Janatha Estate Development Board - 2023

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1. Financial Statement

1.1 Disclaimer of Opinion

The audit of the financial statements of the Janatha Estate Development Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements,including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit No.19 of 2018, State Agricultural Corporations Act No.11of 1972 and Finance Act No 38 of 1971. My comments and observations, which I consider should be reporte to Parliament, appear in this report.

I do not express an opinion on the accompanying financial statements of the Board. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

As described in paragraph 1.5, I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow.

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

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing,as applicable matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of 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 Audiror's Responsibilities for the Audit of the Financial Statements

My Responsibility is to conduct an audit of the Board's financial statements in accordance with Sri Lanka Auditing Standards and to issue an Auditor's report. However, because of the matters described in the basis for Disclaimer of Opinion section. I was not able to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on the preperation of Financial Statement

1.5.1 Non- Compliance with Sri Lanka Accounting Standards

	Non-Compliance with the reference to particular Standard	Management Comments	Recommendation
(a)	According to paragraph No.32 of Sri Lanka Accounting Standard No.01, an entity shall not offer assets and liabilities of income and expenses unless required or permitted, without identifying the opening debit balance of Rs.1,067,176 in the gratuity account of the Mulhalkale Estate the payable total gratuity balance had been deducted. As a result of that, the payable gratuity balance had been understated of the value.	The prevailing balance sheet relevant to the Mulhalkale Estate showed the debit amount as the gratuity payment and the details regarding this account were not available in the estate. Therefore, action will be taken to disclose this balance in the balance sheet separately in the balance sheet of 2024.	Balance should be identified according to the standards and corrected.
(b)	According to the Sri Lanka Accounting Standard paragraph 06 of No.16, revenue expenses of Rs.9,922,016 incurred by the end of the year under review for a compost production project used for sales and biological assets, do not fall under the definition of recognising an asset as a debit expese had been presented under work-in-progress.	Action will be taken to rectify this in 2025.	According to the standards, the expenses not included under the assets should not be capitalised.

(c)	In terms of Paragraph 15 of Sri Lanka Accounting Standard No.16, the value of 18,716.16 hectares of land had not been assessed and recognised under Property, Plant and Equipment.	As obtaining valuations for the lands involves a substantial cost, at present valuations are obtained only for the purpose of determining the annual lease rental when leasing out lands. The institution will also take steps to recover the valuation cost from the lessee. Once the valuation figures are obtained, necessary action will be taken to recognise them in the accounts.	The lands under the control of the Board should be valued and recognised under Property, Plant and Equipment.
(d)	In terms of Paragraph 51 of Sri Lanka Accounting Standard No.16, the residual value and useful life of Property, Plant and Equipment should be reviewed and re-assessed at least at each financial year-end and no such review had been carried out in respect of Property, Plant and Equipment with a fully depreciated cost of Rs. 356,099,978 that were still in use as at the end of the year under review.	A committee has been appointed to re-assess the residual values and useful lives of these assets, and the matter has been referred to the Procurement Division for the selection and appointment of valuation officers to the committee. As this process requires a considerable time to complete, the relevant valuation figures will be incorporated into the accounts upon completion of the re-assessment process.	In accordance with the Accounting Standard, the useful lives of Property, Plant and Equipment should be reviewed and re-assessed at least at the end of each financial year.
(e)	In terms of Paragraph 57 of Sri Lanka Accounting Standard No.19, the employee benefit obligation should be measured using an actuarial valuation method. However, the employee benefit liability had been calculated based solely on the employee's basic salary at the year-end, without applying an actuarial valuation method.	The Janatha Estates Development Board has been calculating gratuity in accordance with the provisions of the Payment of Gratuity Act, No. 12 of 1983, from its inception. It should also be noted that the Department of Labour handles matters relating to gratuity arrears in terms of the provisions of this Act. At the Audit and Management Committee meeting held on 10 June 2024, it was stated that calculating gratuity in accordance with the Payment of Gratuity Act is appropriate.	As the actuarial valuation method is a more appropriate and effective method for measuring employee benefit obligations in accordance with the Accounting Standard, action should be taken accordingly.
(f)	In terms of Paragraph 7 of Sri Lanka Accounting Standard No.40, 123,856.11 hectares of land had not been valued at fair value and recognised under Investment Property.	Information relating to the lands leased to the Regional Plantation Companies has been disclosed in the financial statements for the year 2023. The lands owned by the Board and leased to other parties	In accordance with the Accounting Standard, lands and buildings that have been leased out should be recognised

		have not yet been valued. Necessary action will be taken to recognise them in the accounts once the relevant valuation figures are obtained.	under Investment Property.
(g)	In terms of Paragraphs 12 and 30 of Sri Lanka Accounting Standard No.41, biological assets should be measured at fair value. However, consumable biological assets amounting to Rs. 21,938,031 had been carried forward at a fixed value. Further, although biological assets amounting to Rs.53,580,028 had been sold and recognised as revenue during the year under review, the related cost had not been derecognised from the biological assets.	Timber valuation reports for the years 2022, 2023, and 2024 have been obtained from the Resources Division, and the timber values and tree quantities provided by the Division have been communicated to the relevant estates. However, practical issues have arisen within the institution in implementing this process. Therefore, necessary action will be taken in the future to incorporate the correct values into the accounting records.	In accordance with the Accounting Standard, assets should be properly valued and recognised in the accounts, and the cost of assets sold should be derecognised from the asset balances.
(h)	In terms of Paragraphs 30 and 55 of Sri Lanka Accounting Standard No.41, depreciation had not been charged on biological assets (Bearer Plants) amounting to Rs.8,281,946, which had been classified under mature other crops since 1996.	The balance of biological assets amounting to Rs. 8,281,946 relating to five cultivations will be physically verified through the respective Estate Superintendents, and necessary action will thereafter be taken regarding their accounting treatment and depreciation.	In accordance with the Accounting Standard, the existence of the assets should be verified, and the assets should be depreciated accordingly.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comments	Recommendation
(a)	The play ground at Hantana Estate, the warehouse office located on Dally Road, and buildings belonging to the Consumer Division, with carrying values of Rs.283,113 and Rs.288,205 respectively, had been reported as non-current assets in the financial statements since 1972, when the Board was established, without being subjected to a valuation.	Due to the continuous working capital difficulties faced by the institution, even statutory payments had not been made from 2002 up to 30 June 2023. Under these circumstances, the institution does not have sufficient funds to carry out a revaluation of its fixed assets. Accordingly, the old values of these fixed assets have remained unchanged in the books. Necessary action will be taken in the future to value these buildings and revise the values into the financial statements.	Necessary action should be taken to value the assets and recognise them in the accounts.

(b)	The salary amounting to Rs. 758,608 paid to a watchman had been capitalised as part of the cost of the tea sales outlet at Hantana Estate instead of being accounted as revenue expense, as a result, in the assets were overstated and the loss was understated by the same amount.	The error was corrected on 28 October 2025.	In accordance with accounting for principles, expenses and assets should be properly identified and accurately for accounted in the accounts.
(c)	Land preparation costs amounting to Rs.4,248,802 incurred for projects that were not in operation had been recognised under Work-in-Progress instead of being charged to the Statement of Profit or Loss as cultivation expenses. As a result, assets were overstated and the loss was understated by the same amount.	As these projects are still at their preliminary stages (such as land preparation and pit digging), it is not yet possible to recognise these costs as biological assets and transfer them to the biological assets account.	Expenditure incurred on projects that are not in operation should not be recognised as assets.
(d)	Donations amounting to Rs. 3,454,475 made to Kovil during the year under review had been included in the Work-in-Progress balance. As a result, assets were overstated and the loss was understated by the same amount.	This was corrected during the year 2024.	In accordance with accounting principles, expenses and assets should be correctly identified and appropriately accounted in the accounts.
(e)	The accumulated depreciation amounting to Rs.24,340,038 relating to 13 items of office equipment, machinery, and computer equipment with a total cost of Rs.32,088,371 under Property, Plant and Equipment at the Board's Head Office had been recorded as a single aggregate value rather than being identified on an item-by-item basis. As a result, the net carrying value of the individual assets as at the end of the year under review could not be accurately determined.	During the year 2025, these assets will be separately identified, and necessary action will be taken to present the net carrying value of each asset individually.	Detailed schedules should be provided for audit to verify the accuracy of the carrying balances.

(f)	Although the construction cost of the tourist resort known as Eco Tea Garden at Rahathungoda Estate amounted to Rs.2,775,742, it had been recorded in the accounts at Rs.3,644,726, resulting in the asset being overstated by Rs. 868,984.	This has been corrected through the accounts for the year 2025.	The reasons for the overstatement of the cost should be identified and appropriate corrective action should be taken.
(g)	The Montecristo Estate has been leased to various parties since 2003. A value of Rs. 32,168,955 relating to Property, Plant and Equipment and Biological Assets of the estate has been carried forward for many years under leased assets. However, the Board had neither verified the existence of the related assets nor provided for their depreciation.	As documentary evidence relating to the assets of the Monte Cristo Estate is not available, depreciation has not been charged on these assets. Furthermore, it has been difficult to verify the existence of these assets up to now.	The existence of the assets should be verified and depreciation should be charged accordingly.
(h)	The net loss of Rs.668,328 incurred during the year under review from renting out the building known as the Planters Bungalow at Nagasthenna Estate had been recorded under various debtor balances instead of being adjusted through the Statement of Profit or Loss.	This has been corrected in the financial statements for the year 2024. .	In accordance with accounting principles, identified losses should be recognised and recorded in the Statement of Profit or Loss.
(i)	Although the Estate Development Project implemented by the Ministry of Plantation Industries had been completed in 2010, an amount of Rs. 4,136,733 incurred by the Board for the purchase of roofing sheets in relation to that project had been carried forward in the Board’s financial statements for more than 13 years as an "Other Receivable" balance. The entity responsible for reimbursing this amount had not been identified, and no provision had been made in the	This project was completed in 2010. Although the amount should have been reimbursed to the Janatha Estates Development Board by the organisation that implemented the project under the sponsorship of the Ministry of Plantation Industries, that organization is no longer operational. Therefore, further inquiries will be made into this matter before deciding on the appropriate course of action. In addition, action will be taken to obtain Board approval for the establishment of a policy on bad debts and doubtful debts for the institution.	Necessary action should be taken to recover the receivable balances, and provisions for doubtful debts should be made where there is uncertainty regarding their recoverability.

	financial statements for the uncertainty of its recovery.		
(j)	The tea factory and the land of 01 acre and 1.3 perches belonging to Hantana Estate had been leased to the Sri Lanka Tea Board for a period of 30 years with effect from 1 January 2001. Lease rentals amounting to Rs.42,900,000 receivable over a period of 22 years from the commencement of the lease had not been recovered, nor had the receivable lease rental income been recognised in the accounts. As the Board was unable to settle loans amounting to Rs.34,000,000 obtained from the Sri Lanka Tea Board in 2003 and 2020, it had agreed, in accordance with a decision taken at the Board of Directors meeting held on 27 February 2020, to transfer the tea factory and the land to the Sri Lanka Tea Board. However, neither the transfer of the property nor the recovery of the outstanding lease rentals had been affected. A physical inspection carried out on 4 July 2025 revealed that the factory was being operated as a Tea Museum by a private entity, while neither the Board nor the Sri Lanka Tea Board was receiving any benefit from the property.	An agreement was entered into on 21 May 2001 to lease the Hantana Tea Factory to the Sri Lanka Tea Board for the purpose of operating a tea museum. The lease period is effective from 1 January 2001 to 31 December 2030.As the financial statements were prepared on a cash basis during the initial period, receivable balances relating to this lease agreement were not recognised. The annual lease rental is Rs. 150,000, and accordingly the Sri Lanka Tea Board paid lease rentals for the first three years commencing from 2001.Subsequently, the Janatha Estates Development Board obtained a loan of Rs. 25 million from the Sri Lanka Tea Board in 2003 and a further loan of Rs. 10 million in 2020, of which Rs. 1 million was repaid in 2021. Thereafter, the Sri Lanka Tea Board discontinued the payment of lease rentals and requested that the tea factory be transferred to the Tea Board in settlement of the outstanding amount. Action will be taken to rectify this matter through the financial statements for the year 2024.	Action should be taken to recover the lease rentals due to the Board in accordance with the agreement and to settle the outstanding balances payable to the Sri Lanka Tea Board.
(k)	As at the end of the year under review, action had not been taken to properly identify and reconcile the transactions relating to the old unidentified account balance of Rs. 1,863,756 included under Trade and Other Payables.	The balance of Rs. 1,863,756 in the suspense account at the Head Office has existed since prior to 1996, and it has not been possible to obtain information relating to this balance. As the institution does not possess sufficient information to investigate this matter further, it has not been possible to write off the balance from the books.	If the information required to reconcile the suspense account balance is not available, a provision should be made in the Statement of Profit or Loss in respect of the account balance.

(l)	In relation to the Board's biological assets, expenditure amounting to Rs.41,998,357 incurred on immature rubber plantations classified as Bearer Plants during the period 2003–2014 should have been transferred to mature rubber plantations after a period of seven years. Although more than ten years had elapsed by the year under review, the balance had not been transferred to mature plantations and depreciation had not been charged thereon.	In practice, based on the condition and maturity of the trees, the relevant estate informs the Head Office of the number of trees that have matured. Upon such notification, the corresponding value is transferred from immature plantations to mature plantations. However, up to now, the relevant estate has not informed the Head Office regarding the transfer of the value amounting to Rs.41,998,357 relating to immature plantations established during the period 2003–2014.	Before the preparation of the financial statements, discussions should be held with the regional offices regarding accounting matters and outstanding issues, and necessary action should be taken to ensure that transactions are accurately accounted for.
(m)	Tea stocks and tea plant stocks amounting to Rs.2,761,476 relating to 11 estates were included in inventory, although they were not physically available.	Appropriate action will be taken regarding the tea stocks and tea plant stocks amounting to Rs.2,761,476 upon receipt of audit confirmation that these stocks do not physically exist.	Physical existence of inventories should be verified through stock verification exercises, and the necessary accounting entries and adjustments should be made accordingly.
(n)	Although the cost of Other Biological Assets was reported as Rs.17,925,652 in the Board's financial statements, the accumulated depreciation as at the end of the year under review amounted to Rs.18,520,206. As a result, the net book value of the asset reflected a negative balance of Rs.594,554.	These balances have existed since before 2016. Action will be taken to re-examine the amount by which accumulated depreciation exceeds the cost and to submit the relevant information accordingly.	Action should be taken to rectify instances where accumulated depreciation exceeds the cost of the assets.

(o)	Since 2019, the Chilaw Plantations Company had been operating an office and a sales outlet in a building owned by the Board without any agreement or payment. Although lease rental amounting to Rs.11,098,220, calculated based on the Government valuation for the period from 2019 to 2023, had been identified as receivable by the Board, action had not been taken to recognise this amount in the accounts.	No agreement has yet been entered into in respect of the office and sales outlet operated by the Chilaw Plantations Company on the ground floor from 2019 to 2023. As the Accounts Division had not been informed by the Lands Division of any lease rental receivable in relation to this occupancy, no accounting entry had been made. By letter dated 25 November 2025, the Deputy Chairman informed the relevant institution of the value of the lease rental due and copied the correspondence to the Accounts Division. Accordingly, necessary action will be taken to recognise the amount in the accounts in due course.	Lease agreements should be entered into with all parties utilising the Board's properties, and necessary action should be taken to recover the lease rentals on a timely basis in accordance with such agreements.
(p)	An advance payment amounting to Rs.1,614,000 made to a supplier for the purchase of a fuel tank to be installed at Loolkandura Estate had been recorded as Work-in-Progress. As a result, non-current assets in the financial statements were overstated by the same amount.	Although the fuel tank has not yet been physically received by the Janatha Estates Development Board, 60% of the total cost has already been paid. As the fuel tank has not yet been delivered, the payment has been classified as Work-in-Progress. Once the tank is received and the installation work is completed, the relevant amount will be recognised under the appropriate asset account. Nevertheless, since this payment was made for the construction, delivery, and installation of an asset, it is considered expenditure relating to a non-current asset. Therefore, there has been no overstatement of non-current assets in the financial statements.	The procurement had been carried out for the acquisition of an asset; therefore, the amount paid should be recognised as an advance payment until the asset is received and brought into use.
(q)	Immature other cultivations amounting to Rs.7,859,380, classified under Bearer Plants within Biological Assets, had been recognised in the financial statements despite not being physically in existence. .	As the relevant estates have informed that these cultivations do not physically exist, they have not been transferred to mature plantations.	The physical existence of assets should be verified annually through surveys or verification exercises, and the necessary adjustments should be made in the financial statements accordingly.

1.5.3 Unreconciled Control Accounts or Reports

	Item	Value as per financial statements Rs.	Value as per the corresponding reports Rs.	Difference Rs.	Management Comments	Recommendation
(a)	Balance of loan and interest receivable by the Board from the Sri Lanka State Plantations Corporation	119,318,496	97,709,342	21,609,154	The loan balance amounting to Rs.119,318,496 recievable to the Estate Development Board from the Sri Lanka State Plantation Corporation had been analysed and a summarized report had been submitted to the State Plantation Corporation, the Government Audit Office and the Audit branch at the Ministry, and only the copies of the ledger accounts belonging to the Estate Development Board as per their accounts had been sent to us in response to the report sent by us, and it has been difficult to verify with those accounts due to the insufficiency of information provided.	Steps should be taken to identify the correct balance by comparing the balances with the State Plantation Corporation.
(b)	Depreciation of vehicles in the head office.	39,364,442	39,270,957	93,484	Corrected in the financial statements for the year 2024.	Account reconciliations should be carried out, and the correct balances should be included in the financial statements.

1.5.4 Going Concern of Board

Audit Issue	Management Comments	Recommendation
The Board's net assets and working capital as at 31 December 2023 had negative values of Rs. 1,107,147,225 and Rs. 2,351,853,826 respectively due to continuous losses, and the statutory payments payable on that date were Rs. 2,399,597,208. No sufficient investments had been made to settle these obligations, and the outstanding bank loan balance was Rs. 167,188,744. Accordingly, it was observed that there is a material uncertainty regarding the Board's going concern in terms of paragraph 25 of Sri Lanka Accounting Standards No. 01. Also, even though the Board of Directors had decided to reorganise the Board through Note 2.4 of the Financial Statements2023, no such reorganisation had been carried out until 07 November 2025.	The lands, buildings and other assets in the possession of the Board have taken a minus value due to the failure to properly revalue them and record their values in the books, and if the assets are revalued, the said value will be a plus value. However, the institution's ongoing lack of working capital has prevented it from carrying out these activities. It should be noted that for the same reason, it has not even been possible to pay the statutory allowances mentioned herein. Also, these outstanding statutory allowances have been paid from the money received from the Treasury from time to time, year after year. However, the ongoing lack of working capital of the institution has prevented it from carrying out these activities. It should be noted that for the same reason, it has not even been possible to pay the statutory allowances mentioned herein. Also, these outstanding statutory allowances have been paid from the money received from the Treasury from time to time, year after year. Currently, the Ministry of Plantation Industries is funding the payment of these outstanding statutory allowances at a rate of Rs. 30 million per month, as per the අමප:23/0767/616/017 submitted in the year 2023. The outstanding statutory allowances are currently being paid from that amount. However, it is noted that the current statutory allowances (EPF/ETF) have been paid systematically from	The Board should recognise in accordance with the decisions of the Board of Directors in order to reevaluate the lands, buildings and other assets held by the Board properly and to bring those values in to the books, and to formulate strategies to overcome the institution's ongoing working capital shortages.

the institution's funds since July 2023, without any deficit.
Although it had been informed that each relevant reform will be carried out for the reorganization activities indicated in Note 2.4 to the Financial Statements2024 with the change of political authorities, no such thing has been happened so far.

1.5.5 Documentary Evidence not made available for audit

	Item	Amount Rs.	Audit evidence not provided	Management Comments	Recommendation
(a)	The land, buildings and estate buildings of the head office included in the property, plant and equipment balance of the Board, fixed asset balance and other balances related to the Onugaloya Estate, the balance of the water supply project and the value of the property, plant and equipment of the Harangala and Tiespan Estates.	1,579,600,504	Land plans, valuation reports, feasibility study reports, and annual physical verification reports regarding the inspection of structures.	Detailed information on Rs. 1,489,375,963 included in the Rs.1,543,300,120 of Lands and buildings belonging to the head office, referred to as lands and buildings of the head office, is provided with the financial statements for the year ended 31 December 2020. Detailed information regarding other properties and buildings could not be found.	The evidence presented in the financial statements for the year 2020 is insufficient to establish the ownership and existence of lands, buildings and other properties and steps should be taken to present sufficient evidence.
(b)	Adjustment balance which includes the land, buildings and estate buildings of the head office included in the property, plant and equipment balance of the Board, Fixed asset balance and other balances related to the Onugaloya Estate, the balance of the water	91,839,885	Balance confirmations, debtor period analysis, physical verification reports, detailed schedules and actions taken to recover this money	The same values will be carried forward in the financial statements from previous years, and the necessary information for each period will be sought and the balances will be corrected.	Steps should be taken to verify physical balances, and action should be taken to increase the reliability of financial statements to recover outstanding

	supply project and the value of the property, plant and equipment of the Harangala and Tiespan Estates, the old debtor balance of the consumer sector, Withholding tax and value added tax receivable, adjustment balance included in trade receivables.				balances and make provisions for unidentifiable balances.
(c)	Balance of other biological assets transferred	17,925,652	Physical verification reports, tree census reports and reports related to valuation	A remnant from before 1996.	The existence of the asset should be identified accurately and the balance should be verified.
(d)	Long-term outstanding balances to State Trading Corporation and a private institution, balances payable for Mahaweli housing projects, deposits against asset leases, tax liabilities payable (Value Added Tax, Nation Building Tax, Economic Service Charges, PAYE Tax) and balance of staff salaries and wages payable, loan balance - People's Bank, other deposits, other creditors' balance	651,745,631	Balance confirmations, time analysis, work done reports and certified bills, receipts related to deposits, letters from the Inland Revenue Department indicating grace periods, vouchers related to timely payments, board approval, date of loan taken, loan amount, instalment along with interest and	The amount of Rs. 5,109,600 payable to MCM Marketing is a balance that prevailed prior to 01.01.2017. Advertising and sales promotion activities for products of the Jana Tea division had been handed over to that institution around 2006. They had entered into an agreement with the company to carry out advertising activities at that time. They received a security deposit of Rs. 15 million for the risky activities. Due to the failure of this project in a short period of time, the company withdrew from marketing and promotional activities. Furthermore, even	An assessment of the recoverability of loan balances should be made and, adequate provisions should be made for unrecoverable balances.

			loan payments.	though the money had to be refunded to the State Trading Corporation, payments had not been made on time due to a lack of funds. The institution does not possess information regarding the balance due for Mahaweli housing projects, deposits against leased assets, and loans payable to People's Bank, and no payments of the relevant taxes have been made by the institution since 2024.	
(e)	unchanged Old General Reserve Balance, Plantation Development Project,	317,167,096	The year when the grants had been received, the purpose and use for which they had been given, and the party providing it, reports of work done, certified bills, source of funds and the policy for accounting for it, and approvals received.	Unchanged Old General Reserve Balance is comprised of reserve balances unchanged since 2016 and the financial aids provided by the Rubber Development Department and the Tea Board to the Janatha Estate Development Board for planting new trees ,and the institution does not have information regarding the balance related to the plantation development project.	Steps should be taken to identify the source documents related to reserve balances, verify and settle the balances, and utilise the aids provided for the purpose.

1.6 Accounts Receivable and Payable

1.6.1 Receivable

Audit Issue	Management Comments	Recommendation
According to the Trade Other Debtors Period Analysis Report of Rs.100,218,824 submitted relating to the estates belong to the Board	The debtor balance of Rs.70,676,824 owed to the estates that exceeds 05 years has been obtained from the relevant estate	Steps should be taken to identify and recover the outstanding balances

submitted as at 31 December 2023, the debtor balances between 4-5 years and exceeds 5 years were Rs.3,219,427 and Rs.70,676,824 respectively, and the receivable trade balance between 3-6 years was Rs. 68,809,030 , and the balance receivable over 6 years is Rs. 65,078,179 in relation to the trade receivable balance of Rs. 407,460,537 at the head office, and the amount of loans in the consumer sector that have exceeded 5 years is Rs. 16,590,553, and no appropriate action had been taken by the Board to recover these balances.	for confirmation and further actions are being carried out. The outstanding balances at the head office may not be correct due to reasons such as not issuing invoices, not reconciling balances between divisions, and not providing copies of lease agreements, and they are currently being corrected. Furthermore, there is a balance of Rs. 9,945,368 in the consumer sector's outstanding balance over 05 years, and there is uncertainty regarding the receipt of this money. The amount of Rs. 5,904,575 out of the amount of Rs. 6,645,190 relating to the year 2018 had been written off from the books on 31.12.2024 as it had been confirmed that it will not be received from the Sri Lanka Army.	that have been outstanding at the head office and estates for many years, and to make provisions for uncertain balances.

1.6.2 Payables

Audit Issue	Management Comments	Recommendation
According to the creditor period analysis of the Board's estates, which amounted to Rs.134,281,448 as at 31 December 2023, Rs. 12,798,280 between 04 - 05 years and Rs. 83,011,323 over 05 years, and of the trade creditors balance of Rs. 107,089,546 at the head office, Rs. 18,545,658 had been paid between years 01-03, Rs. 16,556,476 is the balance related to the Plantation Human Development Trust out of the creditor balance of Rs. 81,531,648 over 06 years. The balances of assessment fees amounting to Rs.57,307,354 remained outstanding and no steps had been taken by the Board to settle the	Verify if the sum of Rs.12,798,280 belongs to the period of 4 – 5 years and the creditor balances amounting to Rs.80,011,323 which exceeds 05 years included within the creditor balance of the estates are truly available and make the necessary corrections, and payments will be made according to the financial situation of the institution.	Creditor balances should be verified and settled.

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

	Reference to laws, rules, regulations, etc.	Non-compliance	Management Comment	Recommendation
(a)	Treasury Circular No. 842 dated 19 December 1978	The Board had not maintained a fixed asset register that had been properly prepared and included relevant information such as the type of asset, purchase value, date, vehicle disposals, annual purchases, withdrawals, transfers and the balance of property, plant and equipment held by the Board's head office and estates, so that each asset could be identified separately.	Separate fixed asset records had been maintained for accounting purposes, by the institutions for the estates and the head office since 1996 and 2008 respectively, and a formal fixed asset register had not been maintained. Necessary steps will be taken to maintain a fixed asset register in an accurate manner in due course.	A fixed asset register should be maintained, including relevant information as per the circular.
(b)	Sub-section 16 (1) of the Employees' Trust Fund Act, No. 46 of 1980	Contributions amounting to Rs.61,873,517 due to the Employees' Trust Fund had not been paid since 2011, and there was a surplus balance of Rs.6,871,791 payable to the Trust Fund at the end of the year under review as per the financial statements.	It had been unable to continue payment of EPF/ETF since around 2002 due to the severe working capital shortage in the institution, and the funds had been provided by the Ministry of Finance for the payment of these arrears of statutory funds in certain years. Accordingly, payments have been made from that money. In addition, as per Cabinet Papers Nos. 23/0768/616/017 and 25/1838/813/015 – 1 of the year 2023, an amount of Rs. 30 million had been being provided every month for the repayment of these arrears of statutory allowances and thereby the repayment of the arrears of statutory allowances was	Statutory payments should be made on the due date as per the Act, and steps should be taken to settle long-standing arrears and to prevent uneconomic expenditures through timely payment of instalments.

			being carried out. Furthermore, the current statutory payments are being gradually made from the institution's funds from July 2023 in accordance with the Employees' Provident Fund Act No. 15 of 1958 and the Employees' Trust Fund Act No. 46 of 1980.	
(c)	Sub-section 5 (1) of Part II of the Payment of Gratuity Act, No. 12 of 1983	Even though gratuity payments should be made within 30 days of the date of retirement or death of an employee, there was a gratuity balance payable of Rs.779,936,336 and a surcharge balance payable of Rs.261,651,215 at the end of the year under review.	Due to the ongoing working capital financial difficulties of the institution, it was not possible to properly pay the gratuity to the employees of the institution, and currently, gratuity payments will be made to employees who have filed lawsuits and those who are leaving the service from the amount of Rs. 30 million received monthly and the existing cash flow, as per Cabinet Papers No. 23/0768/616/017 and 25/1838/813/015 – 1 of the year 2023.	Steps should be taken to pay gratuities on time and to prevent uneconomic expenditures in terms of the Payment of Gratuities Act.
(d)	Section 15 of the Employees' Provident Fund Amendment Act, No. 15 of 1998	There was an outstanding balance of Rs. 1,035,396,366 payable to the Estate Staff Provident Society (ESPS) and an outstanding balance of Rs. 173,331,837 payable to the Ceylon Planters Provident Society (CPPS), and the surcharges payable for the above funds amounting to Rs.80,536,147 had not been paid by the end of the year under review as per the financial statements.	It had been unable to continue paying EPF/ETF since around 2002 due to the severe working capital shortage in the institution, and the Ministry of Finance has provided funds to pay these statutory arrears in certain years. Accordingly, payments have been made with that amount. In addition, an amount of Rs. 30 million had been being provided every month for the repayment of these outstanding statutory allowances as per Cabinet Papers Nos. 23/0768/616/017 and	Statutory payments should be made on the due date as per the Act, and steps should be taken to settle long-term debts and to prevent unnecessary expenses by paying instalments properly.

			25/1838/813/015 – 1 of the year 2023 and outstanding statutory allowances had been repaid through this. Furthermore, the current statutory payments are being gradually paid using the funds of the institution from July 2023 in accordance with the Employees' Provident Fund Act No. 15 of 1958 and the Employees' Trust Fund Act No. 46 of 1980.	
(e)	Paragraphs 2 and 3.1 of Public Enterprise Circular No. 01/2015 dated 25 May 2015	The Chairman, Chief Executive Officer, Managing Director, Executive Director, Director General, Chief Financial Officer, Chief Operating Officer of a Public Enterprise and any officer holding a position in the HM 1-1 category or higher approved by the Department of Management Services are eligible to receive an official vehicle, and although officials who own official vehicles are entitled to the relevant fuel allowances, it was observed that, contrary to the circular, an amount of Rs.4,590,000 and amount of Rs. 3,702,980 had been paid as transport allowance and as fuel allowance to 09 permanent officers and 03 officers on contract basis who are not entitled to fuel and transport allowances for the year 2023.	It has been informed that MM 1-1 grade officers are not entitled to the transportation allowance under the circulars issued by the Department of Public Enterprises regarding fuel and transportation allowances. However, for the reasons mentioned below, the Board of Directors of the institution has taken steps to provide a transportation allowance to the said officers of this institution in accordance with the provisions of the Agricultural Act No. 11 of 1972, which established the Janatha Estate Development Board. The Board of Directors of this institution has the power to make such decisions under sub-sections 5b, 5c, 8.8(1)b and 8.1 of the Act. Furthermore, since there was no other position other than the General Manager position among these managers, the Chairman and the Board of Directors, these officers had to perform	Action should not be taken contrary to the Public Enterprises Circular.

			higher duties beyond the scope of their positions in addition to the duties assigned to them due to the nature of the duties related to their positions. Therefore, they are engaged in duties that are considered HM 1-1 grade. To ensure that the relevant duties of the institution are carried out continuously and without delay, and since such high posts were not included in the approved cadre and it takes a long time to create such posts, the Board of Directors has taken steps to provide the said fuel transportation allowance to these officers. Salaries had been paid by the board using only the board's funds in 2020. No funds had been received from the treasury to pay salaries. In addition, the employer is obligated to provide these allowances to several officers, to whom these allowances are paid, in their appointment letters, and these allowances have been given to other officers to prevent discrepancies arising to those officers in terms of the appointment letter.	
(f)	Section 93 of the Inland Revenue Act, No. 24 of 2017	The income tax return for the assessment year 2022/2023 had not been submitted until 07 November 2025.	There has been a delay in sending income reports to the Inland Revenue Department due to the delay in submitting the institution's financial statements. This is due to the requirement to submit audited financial	According to the Act, income tax returns for the assessment year should be submitted and tax should be paid.

statements to the Department
of Inland Revenue.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.147,859,712 and the profit against this in the preceding year amounted to Rs.20,000,509. Therefore, a deterioration amounting to Rs.167,860,221 was observed. The reasons for the deterioration were mainly attributable to a decrease in sales revenue related to the tea, rubber and other crops of the Board by Rs.123,599,985 and an increase the cost of operating and distribution as a whole by Rs.30,968,667.

2.2 Trend Analysis of major Income and Expenditure items

The income from the sale of tea leaves in the year under review had decreased by 9.6 percent in 2023 compared to 2022, while the income from rubber cultivation had decreased by 26 percent in 2023 compared to 2022. The cost of tea production in the tea leaf and consumer sectors increased by 0.3 percent and decreased by 11 per cent respectively, in 2023, compared to 2022. Similarly, the cost of rubber cultivation had increased by 2.7 per cent in 2023 compared to 2022.

2.3 Ratio Analysis

- The current ratios were 0.35:1 and 0.34:1, respectively in the year under review and the preceding year.

- The quick asset ratios were 0.31:1 and 0.30:1, respectively in the year under review and the preceding year.

- The gross loss ratio for the year under review was 3.29, per cent while the gross profit ratio for the preceding year was 2.79 per cent.

- The net loss ratio in the year under review was 11.6 per cent while the net profit ratio in the preceding year was 1.43 per cent.

When checking the above-mentioned ratios of the Board in the year 2022 and 2023, it was further observed that its current assets were not able to cover its current liabilities and the institution's financial difficulties and the risk of going concern due to the existing loan capital exceeding the Institution’s equity capital.

3. Operational Review

3.1 Uneconomic Transactions

	Audit Issue	Management Comments	Recommendation
(a)	Although a private company had been paid Rs.16,562,250 for software installation and monthly payments from 2021 to 30 November 2025 for a software system to perform 7 accounting activities at the head office and estates, without the approval of the Board of Directors, the objectives such as preparing consolidated financial statements, stock control, income and expenditure control, etc. had not been achieved appropriately by using the software system.	The Account Division has regularly informed the governing authority in this regard.	Actions should be taken for the money paid for unperformed accounting activities to be included the system or for the amount overpaid to be recovered.
(b)	The total amount of Rs.826,387 as Rs.48,611 per estate, had been incurred in 2017 for the introduction of the Sage software system for 17 estates for the preparation of financial statements, and this cost had become uneconomical as the system was not operational by the end of the year under review.	The estates are not currently using this Sage software. The expenses incurred for this will be written off with the approval of the Board of Directors.	Money should be incurred only for productive tasks after preparing plans.

3.2 Management Inefficiencies

	Audit Issue	Management Comments	Recommendation
(a)	Even though about 11 years had passed since the theft of Rs.1,539,546 and Rs.1,256,046 from the Nagastenna and Kandal Oya estates, respectively, the current status of the case had not been investigated the responsible officers had not been identified, and no actions had been taken to recover the losses.	This case is still pending in the Kandy High Court under Case No. HC 223/20. Arrangements have been made to reconvene on 11.12.2025. Since the proceedings are still going on, it has not been possible to recover the loss, and further legal action will be taken.	Action should be taken to recover losses in accordance with the verdicts of the proceeding.

(b)	Although a Memorandum of Understanding had been signed to lease the Nagastenna Estate to a private company since November 2007, the estate had been taken back to the Board after the company illegally cut down 120 trees in the estate within a year of the agreement being signed. A case had been filed in the Criminal Investigation Department in May 2008 to recover the damages for those trees. The Board had not taken action to assess and recover the loss, and the case was concluded on 28 December 2009, by agreement between both parties without any compensation being received.	A Memorandum of Understanding was signed in 2007 to establish Ceylon United Plantations Private Limited, a joint venture between the Janatha Estate Development Board and Quinrich Agro Private Limited, to manage the Nagasthenna Estate, and Quinrich Agro Private Limited invested Rs. 30 million. The amount was paid to the Janatha Estate Development Board, thereby settling the statutory arrears of the Nagasthenna Estate. Subsequently, the estate was managed by Ceylon United Plantations Private Limited, and 120 trees with a commercial value in the Nagastenna estate had been felled. Accordingly, although the then Plantation Manager had given a statement that a loss of Rs. 11,200,000 had been suffered by estate, the case No. B 2683/08, which had been filed against the felling of the trees, was settled at Rs.7,529,688, the value of the trees. Although it is stated that the said amount was obtained from the District Forest Officer on 12.08.2008, we do not have a copy of it. It is further informed that steps will be taken to obtain its copy.	Actions should be taken to recover the losses to the Board from the lessee.
(c)	Although there is no provision for the providing of alternative lands under the State Agricultural Corporations Act No. 11 of 1972, lands had been provided from the Hanthana Uduwela estate as an alternative land for the land in Penrith Estate in the extent of 22 acres 00 roods 30.08 perches based on a decision taken at the Board of Directors meeting on 23 July 2019. Based on that approval, the ownership of this land had been transferred by the Land Reforms Commission to those two persons on 31 July 2020 for a very cheap	Since the Pussellawa Plantation Company has not taken action to release the land of 22 acres and 30.02 perches of the Penrith Estate in Colombo District, granted by the Land Reforms Commission to two persons, the Land Reforms Commission requested to be granted 22 acres and 30.08 perches from the Uduwela Estate as an alternative. Accordingly, the request was forwarded to the Board of Directors of the Janatha Estate Development Board and the Board of Directors has approved it. Approval has been given to the Land Reforms	Investigation should be conducted with the Board's approval to provide alternative lands from the lands assigned to the Board for agricultural development and the issuance of deeds by the Land Reforms Commission in this regard.

value of Rs.101,109. Furthermore, by the Sale Agreement No. 5792, the owners of this land had sold the relevant land to a Land Sale company on 11 December 2020 for Rs.159,753,600 and later it had been sold again to a private company for a hotel on 22 July 2025.	Commission to provide this plot of land in response to that request accordingly, It is hereby informed that the Janatha Estates Development Board has not taken any decision regarding the value of this land and that the Janatha Estates Development Board cannot intervene in this regard and it is also stated that the land was later sold and registered on the basis of the deed given to the abovementioned persons by the Land Reforms Commission.	

3.3 Transactions of Contentionous Nature

Audit Issue	Management Comments	Recommendation
Two warehouses owned by the Board located on Vauxhall Street had been leased to a private company in 2005 without inviting competitive bids for a period of 30 years at a monthly rent of Rs.105,000. As per the terms of the lease agreement, it had been agreed to pay the monthly rent based on the valuation report. Actions had not been taken to collect for the increase in the monthly assessed value, which was Rs.4,655,000 for 49 monthly instalments of Rs.95,000 each, and Rs.2,450,000 for 14 monthly instalments of Rs.175,000 each and the total value of Rs.7,105,000, which was the increase in the tax rent from December 2005 to February 2011.	Two warehouses located on Vauxhall Street had been leased to Nilona Lanka Private Limited, and there is no information in the file regarding the invitation of competitive bids for the lease of those buildings. Since the employees who were involved in that work are not currently in service, it is not possible to investigate it. However, necessary actions will be taken to recover the arrears of taxes for the period from 2005 to 2011 that you have pointed out.	It should be investigated the facts that led to enter a new lease agreement, which was beneficial to the lessee while a lease agreement was in effect and steps should be taken to recover the loss caused to the Board from the responsible officers.
Before the first lease agreement expired, an agreement had been entered into with the same lessee in March 2011 to pay the same monthly rent of Rs.105,000 and to lease the property for 30 years, removing the clause regarding the payment of monthly rent based on the valuation report.	It is accepted that the Board has incurred this loss due to the inability to revise the tax amount based on the assessment as per the tax agreement signed in 2011 and although discussions were held to sign a new agreement, The verdict given in the case with the Illeperuma party and the Urban Development Authority's refusal to permit the construction of multistorey buildings on this land have been an obstacle for that.	

Due to the removal of the tax levy conditions based on the assessment report as per the second lease agreement, the Board had lost a total of Rs.45,890,000 of tax revenue due from March 2011 to December 2023, because the increase in the monthly assessed value since March 2011 was Rs.6,902,000 for 58 monthly instalments of Rs.119,000 each, Rs.12,708,000 for 36 monthly instalments of Rs.353,000 each, and Rs.26,280,000 for 60 monthly instalments of Rs.438,000 each according to the assessment report.