

Tea Small Holdings Development Authority - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Tea Small Holdings Development Authority (“Authority”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity/net assets 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 Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Tea Small Holdings Development Act No. 35 of 1975 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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 Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 intends 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, it 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 Authority.

1.4 Audit Scope (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 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, 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 skepticism 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 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 Authority'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. However, future events or conditions may cause the Authority 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 Authority ;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Since the value of fixed deposit investment and seven days call deposit investment in Uva, Nuwara Eliya and Kalutara Regional Offices had been understated by Rs.3,550,000, Rs.4,807,420 and Rs.1,616,380 the value of current assets of the year under review had been understated by Rs.9,973,800 .	Actions will be taken to make the corrections pertaining to the fixed deposit account in the year 2023 for the Kalutara Regional Office during the year 2023 and the value mentioned in the bank balance confirmation letter in the year 2022 regarding the fixed deposit of the Nuwara Eliya Regional Office is Rs.34,080,938. Nevertheless, the value appear in the final accounts is Rs.29,273,517. Therefore, the amount of Rs.4,807,420 for which the difference of those values should be debited to the fixed deposit account and interest income account should be credited. This correction will be done in the year 2023 .	The financial statements should be prepared by obtaining confirmations for bank deposits and investment balances as at the end of the year accordingly.

- (b) As the fixed deposits and seven-days call deposit interest incomes in Galle, Matara and Uva Regional Offices amounted to Rs.1,038,482, Rs.149,079 and Rs.53,801 respectively had been understated and interest incomes of the Ratnapura and Nuwara Eliya Regional Offices amounted to Rs.697,933 and Rs.195,626 respectively had been overstated in the year under review, the total interest income had been understated by Rs.347,803 in the financial statements.
- The interest income of Rs.1,523,747 for the seven days call deposits in Galle Regional Office has been shown in the final accounts of the Galle Regional Office in the year 2022. The interest receivable has not been accounted for Rs.1,038,482 and actions are being taken to do the relevant corrections during the year 2023 and a total of Rs.2,218,692 has been mentioned with the seven days call deposit income received during the year as interest income in the final accounts of the Matara Regional Office amounted to Rs.1,861,352 and the interest on institutional employee loans amounted to Rs.357,339 . Therefore, a sum of Rs. 208,259 has not been overstated and the interest receivable amounted to Rs.149,080 has not been accounted for. Actions will be taken to correct that amount and the interest income of Rs.53,081 pertaining to the year 2022 of Uva Regional Office in the year 2023 .
- In preparation of financial statements, the interest income for deposits should be accounted for recognizing on accrual basis.
- (c) Although the interest income receivable for year under review had been shown as Rs.10,887,428 in financial statements, as the interest income receivable in 03 Regional Offices had been understated by Rs.1,241,363 and the interest income receivable in
- The interest receivable amounted to Rs. 1,038,482 for the seven days call deposits of the Galle Regional Office and the interest receivable in the final accounts of the Matara Regional Office amounted to Rs.149,080 has not been
- In preparation of financial statements, interest for deposits should be accurately calculated and accounted for .

two Regional Offices had been overstated by Rs. 5,400,547, the total receivable interest income had been overstated by Rs.4,159,184 .

Accounted for. The said corrections and the interest income for the year 2022 of the Uva Regional Office amounted to Rs.53,081 and the amount of Rs.397,500 overstated as the interest value pertaining to Ratnapura Regional Office will be corrected in the year 2023 and the differences relating to Fixed Deposit of Nuwara Eliya Regional Office in the year 2022 amounted to Rs.4,807,420 will be corrected in the year 2023 .

1.5.2 Unreconciled Control Accounts or Records

Item	Value as per financial statements	Value as per Corresponding Records	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
(a) Sundry Stock	17,406,500	14,091,696	3,314,804	It is informed that the reasons for the difference between the balance of sundry stock account and physical balance should be identified by the year 2023 and the related adjustments have been made in the accounts.	It should find the reasons for the difference and make adjustments.
(b) Galle Regional Offices					.
Compost Stock	134,025	394,965	260,940	Arrangements were made to reconcile the amount shown in the	It should find the reasons for the difference

Stock of the 500 Nursery project	401,998	2,278,166	1,876,168	stock value of and make Compost and 500 adjustments. Nursery Project of Galle Divisional Office balance shown in the trial balance with the schedules. Accordingly, the balances in the schedules have also been prepared accurately and presented to match the balances in the trial balance.
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1.5.3 Lack of Written Evidences for Audit

Audit Observation	Audit Evidence Unavailable	Comments of the Management	Recommendation
Although the requests for the recruitment file of the current General Manager of the Authority and the personal file of that officer were made for audit on two occasions on 10 January and 07 March 2023 respectively, the relevant files had not been provided up to 31 May 2023 .	The recruitment file related to the current post of General Manager and the personal file of the Officer	As the relevant file has been handed over to the Secretary of the Ministry for necessary duties, it was unable to hand over to the Government Audit Division yet and, actions will be taken to hand over the file to the Audit Division as soon as the relevant activity is completed.	As those files have not been provided to the Ministry as per Ministry Secretary's letter No. MPI/Admin/11/TSHD A/Institutional Affairs Vol.viii dated 17 March 2023, arrangements should be made to provide the information required for the audit promptly in terms of Section 7 (1) of the National Audit Act No. 19 of 2018 .

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a) Although, it had elapsed 24 years for the debt balance receivable amounted to Rs.4,278,581 at the end of the year under review out of the loan amount given to the tea small plantation societies for obtaining fertilizers, liquid sprayers and scales under the Fertilizer Credit Scheme 1998, it had been accounted for under current assets without taking effective steps to recover.	<p>Notices to the Societies by the Regional Offices to recover this amount have been given in writing on numerous occasions and calling the society officers to the office and inform them about the money to be collected and, amounts that are no longer charged have been sent to the Conciliation Board and the recoverable amount of Rs.4.27 million has been shown as a receivable balance under current assets in the financial statements since 1998 .</p> <p>Since there is a balance remaining from 24 years, it is informed that further indications had to be made in the final accounts on lack of the approval of the Department of Public Finance by the Ministry. Further, it has also been presented by Board Papers to the Audit and Management Committee on such accounts maintained for 24 years.</p>	Debt balances should be recovered.
(b) A loan amount of Rs.5,916,589 provided to four private tea factories by the program of providing colour sorter machines in the year 1998 had not been recovered even by the end of the year 2022. The legal actions were taken only for Rs.2,436,449	A case is pending to recover money through legal proceedings from Eriyagaha Factory only out of the 4 tea factories that provided colour sorter machines. Although the functions of tea factories have been terminated by the Galle	Necessary steps should be taken immediately to recover these amounts from private tea factories.

receivable from Eriyagolla Factory in this regard and due to existing defects in the agreement of two factories it had been impossible to take legal actions.

Multi Purpose Co-operative Society it has been informed that priority will be given to release the amount receivable to the Authority in liquidation. The legal actions could not be taken due to existing defects in the agreements in the other 2 factories. Further activities have been planned according to the amount recovering by litigation.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
<p>The amount of Rs.9,155,483 received from the sale of 23 vehicles which were given in the year 1998 for small tea plantation development societies and the balance of Rs.13,815,113 remained from the amount provided to pay a subsidy allowance to the farmers for soil conservation in Nuwara Eliya and Ratnapura Regional Office area by the Authority in the year 2020 had been accounted for under current liabilities as “Payable” without being engaged in any productive work by the Authority or remitted to the Treasury for period of 2 to 24 years.</p>	<p>Three vehicles have been requested from the Treasury for Financial Leasing Method from the money received from the sale of vehicles. If the request is fulfilled, the money received from the sale of vehicles will be given to the Treasury in the year 2023 and it has been planned to use the remaining amount due to non-appearance for the payment given to the farmers for soil conservation in the future for the replanting and fallow subsidies to be paid to the Tea Small Plantation Holders on the approval of the Board of Directors.</p>	<p>Actions should be taken to use the funds received from the Treasury for approved purposes or to return.</p>

1.7 Non-compliance with Laws, Rules, Regulations, and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 12.3 of Paragraph VII Establishments Code of the Democratic Socialist Republic of Sri Lanka	If a holder of a regular post is appointed to attend to the duties, he shall be paid 2/3 of the additional remuneration he would have received if he had been appointed to work in that post, in contrary to that, as an allowance of 1/4th of the initial salary of the respective post was paid as attend to the duties allowance for officers in 03 posts, according to the decision given by the Board of Directors that the overpaid allowance should be collected monthly although the overpaid amount is being collected in installments from only two officers, a sum of Rs.84,189 which had been paid in excess had not been recovered from the Assistant General Manager (Services) from 08 March 2021 to 30 September 2022 for attending of duties as Human Resources Manager	Obtaining a specific confirmation from the Department of Management Services as to whether the respective officer is able to perform acting duties and to proceed accordingly and arrangements will be made to recover the excess allowance if paid.	Actions should be taken to recover the payments which are not in compliance with the Establishments Code.

- (b) Instruction sheet of General Manager of Authority No. b/3/4/ IV (i) and dated 30 September 2018 regarding office rent of Tea Inspector/Extension Offices
- Although the monthly rent payable for the offices of Zonal Development Officer was Rs.5,000, the Authority had paid a rent of Rs.180,000 to the Deraniyagala Praadeshiya Sabha as a sum of Rs.15,000 per month for the Deraniyagala Zonal Office for the year 2022. Accordingly, a sum of Rs. 120,000 had been overpaid in contrary to the Circular.
- According to the circular instructions given in 2018, the instructions have been given as a sum of Rs.3000 for an Office Tea Inspector Extension Officer and Rs.5000 for an Office of Zonal Tea Development Officer. Nevertheless, arrangements have been made to pay the amount notified to us by the government entities for the offices maintained in the premises of the said government entities.
- Payments should be made as per the instruction sheet and if necessary, amendments should be made to the instruction sheet.
- (c) Paragraph No. 02 of the Letter regarding the implementation of the provisions of Management Services Circular No. 30 dated 22 April 2010 DMS/E4/08/5/07 0/2 of the Department of Management Services and Annexure.
- The position of Assistant General Manager (Services) of the Authority was approved as personal only to the current post holder and despite new recruitment should not be made for this post accordingly, the Authority had called applications for the post of Assistant General Manager (Services) and conducted the interview on 06 July 2010 and appointed an officer on 02 August 2010 .
- This has been a recruitment made to a vacant post based on a judgment given by the Supreme Court which has helped to establish the respective post and the said judgment and it is a matter confirmed when considered in terms of general administrative situation.
- Replies applicable to observation was not given. Disciplinary investigations should be conducted against the Board Members who made these appointments.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.283,198,552 and the surplus of the preceding year as against to that was Rs.171,795,953 . Accordingly, a deterioration of Rs.454,994,505 in financial results was observed. The decrease in the Government Development Grants by Rs.1,214,480,354 and the increase in operational expenses by Rs.46,100,051 had mainly attributed for this deterioration.

2.2 Trend Analysis in Major Revenue and Expenditure Items

Government grants received for development activities had decreased by 91 per cent and the recurrent grants had increased by 7 per cent as compared to the previous year. Nevertheless, although the development expense had decreased by 57 per cent, operational expenses had increased by 12 per cent. Other income had increased by 111 per cent as compared to the preceding year.

2.3 Ratio Analysis

The current ratio and quick ratio of the year under review had been 1.4:1 and 1.07:1 and those ratio had been 1.6 : 1 and 1.3 : 1 respectively in the preceding year. Decrease in cash and cash equivalents by 42 per cent as compared to preceding year had mainly attributed to decrease in current and quick assets.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
As the Procurement Committee had taken a decision for the direct purchase of 73 Digging Machines from State Trading (General) Corporation for “Mechanical Labour Training Programme” after the expiry of one month bidding period in the quotation which was obtained from that Corporation the Authority had not been able to purchase the goods at those prices. Accordingly, the Authority had incurred a financial loss of Rs.1,679,584 due to the machines had to be purchased from a private	As the Sri Lanka State Trading (General) Corporation is a leading government entity related to the supply of government goods, confirming in advance whether the relevant equipment is available in that institution, it is a fact that the Corporation has confirmed that the relevant institution has the ability to supply the product in the presentation of quotation and apart from that	Purchases should be made in terms of Procurement Guidelines.

company at a price of Rs.23,008 more than the agreed price for a machine and failure to act in accordance with 8.7.1 (b) of the Procurement Guidelines.

fact, there is no other method to check whether there is a possibility of supplying the goods from a private institution. The State Trading (General) Corporation has informed by the Letter dated 22 September 2021 that that it will take 03 months to supply the rest of the order of digging machines and due to the shortage of Dollars in the country and the economic problems in the country, it is not possible to provide the digging machines at all at the prices presented. Likewise, it has also been requested to supply remaining quantity of Tea Pruning Machines up to 15 November and also a period of 03 months to deliver Digging Machines. If any delay is made by the State Trading (General) Corporation or his supplier by 22 December, actions cannot be taken for the completion of this device order within a short period such as 07 days. Therefore, considering all practical matters, only the advices were given by considering the decisions of the meeting held in the Authority related to the purchase of goods held on 27-10-2021 by the General Manager also that the relevant machines are suitable to be obtained under the shopping method and actions were taken on the approval of the Procurement Committee to

purchase 73 machines for Rs. 99,800 per each Digging Machine .

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Authority had built the Kegalle Regional Office building on a land owned by the Rubber Development Department at a cost of Rs.44,484,405 and although the Director General of Rubber Development Department had informed the General Manager of the Authority in writing on 02 August 2022 that the consent was given only for the construction of the office building and no claim can be made for the ownership of the land and, a Memorandum of Understanding should be entered into on this, such a Memorandum of Understanding had not been prepared or signed even as at 01 March 2023 .</p>	<p>With a view of creating a Seva Piyasa by the provisions of the Ministry. After the plantation land was handed over to the Land Reform Commission in 1974, it was handed over to the Janatha Estates Development Board in 1978, this plot of land used to be a part of Devala Kanda Estate belonging to "Kelaniweli" Estate Company. The said plantation company has handed over documents to the Rubber Development Department and an area of about 15 perches has been given in a letter to the Tea Small Holdings Development Authority for establish the above mentioned "Seva Piyasa". Based on the above matters, it is appeared that the ownership of this land belongs to the Land Reforms Commission and has been given to the respective entity through transfers</p>	<p>Necessary activities should be done to transfer this land to the Authority or enter into a legal agreement.</p>
<p>(b) Even though it had been revealed in the Audit Report of the previous year in respect of the failure of giving marks accurately by the interview panel and making the</p>	<p>Once the marks have been given in a formal interview, there is no way to appeal the decision of the interview. Since the entire process of the</p>	<p>Cancellation of appointments made to ineligible applicants and suitable candidates</p>

appointments before obtaining the Decision of the Board of Directors and the approval of the Ministry Secretary, regarding 4 Regional Manager positions that were appointed by the Authority on 09 August 2021, actions had not been taken by the Authority in that regard.

Authority is led by the Regional Manager at the Regional Level, as the respective posts are the vacancies which need to be filled urgently to meet the requirements of the Authority, the relevant positions have been given subject to the approval of the Board of Directors and the Secretary to the Ministry. Likewise, since the consent has been properly received, there was no error in the process.

should be appointed to those posts.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) As 75 per cent of the work on the Nursery was not completed by 254 Nursery Owners who have been issued permits in 2020 and 2021 by Regional Offices under the “25 Million Tea Plants Special Project” which was started in November 2020 on the financial allocation of Rs.250 million from the Sri Lanka Tea Board, the second installment had not been released. Even though the Rs.24,711,304 for financial and operational material support had been provided, for these beneficiaries, it was observed during the audit that the Authority had not paid enough attention to the progress of the Project due to non-recovery of aid given to nurseries who have not commenced cultivation even by 31 December 2022, failure of obtaining of necessary reports from the field by the Tea</p>	<p>A 75% of the Nursery should be completed for release of second installment after disbursement of first installment. If not, the second installment was not issued to those nurseries. Accordingly, the second installment has not been issued to 254 nurseries where 75% of the nursery has not been completed. In this, due to the interruption of field investigations in the view of the corona epidemic situation in the years 2020 and 2021, delay in providing recommendations of Tea Inspector/Extension Officer has caused to this. The aim was to create 795 Residents of 123 Divisional Secretariats as entrepreneurs under this Project. A number of 634 from them have completed</p>	<p>Prompt actions should be taken to enhance performance of the Project.</p>

Inspectors of the Regional Offices regarding the performance of the Project and failure of distributing of the project money of Rs.22,276,855 and equipment even at the end of the year under review.

the aforementioned facts. It is ensured that a financial loss will not occur.

- (b) Even though 08 compost material shredders had been purchased for Rs. 2,300,000 in the year 2021 following direct contract method from Sri Lanka State Trading (General) Corporation targeting a production of 40 metric tons with 05 metric tons per month from 08 Regional Offices through the Compost Fertilizer Production Project which was commenced in the year 2021, due to insufficient capacity of these machines to meet the requirement, only a stock of 37 tons had been produced from the date of purchase to the end of the year review, no production was made in the year 2023 .
- The Tea Small Holdings Development Authority which has about 5 lakh small tea estate owners and contributes 75% of the National Tea Production has purchased under direct purchase method (Cabinet Approved) from Sri Lanka State Trading (General) Corporation to train farmers in 8 training centres. Accordingly, the training of the farmers was successfully done and the sales of production and the productions could not be done to the targeted number. Further, the organic fertilizers were used again based on the government policy by 2022 and it will be proceeded for further improvement of revenue through the products we made and with the objective of earning money.
- Compost production of 40 MTs. per month should be made using purchased machines in a planned manner.
- (c) Even though 17 items of office equipment valued at Rs.2,801,891 had been distributed to the Head Office and Other Departments the said assets had been entered in the sundry stock account without being recorded in the respective accounts.
- The sundry stock account will be corrected through the financial statements of the year 2023 to make the necessary adjustments.
- Assets should be properly accounted for.

3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>Although the Authority should take all necessary measures for the development of tea lands for small tea plantations, factories and for the welfare of those involved for the opening ceremony of the Kegalle Regional Office Building, in accordance with the functions and powers of the Authority under the Tea Small Holding Development Act, instead of doing that function, the requests were made from the societies to an account number not belonging to the Authority and money had been collected using the letterhead and designation with the logo of the Authority and the detailed information about the way of the money was spent had also not been submitted to the audit.</p>	<p>The building, which was prepared by the Government at a huge cost, should be actively handed over to the people to provide close service to factories and tea estates to Tea Small Estate Holders as per functions and powers of Tea Small Holdings Development Authority as per the Act No. 35 of 1975. The notification was made by the Regional Manager who is officially the Chairman of the Welfare Association. As it was not a collection of financial assistance to the Tea Small Holdings Development Authority, the Act of the Tea Small Holdings Development Authority has not been violated.</p> <p>Accordingly, as the Chairman of the Sports and Welfare Association is officially the Regional Manager, and also the tea small holding plantation community is introducing as the Regional Manager and not the Chairman of the Welfare Association, the respective letter has been sent to confirm the requests of the local organization using that post.</p>	<p>It should not carry out activities in contrary to the Act.</p>

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although the Technical Evaluation Committee should consist of at least one member who is an expert/experts in the subject in terms of Paragraph 2.8.1 (b) and (c) of the Procurement Guidelines, a single member with expertise had not been appointed to the Evaluation Committee for the purchase of 73 Digging Machines for “Tea Plantation Mechanical Training Programme 2021”.</p>	<p>The purchases have been made from the State Trading (General) Corporation according to the Decision of the Cabinet. Accordingly, it should be considered what the necessity of implementing all the points of the Guidelines in the case where the quotations were not called. As the Authority has purchased these goods in the year 2019 as well, the specifications used there are also used for these purchases and the recommendations have been given based on the more acceptable facts obtained on the basis of the experience of the officers of the Technical Evaluation Committee considering that the machines which were purchased in 2019 are functioning at a very good level even by the year 2021. It is kindly pointed out that, having a problematic situation regarding quality of the equipment has been avoided in purchasing the equipment and the matter covered by the Guidelines has been done using other methods as above.</p>	<p>An investigation should be carried out in respect of violation of Procurement Guidelines.</p>
<p>(b) Although the Procurement Committee and the Technical Evaluation Committee may be reconvened to consider matters</p>	<p>Although the Procurement Committee and Technical Evaluation Committee may be reconvened to consider</p>	<p>An investigation should be carried out in respect of violation of</p>

such as changes to the contract in terms of Paragraph 2.4 of Procurement Guidelines, as the State Trading (General) Corporation cannot supply the 73 Digging Machines for which the full range of goods, and also the requests have been made for extension of period of time instead of leaving it to the Procurement Committee to take a decision in that regard, arrangements had been made to purchase 73 machines from a private institution incurring Rs.99,608 per each STIHL BT 230 type Digging Machine by following shopping method with the approval of the General Manager.

changes made to the contract in accordance with Paragraph 2.4, as the State Trading (General) Corporation cannot supply the 73 Digging Machines for which the full range of goods and also the requests have been made for extension of period of time instead of leaving it to the Procurement Committee to take a decision in that regard, arrangements have been made to purchase 73 machines from a private institution incurring Rs.99,608 per each STIHL BT 230 type Digging Machine by following shopping method with the approval of the General Manager.

Procurement Guidelines.

- (c) Agreeing to purchase 13,000 metric tons of dolomite from Sri Lanka State Engineering Corporation for Rs.101 million under the provision of Budget 2021 without being entered into formal agreement in terms of Section 8.9.3 (b) of the Procurement Guidelines 2006 only 533 MT of dolomite had been supplied by the end of 2022 and, although the dolomite value was Rs.2 million and the transportation cost was Rs. 2 million for that, due to failure of supplying of 96 per cent of the agreed quantity of dolomite and delays in supply, the Board of Directors had decided on 21 December 2022 to use the total amount of Rs.97 million allocated for this Project for

The dolomite order has been notified to the State Engineering Corporation. The dolomite quantities have been ordered by each Regional Office. Nevertheless, the State Engineering Corporation was able to supply Only 533 MT of dolomite within a period of 08 months. National Competitive Bidding Method was followed for procurement of dolomite. In this, the quantity of dolomite required was contracted through a purchase order with the State Engineering Corporation, which is a government entity. After purchasing dolomite, the rest of the money has been used only to discharge

The amount saved from the purchase of dolomite should not be incurred on other functions without obtaining approval of the Treasury.

"Disbursement of other subsidies and institutional capital works" without obtaining Treasury approval. Since the Authority had commenced this Project incurring initial costs and without being entered into a formal contract the Project had become a failed project by not being able to achieve its initial objectives. Similarly, sufficient information to identify the expenditure incurred for payment of other subsidies and institutional capital works were not furnished to audit.

the obligations entered into for the subsidy of tea small holdings with the approval of the Board of Directors.

3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>Although the number of approved Zonal Tea Development Extension Officer in the year under review were 26, as only the number of 14 are employing, the subsidy programme of the Authority could not be successfully implemented by failure of filling up the vacancies of these officials who have a linear relationship with the tea farmers and societies.</p>	<p>The restrictions made by the government in each period in respect of the recruitment of employees to fill the vacancies of Zonal Tea Development Extension Officer have also caused and however, organizational activities have been directed towards proper goals by following the appropriate measures on acting basis and properly executing the duties of the respective vacancies in order to carry out the functions of the Authority.</p>	<p>Steps should be taken to fill up the vacancies or revise approved cadre.</p>