

**1. Financial Statement**

**1.1 Qualified Opinion**

The audit of the financial statements of the New Village Development Authority for Plantation Region (“Authority”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitutions of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018, the Finance Act No.38 of 1971 and Section 22 of the New Village Development Authority for Plantation Zone Act No. 32 of 2018. In accordance with Article 154 (6) of the Constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**1.2. Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5

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

**1.3 Responsibilities of Management and Those Charge 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’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 Authority or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Authority’s financial reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the Authority 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 company.

#### **1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing standards, I exercise professional judgment and maintain professional scepticism throughout the audit, I also

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

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

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

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

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

## 1.5 Financial Statements

### 1.5.1 Accounting Deficiencies

Audit Observation	Comments of the management	Recommendation
According to the financial statements, no value was mentioned for property, plant and equipment. But the line ministry has given 16 types of assets and Authority had not accounted the value of those assets as per the Sri Lanka Accounting Standard 16.	Action will be taken to value the assets acquired from the ministry and include them in future financial statements. Also, since the authority mostly uses office equipment obtained from the ministry and a policy decision has been taken to account for assets without depreciating them as per the accounting policy followed by the ministry.	The Authority should take actions to account for the assets given by the ministry.

## 1.6 Accounts receivable and Accounts payables

### 1.6.1 Accounts payables

Audit Observation	Comments from the management	Recommendation
During the year under review, the Ministry of Water Supply and Infrastructure Development had incurred expenses on behalf of the Authority, and an amount of Rs.498,000 was not settle that given to pay for of salaries and board allowances.	I agree that it is incorrect to note as an amount due	The Ministry should settle the expenses incurred on behalf of the Authority.

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

Reference to laws, rules and regulations etc.	Non -compliance	Comments of the management	Recommendation
(a) PED/12 Public Enterprise Circular dated 02			

June 2003

(i) Section 6.5.1	Although the financial statements and draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year, the financial statements of the year 2019 were submitted 1,305 days late on 27 September 2023.	Due to the lack of staff, it had not been possible to perform in the relevant year as scheduled.	The financial statements and draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year.
(ii) Section 4.2.6	Performance reports and progress reports were not submitted for the year 2019.	Due to the lack of staff, it had not been possible to perform in the relevant year as scheduled.	Performance reports/ progress reports should be submitted
(iii) Section 5.1.3	The corporate plan was not prepared for the years 2020–2024.	Due to the lack of staff, it had not been possible to perform in the relevant year as scheduled.	A corporate plan should be prepared for the years 2020-2024
(b) Public Finance Circular No. 01/2014 dated 17 February 2014 Section 4	<ul style="list-style-type: none"><li>- An action plan was not prepared which included the following points.<ul style="list-style-type: none"><li>-Details of organization structure, approved staff and existing staff of the organization as updated for the relevant year</li></ul></li><li>- Budget for the relevant year<ul style="list-style-type: none"><li>-Activity plan prepared according to the priorities based on the annual budget in the relevant year,</li><li>- Implementation time frame and expected outputs/results of those activities</li><li>-Procurement plan for major procurements</li></ul></li></ul>	In the year 2019, only the Director General, Accountant (Acting) and Administrative Officer (Acting) have served in the Authority. Also, there is no expenditure subject for capital expenditure for procurement activities and there is no expenditure subject for development expenditure.	The action plan should be prepared properly by including the relevant elements.

-Capital requirement plan for annual activities in respect of enterprises running on treasury allocations  
Internal Audit Plan

- (c) Code of Government Procurement Guidelines Paragraph 4.2.1
- The master procurement plan had not been prepared for at least three years.
- In the year 2019, only the Director General, Accountant (Acting) and Administrative Officer (Acting) have served in the Authority. Also, there is no expenditure subject for capital expenditure for procurement activities and there is no expenditure subject for development expenditure.
- The master procurement plan should be prepared for a period of at least three years.
- (d) No.MHNVICD/01 02/03 and dated 22 August 2019 letter of the Additional Secretary to the Ministry
- During the year under review Rs.82,824 had been overpaid as salaries.
- I would like to inform you that we will inquire further about this matter and inform you about the next steps to be taken.
- Action should be taken to recover the overpaid wages

## 2. Operational Review

### 2.1 Management Inefficiencies

Audit Observation	Comments of the management	Recommendation
The authority had not hired a full-time person for the post of Regional Director; instead, Rs 240,000 was paid to an officer who is working in the Human Development Trust under the Ministry of Water Supply and Infrastructure Development and was hired on a payment basis.	As per the decision of the Board of Directors held on 03.06.2019 (as per Board Paper No. 5.2) recruited on work assignment basis.	Officers should be recruited full-time for approved posts.

## 2.3 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
<p>During the year under review Rs.2, 498,060 had been incurred, of which 80.24 percent was spent on the authority's salary and allowances and 19.42 percent was spent on board meetings and No expenditure was incurred in connection with the achievement of the aims and objectives of the Authority or in carrying out any work within the scope of the Authority.</p>	<p>The ability to start and maintain an organization is minimal from its establishment. It takes some time to make the necessary decisions and formulate policies, and for the officers and board meetings held for the purpose of decision-making must be paid for. The payments have been made subject the relevant circulars and approved limits.</p>	<p>Expenses should be incurred effectively to achieve the aims and objectives of the authority.</p>