained at the accounting division as being receivable from Elkaduwa Plantations Ltd comprised the building rent for the period in which the Elkaduwa Plantations Ltd had occupied the Head Office building of the Janatha Estates Development Board and the wages receivable for the duties performed by employees of the Janatha Estates Development	The outstanding lease rents should be correctly brought to accounts thus taking action to recover them promptly. The lease agreements should be revised based on new assessments.

	at 31 December 2023 amounted to Rs. 8,723,921 as per the accounting division. The Board had not correctly recognized the outstanding lease rents and brought to registers, and although a report on leased properties had been obtained through the Department of Government Valuation on 20 June 2020, the Board could not enter into a new lease agreement with the company even by 31 December 2023.	Board for the Elkaduwa Plantations Ltd during that period. Although the Elkaduwa Plantations Ltd had occupied an area of 3182 square feet at the address of 320, Darley Road since 2012.05.01, no lease rents have been paid. The sum of Rs. 23,292,940 was the lease rent receivable as at 2022.01.31 whereas the sum of Rs. 23,292,940 had not been entered in our accounts.	
(d)	The warehouse numbers, A, D, E and F of the Board had been given on monthly lease to a private company for a period of 04 years from 27 February 2019 to 26 February 2023. As for those warehouses with areas of 13,760 and 10,089 square feet, a lease agreement had been entered into for a total lease rent of Rs. 31,480,680 at Rs. 27.50 per month for a square feet along with monthly lease rents amounting to Rs. 378,400 and Rs. 277,447. As the lease rent would be revised in terms of Sub-section 1 (vii) of this lease agreement, a new assessment report was obtained on 02 June 2020 and presented to that private company, but the company took legal action by refusing to pay the lease rents based on the new	The account of the private company had been compared with the land division as at 2024.07.31 thus taking corrective measures. Accordingly, the accounting division and the land division indicated the same amount of Rs. 4,617,227.50 as being receivable from the institution named Mister Paint as at 2024.07.31.However, the balance as per the accounting division as at 2023.12.31 amounted to Rs. 4,751,820 all three accounts have been adjusted.	The lease agreements should be revised based on assessment values, thus taking prompt action for the recovery of outstanding lease rents.

	assessment. As the initial lease rent too had not been paid regularly, it was observed in the audit that the total lease rent due as at 31 December 2021 amounted to Rs. 12,457,893, that sum amounted to Rs. 4,751,820 as at 31 December 2023 as per the accounting division, and the same amount to Rs. 4,485,000 as per the land division.		
(e)	The tea factory in Uduwela, Hantana with a capacity of 13,500 Kg of tea had been given on lease under Agreement No. 01 to Ashok Japan (Pvt) Ltd for 30 years from 2021.06.29 to 2051.06.28 at an annual lease rent of Rs. 6,240,000, and the outstanding lease rent up to 31 December 2023 amounted to Rs. 17,960,000. Furthermore, as mentioned in Sub-section 7 (d) of the Lease Agreement, the lessee should pay a penalty for delay equivalent to 5 per cent whether or not the lesser demands to do so in the event of defaulting on the payment of lease rent for a period of 02 months. Nevertheless, it was observed in audit that such a payment had not been made even up to 31 December 2023 and the lessee had not commenced operations of the factory.	The lessee was informed that the Uduwela factory would be taken over by JEDB in case of failure to settle all the due lease rents prior to 2024.12.31. Accordingly, legal action would be taken on 2024.12.09 for the JEDB to take over the tea factory and recover the dues.	Outstanding lease rents and penalties for delay should be recovered without delay. The process of acquisition should also be done expeditiously.

(f)	The land in extent of 20.5 hectares located in Great Valley Estate had been given on lease to a private company for a period of 30 years from 12 September 2012 to 18 September 2042 at an annual lease rent of Rs. 840,000. The company had not paid lease rent after 2015. However, despite the possibility for JEDB to take over the property on the failure of the company to settle the lease rents in terms of Sub-section (iii) under Section 06 of the Lease Agreement, the Board had not done so. As per information of the land division, the outstanding lease rent amounted to Rs. 10,855,404 as at 31 December 2023, but the Department of Registrar of Companies informed that the company had been liquidated on 23 August 2014.	According to the land division, the outstanding amount was Rs. 10,855,404 including the annual lease rent for 2022/2023. The sum amounted to Rs. 12,745,404 by the end of the year 2023/2024. Some of the cases were being heard relating to this Lease Agreement, and representatives would attend on behalf of the company.	Action should be taken promptly to recover the outstanding lease rents and take over the properties due to failure to pay lease rents.
(g)	The office premises with 6,959 square feet of the Janatha Estates Development Board located at No. 55/75, Vauxhall Lane, Colombo 02 had been given on lease under Lease Agreement No. 05 for 2 ½ years from 21 August 2020 to provide accommodation for Special Task Force (STF) for a monthly lease rent of Rs. 450,000 at Rs. 64.66 per square feet; and, the recovery of lease rents as	It was mentioned that the receivable balance of Rs. 2,100,000 as per information of the land division, had not existed in the accounting division. Accordingly, action will be taken to verify the account of the Special Task Force maintained at the accounting division thereby re-examining the balance.	The outstanding lease rent should be recovered, and accounts should be reconciled with respect to the receivable balance thus recognizing the correct value.

	per the agreement became effective on 21 October 2020, but no lease rent whatsoever had been recovered from the lessee even by 31 December 2021. According to the land division, the outstanding lease rent amounted to Rs. 2,100,000 as at 31 December 2023 whereas such an amount had not remained receivable as per information of the accounting division.		
(h)	A consensus had been reached to enter into a lease agreement for a period of 01 year from 01 August 2021 to 30 July 2022 to provide accommodation for officers of the Criminal Investigation Department. The Department of Government Valuation on 22 April 2021 had assessed the ground floor of this building for Rs. 1,240,000, the second floor for Rs. 535,000 and the upper floor for Rs. 200,000. Accordingly, officers of the Criminal Investigation Department had occupied this building from 01 August 2021 though no lease rents had been recovered up to 31 December 2023. As such, it was observed in the audit that the outstanding lease rent amounted to Rs. 7,065,711 as per the accounting division	A sum of Rs. 4,330,000 has been paid in full. Your query mentioned that the sum receivable to JEDB from the Criminal Investigation Department amounted to Rs. 4,330,000 as at 2023.12.31 as per the land division and the same amounted to Rs. 7,065,711 as per the accounting division, thus indicating a difference between the two divisions. As such, action will be taken to verify the balance of the accounting division.	Action should be taken to verify and recover the outstanding lease rents of the building.

	whereas that sum amounted to Rs. 4,330,000 as per the land division.		
(i)	The building and a land in extent of 01 acre 02 roods and 24 perches located on T.B. Jaya Mawatha had been given on lease to a private institution for a period of 53 years from 28 December 2007 to 17 December 2060, and the total lease rent amounted to Rs. 822,487,500. Accordingly, the lease rent payable by that company to the Board by the year 2020 amounted to Rs. 240,000,000, and a sum of Rs. 187,521,881 therefrom had been paid whilst the lease rent still due as at 31 December 2020 amounted to Rs. 52,478,119. Nevertheless, a lease rent of Rs. 28,000,000 had been written off as at 31 December 2021, but the formal approval of the Board of Directors in that connection had not been made available to the audit. It was observed in the audit that the lease rent receivable as at 31 December 2023 amounted to Rs. 22,018,383 as per the accounting division whereas no amount whatsoever remained receivable from that institution as per the land division.	A sum of Rs. 49,000,000 remained due as at 31 December 2023, and Rs. 08 million therefrom has been paid whilst the lease rents are paid in installments. According to the lease agreement entered into with the Janatha Estates Development Board by the institution, the assessment tax should be paid by them to the Urban Council. Until the receipt is presented to us after paying the assessment tax to the Urban Council, we have shown that sum as being receivable from them in the lease account of the lessee. Once the receipt is presented to us by the lessee after paying the assessment tax, those values have been shown in the account. Hence the balance of Rs. 22,018,383 as at 2023.12.31. Adjustments on assessment tax will be removed from this account in due course and action will be taken to maintain the lease rents receivable from the lessee in the account.	Action should be taken without delay to recover the outstanding balances, and the outstanding lease rents should be written off only under formal approval.
(j)	The tea factory and land in extent of 01 acres and 1.3	A field inspection was conducted by legal officers of	Action should be taken promptly to settle the loan

	perches belonging to Hantana Estate had been given on lease to Sri Lanka Tea Board for a period of 30 years from 01 January 2001 under the Lease Agreement No. 1236 at an annual lease rent of Rs. 150,000. A lease rent of Rs. 31,500,000 remained receivable from the Sri Lanka Tea Board with respect to the period 2001-2020. However, the Janatha Estates Development Board had obtained a loan of Rs. 25,000,000 from the Tea Board to pay employees' salaries in the year 2003 and a sum of Rs. 114 million including the interest remained payable thereon. As such, the Board of Directors of the JanathaEstates Development Board had agreed on 27 February 2020 through JEDB/Land/2020/2/12 that the said land be vested in the Tea Board to set off the said loan and the interest. Nevertheless, the vesting of the land and the recovery of lease rents had not been done even by 31 December 2024.	the Sri Lanka Tea Board and the Janatha Estates Development Board. Discussions in this regard are held in detail. However, the said factory has not yet been handed over to the Sri Lanka Tea Board thus far.	and lease rents either by settling the receivable and payable balances or handing over the land to the Tea Board.
(k)	The Audit had been informed that a sum of Rs. 94,982,553 had been received out of Rs. 112,160,392 receivable for the period 2012-2023 relating to a building of the Board given on lease to the	As the agreement between the JEDB and the institute of Advanced Technology had expired, a new lease agreement was drafted. The reason for not making the payment is the lack of agreements. Formal	Action should be taken promptly to recover the due lease rents.

	institute of advanced technology, and a sum of Rs. 8,779,000 remained recoverable as at 31 December 2023 after deducting from the due amount a repair charge of Rs. 1,030,400 and Rs. 7,368,458 payable to the Chilaw Plantations Ltd. However, formal documents and reports on those transactions had not been made available to the Audit, and no action had been taken to promptly recover the dues.	documents and reports on the said transactions are in the file. A complaint has been lodged with the Police for the recovery of lease rents. The relevant party has informed us that an opportunity for making the payment would be provided following a discussion with Secretaries to the Ministry of Higher Education and the Ministry of Plantation and Community Infrastructure.	
(l)	The Board had implemented a special project in the year 2020 to produce compost fertilizer and cultivate coffee, coconut, areca and vegetables; and a sum of Rs. 32,109,795 had been expended for purchasing items for the project. The income earned through that project amounted only to Rs. 5,629,070 as at 31 December 2023. This project which had been implemented without conducting a feasibility study has been abandoned at present, and hence, a loss of Rs. 26,480,725 had been sustained by the Board.	The Board had implemented the project to provide compost fertilizer for 17 estates, and a sum of Rs. 32,109,795 had been collected for the sale of fertilizer. However, the project had become unsuccessful, and the said amount was fruitless. The Board had taken action to use the fertilizer for tea-planted areas in the estates.	Special projects should be implemented under a proper plan and a study. Action should be taken in terms of Financial Regulation 135 on the loss sustained by the Board.
(m)	A lawyer's fee of 01 per cent is charged with respect to agreements entered into when transferring lands, buildings and properties of the Board to external	Those payments had been made under approval of the Board of Directors.	Expenses relating to a statutory Board of the Government should be incurred only under formal approval in compliance with laws and rules of the Treasury.

parties; and, 50 per cent of that fee had been paid to the Board and 30 per cent had been paid to the manager (legal) and legal consultant whereas each of the united welfare fund and Buddhist fund had been paid 10 per cent. Accordingly, a lawyer's fee of Rs. 16,587,095 had been received by the Board in the years 2022 and 2023, and of that, a sum of Rs. 4,036,335 had been given to the manager (legal) and legal consultant whilst a sum of Rs. 1,691,052 had been given to each of the united welfare fund and Buddhist association. The approval of the Board of Directors granted to disbursement the income generated through assets of the Board among several officers receiving salaries and allowances from the Board and lawyers along with two funds, remained questionable in audit; and, approval of the Department of Management Services had not been obtained on those payments. As functions of the Board had not complied with laws, rules, and regulations, external parties had often filed cases against the Board and vice versa. Lawyers' fees amounting to Rs. 6,989,201, Rs. 22,083,370 and Rs. 17,786,692 had been paid to external parties in the years 2021,

	2022 and 2023 respectively.		
(n)	As the Board had not made the statutory payments regularly, the value of gratuity and contributions payable as at 31 December 2023 to the Employees' Provident Fund, Employees' Trust Fund, Estate Staff Provident Society, and Ceylon Planters' Provident Society, totalled Rs. 2,883,430,734.	Due to the lack of working capital of the Board, contributions to EPF/ETF could not be paid regularly since 2000, and in some years, funds had been granted by the Ministry of Finance for paying those statutory contributions, thus making payments using those funds. In addition to that, a sum of Rs.30 million has been granted in every month for paying those outstanding statutory allowances in terms of Cabinet Paper No. 23/0768/616/017 of the year 2023, thus settling the outstanding statutory allowances. The statutory payments will be made using funds of the Board from July 2023 in terms of Employees' Provident Fund Act No. 15 of 1958 and Employees' Trust Fund Act No. 46 of 1980.	Action should be taken without delay to avoid uneconomic transactions through statutory payments made regularly.
(o)	Following the decision of the Board of Directors dated 08 December 2020, a fund named "Chairman's Welfare Fund "had been established using 0.25 per cent of the annual turnover of the Board (excluding land, buildings and income from timber). However, the procedure for management and laws and rules had not been included thus failing to obtain approval of the Treasury. The Board had sustained losses continuously, but the Head Office and estates had	Approval of the Board of Directors had been obtained for establishing the fund, and the Board of Directors that took the said decision, comprised representations from the Line Ministry and Ministry of Finance. Making payments through this fund had also been done under the relevant approvals.	Establishment of funds, contributing to the fund, and making expenses should be done only under formal approvals in compliance with laws and rules of the Treasury.

	credited sums of Rs. 3,935,284 and Rs. 3,638,708 respectively to this fund during the period from 2020 up to the end of the year 2023. Through this fund established by deviating from the objectives of the Board and without approvals for establishing such a fund, payments totalling Rs.7,043,586 had been made from 2020 up to May 2024, and the sum of Rs. 220,000 being recreational expenses had also been included therein. Accordingly, it is further observed in audit that all the officers responsible for authorizing, approving, certifying and making payments for those expenses should be held accountable in terms of Financial Regulation 135.		
(p)	The Nagastenna estate had been given on long-term lease to a private company in the year 2007, and the sum of Rs. 2,176,683 recoverable from that company had been brought forward in the financial statements over a period of 12 years under trade and other receivables. However, according to the information received from the land division, the sum payable to that company amounted to Rs. 21,986,330 as at 30 June 2024 as the Board had taken over the said estate	The Nagastenna estate had been given on long term lease to a private institution in the year 2007. As per the information given by the land division, the Nagastenna estate had been taken over by us on 2009.12.22 as had been agreed by that company and the Janatha Estates Development Board, and hence, the sum payable to the company amounted to Rs. 24,551,713.66. Following that agreement, a sum of Rs. 1000,000 had been paid by the Board to that institution. Additionally, the monies from the sale of tea leaves of the	The receivable and payable balances relating to the properties given on lease should be settled without delay.

	again in the year 2009.	Nagastenna estate to the brokers had also been collected by them. Once that sum was deducted, the amount payable to them amounted to Rs. 21,986,330. The letter of the company dated 2024.06.24 confirmed that the balance receivable to them amounted to Rs. 21,986,330.	

3.3 Idle or Underutilized Assets

	Audit Observation	Comment of the Management	Recommendation
(a)	By the end of the year under review, an area of 286.88 hectares of the land where tea and rubber had been cultivated by the Board had been encroached. However, no legal action has been taken to recover those lands.	The encroachments had been done by retired employees of the estate and their family members. There were hindrances to taking action against them. Action has been taken against the outside encroachers. However, a background has been created for the estate superintendents to take legal action against the encroachers.	A methodology should be put in place formally to solve the issue of encroachers occupying the estates of the Board.
(b)	The Board owns 1,951 hectares of barren lands and 1,288 hectares of forest lands. However, no action had been taken by the Board to make use of those lands for cultivation. An area of 77.40 hectares from the land allocated for tea cultivation had also been abandoned by the Board.	The area used for immature tea and rubber cultivation will be 76.1 hectares for the year 2022.	Action should be taken to utilize the uncultivated lands for cultivation.
(c)	Only 03 of the 15 tea factories owned by the Janatha Estates Development Board remain functional at present. Those 03	Although the 03 factories remained functional, the machinery used therein had not been up-to-date. As such, the Board had been unable to produce tea of higher quality to be sold at higher net prices. Due low	Repairs should be done as efficiently as possible for the 03 factories of the Board and such factories should be made use of. Action should be taken to

factories are used to produce finished tea. However, it was observed in examining the capacity of those factories that the process of providing raw tea leaves from estates of the Board for factories operated by the Board remained highly inefficient; and, assuming that a factory functioned for 200 days per year, the quantity of raw tea leaves received by a factory was only 3,390 Kg per day. As such, only a small amount of the capacity of factories was made use of, but the Board had not taken action to ensure maximum use of the capacity.	price of tea, tea leaves would be provided for factories of the Board from other estates, thus such estates would sustain losses; hence, tea leaves are not provided for factories of the Board by those estates. At present, the estates with 03 factories use tea leaves from the same estates for the production process which is continued on every other day. Overhead costs have increased due to low capacity. Due to reasons such as the severe financial crisis in the period 2022-2023 and an increase in fertilizer prices by 300 per cent, fertilizer had not been given to the estates, thus resulting in a reduced quantity of tea leaves. Hence, the daily production capacity has declined.	ensure higher productivity of the estates.

3.4 Staff Administration

	Audit Observation	Comment of the Management	Recommendation
a)	A retired officer may be appointed to an approved and essential post for a maximum period of 12 months under the personal recommendation of the Secretary to the relevant Ministry in terms of Paragraph 02 (ii) of Public Administration Circular No. 03/2018 dated 20 February 2018. Nevertheless, an officer had been appointed to the post of Assistant Internal Auditor without being	A considerable workload of the institution had been carried out by the said Assistant Internal Auditor. With experience in auditing estates for over 30 years, his assistance is often given relating to the areas such as, internal systems of control, accounting, and software updates. Furthermore, a project officer older than 60 years	Appointments should be made only under approved regulations given increased efficiency of the Board.

	interviewed and granted an allowance of Rs. 55,000 with an official quarter during the period from 01 February 2021 to 31 January 2022. Furthermore, without being recommended by the Secretary to the Ministry, 10 officers over 60 years of age including the said one, had been in service as at 31 December 2023, and a sum of Rs. 1,397,148 had been paid to them as salaries and allowances during the year 2023.	is serving the institution at present. Furthermore, the letter of appointment does not mention an official residence to be given to him.	
b)	An officer had been recruited without being interviewed as a manager of the estate division, a post not in the approved cadre in the year 2017, in accordance with the letter of the Chairman dated 01 June 2020, and a monthly allowance of Rs. 70,000 had been paid during the period from September 2020 to October 2022. Furthermore, the said officer had been promoted to the post of estate superintendent in terms of Letter No. JEDB/ES/EXPF/544 of the Chairman dated 17 October 2022, but he had not met the qualifications required for that post as per the Scheme of Recruitment. The basic salary for the post of estate superintendent was Rs. 68,835 though, the post had been given to him with a basic salary of Rs. 93,665. Accordingly, salaries totalling Rs. 1,039,148 had been paid during the period from November 2022 to September 2023. Furthermore, relating to the	As the post of manager (plantations) had not been included in the cadre plan of the Janatha Estates Development Board approved in the year 2017, the said officer had been appointed on a contract basis to the post of manager (plantations) by the decision of the Board of Directors dated 12 May 2020. The basic qualifications required for the post had not been met. Appointment to this post had been made due to a lack of employees on the Board to properly execute duties relating to the proposed projects. Only the decision taken by the Board of Directors had been implemented. This officer has been appointed to the post of estate superintendent at present. The Department of Public Enterprises had been informed through the Ministry with respect to	Action should be taken to recruit officers in accordance with the Scheme of Recruitment under salaries and allowances approved for posts by the Department of Management Services.

	period from September 2020 to December 2023, a vehicle allowance totalling Rs. 1,991,167 at Rs. 50,000 per month and a fuel allowance totalling Rs. 992,810 at Rs. 12,480 per month had been paid although such allowances had not been entitled to that post. Furthermore, a sum of Rs. 100,000 had been paid as a telephone allowance at Rs. 5,000 per month from February 2022 to December 2023 despite not being entitled to the post.	filling vacancies of the Janatha Estates Development Board. Responding to that, the Department of Public Enterprises informed the Ministry of Plantation Industries on 2022.11.02 that recruitment to the post of estate superintendent could not be taken into consideration. As making recruitments to the post of estate superintendent was essential for efficient execution of duties of the Board, the said recruitment had been made. The recruitment had been made under the approval of the Board of Directors on 08 November 2022, but qualifications had not been met. The said salary scale had been given in the year 2022 sans approval of the Board of Directors; and, the Ministry of Public Administration and Department of Management Services have been informed in that connection.	
c)	As per the letter of the Chairman dated 26 August 2020, the said officer had been appointed to the post of acting General Manager while in the said post, but he had not fulfilled the qualifications required for the post of General Manager. A monthly labor allowance of Rs. 35,000 and a monthly housing allowance of Rs. 30,000 had been paid to this officer during the period	Having published newspaper advertisements for recruiting to the post of General Manager, applicants were invited for interviews. However, due to a lack of qualified applicants, an officer could not be recruited to the said post. As such, a recruitment had been made to the post of General Manager by disregarding the	Acting appointments should be made and payments should be made in accordance with provisions of the Establishments Code.

	from August 2023 to July 2024.	qualifications, thus, the officer so recruited had not been qualified enough for the post of General Manager. No approval had been given by the Board of Directors to pay the allowance for acting in the post of General Manager during the period from July 2023 to March 2024, but the allowance had been paid sans approval. The labor and housing allowances had been paid under the approval received through Board Papers sent under approval of the then Chairman. By that time, this officer had been provided with an estate bungalow by Hantana Estates as well.	
d)	In order to cover the duties in the post with MM 1-1 salary scale with allowances named personal assistant to the Chairman, a post not in the approved cadre, an appointment had been given by Chairman of the Board to the confidential secretary of the Chairman's division (JM- 1-1 salary scale) with effect from 15 October 2021. The officer in the post of confidential secretary had been paid a sum of Rs. 4,501,905 including salaries, fuel allowance, transport allowance and special allowances relating to the period from 15 October 2021 to December 2023. However, according to Paragraph 04 of the Letter No. DMS/1696/Vol – V of the	The post of Secretary of the Board is attached to the General Manager's division and is responsible for the duties thereof. Being the top level executive officer of the Board, the General Manager's office is responsible for affairs including the coordination between the Ministry, Department and other divisions of the Board. The approved post of Secretary is attached to the General Manager's division. As the then officer in the post of Manager-consumer affairs had retired in the year 2023, the said recruitment was brought to the notice of the Board of Directors, and approval was	Action should be taken to recruit officers to the posts of which salaries and allowances had been approved by the Department of Management Services in accordance with the Scheme of Recruitment.

	Director General of the Department of Management Services dated 10 June 2021, posts of confidential secretary and secretary had already been approved for the Janatha Estates Development Board, thereby informing that it was not agreeable on the post of personal assistant to the Chairman. Furthermore, following approval of the Board of Directors, this officer had been appointed to the post of the Manager-Consumer, on permenant basis since 01 November 2023. The minimum qualification for that post required at least 05 year satisfactory service in the relevant field under the service category of Junior Management (JM) to be completed by an internal applicant. However, the said officer had not met that qualification. Advertisements had not been published to be noticed by all internal applicants interested in this post, but two applicants had applied for the post, and without giving marks to the qualified applicant, higher marks had been awarded to the said officer thus appointing her to that post.	given to recruit an internal officer of Grade JM 1-1 to the said post. Approval of both the Ministry of Plantations and the Department of Public Enterprises was given on the said request. As such, notices were published on the website of the institution and at the premises thereby conducting an interview. The marks scored therein were presented to the Board of Directors , and under the approval of the Board of Directors, the said officer had been appointed to the post of Manager (Consumer Affairs) with effect from 2023.11.01.	
e)	The vacant posts of the Board such as General Manager, Manager-Plantations, Administrative Officer, Manager-Planning, Research and Development, and Assistant Internal Auditor, had been essential for executing the day-to-day duties of the Board. However, action had not been	Approval of the Ministry of Plantation Industries had been sought to recruit officers to the posts of Janatha Estates Development Board. This request had been forwarded to the Department of Public Enterprises by that	In view of increased efficiency and productivity of the Board, action should be taken promptly to recruit staff in accordance with approved laws and rules.

taken to fill those vacancies by recognizing the necessity to recruit officers to those posts. Instead, officers had been recruited on contract basis to cover the duties of those posts. As such, this had adversely affected the operational and internal control system of the Board.

Ministry. Approval had been received for the post of General Manager in the year 2023, and approval had to be sought from the Committee of Prime Minister to make recruitments to the other posts. Approval of the Committee of Prime Minister had been received on 2024.07.25. Accordingly, measures are underway to take further action by publishing newspaper advertisements on the posts of General Manager, Manager (Plantations), and Assistant Internal Auditor for which approval had been received.