



SESSIONAL PAPER IX—1967

Annual Report of the
Tea Research Institute of
Ceylon for 1964

(PART I)

June, 1967

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The Tea Research Institute of Ceylon

Board of Control as at 31st December 1964

Chairman

Mr F. Amarasuriya

Ex-officio Members

The Director of Agriculture

Mr A. T. M. Silva

The Honourable the Minister of Finance

represented by Mr G. D. Loos

The Chairman, Planters' Association of Ceylon

Mr W. J. Childerstone

The Chairman, Agency Section, Planters' Association of Ceylon

Mr J. L. Capper

The Chairman, Low-Country Products Association of Ceylon

Mr P. Nadesan, CMG, OBE

The Tea Controller

Mr C. P. Chanmugam

The Director, Tea Research Institute of Ceylon

Dr A. W. R. Joachim, OBE

Nominated Members

Appointed by the Planters' Association of Ceylon

Mr S. P. Vytilingam

Mr W. T. Williams

Mr G. B. Middleton

Appointed by the Agency Section, Planters' Association of Ceylon

Mr C. R. Warren

Mr H. A. Whittall

Mr D. A. Neale

Appointed by the Low-Country Products Association of Ceylon

Mr F. Amarasuriya

Mr S. Pathmanathan

Mr J. L. D. Peiris

Representing the Small Holders

Mr D. E. Hettiarachchi, JP, UM

Mr M. Rajendram, MBE, JP

Representing the House of Representatives

Vacant

Secretary

Mr G. M. Sparkes

The Tea Research Institute of Ceylon

Staff as at 31st December, 1964

Director	...	...	...	A. W. R. Joachim, OBE, BSc, PhD (Lond), FRIC Dip Agric (Cantab)
Deputy Director	...	...	...	J. A. H. Tolhurst, BSc (Reading)
<u>Agricultural Chemistry</u>				
Agricultural Chemist	...	...	...	J. A. H. Tolhurst, BSc(Reading)
Research Assistants	...	...	...	S. Sivasubramaniam, BSc (Cey) W. Bandaranaike, BSc (Cey)
Technical Assistants	...	...	...	V. Mendis T. C. Z. Jayman E. O. Stuart (Mrs.) B. I. de Silva, BSc (Cey) S. Sunderalingam, BSc (Poona) K. Govindasamy T. Kularatna, BSc (Cey)
<u>Plant Propagation</u>				
Adviser	...	...	...	A. V. Richards, BSc (Lond), MSc (Calif), Dip Agric (Cantab), AICTA, (Trinidad)
Research Assistant	...	...	...	*S. Kulasegaram, BSc (Cey)
Research Assistant (Plant Breeding)	...	...	...	A. R. Sebastianpillai, BSc (Cey)
Technical Assistants	...	...	...	H. R. Solomon
St Coombs	...	...	...	A. J. de Croos D. D. Kroon
Hantane	...	...	...	H. B. Ratnayake
<u>Agronomy</u>				
Chief Agronomist	...	...	...	H. N. Hasselo, Dr Ir (Wageningen)
Research Assistants	...	...	...	*W. M. W. B. Manipura, BSc (Cey) S. Sandanam, BSc (Cey)
Technical Assistants	...	...	...	S. M. Kandasamy M. Sikurajapathy, BSc (Cey)
<u>Low-Country Service</u>				
Low Country Scientific Officer	...	...	...	L. H. Fernando, BSc, PhD (Lond)
District Advisory Officer	...	...	...	J. V. Sabanayagam, BSA (Toronto)
Research Officer (Agronomy)	...	...	...	S. C. Wanigaratne, BSc (Cey), PhD (Wales)
Technical Assistants	...	...	...	J. I. H. Bandaranayake
St Joachim	...	...	...	H. D. Jayasinghe H. H. Samarakoon N. Yogaratnam, BSc (Alahabad) U. P. de S. Waidyanatha, BSc (Cey)
Kottawa	...	...	...	K. H. G. Gunapala
Chief Clerk	...	...	...	R. I. Pereira
Stenographer	...	...	...	S. K. P. Tambimuttu
Clerk	...	...	...	K. P. Gunawardena
<u>Plant Physiology</u>				
Plant Physiologist	...	...	...	U. Pethiyagoda, BSc (Cey), PhD (Lond), DI
Research Assistant	...	...	...	S. Kandiah, BSc (Cey)
Technical Assistants	...	...	...	M. Piyasena S. Nagarajah, BSc (Cey) N. S. Rajendram, BSc (Madras) G. M. H. B. Wijethunga S. Krishnappillai, BSc (Cey)
<u>Nematology</u>				
Adviser	...	...	...	A. Kerr, BSc (Edin), PhD (Adel)
Acting Nematologist	...	...	...	N. Shanmuganathan, BSc (Cey), PhD (Lond)
Research Assistant	...	...	...	*P. Sivapalan, BSc (Cey)
Technical Assistants	...	...	...	M. K. Vythilingam P. A. John S. Samarajeewa A. R. M. Hassim
<u>Plant Pathology</u>				
Adviser	...	...	...	A. Kerr, BSc (Edin) PhD (Adel)
Plant Pathologist	...	...	...	N. Shanmuganathan, BSc (Cey), PhD (Lond)
Research Officer	...	...	...	R. L. de Silva, BSc (Cey), PhD (Lond), DIC
Technical Assistants	...	...	...	W. W. Redlich, BSc (Cey) P. V. Arulpragasam, BSc (Madras) S. Murugiah W. R. F. Rodrigo, BSc (Cey)
<u>Entomology</u>				
Entomologist	...	...	...	J. E. Cranham, BA (Cantab), DIC
Research Officer	...	...	...	D. Calnaido BSc (Cey), PhD (Lond)
Research Assistants	...	...	...	D. J. W. Ranaweera *W. Danthanarayana BSc(Cey)
Technical Assistant	...	...	...	E. F. W. Fernando, BSc (Cey)
St Coombs	...	...	...	C. Shanmugam A. Kathiravetpillai, BSc (Cey)
Hantane	...	...	...	K. Thirugnanasuntharan, BSc (Cey)

*Working overseas

STAFF—contd.

Biochemistry

Biochemist	...	...	G. W. Sanderson, BSc (Calif), PhD (Nott)
Biochemist (Manufacture)	...	...	R. L. Wickremasinghe, BSc (Cey), BSc (Lond), PhD(Sheff), RIC
Research Assistants	...	...	*R. R. Selvendran, BSc (Cey) G. R. Roberts, BSc (Cey)
Technical Assistants	...	...	B. P. M. Perera K. Sivapalan, BSc (Cey) V. Fernando K. P. W. C. Perera, BSc (Cey) M. T. Subramaniam, BSc (Cey)

Technology

Actg. Technologist	...	...	D. Kirtisinghe, BSc (Cey), PhD (Lond), DIC
Research Assistant	...	...	Vacant
Technical Assistants	...	...	L. S. Weragoda W. C. A. de Silva, BSc (Cey) C. Kandappah, BSc (Cey) S. Samarasingham

Statistics

Statistician	...	...	P. Kanapathipillai, BSc (Lond), FSS
Assistant	...	...	K. Seevaratnam

Advisory Service

Chief Advisory Officer	...	...	C. B. Foster-Barham, MA (Cantab)
Research Assistants	...	...	*D. T. Wettasinghe, BSc (Cey) R. K. Nathaniel, BSc (Poona)
District Advisory Officers			
Uva	...	...	L. M. de W. Tillekeratne, BSc (Cey), MEd (Calif)
Low Country	...	...	J. V. Sabanayagam, BSA (Toronto)
Technical Assistant	...	...	D. N. R. Wijewardena
Photographer	...	...	D. J. M. Hettiarachi
Filing Clerk	...	...	K. L. D. Alwis

St Coombs Estate

Superintendent	...	...	J. G. G. Tennekoon
Office Staff	...	...	P. E. de Silva H. C. Wickremasinghe M. R. K. Gabriel S. P. de Silva
Apothecary	...	...	S. P. de Silva

St Joachim Estate

Superintendent	...	...	G. S. Muttetuwegama
Office Staff	...	...	G. L. A. Thomas

Engineering

Factory	...	...	O. J. Fernando
Electrical Foreman	...	...	W. R. Solomon
Works Clerk	...	...	R. A. Daniel
Storekeeper	...	...	I. P. Dissanayake
Mechanics	...	...	D. A. S. Opatha K. S. Vadivelu

Administration

Chief Administrative Officer	...	...	G. M. Sparkes, BA (Cey)
Personal Assistant to the Director	...	...	A. C. Perera
Assistant Administrative Officer	...	...	P. Pathmanathan, BSc (Cey), ACA
Accounting Assistant	...	...	A. H. B. Dias
Assistant Secretary	...	...	C. Kirithiratne, FCCS
Stenographers	...	...	F. G. de Selve G. A. S. Gunasinghe P. W. Uduwawala S. A. L. H. Fernando S. D. J. J. Vitharnepathirana N. Peiris
Accounts Clerks	...	...	W. J. Samuel M. B. Palies M. H. W. Ariyaratne T. R. B. Sally K. D. B. H. Abeygunawardena G. A. K. P. de Silva S. Kulasabanathan H. Attanayake N. Sachithanathan
Records Clerk	...	...	J. P. J. E. Navaratne
Clerk/Typists	...	...	V. Kodagoda J. N. Apasingha D. W. Bartholomeusz S. B. Wettewe
Librarian	...	...	D. J. S. de Silva, BSc (Punjab)
Library Assistant	...	...	D. S. Jayasekera
Translator/Instructor	...	...	C. M. Fernando, BA (Cey)

Visiting Agents

St Coombs	...	...	P. R. U. Eastal
St Joachim	...	...	J. W. Craig

The Tea Research Institute of Ceylon

THE THIRTY NINTH ANNUAL REPORT OF THE BOARD OF CONTROL FOR THE YEAR 1964

Foundation

The Tea Research Institute of Ceylon was established by Ordinance No 12 of 1925 dated 27th October 1925.

Constitution

The Constitution of the Board of Control is laid down in the Legislative Enactments of Ceylon (1956 revision) Cap. 438 and in the following Tea Research (Amendment) Acts :

- No 8 of 1957 dated 18th March 1957
- No 2 of 1959 dated 21st January 1959
- No 3 of 1959 dated 21st January 1959
- No 57 of 1961 dated 19th June 1961

A consolidation is now necessary as the numbering of the sections in the amending Acts does not agree with the 1956 revision of the Legislative Enactments of Ceylon.

MEMBERSHIP OF THE BOARD AND COMMITTEES

THE BOARD

Chairman Mr F. Amarasuriya

Ex-officio Members

The Director of Agriculture
Mr A. T. M. Silva

The Honourable the Minister of Finance
represented by Mr G. D. Loos

The Chairman, Planters' Association of Ceylon
Mr V. G. W. Ratnayaka, MBE

The Chairman, Agency Section, Planters' Association of Ceylon
Mr J. L. Capper

The Chairman, Low-Country Products' Association of Ceylon
Mr P. Nadesan, CMG, OBE

The Tea Controller
Mr C. P. Chanmugam

The Director, Tea Research Institute of Ceylon
Dr A. W. R. Joachim, OBE

Nominated Members*Representing the Planters' Association of Ceylon*

Mr S. P. Vytilingam
 Mr W. T. Williams
 Mr G. B. Middleton

Representing the Agency Section, Planters' Association of Ceylon

Mr C. R. Warren
 Mr L. F. J. Smith
 Mr R. A. G. Mc Michen

Representing the Low-Country Products Association

Mr F. Amarasuriya
 Mr S. Pathmanathan
 Mr J. L. D. Peiris

Representing the Small Holders

Mr D. E. Hettiarachchi, JP, UM
 Mr C. S. Ratwatte

Representing the House of Representatives

Mr J. D. Weerasekera, MP

Secretary

Mr G. M. Sparkes

The following changes in membership of the Board occurred during the year:

Ex-officio Members*Chairman, Planters' Association of Ceylon*

Mr W. J. Childerstone succeeded Mr V. G. W. Ratnayaka from 4th April.

Chairman, Agency Section, Planters' Association of Ceylon

Mr R. C. Bois succeeded Mr J. L. Capper from 1st May.
 Mr J. L. Capper succeeded Mr R. C. Bois from 16th October.

Nominated Members*Representing the Agency Section, Planters' Association of Ceylon*

Mr H. A. Whittall succeeded Mr L. F. J. Smith from 17th March.
 Mr D. A. Neale succeeded Mr R. A. G. McMichen from 13th November.

Representing the Small Holders

Mr M. Rajendram succeeded Mr C. S. Ratwatte from 23rd July.

Meetings

Seven meetings of the Board were held on 22nd January, 6th March, 17th March, 8th May, 26th June, 4th September and 17th December.

THE ADMINISTRATIVE COMMITTEE

The members of the Administrative Committee on 1st January were:

Mr F. Amarasuriya (Chairman)
 Mr J. L. Capper
 Mr C. P. Chanmugam
 Mr G. D. Loos
 Mr R. A. G. McMichen
 Mr L. F. J. Smith
 Mr V. G. W. Ratnayaka
 Dr A. W. R. Joachim
 Mr G. M. Sparkes (Secretary)

The following changes in membership occurred during the year:

Mr W. J. Childerstone succeeded Mr V. G. W. Ratnayaka from 3rd April.
 Mr R. C. Bois succeeded Mr J. L. Capper from 1st May.
 Mr J. L. Capper succeeded Mr R. C. Bois from 16th October.
 Mr. D. A. Neale succeeded Mr R. A. G. McMichen from 17th December.
 Mr S. Pathmanathan succeeded Mr L. F. J. Smith from 8th May.

Meetings

Seven meetings of the Committee were held during the year on the 16th January, 13th February, 8th May, 14th August, 22nd September, 19th October and 11th November.

THE EXPERIMENTAL & ESTATES COMMITTEE

The members of the Experimental and Estates Committee on 1st January were:

Dr A. W. R. Joachim (Chairman)
 Mr F. Amarasuriya (Chairman, TRI Board)
 Mr V. G. W. Ratnayaka (Chairman, Planters' Association of Ceylon)
 Mr J. L. Capper (Chairman, Agency Section, Planters' Association of Ceylon).
 Mr P. R. U. Easteal (Visiting Agent for St Coombs Estate)
 Mr J. W. Craig (Visiting Agent for St Joachim Estate)
 Mr S. P. Vytilingam
 Mr W. T. Williams
 Mr H. A. Whittall } (representing the Scientific Committee)
 Mr R. L. Harvey (Badulla)
 Mr P. G. Uglow (Bandarawela)
 Mr A. Mackie (Dickoya)
 Mr P. C. Innes (Dimbula)
 Mr K. J. Ratwatte (Kandy)
 Mr R. C. H. Price (Kelani Valley)
 Mr R. K. Christie (Nuwara Eliya)
 Mr H. D. Ross (Sabaragamuwa)
 Mr D. E. Hettiarachchi (Southern Province)
 Mr A. D. Neale (Tea Trade)
 The Senior Staff of the Institute
 Dr U. Pethiyagoda (Secretary/Convener)

The following changes in membership occurred during the year:

Mr W. J. Childerstone succeeded Mr V. G. W. Ratnayaka from 4th April.
 Mr C. Wijenaike succeeded Mr K. J. Ratwatte from 4th September.

Meetings

The Committee held five meetings during the year on 15th February, 21st March, 2nd May, 1st August and 3rd October.

THE APPOINTMENTS COMMITTEE

The members of the Appointments Committee on 1st January were:

Mr F. Amarasuriya (Chairman)
 Mr C. P. Chanmugam
 Mr D. E. Hettiarachchi
 Mr C. R. Warren
 Mr W. T. Williams
 Dr A. W. R. Joachim
 Mr G. M. Sparkes (Secretary)

There were no changes

Meetings

Five meetings were held during the year on 3rd April, 31st July, 3rd September and 27th November.

THE BUILDINGS COMMITTEE

The members of the Buildings Committee on 1st January were:

Mr S. P. Vytilingam (Chairman)
 Mr F. Amarasuriya
 Mr G. B. Middleton
 Dr A. W. R. Joachim
 Mr G. M. Sparkes (Secretary)

The following changes occurred during the year:

Mr J. L. D. Peiris was co-opted to the Committee on 4th September.

Meetings

Ten meetings of the Committee were held during the year on 9th January, 31st March, 4th May, 29th May, 23rd June, 30th July, 3rd September, 14th September, 7th November and 11th December.

THE LOW-COUNTRY STATION COMMITTEE

The members of the Committee on 1st January were:

Mr F. Amarasuriya (Chairman)
 Mr D. E. Hettiarachchi
 Mr J. L. D. Peiris
 Mr V. G. W. Ratnayaka (co-opted)
 Mr H. D. Ross (co-opted)
 Mr J. W. Craig (Visiting Agent, St Joachim Estate)
 Dr A. W. R. Joachim
 Mr G. M. Sparkes (Secretary, TRI Board)
 Dr L. H. Fernando (Low-Country Scientific Officer & Secretary)

The following changes in membership occurred during the year:

Mr S. P. Vytilingam, Chairman, Buildings Committee was nominated to be *ex-officio* member from 4th September.

Meetings

Nine meetings of the Committee were held during the year on 27th February, 19th May, 26th June, 24th July, 31st July, 22nd August, 21st September, 27th October and 28th November.

THE SCIENTIFIC COMMITTEE

The members of the Committee on 1st January were:

Dr A. W. R. Joachim (Chairman)
 Mr F. Amarasuriya
 Mr S. P. Vytilingam
 Mr C. R. Warren
 Mr W. T. Williams
 Mr G. M. Sparkes (Secretary)

The following changes occurred during the year:

Mr H. A. Whittall succeeded Mr C. R. Warren from 2nd May.

Meetings

Five meetings of the Committee were held during the year on 16th January, 5th March, 29th July and 23rd November.

THE SCIENTIFIC ADVISORY COMMITTEE IN THE UNITED KINGDOM

The members of the Committee on 1st January were:

Dr F.R. Tubbs, CBE, Director, East Malling Research Station (Chairman)
 Mr F. C. Bawden, FRS, Director of Rothamsted Experimental Station,
 Professor T. A. Bennet-Clark, FRS, Professor of Botany, King's College,
 University of London
 Professor G. E. Blackman, FRS, Sibthorpe Professor of Rural Economy,
 University of Oxford.

There were no changes.

THE COMMITTEE OF MANAGEMENT OF THE TRI JUNIOR STAFF MEDICAL FUND

The members of the Committee of Management on 1st January were:

Mr F. Amarasuriya (Chairman)
 Mr W. J. Samuel
 Dr A. W. R. Joachim

THE TRUSTEES OF THE TRI PROVIDENT FUND

The trustees were:

Mr F. Amarasuriya (Chairman)
 Mr R. C. Bois
 Mr D. E. Hettiarachchi
 Mr R. I. Pereira
 Dr A. W. R. Joachim

The following changes occurred during the year:

Mr J. L. Capper succeeded Mr R. C. Bois on 17th December.
 Mr M. K. Vythilingam was co-opted on 2nd June.

VISITING AGENTS

Mr P. R. U. Eastal visited St Coombs on 23rd April and 22nd October.

Mr J. W. Craig visited St Joachim on 5th February, 17th July and 13th November.

FINANCES

Income for the year totalled Rs 4,942,815/-. This exceeded the income for the previous year by Rs 23,849/-. The tea cess decreased by Rs 20,615/- as compared to an increase of Rs 54,739/- in the previous year. The profit from St Coombs Estate was Rs 252,074/- as against Rs 222,078/- in the previous year. The loss on St Joachim Estate increased from Rs 22,798/- to Rs 47,955/-. Other sources from income *viz* Interest Rs 94,906/-; Rent of cadday Rs 2,700/-; Sale of clonal cuttings Rs 6,220/-; Miscellaneous Receipts Rs 30,662/-. Total Rs 134,497/- as against Rs 120,028/- in 1963.

Revenue expenditure (excluding depreciation and depreciation on investments) increased to Rs 3,178,668/- as compared with Rs 2,923,995/- in the previous year. This included the net working loss of Rs 47,955/- on St Joachim Estate.

Increases of expenditure were chiefly recorded in the following items :

Senior staff emoluments	Rs	65,684
Junior staff emoluments	„	43,611
Minor staff emoluments	„	16,710
Daily paid labour	„	24,721
Scientific technical stores and general working expenses	„	26,978
Library and publications	„	47,759
Administration	„	15,267
Maintenance of buildings	„	22,992
General combined services	„	6,668
Travelling of staff	„	5,095
Low-country Station, Ratnapura	„	55,917

Decreases of expenditure occurred in the following items :

Intermediate staff emoluments	Rs	26,249
Miscellaneous emoluments	„	452
Miscellaneous	„	24,703

Capital Expenditure totalled Rs 3,755,408/- against Rs 1,803,339/- in the previous year, the main heads of expenditure being :

Buildings	Rs	2,389,904
Land & development	„	62,494
Furniture and equipment	„	192,195
Laboratory equipment	„	180,844
Vehicles	„	104,651

The sum of Rs 2,389,904/- expended on buildings includes Rs 1,983,604/- on buildings put up on St Joachim Estate for the Low-country Station. Accumulated depreciation at 31st December 1964 was Rs 3,736,233/-.

The liquid assets of the Institute totalled Rs 3,813,790/- and the liabilities including the Government loan of Rs 2,000,000/- totalled Rs 2,764,442/-.

ACKNOWLEDGEMENTS

The Board records its thanks to the Ceylon Association in London, The Planters' Association of Ceylon, The Agency Section of the Planters' Association of Ceylon, The Low-Country Products Association of Ceylon and other institutions and individuals for their continued support and co-operation in matters concerning the Institute and the Tea Industry in Ceylon.

SOLICITORS

Messrs Julius & Creasy.

AUDITORS

The Audited Statement of Accounts and the Balance Sheet for the year ending 31st December 1964 are attached to this report.

A. C. PERERA,
for Secretary

Board of the Tea Research Institute of Ceylon

TEA RESEARCH INSTITUTE OF CEYLON

Talawakele,
25th March, 1966.

The Honourable the Minister of Agriculture & Food,
Ministry of Agriculture & Food,
330, Union Place,
Colombo 2.

Dear Sir,

Accounts for the year ended 31st December, 1964

In terms of the Tea Research Act No. 57 of 1961 section 13(8), I forward herewith a signed copy of the audited accounts of the Tea Research Institute of Ceylon for 1964 together with a copy of the Report submitted by the auditors, Messrs Ford, Rhodes, Thornton & Co., with their letter dated 3rd March 1966. I would like to make the following comments on the Audit Report :

Page 2 of Audit Report—Rules of the Board—A revised set of Rules of the Tea Research Institute is under preparation and will be presented for the approval of Parliament in due course.

Page 2—Balance sheet as at 31-12-64 : Bonus to St Joachim Estate Staff for 1963—It has been the practice to obtain the approval of the Board for the payment of bonus to employees of St Joachim estate. Although this payment was brought up before the Experimental & Estates Committee of the Board, by an oversight it was not ratified by the Board. When this was brought to the notice of the Board covering approval for the payment of Rs 1,863/33 was granted at the Board meeting held on 25th March 1966.

Page 4—Maintenance of votes ledger—The votes ledger has since been brought up-to-date and now reflects correctly the committed expenditure and outstanding liabilities.

Page 4—Dispute between the Institute and the Ceylon Petroleum Corporation—This matter is still under correspondence with the Ceylon Petroleum Corporation.

Page 4—Sundry suppliers—Suppliers and contractors have been asked to confirm the amounts shown in the accounts as owing to them.

Page 4—Retention money—Action is being taken in the 1966 accounts to make provision in the books for retention money according to the terms of the agreement as soon as the buildings are completed.

Page 5—Brown & Co. Statement of claims—This matter is still under correspondence with Messrs Brown & Co. Ltd.

Page 5—Fixed Assets—Action is being taken to compile a new and revised Fixed Assets Register in consultation with the auditors. Pending the introduction of the new Fixed Assets Register, a Board of Survey will be appointed to verify the items being entered in the various inventories and registers now being maintained by the Institute.

Page 6—Low-Country Station—breakdown of fixed assets—In the initial stages of the establishment of the Low-Country Station, Ratnapura, there was no breakdown of capital expenditure under the various heads. Subsequently, however, this has been done and the information relating to this in previous years will also be prepared if possible for the audit of 1965.

Page 6—Estimates—The suggestions of the auditors are being adopted.

Page 7—Work in Progress—Auditors' suggestion will be adopted.

Page 8—Building work in progress at Low-Country Station, Ratnapura—Board approval for the extra work carried out on the buildings was obtained at the Board meetings held on 4th September 1964 and 5th March 1965.

Page 9—Ceylon & U.K. Government securities—market fund—In future investments will be shown at the cost price. This change will be effected in the 1965 accounts.

Page 10—Purchase of stationery—Action is being taken to reduce the stocks of printed stationery.

Page 10 and 11—Sundry Debtors—Action will be taken to recover the accounts due to the Institute from members still employed at the Institute.

Page 11—Other debtors—bungalow servant—Bungalow servants are no longer being allowed credit facilities.

Page 11—Jayatunga & Co., contractors—A sum of Rs 122.65 has been written off.

Page 12—Debtors : Staff—Action is being taken to ensure that all recoveries due to the Institute are being made from the staff at the time they leave the Institute.

Page 11—Palmgarden Group—The loss of Rs 6,022.92 incurred in the sale of the Trough Withering Unit by the Palmgarden factory (St Joachim) to the Saffragam Tea & Rubber Co. Ltd., has been written off.

Page 12—Recovery account—It is difficult at this stage to reconcile the difference in this account and accordingly the sum of Rs 1,808.17 is being credited to the surplus account.

Page 13—Petty cash—Due to careless work certain entries have been entered in the wrong columns. The errors have since been rectified and the balance at 31-12-64 has now been reconciled.

Page 13—Cash Imprest with officers—A sum of Rs 40 will be recovered from the Provident Fund account of S. J. Lazarus.

Page 15—Senior Scientific Staff—The discrepancy in the travelling rates will be checked with Air Ceylon and further action taken if necessary.

Page 16—Scientific & Technical Stores & General Working Expenses—The Director considers it necessary for each Division to maintain its own stores. Action is being taken to ensure that capital items are not written off to revenue.

Page 16—Library & Publications—The excess expenditure incurred under the library vote is being investigated.

Page 16—Internal Audit—The auditors comments have been noted. An internal audit section is being established utilizing the available staff under the direct supervision of the Assistant Administrative Officer.

Yours faithfully,

(Sgd.) F. AMARASURIYA,

Chairman.

Board of the Tea Research Institute of Ceylon.

No. DD-5/52/5
Audit Office,
Colombo 7.
25th April, 1966.

The Chairman,
Board of the Tea Research Institute of Ceylon,
Talawakele.

**Audit Report and Accounts of the Tea Research Institute
for the year 1964**

The Accounts of the Tea Research Institute for the year 1964 have been audited under my direction by Messrs Ford, Rhodes, Thornton & Co. the auditor appointed by the Minister of Agriculture, Food and Co-operatives under Section 13 (3) of the Tea Research Ordinance as amended by the Tea Research (Amendment) Act No. 57 of 1961. The statements of accounts and the Balance Sheet as at December 31, 1964 duly certified by the auditor are forwarded herewith. In accordance with section 13 (7) of the Tea Research (Amendment) Act No. 57 of 1961, I also transmit the Auditors report together with this report which contains my supplementary observations.

2. The defects in the accounts and weaknesses in the existing internal controls mentioned in the Auditor's report as well as my supplementary observations call for early remedial action by the Board. As soon as such action is taken by the Board, the position will be examined further by the Auditor and if necessary by me.

3. *Fixed Assets Rs 12,064,464*

The auditor is unable to vouch for the correctness of this item in the Balance Sheet in the absence of a register of fixed assets giving the necessary particulars. A proper fixed assets register should be prepared without any delay and arrangements made to have the assets physically verified by a Board of Survey at the end of each year.

4. *General and Electrical Stocks Rs 107,850*

Differences between verified stocks and balances in office stock cards disclosed at the end of the preceding year have not been adjusted in the book. This has resulted in the value of stocks being overstated. Early action should be taken to make the necessary adjustments.

5. *Sundry Debtors*

In regard to sums included under this head which appear irrecoverable the Director has stated as follows :

“ Though the amounts stated seem to be irrecoverable, every effort is being made to recover as much as we can. Also, since these amounts have been brought forward from year to year, and the authorizing officers ex-Chief Administrative Officer and Assistant Administrative Officer are no longer with us, I am not in a position to attribute negligence on any particular officer for having allowed such items to be carried forward from year to year”.

It is essential that a statement of all outstanding loans should be prepared periodically and placed before the Board for consideration with reports giving information of the action taken from recovery.

6. *Scientific and Technical Stores—General Working Expenses*

- (i) Although there were unused consumable stores of considerable value at the end of each year, the value of such stores is not reflected in the Balance Sheet. Moreover, expenditure on certain items of capital nature had been charged to revenue. To this extent, the accounts cannot be said to show the true position.

7. *Sundry Creditors :*

The balance shown in the few confirmations that were received did not agree with the book balances and no proper explanations were furnished by the Institute to the Auditor for the discrepancies. This item in the Balance Sheet cannot, therefore, be said to show the position correctly.

8. I detailed one of my officers on October 31, 1965 to carry out an examination of the inventories and cash balances of the Institute and the following unsatisfactory features which were observed were brought to the notice of the Director through the Auditor.

(i) *Cash Book*

There was no evidence that the reconciliation of the Bank Balance at the end of every month was checked and certified by a responsible officer.

(ii) *Petty Cash Book*

Petty Cash is not being maintained on an Imprest system. This has resulted in sums amounting to nearly Rs 25,000/- being paid out of the Petty cash during a month. Moreover, the petty cash has not been periodically inspected by a superior officer. It has also not been balanced daily and the balance in the hands of the petty cash holder verified at intervals.

(iii) *Salaries Book*

There is no indication that the entries made in the salary book are being checked before the payment of salaries. Further, the total recovery in each month on account of the various deductions is not being reconciled with the corresponding account in the ledger.

(iv) *Purchase of Stores*

- (a) The Head of the Engineering Division is in direct control of the stores and he also calls for quotations for the supply of stores. These two duties should be in separate hands.
- (b) Nearly Rs 35,000/- had been incurred during 1964 on account of purchase of furniture from one individual. There is no evidence to show that purchases had been made after obtaining competitive quotations.

(v) *Private jobs undertaken by the Factor*

Private jobs are undertaken by the Head of the Engineering Division on applications made to him by the officers. There is, however, no control by the Chief Administrative Officer to ensure that recovery of correct amounts due on all private jobs undertaken by the Engineering Division.

(vi) *Issues to staff*

The monthly recovery statements furnished by the Engineering Division in regard to the issue of Petrol, Kerosene oil, etc, to officers are not been checked in the Accounts Branch with the relevant issue orders.

(vii) *Security*

Officers entrusted with the receipt, custody or disbursement of cash or stores belonging to the Institute have so far not furnished security.

(viii) *Commission paid for cashing cheques*

Rs 2,281 had been paid as commission to a private party for cashing cheques to pay salaries and other petty cash expenses during 1964. This expenditure could be avoided if a Bank Account is opened with a bank having a local branch.

(ix) *Incomplete Inventory Registers due to defective system of certifying Purchase Vouchers*

Under the existing system, when Purchase vouchers are certified by the Chief Administrative Officer for payment, he does not ensure that the supplies referred to in the payment vouchers are supported by Goods Receipt Notes and that the items purchased have been correctly taken on charge in the respective Inventory Registers. This defect in the system of Internal Control has resulted not only in incomplete inventory records at the various divisions but also in Annual Board of Survey of the Inventory items of the various divisions never being carried out.

Although a physical verification of all major items of Laboratory and Field equipment at the Tea Research Institute had been carried out by two officers whose services had been specially obtained from India by the Director in February 1962 and a report had been made by them to the Director on February 27, 1962, no action has so far been taken to prepare complete Inventory Registers.

(x) *Internal Audit*

It is very important that internal audit should be organized so that it will be an independent appraisal activity within the organisation for the review of accounting, financial and other operations as a basis for service to the Management. The responsibilities of internal audit will accordingly include such activities as :

- (a) Reviewing and appraising the soundness adequacy and application of accounting, financial and operating controls ;
- (b) Ascertaining the extent of compliance with established plans, policies and procedures ;
- (c) Ascertaining the extent to which assets of the Institute are accounted for and safeguarded from losses of all kinds ;
- (d) Ascertaining the reliability of accounting and other data developed within the organisation.
- (e) Appraising the quality of performance in carrying out assigned responsibilities.

Signed A. PONNIAH
(for Auditor-General)

PRIVATE & CONFIDENTIAL

Ford Rhodes, Thornton & Co.
Colombo
26th March, 1966

The Auditor General
Colombo

Dear Sir,

Accounts for the year ended 31st December, 1964

We have completed our examination of the above accounts and attach to this report the following :—

1. Balance Sheet as at 31st December, 1964 together with our report thereon.
2. Estate Working Accounts for the year ended 31st December, 1964 in respect of :—
 - (a) St Coombs Estate
 - (b) St Joachim Estate
3. Income and Expenditure Account for the year ended 31st December, 1964.
4. Summary of Creditors and Provisions as at 31st December, 1964.
5. Summary of Fixed Assets as at 31st December, 1964, showing cost, accumulated depreciation and written down value.
6. Summary of investments as at 31st December, 1964.
7. Summary of Stock in Hand as at 31st December, 1964.
8. Summary of Debtors and Debit Balances as at 31st December, 1964.
9. Summary of Staff Debtors as at 31st December, 1964.
10. Statement of Deposits as at 31st December, 1964.
11. Summary of cash in hand and balances at bank at 31st December, 1964.
12. Detailed Expenditure on Revenue Account for the year ended 31st December, 1964.

I. RESULTS OF THE YEAR

The result of the year was a surplus of Rs 1,097,221.29 made up as follows:—

Institute—Excess of Income over Expenditure	..	Rs	893,101.79
St Coombs Estate—Surplus on working	..	„	252,074.28
		Rs	1,145,176.07
Less: St Joachim Estate—Loss on working	..	„	47,954.78
		Rs	1,097,221.29

The Corresponding surplus for the previous year was Rs 1,361,122.72.

II. RULES OF THE BOARD

We were informed by the Acting Chief Administrative Officer that a draft of the revised rules was ready, but that this has not been discussed and approved by the Administrative Committee. Since the rules form part of the Ordinance, they should be approved by Parliament before they are implemented.

III. BALANCE SHEET AS AT 31st DECEMBER, 1964

(1) Accumulated Fund

The movement of the fund during the year was as follows :—

Balance at 31st December, 1963	..	..	Rs	11,977,721.01
Add : Adjustments in respect of previous year	..	..	..	1,770.43
Profit on sale of fixed assets	..	..	..	34,925.00
Profit on redemption of investments	..	..	..	2,175.00
			Rs	12,016,591.44
Add : Excess of Income over Expenditure	..	..	..	1,097,221.29
Balance at 31st December, 1964	..	..	Rs	13,113,812.73

The adjustments in respect of the previous year are made up as follows :—

Depreciation on St Joachim Estate made in 1963 now adjusted	..	Rs	34,905.78	
Items written off to Revenue now capitalised	..	..	24,927.03	
Overprovision for creditors now written off	..	..	77.38	Rs 59,910.19
				Rs 59,910.19
Deduct : Revenue items capitalised in 1963 now adjusted	..	Rs	28,566.06	
BONUSES :				
St Joachim Estate 1962	..	..	775.00	
St Joachim Estate 1963	..	..	1,863.33	
St Coombs Estate, 1963	..	..	7,925.74	
Additional visiting fees to Mr Craig for 1963	..	..	500.00	
Additional medical expenses reimbursed to the Medical Fund	..	..	1,001.74	
Administration and Management Expenses of Provident Fund for 1963	..	..	1,062.46	
Irrecoverable amounts written off as approved by Board	..	..	8,001.70	
Dr W. Danthararayana—arrears of salary to 31st December, 1963	..	..	8,443.73	58,139.76
Balance credit transferred to accumulated fund				Rs 1,770.43

We have seen a Board minute dated 4th September, 1964, approving the bonus to employees of St Joachim Estate for 1962. No authority, however, appears to exist for the payment of bonus for 1963 to employees of either estate. Even the usual recommendation of the Visiting Agent for the payment

of bonus was not made available to us. Payment has been made on the authority of the former Chief Administrative Officer who appears to have relied on past practice for the payment of these bonuses. Payment has been made on the basis of two month's basic salary in cash and one month's basic salary to the Provident Fund.

(2) *Sundry Creditors*

Included under Sundry Creditors are the following :—

(a) *Sundry Suppliers*

In the draft accounts which were presented for audit, we noticed that incurred liabilities at 31st December, 1964, amounting to Rs 164,355.76 had not been provided in the accounts. This matter was brought to the attention of the Institute and the accounts have now been adjusted to bring in this liability. We looked into the reason for this omission and observed that although the Votes Ledger was intended to disclose committed expenditure and outstanding liabilities, it had not been maintained in such manner as to provide this information automatically.

We requested the Institute to make arrangements for confirmation of selected accounts payable, to be sent to us direct, and of the very few confirmations that were received, none of the balances shown therein appeared to agree with the Institute books. We were not offered a proper explanation for these discrepancies and we have taken no action on these certificates, as there was insufficient time to make further investigation. We have made a request to the Director that for the future, confirmations should be called from the main suppliers and contractors and agreement should be reached with the confirmations before accounts are finalized.

There appears to be a dispute between the Institute and the Ceylon Petroleum Corporation regarding the amount due to the latter, and we are informed that the matter is still under correspondence. Book balances have been accepted for the purposes of these accounts and we have satisfied ourselves that liabilities accrued in the Institute books have subsequently been settled.

(b) *Retention Money*

Several contracts have been completed during the year but the retention money thereon has not been provided in all instances. This appears to be largely due to lack of co-ordination between the Factor and the office, the latter not being aware when a building is completed.

(c) *Brown & Co. Ltd.*

Provision was made in 1963 for certain items in dispute amounting in total to Rs 28,851.04. The appeal by the company for payment was considered by the Board and payment amounting to Rs 8,597.45 was authorised on account of electrical extras supplied by the company. A sum of Rs 11,162.59 being balance of penalty money was disallowed by the Board and this has been transferred to the appropriate capital accounts. The amount owing to the company at 31st December, 1964 stands at Rs 7,025/-. We are informed that this claim is being investigated further and that settlement will be made in due course.

(d) *Starey Bequest*

A sum of £ 400/- was received from Messrs Julius & Creasy as Executors of the estate of the late Mr E. J. Starey. The money had not been utilised and we were informed that the matter is engaging the attention of the Director.

We have examined the vouchers for 1965 and are satisfied that all liabilities of the Institute, in so far that they were of material amount, have been included in the accounts.

(3) *Government Loan*

The full amount of the loan of Rs 2,000,000/- has been received from the Treasury during the year. This is an interest free loan repayable over a period of twelve years. The first instalment of Rs. 166,667/- was paid to the Deputy Secretary to the Treasury on 19th February, 1965.

(4) *Fixed Assets*

(a) *Verification*

We have ascertained the existence of assets to the extent of a written down value of Rs 2,123,124.50 by inspection of the title deeds of the Institute's two estates and the examination of certificates of registration of motor vehicles owned by the Institute. Other fixed assets stand at a written down value of Rs 9,941,340/-. Certain registers have been maintained over the past few years recording the additions during those years. Although these do not form proper fixed asset registers, these assets had not been inspected by a Board of Survey, to ascertain their existence. We were informed, however, that following our last report, action is now being taken to prepare a proper fixed assets register.

In our report dated 28th January, 1965 we mentioned that all additions to fixed assets at the Ratnapura Sub-station have been capitalized under one main heading—'Buildings—St Joachim'. This caption includes buildings of every description, cost of furniture included therein, water supply services, all laboratory equipment and office furniture and fittings. Our recommendation that this account should be analysed and transferred to the appropriate main headings has not been followed, and we were not able to make this transfer ourselves, because of the difficulty of allocating expenditure on blasting and levelling of land to the corresponding buildings. We have furnished the Institute staff with details of the additions during 1963 and 1964 with a request that they should be analysed further and transferred to the appropriate accounts during 1965. Such analysis could form the basis of a fixed assets register for the Sub-station.

We have satisfied ourselves that the assets belonging to the Institute are adequately covered by Insurance.

(b) *Estimates*

We were not always able to trace expenditure to the capital estimates because of the lack of cross reference between the account under which it is capitalized and the serial number against the estimate. We recommend that, in future, capital estimates should be prepared giving reference to the General Ledger folio with adequate break down of the amount estimated under each heading. For instance, Item No. 6 in the capital estimates of the Ratnapura Sub-station is described as 'Experimental machinery and water supply—Rs 158,920/-'. This figure should be broken down to give the estimate for experimental machinery and water supply separately.

(c) *Work in Progress*

Work on several buildings is in progress at the same time and payment is made on Architect's certificates. These amounts are entered in the Votes Ledger and transferred at the end of the year to the appropriate ledger account.

The buildings may take a few years to complete, but capitalization in the general ledger takes place piecemeal and this factor has been the main difficulty in preparing and maintaining a fixed assets register. We recommend that all payments made on account and all material issues against construction, should be debited to a work in progress account which should be supported by a register giving details of the location of the building, the estimate, tender value, name of the contractor, extras approved and other relevant details. Where part payments are made and debited to work in progress account, they should also be debited to the appropriate folio in the register. When a building is complete, architect's fees and retention monies should be journalised debiting work in progress account and also the register folio, crediting sundry creditors. The total value of the building thus obtained from the folio in the register should be transferred from work in progress to the appropriate ledger account in the General Ledger. The folios in the register would then be filed to form a fixed assets register. The work in progress account should at any time, agree with the total of the balances on individual folios of the register. We recommend that this suggestion should be adopted without delay as, otherwise, it is difficult to ascertain the amount of work in progress at any time and the liabilities to contractors, architects *etc.*

We were not able to trace any building committee or Board approval for the following extra work carried out to buildings at the Ratnapura Sub-station, but are assured by the Director that they must have been properly approved:—

Intermediate Staff Bungalows—1 and 2	Rs	16,042.29
3 Junior Staff quarters constructed by P. H. S. de Silva	,,	33,202.79
2 Junior Staff quarters constructed by P. H. S. de Silva	,,	11,782.79
Minor Staff quarters constructed by W. M. Appuhamy	,,	8,256.33
3 Junior Staff quarters constructed by S. C. Fernando & Bros.	,,	22,322.18
Senior Staff bungalows	,,	15,098.16
	Rs	<u>106,704.54</u>

Payment in respect of these extras had been made on architect's certificates and we request that the Board should give covering sanction for these payments, if they had not already been approved.

The total amount expended on the construction of the factory at St Joachim amounted to Rs 1,565,041.54 excluding the cost of levelling and blasting. Cost of machinery included therein amounted to Rs 634,813.94 and this amount has been transferred to the appropriate headings in the statement attached to this report.

(d) *Sales of Fixed Assets*

The following fixed assets were sold during the year :—

1. Peugeot Station Wagon—2 Sri 3592.
2. Drier and withering fan from St Coombs factory.

We have ascertained that these assets had been fully depreciated in the the books prior to sale and, therefore, the cost and depreciation have been written off in the schedule attached to this report. The proceeds of sale amounting to Rs 34,925/- are credited to the Surplus Account.

(5) *Ceylon and UK. Government Securities Market Fund—Rs 540,091.42*

We have inspected the scrip for the Ceylon Government Securities which stand in the books at a cost of Rs 517,112.50. We have not received confirmation of the custody of the UK. Government Securities standing in the books at a cost of Rs 62,362.82. The market value of these investments amounted at 31st December, 1964 to Rs 540,091.42. As directed by the Board, the investments are shown on the Balance Sheet at market value and the depreciation of Rs 3,883.58 over the previous year has been written off to revenue.

With regard to investments, the usual practice is to disclose them on the Balance Sheet at cost, and show the market value by way of a note. This used to be the practice at the Institute until some years ago, when we recommended that the excess of the purchase price over the nominal value of the investments may be written off equally between the date of purchase and the earliest date of redemption. The Board then decided that the Investments should be shown at Market Value. We think it would be most appropriate to show the investments at cost, and recommend that the change should be effected in 1965.

(6) *Stocks*

A summary of stocks held at the Institute is given in the schedule attached to this report.

Physical check of all general and electrical stocks was made at the end of the year and the office stock cards were adjusted for the difference that occurred during 1964. However, difference of stock that occurred prior to that date had not been adjusted. There are still differences between actual quantities in stock and office stock books amounting in value to Rs 2,521.71. We have suggested that at the end of 1965, these differences should be written off so that the balances in office stock books will agree with physical stocks.

The stocks mentioned above do not include stationery stocks. Purchase of stationery is written off to revenue at the time of purchase. We visited the stationery store room and inquired into the system of ordering and issuing stationery. The system appears to be in order but we noticed that in respect of certain printed stationery, large stocks are carried, which may cover several years' supplies. We recommend that in respect of printed stationery large stocks should not be ordered as their form may require revision from time to time.

(7) *Debtors and other Debit Balances*

A schedule of debtors and other debit balances is attached to this report. Our comments are as follows :—

(a) *Other Debtors—Rs 13,000.95.*

Included under this heading are the following which are said to be irrecoverable :—

	Rs	cts
Billimoria, De Silva, Peiris and Panditharatne—tea sales	160	29
Dr D. L. Gunn	155	02
G. B. Rajapakse—ex-member of staff	5	55
W. J. A. Van Langenberg	35	41
Bearwell Estate	37	01
E. L. Keegel	50	39
Potato Sales (no details)	65	55
Moses Jayaratnam—ex-member of staff	15	60
T. R. I. Hostel (Junior Staff)	5	10
Advertisements	—	—

1963—Bosanquet & Skrine	Rs 150.00	
Indian Advertisement Bureau	40.00	
Galle Estate Agency	270.00	
M. M. Salgado	60.00	
Debtor's name unknown	6.40	Rs 526.40

We observed, in this connection, that there are a number of other accounts which were considered good but have not been recovered at the date of verification. Amounts are due from a number of members of staff who are still employed at the Institute and no action had been taken to recover these amounts. We have pointed out these amounts to the Assistant Administrative Officer and have suggested that in the case of members who have left, as provided in the Rules of the Provident Fund, application should be made to the Trustees for reimbursement of the amounts due to the Institute. The amount due from ex-members of staff amounted to Rs 266.41.

It was also observed that bungalow servants of members of staff are allowed credit for the purchase, of firewood, tea *etc.*, which are not recovered as the servants leave the employer without notice to the Institute. Such recoveries from outsiders make the work of the staff difficult and we suggest that action should be taken to see that such recoveries are made from the respective employers, or that these are maintained on a cash basis.

(b) *Jayatunga & Co.—Contractors—Rs 122.65.*

The above balance represents cost of materials supplied to the contractor ; we are informed that it is unlikely that the amount would be recovered.

(c) *Palmgarden Group—Rs 59,022.92.*

The above amount represents expenses incurred in installing a trough withering unit at the Palmgarden factory which was subsequently purchased by the Saffragam Tea & Rubber Co. Ltd. A sum of Rs 53,000/- has been paid by the company in 1965 in full and final settlement; the balance will have to be written off with Board approval to surplus.

(d) *G. P. de Silva—Rs 350.50.*

The above amount represents the cost of repairing an Institute vehicle which met with an accident with a vehicle belonging to Mr. G. P. de Silva. This amount has subsequently been recovered.

(8) *Debtors—Staff*

(a) Staff loans outstanding at 31st December, 1964 amounted to Rs 92,680.97 and includes balance of loans granted as festival advances, distress and car loans and loans for furnishing houses. Several amounts totalling Rs 2,045.13 are due from members of staff who are no longer with the Institute. These have been pointed out to the Assistant Administrative Officer with a view to making application to the Trustees of the Provident Fund for recovery. We are not able to understand why all outstanding are not recovered from the final payment made to a staff member when he leaves the services of the Institute.

(b) *Kerosene Cooker Advances*

Here also amounts totalling Rs 564.13 are outstanding from members of staff who are no longer with the Institute. We have suggested that action should be taken to recover such amounts from the Trustees of the Provident Fund.

(c) *Recovery Account*

This account is, in effect, the balance on Staff Salaries Control Account and amounted, after making various adjustments for errors, to Rs 6,710/55. The reconciliation of this account produced to us discloses an amount due and subsequently recovered of Rs 8,518.72. The difference of Rs 1,808.17 has not been reconciled. We mention, in this connection, that in respect of the previous year a debit balance of Rs 2,247.43 was written off to surplus account. This account has never been kept reconciled and we suggest that either the system regarding recoveries should be changed or the account should be reconciled every month soon after payment of salaries. The difficulty has so far been that an attempt at reconciliation of the account is made only at the end of the year and in view of the voluminous transactions, reconciliation becomes difficult.

(9) *Deposits*

Included under deposits is a sum of Rs 550/- against Ceylon Oxygen Ltd. We have received confirmation from the company that no deposit was held by it at 31st December, 1964. Inquiry into this account reveals that a sum charged by the company as rental on cylinders has been treated by the Institute as deposits. The amount has been written off during 1965.

(10) *Cash at Bank and In Hand*

(a) *Petty Cash*

We counted petty cash held by the Assistant Secretary on arrival at the Institute without advance notice. The cash in hand was agreed with the book balances on 3rd January, 1966.

We noticed that the balance of the petty cash account in the General Ledger did not agree with the petty cash book balance at the time of audit. This account had to be checked exhaustively and it was found that there were instances of both receipts and payments being extended to incorrect columns. This had resulted in several revenue accounts being incorrectly stated as well as the petty cash in hand in the draft accounts. These errors appear to have arisen through careless work and lack of interest in what was being done. A considerable amount of analysis had to be carried out to trace the errors, and correct them.

(b) *Cash Imprest with Officers*

Included under the above are imprest accounts for batta with drivers amounting to Rs 295/-. An imprest of Rs 40/- with S. J. Lazarus, who is no longer with the Institute, had not been recovered at the time of his leaving.

IV. *ESTATE WORKING ACCOUNT*

(1) *St Coombs Estate*

Tea manufactured on the estate during the year amounted to 306,717 lb and realised proceeds amounting to Rs 897,334/- at an average sale price of Rs 2.92 gross per lb compared to 314,204 lb at an average of Rs 2.49 gross per lb in the previous year. Sale of clonal cuttings realized Rs 18,473/- compared to Rs 28,387/- in the previous year. Cost of production including brokerage and handling charges and Ad Valorem sales tax amounted to Rs 2.16 per lb. The result of working was a profit of Rs 252,074/- compared to Rs 222,078/- in the previous year. The share of estate expenditure borne by the Institute amounted to Rs 61,065/- and making allowance for this, the profit on working the estate amounts to Rs 191,009/-.

(2) *St Joachim Estate*

1,623,833 lb of green leaf were harvested during the year realising a sum of Rs 333,431/-. Estate expenditure amounted to Rs 332,118/- giving a deficit on working of Rs 47,955/- compared to a deficit of Rs 22,797/- in the previous year.

V. *INCOME AND EXPENDITURE ACCOUNT*(1) *Tea Cess*

According to the advices of the Principal Collector of Customs, the quantity of tea exported amounted to 455,658,407 lb. Cess realized and receipts from outports amounted to Rs 4,556,243.94.

(2) *Miscellaneous Receipts*

Included under miscellaneous receipts is a sum of Rs 11,966/- being grant received from the United States Embassy on account of the Department of Nematology. The amount received in the previous year was Rs 37,982/-.

(3) *Estimates*

The Income and Expenditure account follows the form of the estimates. This gives the cost to the Institute of the different categories of staff. It does not, however, give the cost to the Institute of each division. Whether this re-arrangement or the ascertainment of cost by divisions is necessary or useful we are not able to express an opinion.

(4) *Senior Scientific Staff*

We have verified salaries paid to Senior Staff with contracts, Board minutes *etc.* Dr G. W. Sanderson—Biochemist, was permitted to go on leave from the 15th of December, 1964 and cost of passages to and from California amounting to Rs 25,456/- has been debited to Vote 5. We noticed, however, that when the application for leave was put up to the Board, no supplementary estimate for the cost of the passage was either asked for or granted. The voucher from Air Ceylon was not available for our inspection. The Board Minute of the 3rd August, 1962 says that in the case of staff from countries other than the United Kingdom passage will be paid "on a basis comparable to P & O Single middle first class passage". This statement is not very clear to us and we have not been able to ascertain whether the full cost of passages should be borne by the Institute or only a part. We may mention that Dr Sanderson's letter of appointment stipulates payment of tourist air passage for his period of leave. We have ascertained from Air Ceylon that tourist passages via Atlantic would have cost Rs 22,896/- and via the Pacific Rs 23,920/-.

(5) *Miscellaneous Emoluments*

The amount estimated for overtime was Rs 10,000/- subsequently increased by an extra vote of Rs 5,000/-. The actual amount spent on overtime was Rs 16,320.

(6) *Scientific and Technical Stores and General Working Expenses*

Each scientific division makes its own indent for scientific stores and many of these appear to be common items to all divisions. Each division maintains its own stores. Being of a non-durable nature or being otherwise

consumable chemicals, these stores are written off to revenue on purchase. By different divisions maintaining separate stores, the value of unused stores at the end of each year in all divisions would appear to be considerable which, of course, is not brought to the balance sheet.

We have scrutinized the indents placed by the departments and it appears to us that certain items of durable nature and which would normally be purchased on capital vote and capitalized in the Institute books, are indented under revenue and written off to revenue. We were not able to ascertain the reason for this. We think this procedure is incorrect and suggest that the Director should give his early attention to this matter.

(7) *Library and Publication*

The original amount estimated for publications was Rs 20,500/- but a supplementary vote of Rs 38,000/- was granted subsequently, making the total estimate Rs 58,500/-. Actual expenses amounted to Rs 70,509/- resulting in an expenditure of Rs 12,000/- over the estimates.

VI. *INTERNAL AUDIT*

A clerk has been appointed as internal auditor. We were informed that no internal audit reports had been submitted and therefore, we have not been able to ascertain the extent of the work done by this section. Considering the state of the books and the amount of book-keeping work that we had to carry out, there did not appear to be much fruitful work carried out by this section. We consider this section has an important function to perform and the internal auditor should not be allotted accounting functions as at present. He should be free and independent and report to the Director or other senior officer on matters arising on detailed check of work of the accounting staff.

VII. *INTERNAL CONTROL*

We have reviewed the systems of internal control prevailing at the Institute and our comments are as follows :—

The bulk of the income of the Institute is derived from the Principal Collector of Customs. Internal control regarding receipts appear to be adequate.

The internal control regarding receipt and disbursement of petty cash appears to be in order subject to certain weaknesses in their actual recording.

The bulk of the accounting work at the Institute is in connection with disbursements. There had been instances of cheques issued to persons, on being reported lost, fresh cheques had been issued without contacting the original payment. The result was that two entries had been made in the cash books against one payment and these had to be traced and corrected at the end of the year. A little more care on the part of the staff concerned would have eliminated such additional work. Moreover, cancelled cheques were not always available for our inspection. Where these have been returned to the Institute, they appear to have been destroyed without authority. Payments to contractors and others appear to be in order, but in the case of large building programmes as in the case of Low Country Station at Ratnapura, there does not appear to be an adequate record of the cumulative amounts paid to each contractor in order to verify claims made by the latter.

With regard to purchase of stores, there did not in the year under review appear to be a central purchasing organisation. Invoices for supply of goods were expected to be certified by the store-keeper. Goods do not always go to

the stores but are delivered to various other points. In the absence of such a central store and failure to maintain a goods received book, we were not always able to ascertain whether goods ordered were in fact received before payment was made. This inadequacy appears to have been rectified by the new Assistant Administrative Officer. We recommend, in this connection, that the Assistant Administrative Officer should give his attention to drafting a set of accounting procedures or manual so that any departure in accounting procedure can be set out against the manual and the departure brought to light.

We shall be pleased to furnish you with any further information you may require.

Yours faithfully,

(Signed) FORD, RHODES, THORNTON & CO.

TEA RESEARCH INSTITUTE OF CEYLON

SCHEDULE 5

FIXED ASSETS AS AT 31st DECEMBER 1964

	Cost as at 31-12-63	Additions in 1964	Adjustments		Disposals at cost	Net Cost as at 31-12-1964	Depreciation to 31-12-1963	Depreciation in 1964	Depreciation on Sales or discards	Accumulated Depreciation at 31-12-1964	Written down Value at 31-12-1964
			Dr	Cr							
St Coombs Estate	1,300,867.85	37,665.52	—	—	—	1,338,533.37	—	—	—	—	1,338,533.37
St Joachim Estate	639,146.50	15,335.15	—	—	—	654,481.65	34,905.78	—	34,905.78	—	654,481.65
Water Supply—St Coombs	621,858.06	5,470.50	—	—	—	627,328.56	294,762.65	54,709.35	—	349,472.00	277,856.56
Water Supply—St Joachim	19,179.00	4,024.45	—	—	—	23,203.45	1,917.90	1,917.90	—	3,835.80	19,367.65
Laboratory & Office—St Coombs	738,061.69	72,033.02	334.14	3,680.67	—	806,748.18	148,578.06	29,388.61	—	177,966.67	628,781.51
Laboratory & Office—St Joachim	—	—	—	—	—	—	—	—	—	—	—
Senior Staff bungalows—St Coombs	1,140,279.66	23,958.76	—	1,250.00	—	1,162,988.42	235,760.40	45,611.18	—	281,371.58	881,616.84
Senior Staff bungalows—St Joachim	—	—	—	—	—	—	—	—	—	—	—
Intermediate Staff bungalows—St Coombs	340,153.98	28,514.29	956.16	—	—	369,624.43	15,186.97	13,644.41	—	28,831.38	340,793.05
Intermediate Staff bungalows—St Joachim	—	—	—	—	—	—	—	—	—	—	—
Junior Staff bungalows—St Coombs	1,543,482.99	114,371.25	956.15	—	—	1,658,810.39	165,325.38	61,777.57	—	227,102.95	1,431,707.44
Junior Staff bungalows—St Joachim	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous buildings—St Coombs	720,964.70	108,679.70	1,375.84	10,381.16	—	820,639.08	216,714.66	28,249.39	—	244,964.05	575,675.03
Miscellaneous buildings—St Joachim	—	—	—	—	—	—	—	—	—	—	—
Sundry buildings—St Coombs	751,776.33	18,918.17	—	—	—	770,694.50	303,316.70	30,071.06	—	333,387.76	437,306.74
Club House —St Coombs	68,080.36	—	—	—	—	68,080.36	10,167.17	2,723.21	—	12,890.38	55,189.98
Factory —St Coombs	476,553.01	4,196.46	—	—	—	480,749.47	310,401.80	17,197.51	—	327,599.31	153,150.16
Factory —St Joachim	10,101.84	930,227.60	—	—	—	940,329.44	—	404.07	—	404.07	939,925.37
Buildings —St Joachim	787,207.80	1,053,377.22	—	8,050.36	—	1,832,534.66	5,029.68	31,166.29	—	36,195.97	1,796,338.69
Hantane Sub-Station	248,115.05	9,082.08	190.00	—	—	257,387.13	40,186.00	20,730.82	—	60,916.82	196,470.31
Passara Sub-Station	79,822.87	18,911.00	32.50	7,792.12	—	90,974.25	17,137.93	7,206.33	—	24,344.26	66,629.99
Kottawa Sub-Station	120,852.37	7,638.63	—	—	—	128,491.00	20,989.67	12,085.24	—	33,074.91	95,416.09
Furniture —St Coombs	598,420.08	111,053.51	2,625.14	—	—	712,098.73	239,927.07	60,104.51	—	300,031.58	412,067.15
Furniture —St Joachim	31,706.75	6,791.84	—	—	—	38,498.59	1,169.18	3,170.68	—	4,339.86	34,158.73
Fixtures —St Coombs	285,508.81	22,739.82	—	33,012.92	45,175.31	230,060.40	208,998.88	25,249.59	45,175.31	189,073.16	40,987.24
Fixtures —St Joachim	12,298.00	2,367.00	—	—	—	14,665.00	1,229.80	1,229.80	—	2,459.60	12,205.40
Office Equipment—St Coombs	94,394.49	40,635.34	—	—	—	135,029.83	48,087.57	9,439.45	—	57,527.02	77,502.81
Office Equipment—St Joachim	6,905.32	8,610.00	3,730.86	—	—	19,246.18	617.93	1,063.62	—	17,564.55	17,564.63
Laboratory Equipment & Sundry Machinery—St Coombs	860,214.13	180,844.59	16,057.10	4,642.61	—	1,052,473.21	409,713.50	87,162.86	—	496,876.36	555,596.85
Laboratory Equipment & Sundry Machinery—St Joachim	9,579.58	—	—	—	—	9,579.58	957.95	957.96	—	1,915.91	7,663.67
Estate Machinery—St Coombs	276,328.52	190,496.75	33,012.92	—	18,600.54	481,237.65	268,860.30	28,423.96	18,600.54	278,683.72	202,553.93
Estate Machinery—St Joachim	—	634,813.94	—	—	—	634,813.94	—	—	—	—	634,813.94
Motor Vehicles	349,096.04	104,651.70	3,500.00	—	15,851.35	441,396.39	235,734.76	41,403.50	15,851.35	261,286.91	180,109.48
Rs	12,130,955.78	3,755,408.29	62,770.81	68,809.84	79,627.20	15,800,697.84	3,235,677.69	615,088.87	114,532.98	3,736,233.58	12,064,464.26