

Head 417- State Ministry of Estate Housing and Community Infrastructure

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Estate Housing and Community and Infrastructure for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the State Ministry of Estate Housing and Community and Infrastructure was issued to the Chief Accounting Officer on 31 May 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the State Ministry of Estate Housing and Community and Infrastructure was issued to the Chief Accounting Officer on 18 July 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the State Ministry of Estate Housing and Community and Infrastructure as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry/Department/District Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer) shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comment on Financial Statements

1.6.1 Property plant and equipment

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
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| <p>As per the fixed assets register, the value of purchases during the year under review was Rs.19, 508,026, but the value stated as purchases in the financial statement was Rs.4, 012,887. Therefore, a difference of Rs.15, 495,139 was observed.</p> | <p>The value shown as asset acquisition in the financial statements is Rs.4, 012,887 is the purchase made in 2102 and 2103, which is an expenditure vote to acquisition of assets.</p> <p>In addition to this, expenses have been incurred by other expenditure votes, but the reason why they are not included in the financial statements is because there is no facility to take inventory in the CIGAS computer program for the acquisition of assets made by other expenditure votes.</p> | <p>Information should be entered correctly in the financial statements.</p> |

1.6.2 Cash flow Statement

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|---|--|--|
| The sum of Rs.11,667,144 on salaries and wages and operating expenses relating to 2001, 2002, 2003 and 2401 expenditure votes should be included in the cashflow statement under cash flow from operating activities. But it had been included in the investing activities under construction or purchase of physical assets and acquiring other investments. | In accordance with the instructions given in the conference held by the Public Accounts Department regarding the preparation of the 2021 financial statements and in relation to the model form given by them in preparing the financial statements of that department, the value of these expenditure heads is under the construction or purchase of physical assets and other investment acquisitions. | Information should be entered correctly in the financial statements. |

1.6.3 Non-maintenance of Registers and Books

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|---|---|---|
| (a) A register of losses as per Financial Regulation 110 had not been updated. | Action will be taken to account for the damages included in the audit query. | A register of losses shall be updated and maintained as per regulation. |
| (b) Vehicle log books were not maintained as per Financial Regulations 1645(a) and 1647(a). | 01 van, 02 double cabs and a car have been acquired under the operating lease method. But in the information report presented to you, the information about those 04 vehicles had not been recorded due to a error. Since these 04 vehicles have been acquired under the operating lease method, I kindly inform you that the Ministry does not maintain log books. | As per the regulation, vehicle log books should be kept up-to-date in respect of every vehicle. |

1.6.4. Lack of evidence for audit

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
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| <p>Regarding the new life estate housing program under the guide number 7.2 related to the year 2009, a committee with the participation of The Plantation Human Development Trust and Estate Housing Co-operative Society should do it based on 07 criteria, but such a committee has not been appointed in the selection of beneficiaries. There was no information that could be reasonably confirmed that the beneficiaries submitted applications and requested for the Gauravila House A and B project and the Kegli estate housing project and that they followed the correct procedures in their selection. The Ministry did not monitor the correct selection of beneficiaries. In this regard, no written evidence other than the list of beneficiaries was submitted to the audit.</p> | <p>Agreed. It was observed that the relevant subject officers have not filed written evidence that the beneficiary selection procedures were followed for the housing projects. I directed a letter to The Plantation Human Development Trust asking for information about this, and I kindly inform you that I will notify you after receiving the relevant information. I inform that the Ministry will directly intervene in the selection of beneficiaries in the future.</p> | <p>The information required for the audit should be submitted promptly.</p> |

2. Financial Review

2.1 Expenditure Management

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
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| The full allocation had been saved due to the non-spending of an allocation of Rs. 600,000 for two recurring expenditure items, Rs. 3,200,000 for two capital expenditure items and Rs. 199,000,000 for a sub-project during the year under review. | Due to restrictions on domestic and foreign travel, not being able to get relevant approvals before the end of the year, working from home due to the covid situation, suspension of new hires and not making new capital purchases as per the instructions received from the Ministry of Finance, the allocation was not used. | The estimates should be prepared as accurately. |

2.2 Entered into Liabilities and Commitments

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
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| (a) Liabilities amounting to Rs.26,306,758.40 were included in the register of liabilities and were not included in the financial statements of the year under review under the statement of commitments and liabilities. (note iii) | In the register of liabilities, some accounts were entered twice and some account payments were entered by mistake. Those values have been removed and included in the financial statements and I have made a note to ensure that such deficiencies do not occur in the future. | All liabilities related to the year under review should be correctly entered in the statement of liabilities. |
| (b) The liabilities of Rs.5, 895,188 which were paid during the year 2022, were not included in the register of liabilities of the year under review and in the statement of commitments and liabilities included in the financial statements. (note iii) | While preparing the Statement liabilities, only the existing allocation limit can be entered into the Cigas computer program as on 31 December, but vouchers are available in excess of that amount as on 31 December. This situation arises because the amount is paid in the following year on the approval obtained under F.R. 115. | All liabilities related to the year under review should be correctly entered in the statement of liabilities. |

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| (c) | Exceeding the allocation for fourteen expenditure votes without looking into the balance of the relevant expenditure votes, Rs.4, 367,281 had been committed for debts. | -Do- | Care must be taken in relation to the balance of the relevant expenditure votes while making commitments regarding the liabilities related to the conversion year. |
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2.3 Issuance and Settlement of Advances

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
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| ----- | ----- | ----- |
| (a) Although Rs. 50,000 was issued to the Secretary of the Ministry on 26 January 2021, that advance was settled on 22 October 2021 and the delay in settling the advance was 268 days. | These situations have now been rectified and will ensure that they do not reoccur this year and beyond | Action should be taken in accordance with F.R. 371(b). |
| (b) An advance of 25,000 was issued to one officer on 14 June 2021, but the advance was settled 119 days late as the respective advance was settled on 12 October 2021. | -Do | -Do |
| (c) On March 08, 2021, Rs. 100,000 had been issued and the respective advance was settled on 15 November 2021, so the advance was settled 251 days late. In case the advance has not been issued and cleared, for another interview Rs. 75,000 advance was issued on March 17, 2021 and the advance was not settled till November 15, 2021, so the advance was settled late for a period of 243 days. | -Do-- | -Do |

- (d) To the Director General of The Plantation Human Development Trust on November 01, 2021, Rs. An advance of Rs. 300,000 had been issued and before the settlement of that advance, an advance of Rs. 122,463 was issued again on November 01, 2021. Also, as the The Plantation Human Development Trust operates as a company limited by guarantee, the release of advance money to the officials of an organization outside the ministry was questionable.
- Since this institution has been gazette under our ministry, an advance has been given for programs related to the Indian housing project.
- Do-

2.4 Government Officers Advance B Account

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|--|---|---|
| <p>-----</p> <p>Action had not been taken to recover Rs. 447,908 from three retired employees within 1 to 4 years.</p> | <p>-----</p> <p>The outstanding distress loan balance of Mr. K Thurasamy which was Rs.123,376 had been paid on 04.04.2022. Mr. K. Vijayaraj has arranged to pay his outstanding distress loan balance of Rs.201, 436 monthly.</p> | <p>-----</p> <p>Immediate action should be taken to recover the relevant outstanding loan balances.</p> |

2.5 Non-compliance with Laws, Rules and Regulations

Noncompliance with the provision of laws, rules and regulations observed during sample audits are analyzed below.

| Reference to Laws, Rules and Regulations | Non-compliance | Comment of the Chief Accounting Officer | Recommendation |
|---|---|--|---|
| (a) Financial Regulation 571 (3) of Democratic Socialist Republic of Sri Lanka. | Action had not been taken in accordance with financial regulations regarding the value of Rs.80, 554,639 stated in the deposit account bearing number 6000-0-0-16-0-82. | 23 cases have been credited to government revenue on 04.2022 and arrangements have been made for payment of Rs.9,267,738 to the relevant parties. I kindly inform you that the remaining amount of Rs.65,780,544 will be removed from the general deposit account immediately. | Action should be taken as per regulation. |
| (b) Financial Regulation 702 | The ministry had not followed financial regulations while awarding construction contracts to The Plantation Human Development Trust (PHDT). | Agreed. According to the Extraordinary Gazette No. 2187/27 dated 09.08.2020, the The Plantation Human Development Trust has been gazette as an institution under the Ministry, and accordingly, the Ministry will give Work orders to the Plantation Human Development Trust without signing contracts. Cabinet approval is to be obtained for this in the future. | -Do- |
| (c) Financial Regulation 702(3) | A copy of all the contracts signed by the Ministry was not submitted to the Auditor General. | Cabinet approval is to be obtained for this in the future. | -Do- |

- (d) No. 2/2018 and paragraph 3 and paragraph 6 of Public Finance Circular dated August 18, 2018
- Until December 31, 2021, arrangements were not made to close 13 funds, including the Revolving Fund, and to recover the debt of Rs.3, 480,000 due to the Revolving Fund.
- I kindly inform you that according to the Public Finance Circular No. 2/2018, the necessary activities to close the Revolving Fund are currently being carried out.
- Action should be taken as per Public Finance Circular.
- (e) Guideline of procurement guideline 8.12.1 (a), (b) and (c)
- It was observed that the The Plantation Human Development Trust (PHDT) has done the selection of contractors and payment to the contractors in addition to contract monitoring of the housing scheme implemented by the State Ministry of Estate Housing and Community Infrastructure.
- Agreed.
- According to the Extraordinary Gazette No. 2187/27 dated 09.08.2020, The Plantation Human Development Trust has been gazette as an institution under the Ministry, and accordingly, construction contracts related to the Ministry's development programs will be given to The Plantation Human Development Trust.
- Accordingly, I kindly inform that after the bills are submitted according to the finished value of the work in the phases of the projects, the payments will be made to the The Plantation Human Development Trust based on the recommendations of the engineering department.
- Action should be taken as per procurement guidelines.

3. Operational Review

3.1 Failure to Perform Activities

Following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|---|
| (a) Although the activities of completing the works of 1010 houses from the previous year of the new life housing program was included in the action plan and Rs. 158 million was allocated for it, none of those houses were constructed during the year under review. | Agreed. I kindly report that due to the suspension of payment of the above projects pending the availability of additional allocations for the non-complete projects started in the years 2015-2019, these projects have failed to be completed. | The activities included in the action plan should be completed with maximum efficiency. |
| (b) Although an amount of Rs.500,000 was allocated for the establishment of 25 centers under project 3.2 of the Livelihood Development Program in Rural Areas for the establishment of Jana Mula Mandals and Jana Mula Centers, which are leading for the development of community leadership and community participation in the plantation community, no physical progress was made during the year under review. . | Since the establishment of these centers, which was identified as a major task of the Ministry, was not dealt with, that task was included in the last quarter while preparing the action plan. Since the establishment of Jana Mula Jana Mandal is a long-term program, its physical progress should be stated as 5% in the year of its initiation and the physical progress has not been included due to a late error. Only financial progress is included. | -Do- |

3.2 Failure to Obtain the Desired Output Level

Following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|--|---|---|
| (a) According to the action plan and the annual performance report, 11 projects were implemented under 03 programs and the physical progress of 10 projects was between 1.7 percent to 69 percent. | Comments had not been made. | The activities included in the action plan should be completed with maximum efficiency. |

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| (b) | In the performance report, allocation of Rs.558.24 million was allocated for 08 projects under the program of infrastructure development in backward areas and although the actual cost was Rs.295.12 million, the physical progress of 05 projects was at a level of 6.8 percent to 83 percent. | The financial progress related to each project work of infrastructure programs is not included separately in the performance report. An omission has been identified. Accordingly, it will be corrected in the 2021 performance report to be tabled in Parliament. | -Do- |
| (c) | According to the Action Plan, an amount of Rs.100 million was allocated for the Livelihood Development Program in the year under review, but the actual expenditure was Rs.62.42 million. But the physical progress in achieving the established targets for the sub-projects ranged from zero to 89 percent. Furthermore, under the Community Awareness and Capacity Utilization Project, it was aimed to conduct needs identification surveys in all 7 regions, but according to the progress reports, such work was not accomplished. | According to 3.1 and 3.2 of the action plan under community awareness and capacity utilization projects, PCCF (Plantation Community Communication Facilitator) officers assigned to the Regional Secretariats of Zone 7 by the Ministry have arranged to obtain survey reports on the needs of the plantation community in those areas. | -Do- |

3.3 Failure to Obtain Expected Outcome

 Following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|---|---|---|
| ----- | ----- | ----- |
| (a) At the beginning of the year under review, although the target of awarding 742 housing units to the estate community was worked on, by the end of the year only 19 housing units had been completed and none of the housing units had been awarded to the public. Also, work on 283 out of 350 houses | Agreed. The construction of houses will start after the release of land from the plantation companies and the receipt of NBRO reports and the clearing of the land by the respective plantation companies. I report that due to the high corona epidemic situation in the country during that time and the rapid | Action should be taken to complete the relevant projects with maximum efficiency. |

under this project, which is 81 percent of the expected target, had not been started by the end of the year.

increase in the price of building materials and the shortage of raw materials, the projects have failed to be completed due to the delay in the construction work of the projects.

I would also like to report that the construction works of the related projects are currently being carried out.

- (b) In examining the progress of solving the problems of the plantation community through the development programs implemented annually by the Ministry in the end of the year under review, the number of families without formal sanitation facilities was about 19.7 percent of the total number of families in the 7 regions.

Agreed. I kindly report that the programs for providing sanitary facilities are implemented based on the limited allocations received by the Ministry.

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3.4 Abandonment of Projects without Completion

| ----- Audit observation ----- | ----- Comment of the Chief Accounting Officer ----- | ----- Recommendation ----- |
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| <p>The construction work of 1026 housing units, which were ongoing in the years 2016, 2017 and 2018 under the Green Gold Housing Project, was suspended in the year 2020. Rs.67,120,000 had been paid for the start-up cost of 482 housing units and according to letter No. SMEHCI/05/14/GA/2021/09 and dated 31 March 2022, it was stated that this money had been recovered, but the information about it was not submitted to the audit. Furthermore, government funds were not utilized efficiently due to the initiation of new projects without achieving physical progress in existing housing projects.</p> | <p>An amount of Rs.58,580,000.00 paid for the suspended projects has been covered for the amount due for new projects and the documents have been prepared for the recovery of the remaining amount of Rs.8,540,000.00.</p> | <p>Action should be taken to complete the relevant projects with maximum efficiency.</p> |

3.5 Delays in project execution

Following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|---|--|--|
| (a) Although 02 collective farm construction projects started in 2020 were to be completed by 04 March 2021, by the end of the year under review only 61 percent financial progress had been achieved with an estimated amount of Rs.7,675,704 spent. | I kindly report that the construction work of the Diagama polythene-related cultivation project has been completed and the beneficiaries are using the project. I kindly report that STMF (Saumyamurthy Thondaman Memorial Foundation) has informed the project company through a letter dated November 23, 2021 that the other project, the Watagoda polythene-related cultivation project, will be suspended from 23 November 2021. | The projects should be completed with maximum efficiency within the relevant time frame. |
| (b) In the year under review, the construction work of 15 projects to be completed in 06 zones had not been completed by the end of the year and only Rs. 169,091,715 of the estimated amount had been spent. | Agreed. It was difficult to release land from estate companies and get NBRO reports due to the heavy corona epidemic situation in the country. As a result, the basic activities were hindered from being completed as expected. Also, I would like to report that due to the rapid increase in the price of building materials and the shortage of raw materials, the projects have failed to be completed due to the delay in the construction of the projects. | The projects should be completed with maximum efficiency within the relevant time frame. |

3.6 The Projects Released Funds but not Progressed

Following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>Despite the fact that Rs.40,300,000, or 18.69 percent of the estimated amount of Rs.215,605,000, was spent in the fiscal year under review for the implementation of housing projects in 08 estates in the three regions of Galle, Hatton, and Nuwara Eliya, physical progress was not made due to land release issues.</p> | <p>Agreed. I kindly report that the construction work for these housing projects is currently in progress.</p> | <p>The projects should be completed with maximum efficiency within the relevant time frame.</p> |

3.7 Foreign Funded Projects

The following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|---|--|--|
| <p>(a) Project of Construction of 4000 Houses - Phase I and II Although a goal of completing the construction work of 424 housing units in the year 2021 was established, by the end of the year under review, the number of housing units that had been completed was only 266 and its physical progress was at a level of 62.8 percent. Also, by the end of the reviewed year (2021) of this project, which started in 2016, 05 years had passed, but the expected return level was at a minimum level of 48.43 percent.</p> | <p>In the 4000 house construction project, 3799 houses have been completed so far and 3328 houses have been handed over to the beneficiaries. Another 470 houses are being prepared to be handed over to the beneficiaries. Due to the COVID-19 epidemic situation in the country and the shortage of raw materials, the construction work of these houses could not be completed.</p> | <p>Foreign aid projects should be completed with maximum efficiency and delivered to the beneficiaries within the relevant time.</p> |

- (b) **The project to provide infrastructure for 4000 houses** in 2016, with the approval of the cabinet, 4000 housing units were built, and the housing project was started with the aim of handing over to the beneficiaries. For the year 2021, 522.2 million rupees were allocated only to provide infrastructure for 3301 housing units, of which 385 million rupees were spent to build 1898 houses. The work was completed. Although the financial progress of this project was 73.77 percent, the physical progress achieved was as low as 57.49 percent. Also, out of the 3799 houses that had completed infrastructure, the number of houses handed over to the estate community was 1936, and the progress in achieving the expected benefits was as low as 50 percent.
- The provision for the infrastructure of the 4000 house construction project was allocated in March 2021 and as of 04.10.2021, 701 houses out of the 1057 housing units in the first phase and 1235 housing units out of the 2943 housing units under the second phase, 1936 housing units have been handed over to the beneficiaries. Kindly report that it has been delivered.
- Many of the basic tasks of the housing projects could not be completed as planned due to the country's COVID-19 pandemic. Kindly report that it has not been possible to finish.
- At present, 471 houses are ready to be handed over to the beneficiaries, and the construction work of another 154 houses is being carried out, but many of the basic works of the housing projects could not be completed as planned due to the country's COVID-19 pandemic. Kindly report that it has not been possible to finish.
- (c) The Cabinet of Ministers had approved the payment of management fees for 5000 houses in the first part of the second phase of this project, which was implemented according to a Cabinet decision made in 2018. In the year 2019, Rs.10 million was paid to the The Plantation Human Development Trust, and by 31 December 2021, three years had passed but the work had not started on any of the houses. Only construction sites for 3525 houses had been identified.
- The management fee for the construction of 10,000 houses for The Plantation Human Development Trust of 10 million has been paid and the work has not started yet. Currently NBRO reports have been received for certain projects related to this project, and land has been identified for 3525 houses. I kindly report that the construction work of 4000 houses has not been completed yet due to the difficulties caused by the COVID-19 pandemic and the

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current inflationary economic conditions in the country. This delay has been caused. I am kindly informed that once the construction of the houses in this phase starts, the management fees paid will be covered.

3.8 Locally funded projects

The following observations are made.

| Audit observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>(a) In relation to the housing project in the middle part of Mount Vernon Estate, the total amount paid by the Ministry to the Plantation Human Development Trust was Rs.48,350,000 according to vouchers, Rs.61,165,966 according to photocopies of cheques, and Rs.45,729,751 according to the file provided for audit by The Plantation Human Development Trust. Therefore, it was observed that there were differences in those values.</p> | <p>The actual cost paid for the construction of this project was Rs.45, 340,388.50.</p> | <p>All the details related to the project should be correctly entered into the file.</p> |
| <p>(b) The Ministry will bear all the costs of the construction work of this project under the Green House Program and under Cabinet Decision No. AMA/17/0306/739/002 dated 21 February 2017, Rs.480,000 will be granted out of the value of one house of Rs.1,000,000. The other amount of Rs.520,000 was stated as a loan, but no agreement was signed between the Ministry and the beneficiaries regarding the recovery of this loan amount from the beneficiaries.</p> | <p>Agreed. Estate houses constructed through ministry allocations are given on a loan basis, and housing projects constructed under Indian aid are given on a full grant basis. When both of these programs are active in the same estate, debt recovery from beneficiaries remains a challenge.</p> | <p>An agreement should be signed between the Ministry and the beneficiaries regarding the recovery of the loan amount from the beneficiaries.</p> |
| | <p>To inform the housing beneficiaries about the recovery of the loan, The plantation community communication officers have been</p> | |

- (c) As per the Cabinet decision or the guidelines or the agreement prepared for the Green Gold Housing Program, it was not mentioned from which date the repayment of the loan to the Ministry should start. Formal records related to debt and interest recovery are not maintained in the ministry, and accordingly, the debt and interest recovery was not done properly.
- informed to recover the loan and letters have been directed to bring the information about the loan recovery related to the housing projects from the respective estate companies and The Plantation Human Development Trust.
- Formal records related to debt and interest recovery should be maintained in the ministry, and debt and interest should be charged accordingly.
- (d) For these projects, funds are allocated from the government's annual budget and the spent from the consolidated fund, and accordingly, it is the responsibility of the ministry to recover the loans from the beneficiaries for these houses.
- Relevant information is being received and I have made a note to bring more information to formalize the debt collection.
- Actions should be taken by the ministry to recover the debt.
- (e) According to the agreement regarding this housing project, the retention amount should be released after 6 months of completion of the project and site inspection. But the amount of Rs.5,225,000 withheld by the Ministry had been paid to Plantation Human Development Trust under check number 472461 on 16 August 2019 before the lapse of 6 months. Therefore, the Ministry had lost the ability to recover from the contractor for construction defects and deficiencies.
- Regarding this project, the retention money has been released on the recommendation of the engineering department in the field inspection report, and according to the field inspection report, it has been mentioned that the construction work of the housing project was completed in December 2017 and handed over to the beneficiaries in January 2018.
- The agreement regarding the housing project should be followed.

- (f) Regarding this housing project, according to the physical inspection conducted on 23 February 2022, 55 completed houses were handed over to the beneficiaries in January 2018, but the beneficiaries of 03 houses have not settled yet and various cracks and cracks were observed in seven houses. As the houses have been handed over to the beneficiaries and The Estate Housing Societies should deal with it. Arrangements should be made to complete the houses with proper standards within the relevant period and provide them to the beneficiaries.
- (g) **Socio Economic Facilities Development Project in Lagging Areas** Accepted. Projects should be completed with maximum efficiency within the relevant time and delivered to the beneficiaries.
 Rs.500 million had been allocated for the implementation of this project and an amount of Rs.96,018,835 was estimated for 64 infrastructure projects in Hatton, Nuwara Eliya, Kandy, Kegalle and Galle in 05 regions in the year under review. The cost of completing only one project is Rs.35,059,488. Accordingly, only 36.5 percent financial progress had been achieved and not enough physical progress had been achieved. Due to the impact of the Covid-19 pandemic situation, the shortage of raw materials and the rapid increase in the price of raw materials made it difficult to carry out the construction works under the estimated prices. I would like to report that the construction of the projects has been delayed due to some project areas being locked down due to the Covid-19 pandemic situation and bad weather conditions. I would like to report that the construction works of the related projects are currently being carried out and the construction works of some projects have been completed.
- (h) **Physical inspection of Gauravila House A and B project** Agreed. The housing beneficiaries have been informed about the recovery of housing loans and the officers of The Plantation Community Communication have been informed to recover the loans. Letters have also been directed to get information about loan recovery related to housing projects from the respective estate companies and The Plantation Human Development Trust. Formal records related to debt and interest recovery should be maintained in the Ministry and debt and interest should be charged accordingly.
- According to the guidelines prepared by the Ministry for the construction of houses, Rs.494,000 of the value of a house is on loan basis at an interest rate of 4% and the remaining amount of Rs.506,000 is borne by the Ministry. The above loan amount was to be charged in 180 monthly installments of Rs.3,800 each, but by 01 March 2022, the loan amount had not been paid from the two parts of Gauravila House A and B project.

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| (i) | A total retention amount of Rs 1,615,000 has been released in the part of Gauravila Houses B project, but on 12 October 2021, the Plantation Human Development Trust letter stated that 02 houses have been damaged and the ground where those houses are located has been damaged due to landslides. According to the NBRO reports given by the National Building Research Institute and according to the plan, there was a risk of damage to the residents by not placing the house plan on the land or taking safety measures in accordance with the size of the land and its condition. | Agreed. I have made a note to avoid such weaknesses in the planning of housing projects in the future. | Arrangements should be made to complete the houses with proper standards and provide them to the beneficiaries. |
| (j) | Due to the lack of plans to carry out the infrastructure project along with the house construction, although the construction of the houses was completed in December 2019, the lack of water and electricity and access roads had led to the houses not being occupied. | Agreed. I have made a note to avoid such weaknesses in the planning of housing projects in the future. | In the planning of housing projects, the infrastructure project should also be done along with the construction. |
| (k) | 23 houses had been handed over to the beneficiaries of Gauravila House A Project, out of which the beneficiaries of 19 houses worth Rs.19,000,000 had not come to live. Although the construction of the houses was completed in December 2019, the houses were given to the beneficiaries on 16 December 2021. | Beneficiaries should be settled by the respective Estate Society. | Projects should be completed with maximum efficiency within the relevant time and delivered to the beneficiaries. |

- (l) According to paragraph 2 of the guidelines for the implementation of estate house construction projects issued from 2009 to 2014, the handing over of new houses should be done based on the agreement to take over existing row houses or temporary sheds. But no such method was used for selecting beneficiaries and signing contracts.
- Comments were not given.
- The projects should be completed with maximum efficiency within the relevant time and arrangements should be made to hand them over to the beneficiaries and take over the lands they currently reside in.
- Out of the 23 houses given to the beneficiaries of the Garuvila housing project, 19 beneficiaries were not settled and the old row houses could not be removed due to the fact that the old houses were not removed. Therefore, the land could not be used for other purposes.
- (m) Regarding the beneficiaries, according to the guidelines for the housing projects, it is stated that it is mandatory to be a registered employee of the estate in the selection of the beneficiaries of the housing project, but in the Gaurawila A housing project, in the list containing the information of the beneficiaries who own the houses included in the file of the ministry, there were 03 beneficiaries who did not have the employee provident fund number.
- Agreed.
- It is observed that three beneficiaries are included in the house owner beneficiary list included in the file and do not have employee provident fund number, and a letter was directed to The Plantation Human Development Trust after making inquiries about it. I would like to inform you that the relevant information will be submitted to the audit as soon as it is received.
- All details related to the project should be included in the files.
- (n) **Keglia Housing Project**
Non-utilization of built houses
In Keglia Division, work started on January 10, 2019 and work was completed on October 15, 2019 and handed over Rs. 29,060,000 out of 30 housing units, it was revealed that the beneficiaries of 20 houses had not come to live by the audit date of 23 February 2022. Accordingly, out
- Kindly inform that regarding non-settlement of the beneficiaries, information will be obtained from Plantation Human Development Trust and Plantation Community Communication Facilitator officials and submitted to the audit.
- The projects should be completed with maximum efficiency within the relevant time and arrangements should be made to hand them over to the beneficiaries and take over the lands they currently reside in.

of the expenses incurred, Rs. 19,373,334, the benefits have not been received by the public and the assets remain idle. It was also observed that no supervision or action had been taken by the Ministry.

(o) **Project monitoring issues**

Under item No. 01 of the list of duties given to the officials recruited by the ministry as The Plantation Community Communication Facilitators, monitoring the field work of ongoing housing projects, collecting information, studying, inspecting construction works, making recommendations for making payments. It had been stated that the submission should be done on time, but the officials related to the ministry had not reported that the beneficiaries had not settled in the delivered houses.

Agreed. I am kindly informed that the planning division of the Ministry has implemented training programs for The Plantation Community Communication Facilitator Officers and made them aware of their duties.

Information should be communicated systematically and appropriate action should be taken accordingly.

(p) **Weaknesses in housing project planning.**

The tea plantations selected for the construction of houses are located in very difficult areas. In order to reach those places, the development of the main road and side roads for each house, and the arrangement and provision of water facilities and electricity facilities, which are considered the most basic needs of the housing projects, are included as part of the housing project and allocations are set aside in a parallel way with the housing project. It should have been planned and implemented. After the completion of the housing project without such planning, due to the planning of other projects for roads, water

Agreed. I have made a note to avoid such weaknesses in the planning of housing projects in the future.

When planning housing projects, infrastructure projects should be done along with construction.

facilities and electricity facilities, even after the construction of the houses was completed, the relevant beneficiaries had a problematic situation of settling in the houses.

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|-----|---|---|--|
| (q) | According to the guidelines, 07 perches should be reserved for one house, but at the beginning of the project, measurements were made and a survey plan was prepared, but in relation to the 30 houses that were physically inspected, there are no boundary posts in many places and the beneficiaries occupied the land beyond the given 07 perches. It was observed that there was a risk of landslides due to soil erosion in some areas. | Agreed. I have made a note to avoid such weaknesses in the implementation of housing projects. | Action should be taken as per agreement regarding the housing project. |
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3.9 Procurement

The following observations are made.

| Audit observation ----- | Comments of the Chief Accounting Officer ----- | Recommendation ----- |
|---|--|--|
| <p>Non-adherence to procurement guidelines</p> <p>According to paragraph 3.9.4 of the guidelines of procurement guidelines, cooperative societies should not be awarded contracts of more than Rs.2 million and the total number of contracts executed by a society during a specified period should not exceed three. But for the construction contracts of this project, which was carried out by the Plantation Human Development Trust, Rs. 28,500,000 had been contracted for the construction of 30 housing units and accordingly they</p> | <p>Agreed</p> | <p>Actions should be taken in accordance with the guidelines of procurement guideline.</p> |

were acted beyond the limits specified in the procurement guidelines.

3.10 Uneconomic Transactions

| ----- Audit Observation ----- | ----- Comments of the Chief Accounting Officer ----- | ----- Recommendation ----- |
|---|--|---|
| <p>Rs.570,000 had been paid as management fees to the Plantation Human Development Trust, regarding the construction of 150 new houses under the 2020 housing project, no works had been started for the construction of 19 housing units in the Fordyse Estate, as at 31 December 2020 in the year under review and also an amount of Rs.27,840,000 had been paid as an advance for the commencement of work, but none of the projects had reached the expected level.</p> | <p>Accepted. Due to the release of land from estate companies, obtaining NBRO reports, and the severe corona pandemic situation in the country during that time, the basic activities were hindered from being carried out as expected. Due to the rapid increase in the price of building materials and the shortage of raw materials, the projects have failed to be completed due to the delay in the construction of the projects.</p> <p>I would also like to report that the construction work for the relevant projects is currently being carried out.</p> | <p>Action should be taken to complete the projects with maximum efficiency within the relevant time period and deliver them to the beneficiaries.</p> |

3.11 Management Inefficiencies

The following observations are made.

| ----- Audit Observation ----- | ----- Comments of the Chief Accounting Officer ----- | ----- Recommendation ----- |
|---|---|---|
| <p>(a) In the years 2015, 2016, 2017 and 2018, the Ministry has given 1159 housing units worth Rs.292,025,000 to the beneficiaries on a loan basis, covering 55 estates in 07 zones. Out of the</p> | <p>Agreed. Estate houses constructed through ministry allocations are given on a loan basis, and housing projects constructed under</p> | <p>Should be maintaining formal records regarding the recovery of loans and interest within the</p> |

- Rs. 82,550,000 due for 307 housing units, none of the amount due on 31 December, 2021. Not recovered yet.
- Indian aid are given on a full grant basis. When both of these programs are active in the same estate, debt recovery from beneficiaries remains a problem.
- Ministry, the loans and interest should be charged accordingly.
- (b) According to the information submitted in letter No. SMEHCI/05/05/40 and dated 15 February 2022, the total amount recovered by the Ministry under the New Living Housing Project as on 31 December 2021 was Rs. 83,203,372 which was a low of 28.49% of the total loan amount.
- The plantation community communication officers have been informed to inform the housing beneficiaries regarding the recovery of the loan, and letters have been directed to the respective estate companies and the plantation human development trust to get the information about the loan recovery related to the projects.
- Should be maintaining formal records regarding the recovery of loans and interest within the Ministry, the loans and interest should be charged accordingly.
- Accordingly, Relevant information is being received. I made a note to formalize debt collection and bring more information.
- (c) **The total allocation of the Green Gold Housing Project, which started in 2018.**
- It was planned to construct 1,657 housing units for 83 estates under 07 zones in the Green Gold Housing Project which was started only in the year 2018. For all these houses Rs. 1,657,000,000 had been provided. According to the decision of the Council of Ministers dated 21 February 2017 and bearing the number AMA/17/0306/739/002, Rs. 861,640,000 as loan and Rs. 795,000,000 had been decided to build these houses under local aid, but it had been decided that the entire cost should be paid under local funds and after the construction, the houses would be offered to the relevant beneficiaries and then the loan should be recovered in
- Agreed. I noted the to overcome such weaknesses of planning housing projects in future
- The plantation community communication officers have been informed to inform the housing beneficiaries regarding the recovery of the loan, and letters have been directed to the respective estate companies and the plantation human development trust to get the information about the loan recovery related to the projects.
- Government funds should be used with due care of the effectiveness and efficiency of project implementation.

installments. But due to failure to recover, the total cost to the local fund was Rs. 1,657,000,000 is an expense and for the supervision of the construction of these houses, the construction cost of one house is Rs. 950,000 with a management fee of 7 percent and

Rs. 110,190,500 ($950,000 * 7\% * 1657$) was payable to the Plantation Human Development Trust. This is also a huge cost to the local fund and since most of these projects are built on very difficult land, a provision of Rs. Establishment of water and electricity facilities. For that, for 83 housing projects, Rs. 415,000,000 ($5,000,000 * 83$) should be allocated, and it was observed that the expenditure would also burden the local fund. Beneficiaries are charged for these housing projects

The effectiveness of the implementation of these projects was questioned as the local fund will have to bear a cost of Rs. 2,182,190,500 and the treasury will have to bear the same cost.

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| <p>(d) There was no information about whether the purchased 50 sewing machines were given to the self-employed, if so, whether the self-employed accepted them, on what basis the self-employed were selected, and the ministry did not have any follow-up or any information about the sewing machines purchased by the ministry.</p> | <p>The distribution of these sewing machines was done on the recommendation of the Soumyamurthy Thondaman Memorial Foundation, and a list of beneficiaries is included in the file.</p> | <p>The relevant information should be entered in the procurement file and maintained up to date.</p> |
| <p>(e) According to the Memorandum of Understanding between the Government of India and the Government of Sri Lanka, "the objective of the project is to construct 49,000 houses and to assist in the reconstruction and rehabilitation of severely and partially damaged houses" but contrary to that objective,</p> | <p>Since these desktop computers were purchased mainly for the engineering department, this payment has been made under the administrative expenses of the relevant expenditure vote.</p> | <p>Funds of special projects should be used only for the purposes of the project concerned.</p> |

Rs.2,491,650 worth. 15 desktop computers were purchased for the ministry.

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| (f) | <p>Revolving Fund maintained for Self-Employment Project in Estate Sector</p> <p>The balance as at 31 December 2021 is Rs.11, 082,224 and the letters confirming the balance were not submitted for audit.</p> | <p>Agreed. I would like to kindly inform you that a document confirming the balance as at 31 December 2021 will be brought from the Bank of Ceylon and submitted to audit immediately.</p> | <p>Action should be taken to promptly submit the information required for the audit.</p> |
| (g) | <p>According to the special gazette of the Democratic Socialist Republic of Sri Lanka No. 2187/27 and dated August 09, 2020, although the revolving fund maintained for the self-employment project of the estate sector was gazette as a separate institution, since it is maintained as a program of the development department of the Ministry, the Finance Regulations 877(2)(d) Performance reports were not submitted along with financial statements for statutory and trust funds as per provisions.</p> | <p>Answers had not been provided.</p> | <p>According to the provisions of Financial Regulations 877(2)(d), performance reports along with financial statements must be submitted to the Auditor General within 02 months after the end of the relevant accounting year.</p> |

4. Achieving Sustainable Development Goals

The following observations are made.

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|---|
| <p>Under the four sustainable development objectives identified by the ministry, eight target programs had been implemented, and by the end of the year under review, the expected completion level of 05 programs was at a minimum level of 56 percent, up from 3.4 percent.</p> | <p>At the end of the year under review, the progress of the project for re-roofing of 1000 dilapidated line rooms was recorded at a low level of 3.4% during the period due to shortage of zinc aluminum (Zn, Al) sheets used for roofing of line rooms. Due to high cost. Although it was discussed to apply asbestos as an</p> | <p>In order to achieve sustainable development goals, action should be taken to work with maximum efficiency and achieve the desired output level to the maximum.</p> |

alternative to carry out this project, the engineers said that the existing line room walls are not strong, so it was not possible to implement that option. Because of the inability to implement the training programs as planned due to the genetic condition of Covid.

5. Human resource management

The following observations are made.

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|---|
| ----- | ----- | ----- |
| (a) As on 31.12.2021, 39 posts including 08 senior level posts and 06 tertiary level posts were vacant. 02 posts of director, 08 posts of director (engineering), engineer, assistant/deputy director, accountant, internal auditor and legal officer and 08 senior level posts remained unfilled. | The number of vacancies is correct. Requests have been made from the Ministry of Public Services, Provincial Councils and Local Government to fill the vacancies in executive level posts. | Complete the vacancies in the essential posts and arrange to carry out the affairs of the Ministry in an orderly manner. |
| (b) There were 38 posts including 35 secondary level posts and 03 primary level posts in excess of the approved number of employees. The surplus posts at the secondary level are all development officer posts, which is an excess of 284 per cent of the sanctioned staff (secondary level). And for these redundant development officers, an additional expenditure of Rs.1,102,000 per year (as gross salary) had to be incurred. | 173 Development Officers were assigned to this Ministry from 01.01.2021 and 173 Development Officers were appointed from 01.04.2021. On the basis of approval of posts from the Department of Management Services as per Section 1 of the Secretary of the Ministry of Public Services and Provincial Councils and Local Government No. CS/DOS/Policy/01/01(II) and letter dated 26.03.2021 attached to this Ministry have. 35 new posts of Development Officer are | Action should be taken to recruit without redundancy, based on the number of approved staff, and government funds should be used in an efficient manner.. |

redundant due to transfers of those officers to other posts. In order to attach those 35 surplus people to this ministry, Mr. No. SMEHCI/2/3/3/2 (2021-Creation of Posts) and letter dated 31.12.2021 have been forwarded to the Director General of Management Services for approval of posts under 70.