Head 140 - Report of the Auditor General of the Ministry of Hill Country, New Villages, Infrastructure and Community Development– Year 2017

The Appropriation Account and a Reconciliation Statement under Head and Item Number stated in the First Schedule and the Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the Ministry of Hill Country, New Villages, Infrastructure and Community Development. The financial and physical performance reflected from this account and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Ministry of Hill Country, New Villages, Infrastructure and Community Development – Head 150 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary of the Ministry on 18 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

Audit observations revealed in the audit of the Ministry of Hill Country New Villages Infrastructure and Community Development for the year ended 31 December 2017 appeared in detail in the Management Audit Report stated in paragraph 1.3 above. Out of such observations, the material and significant observations appear in paragraphs 2.1 to 2.21 of this report. The Accountability as the Chief Accounting Officer has satisfactorily performed, subject to the audit observations as summarised below in performing the provisions in Financial Regulations 127 and 128 of the Democratic Socialist Republic of Sri Lanka, ensuring the sufficiency of financial administration.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127		**Non-compliance with that Provisions by the Chief Accounting Officer**	**Reference to the Paragraph included Observations**
Financial Regulation			
127(1)(a)	Planning all financial works, so that the business is transacted with correctness and financial propriety.	1. Action Plan not correctly prepared.	2.3.1
		2. Procurement functions not adequately planned.	2.5.1
		3. Non-preparation of real budget estimates	2.14
		4. Books and Records not maintained.	2.17
		5. Weaknesses in internal audit	2.19
127(1)(b)	Evolution a system which provides adequate controls over expenditure and the collection of revenue.	1. Irregular Transactions	2.8
		2. Management Weaknesses	2.11
		3. Unresolved audit paragraphs	2.10
		4. Non-compliances	2.18
		5. Weaknesses in Human Resource Management	2.20
127(2)	Existing items of expenditure as well as proposals for new or increased expenditure in the Departments under his control are closely examined in the Ministry from the points of view of economy and efficiency.	1. Anticipated output level not ascertained	2.3.2(b)
		2. Anticipated results not ascertained.	2.3.2(c)
		3. Abandonment of projects without being completed	2.3.2(d)
		4. Delays in the performance of projects	2.3.2(c)
		5. Projects not progressed through funds were released.	2.3.2(f)
		6. Projects commenced after a long delay	2.3.2(g)

		7. Foreign aid projects not commenced on due dates	2.4.1(a)(ii)
		8. Weaknesses in the implementation of procurement process.	2.5.2
		9. Internal Audit	2.19
127(3)	All cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them	1. Money retained in the project	2.11(a)
		2. Deficiencies in the utilisation of vehicles	2.6(a)
		3. Deficiencies in the utilisation of vehicles taken under the finance and operating leasing	2.6(b)
		4. Deficiencies in maintaining offices.	
		5. Resources given to external parties	2.6(c)
		6. Weaknesses in providing services to public	2.6(e)
			2.12
127(4)	Appropriation Accounts are duly rendered by each of his accounting officers and examined at the Ministry before he signs them, and that important differences in the estimates and the actual expenditure are critically investigated by him.	1. Commitments incurred in excess of the annual budget limits	2.7(a)
		2. Overstatement of liabilities	2.7(b)
127(5)	Important variations between Departmental estimates and expenditure receive critical examination at the Ministry.	1. Non-utilisation of provisions made	2.14(a)(i)
		2. Over provisions made.	2.14(a)(ii)
		3. Deficiencies in the utilisation of provisions obtained from supplementary estimates	2.14(a)(iii)
		4. Deficiencies in the advances to public officers account.	2.15

127(7)	The procedures laid down in financial Regulation 103 to 108 is followed by the Accounting Officers, in case of losses caused to government by the delays, negligence, fault or fraud on the part of officers/ employees and surcharges are imposed on the officers/ employees responsible such losses in terms of Financial Regulation 156(1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the Department for which he is responsible	1. Responsibility to losses.	2.9
		2. Non-receipt of security deposits from officers those who handle cash transactions	2.21

Responsibility of the Accounting Officer in terms of Financial Regulation 128

128(1)(a)	The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	3. Action plan not prepared correctly.	2.3.1
		4. Procurement functions not adequately planned.	2.5.1
		5. Budget estimates not prepared realistically.	2.14
		6. Non-maintenance of books records	2.17
		7. Anticipated output not ascertainment	2.3.2(b)
		8. Anticipated results not ascertained	2.3.2(c)
		9. Abandonment of projects without being completed	2.3.2(d)
		10. Delays in performing projects	2.3.2(e)
		11. Projects not progressed, though funds were released.	2.3.2(f)
			2.5.2

		12. Deficiencies in the implementation of procurement process	
128(1)(b)	The organization of financial control and accounting in his Department is effective and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues and bringing to account of moneys received, the authorisation of commitments on behalf of the Government, the supervision and examination of services and supplies rendered and the prompt and correct payment therefore from public funds.	1. Anticipated output level not ascertained 2. Abandonment of projects without being completed 3. Delays in the implementation of projects 4. Foreign Aids projects not commenced on due dates 5. Deficiencies in the implementation of procurement process 6. Weaknesses in fulfilling public services	2.3.2(b) 2.3.2(d) 2.3.2(e) 2.4.1(a)(ii) 2.5.2 2.12
128 (1)(c)	The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary.	1. Non-maintenance of books and records 2. Non-compliances	2.17 2.18
128(1)(d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Deficiencies in the advances to public officers account	2.15
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of, such disposal is according to prescribed Regulations and instructions.	1. Lapses in conducting annual survey of goods. 2. Deficiencies in the assets management	2.6(d) 2.6

128(1)(f)	Such Information, statements and returns as are called for by the Chief Accounting Officer or the Treasury are rendered correctly and promptly.	1. Action plan not prepared correctly 2. Procurement functions not planned adequately 3. Budget estimates not prepared in a realistic manner	2.3.1 2.5.2 2.14(a)
128(1)(g)	Returns showing the progress of collection of dues to Government are rendered regularly to the Chief Accounting Officer	In respect of advances to public officers account	2.15
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quater or as otherwise directed regarding arrears and action pursued to expedite their recovery.	Recovery of outstanding loan balances of advances to public officer account	2.15(a)
128 (1)(i)	The activities of his Department are under taken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	1. Anticipated output level not ascertained 2. Non-ascertainment of anticipated benefits 3. Abandonment of projects without being completed 4. Delays in performing projects 5. Projects not shown progress though funds were released 6. Projects commented after delays 7. Foreign aid projects not commented on due dates 8. Irregular Transactions	2.3.2(b) 2.3.2(c) 2.3.2(d) 2.3.2(e) 2.3.2(f) 2.3.2(g) 2.4.1(a) 2.8
128(1)(n)	Officers liable to provide security do so in terms of law and regulation in force	Deficiencies in obtaining securities from relevant officers	2.21
128(1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligence's, fauls or frauds on the part of officers/	1. Responsibility on losses 2. Non-ascertainment of securities from officers deal with cash transactions	2.9 2.21

employees and surcharges are imposed on officers/ employees responsible for such losses in terms of Financial Regulation 156(1)

2. Material and Significant Audit Observations

The following observations are made.

(a) Even though, the Plantation Housing Development Trust had been named as an Institute under the Ministry of Hill Country, New Villages Infrastructure and Community Development by gazette extra ordinary No.1933/13 dated 21 September 2015 issued by the Democratic Socialist Republic of Sri Lanka, it had been registered and incorporated as Plantation Human Development Trust, a company limited by guarantee under the companies Act No.07 of 2007. According to the Section 44 of the Articles of Association of this company, out of the Directors appointed to this company, 4 directors are appointed by the Ministry of the Government. As such it was further observed that this entity is denoted by 2 names.

(b) The Saumyamoorthi Thondaman Memorial Foundation has been established under the Act No.19 of 2005 stating that financial provisions for the functions of the Foundation should be provided by the Foundation itself. Nevertheless, all capital and revenue expenditure had been incurred by the Ministry. According to the Cabinet Memorandum dated 06 June 2016, the approval of the Cabinet of Ministers had been granted on 29 June 2016 to undertake the Pool Bank Vocational Training Centre, Ramboda Cultural Centre, Norwood Sports Complex and Praja Shakthi Centre by the Ministry. Accordingly, all expenditure relating to Saumayamoorthi Thondaman Memorial Foundation is met from the current account of this Ministry since 2017 and the revenue collection is being credited to the Consolidated Fund with the approval of the Department of Treasury Operations. As all expenditure of the Saumayamoorthi Thondaman Memorial Foundation had been incurred by the Ministrial vate for the year 2017, books of accounts had not been maintained. Even though, this Memorial Foundation had not been revocated in terms of the Act, it had become impossible to present final accounts in accordance with the Act as it is at present, as the books of accounts were not maintained.

2.1 Performance

Planning

In terms of Public Finance Circular No.01/2014 of 17 February 2014 the action plan for the year 2017 had been prepared. Accordingly, 5 major functions to be performed by the Ministry had existed. The following deficiencies were observed in respect of the action plan prepared for the achievement of expected results from 2 statutory institutions, 2 foreign aid projects and 01 fund account established under the Ministry.

(a) It was observed that the following information to be included in the annual action plan as stated in paragraph 3 of the Public Finance Circular No.01/2014 dated 14 February 2014 issued by the Ministry of Finance and Planning had not been included in the approved action plan of the Ministry for the year 2017.

(i) Particulars of the organizational structure of the Ministry updated to the relevant year, approved cadre and actual cadre.

(ii) Imprest requirement plan for the annual activities.

(b) According to the Cabinet Decision of 29 June 2016, action had been taken to aquire the Pool Bank Vocational Training Centre, Ramboda Cultural Centre, Norwood Sports Complex and Praja Shakthi (E-Kiosk) existed under the Saumayamoorthi Thondaman Memorial Foundation by the Ministry. However, programs and output expected to be performed during the year 2017 by each of these entities had not been stated separately in the action plan and the performance report.

(c) The activity plan time line and output/ outcome prepared on priority basis based on the annual budget relating to the year under review had not been estimated and indicated.

(d) As financial and physical targets under each project had not been indicated in the action plan and the performance report and the value of total projects and the implementing year had been stated only as for the entire year, the actual position of physical and financial performance during the year ended 31 December 2017 could not be examined, therefrom.

2.2 Non-accomplishment of functions

The following observations are made.

(a) Non-accomplishment of functions in the action plan

(i) According to the annual action plan, 5 functions should have been performed by the Ministry, out of which only 4 had been fulfilled. A provision of Rs.132 million had been made for the improvement of Hatton Vocational Training Centre Programme which had not been so fulfilled.

(ii) Even though, output had been anticipated by fulfilling the function of construction of houses and the supply of infrastructure facilities as per the action plan, the provision of Rs.1,915 million made from the annual estimates had not been utilized as procurements could not be achieved as planned.

(b) Non-ascertainment of expected output levels

Even though a provision of Rs.2,104 million had been utilized for the performance of 5 functions stated in the annual action plan under 16 various programmes, instances where non-achievement of expected output levels were observed as detailed below.

(i) According to the action plan, the number of houses proposed to be completed during the year 2017 amounted to 2500. However, number of houses fully completed, houses completed 80 per cent, completed between 60 to 80 per cent and houses not even commenced amounted to 692, 455, 493 and 221 respectively during the year. The total amount allocated to this housing project was Rs.2,000 million and a financial progress of Rs.1,431 million or 72 per cent had been achieved but the physical progress of completed houses was only 20.04 per cent.

(ii) In the examination of action plan and the performance report relating to the year 2017 tabled in Parliament, on 03 July 2018 it was observed in audit that 16 projects under 5 programs had been implemented, the physical progress of 8 projects relating to 4 programs had been 2.5 per cent to 54.68 per cent.

(c) Non ascertainment of expected outcome

The total provision of Rs.2,104 had been utilized for the performance of 5 functions stated in the annual action plan under various 16 projects but the anticipated output levels had not been fulfilled. Particulars are given below.

(i) Even though, a land, 7 purchase in extent, a house, water and electricity supply and the work parts to be done by the government had been completed in several instances it was observed in audit that beneficiaries had not come to 220 completed houses in 11 estates in the Nuwaraeliya District being showing various deficiencies for occupancy.

(ii) Even though the construction works of 15 ran haritha houses in the lower division of Mahauva estate, the contractual value of which amounted to Rs.9.75 million had been completed, beneficiaries had not been settled even up to 16 November 2017, the date of audit due to non-supply of water service.

(iii) As the permission of the Department of Railway had not been given for pipe laying relating to the water supply project in the Deford Long upper and lower divisions, the estimated value of which amounted to Rs.2.14 million, water supply had not been obtained and as such it was observed that beneficiaries were still living in temporary camps.

(iv) The contractual value of 15 estate tenements in Desford Long Division amounted to Rs.9.75 million and they had been constructed by 15 November 2017 but any beneficiary had not inhabited in those tenements due to non-availability of electricity.

(v) According to the National Action Plan on Plantation Community Social Development launched by this Ministry in March 2016 in order to reach estate sector National Sustainable Development targets, a considerable difference between the target output relating the year 2017 expected to be achieved during the 5 years 2016 to 2020 and the target output according to the action plan for 2017 was observed as per details below.

Serial No.	Project/ Activity	As per National action plan on plantation community social development – 2016-2020		Target output As per 2017 action plan	Difference	Percentage
		Total target output	Target output relating to 2017			
		Units	Units	Units	Units	
1.	Re-thatch of roofs in tenement blocks	50,000	10,000	1,640	8,360	83.6
2.	Improvement of sanitary facilities- construction of toilets.	20,000	4,000	650	3350	83.75
3.	Improvement of Child Development Centres	1,000	25	23	2	8
4.	Haritha Ran Housing Project	52,500	10,500	2500	8000	76.2

(d) Abandonment of projects without being completed

(i) Even though, the following projects had been commenced for the performance of main functions by the Ministry, they had been abandoned without being completed.

Project Name	Estimated Cost	Date commenced	Expenditure as at 31 December 2017	Reasons for abandonment
	Rs.Mn		Rs.	
Housing Project, Belmoral cranely – Nuwaraeliya District	25	28/04/2017	Nil	Failure to find a suitable land
Housing Project, Millavitiya/ Paraketiya – Ratnapura District	01	27/07/2017	25,000	Beneficiaries had been reluctant to that place

Housing Project, Killinari Cry head – Hatton	30	27/04/2017	Nil	Failure to find a suitable land
Housing Project, Theresia Summer set – Kandy District	15	24/04/2017	Nli	Failure to find a suitable land
Housing Project, Galmuduna – Kandy District	15	24/04/2017	375,000	No reason was given in the file and no explanation received as well.

(ii) 151 houses valued at Rs.151 million included in the action plan proposed to be constructed during the year 2017 under the housing project had not even commenced. Particulars are given below.

District/ area	**Estates**	**No.of housing units**	**Value**
			Rs.
Galle	Kobowela – Kobowela	21	21,000,000
	Willakanda – St.Francis	06	6,000,000
	Willakanda – Anderson	05	5,000,000
	Willakanda – Vigirigee Kerala	04	4,000,000
	Willakanda – New	05	5,000,000
	Pelawatta – Gewessa Lower	05	5,000,000
Hatton	Stradan – Stradan	50	50,000,000
	Duswarn – Kestleri	30	30,000,000
	Harinton	25	25,000,000
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	Total	151	151,000,000
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(e) Delays in the accomplishment of projects

(i) Delays in the accomplishment of following projects by the Ministry were observed.

Project	Estimated Cost	Date commenced	Date to be completed	Percentage completed as at 31 December 2017	Expenditure as at 31 December 2017	Reasons for delay
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	Rs.Mn				Rs.Mn	
Galle District						
10 Housing Projects	149.00	April 2017	December 2017	20-73	63.71	Reasons not explained
01 Housing Project	16.25	June 2017	Not stated	99	16.23	-do-
Badulla District						
07 Housing Projects	231.00	April 2017	December 2017	22-69	115.61	-do-
01 Housing Project	30.55	October 2016	Not stated	80	24.32	Failure to find a suitable land.
Kegalle District						
05 Housing Projects	85.00	April 2017	December 2017	0-95	39.10	Delays in rendering bills.
06 Housing Projects	74.10	May 2016	Not stated	43-84	40.97	-do-
01 Housing Project	7.80	March 2015	Not stated	34	2.69	-do-
Ratnapura District						
12 Housing Projects	163.00	March 2017	December 2017	20-80	47.30	Failure to find a suitable land
4 Housing Projects	53.30	May 2016	Not stated	54-85	36.22	Failure to find a suitable land

Hatton						
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24 Housing Projects	653.00	April 2007	June 2017	20-80	272.21	Reasons not explained
3 Housing Projects	148.74	June 2016	Not stated	33-84	68.57	-do-
1 Housing Project	9.75	January 2015	Not stated	77	7.51	Bills rendered with delays
Kandy District						
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11 Housing Projects	213.00	May 2017	November 2017	20-80	98.47	Reasons not explained
5 Housing Projects	52.00	May 2016	Not stated	54-84	37.81	Delays in rendering bills
Nuwara Eliya District						
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14 Housing Projects	330.00	April 2017	October 2017	20-80	177.26	Work stopped for several months
01 Housing Project	37.70	January 2016	Not stated	14-50	5.35	Commenced after delays

(ii) Under the approval of the Cabinet Decision No. අමප/17/0306/739/002 dated 06 February 2017 houses are built for disaster victions under the Haritha Ran Housing Scheme and they are built under the complete government assistance. According to the performance report of the project made available to audit relating to the year 2017, out of 367 approved houses, the work completion progress in the basic stage, 1st stage and the 3rd stage had been 162 houses 60 houses and 12 houses respectively and works of another 133 houses had not been even commenced. As the dates of commencement and completion were not stated in the project action plan or performance report, the delays of the construction works could not be computed.

(iii) According to the information made available to previous year audit, there were 937 continued houses at the beginning of the year 2017 and those houses had to be completed from December 2016 to November 2017 but the number of houses completed as at 31 December 2017 amounted to 479. Accordingly, 458 houses had not been completed even by 31 December 2017.

(f) Project not shown progress, though funds had been released

Even though, a total amount had been released to the Department of Buildings, Ceylon Electricity Board, National Water Supply and Drainage Board and the Urban Development Authority which were connected with constructions, instances where no progress was shown are as follows.

(i) The contractual value of 18 housing projects at Medakumburawatta Lower Division amounted to Rs.14.95 million and 18 houses constructed and action had been taken to inhabit persons as at 25 December 2016 but the beneficiaries of 5 houses had not occupied them.

(ii) An agreement had been entered into with the Plantation Development Trust and the Medakumbura Estate Co-operative Society at a value of Rs.1.41 million for the development of Medakumbura Watta Lower division Sports ground and its development should have been completed on 06 October 2017. However, the sports ground had not been prepared up to the level, suitable for use even up to 16 November 2017.

(g) Projects started works with delays

Instances where construction works were started with delays are as follows.

(i) The estimated value of the construction of Diagama East 3rd Division, Cultural Centre amounted to 2,120,400 and an agreement had been entered into with the Plantation Human Development Trust and the Estate Co-operative Society on 04 August 2017 for thus construction work. Even though, the construction work should have been completed by 03 February 2018, only the building site work had been completed by 15 November 2017 as the report of the National Building Research Organization was not received yet.

(ii) The estimated value of ulified 27 Housing Project amounted to Rs.27 million and according to the agreement, the project should be commenced on 16 May 2017 and completed on 15 November 2017. However, only 22 construction sites had been cleared and lands for another 5 houses had been allocated by 20 November 2017, the date of audit.

(iii) The estimated value of 50 Tradon Estate Housing Project amounted to Rs.49.40 million, and the Estate Co-operative Society had sub contracted the construction of houses to Acer. J. Engineering (Pvt.) Ltd. According to the agreement, the work should have been completed as at 15 November 2017 but only the construction sites of 19 houses out of 50 houses had been cleared by 21 November 2017. The foundation of another 8 houses had been completed and columns had been partly completed. Even the lands had not been allocated for the balance 23 houses.

(iv) The contractual value of the Thalawakele 20 houses project amounted to Rs.19.76 million and the work should have been completed by 15 November 2017 according to the agreement. However, foundation of all 20 houses was layed and plinth beams were laying in 14 houses by 21 November 2017, the date of audit as a result of arising a problem in the access road.

2.3 Annual Performance Report

The following observations are made.

(a) In terms of Public Finance Circular No.402 of 12 September 2002, the performance report relating to the year under review should be tabled in Parliament within 150 days after the closure of financial year by the Ministry. However, it had been tabled in Parliament after a delay of 36 days on 05 July 2018.

(b) As action plan had been prepared with deficiencies, performance could not be evaluated. Particulars appear below.

(i) Even though, a provision of Rs.9.4 million had been made for the provision of facilities to Community Development Project under the programme for the improvement of livelihood and basic facilities in the rural areas, activities proposed to be implemented thereunder, targetted output and measurement units had not been included in the action plan for the year 2017 and as such progress stated in the performance report could not be correctly evaluated.

(ii) According to the annual action plan, number of targeted outputs for 4 projects under 2 programmes had not been included in the preparation of action plan, and as such the achievement of performance of those activities as expected could not be established.

(iii) Differences between the targeted outputs stated in the action plan relating to the following 3 projects implemented under the Social Economic Development in backward areas and the targeted outputs shown in the performance report were observed.

Programme	Project/ Activity	Unit of Measure	Target output as per performance report	Target output as per performance report	Differences
Social Economic Development in backwards areas	Launching and improvement of water supply schemes	No.of completed water supply schemes	80	69	(11)
Economic Development	Improvement of child development centres	No.of completed child development centres	23	25	2
	Provision of other infrastructure facilities	No.of completed minor projects	500	1000	500

2.4 Local and Foreign Projects implemented

Provisions of Rs.2,600 million and Rs.1,420 million had been made by the Ministry in the year under review, utilising local funds for 3 projects and 2 foreign aid projects respectively and a total sum of Rs.2,104.38 million, comprising Rs.1,741.39 million for local projects and Rs.362.99 million for foreign aid projects had been utilized. Accordingly, a sum of Rs.1,915.62 million or 46.65 per cent of the provision had been saved. Particulars are as follows.

Type of projects	Name of Projects	Anticipated objectives of the project	Provision made	Utilisation	Savings
			Rs.Mn	Rs.Mn	Rs.Mn
Local Fund Projects	Improvement of livelihood and basic facilities in rural areas	Poverty alleviation by upliftment of income earning upliftment of Vocational Training and Self- employment opportunities and nutrition	100.00	34.13	65.87
Local Fund Projects	Social Economic Development Project in backwards areas	Fulfilment of basic needs by improving puro drinking water, sanitary services, housing facilities and the establishment of child safety and school education	500.00	276.04	223.96
Local Fund Projects	Estates housing program	Provision of new houses by removing line rooms	2,000.00	1,431.22	568.78
Foreign Aid Project	Improvement of Hatton Vocational Training Centre	Improvement of Vocational Education being commenced modern Technology Couses	120.00 12.00	0 0	120.00 12.00
Foreign Aid Project	Housing Program carried out on Indian Government Assistance	Provision of secured houses for inhabitants living in disastress places	1,134.00 154.00	346.01 16.90	787.91 137.10

2.4.1 Foreign Aid Projects

The following observations are made.

(a) Performance of the foreign aid project

(i) A provision of Rs.1,288 million had been for the year 2017 for the housing program implemented on Indian Government Grants. Construction work of 1,134 housing units had been implemented as the first stage of this project and the construction work of 100 houses had been completed by the end of the month of December 2017, and the balance 1,034 houses had remained at various construction stages. The government had spent a sum of Rs.17 million for this housing project for the year 2017 and the total expenditure by the end of the year 2017 amounted to Rs.365 million, out of which the overall local funds spent up to now amounted to Rs.19 million. Even though, a provision of Rs.154 million had been made for the year 2017 for such projects under the government funds, only a sum of Rs.16.895 million had been spent.

(ii) Even though, a provision of Rs.120 million had been made under the foreign aids for the improvement of Hatton Vocational Training Institute under the Indian Government Grants, such provisions had not been utilized during the year 2017 as the preparation of project proposal to be prepared by the Ministry had been delayed.

2.4.2 Construction of houses on Public Private Co-partner basis

The following observations are made.

(a) According to the agreement entered into with a Company by the Ministry on 07 September 2017 for the construction of a house valued at Rs.900,000, the Ministry the company and the beneficiary use Rs.500,000, Rs.350,000 and Rs.50,000 respectively. The Ministry had spent a cost of Rs.5,000,000 for 10 houses and the Treasury approval obtained therefor was not made available to audit.

(b) The company mentioned in paragraph (a) above, had been incorporated in Sri Lanka since the year 2006 and it was observed that its main source of income according to the financial statements of the company was foreign aids. Accordingly, discussion have to be made with the Director General of the Department of External Resource as it is a project under foreign aids in terms of Financial Regulation 610 in respect of that project. However, any letters whatsoever had not been exchanged with the Treasury and the evidence to ensure whether the money spent by that non-governmental organization for the year 2017 had been accounted was not made available to audit. It was stated that the Ministry had entrusted to construct 10 houses to that company on the proposal made by that company itself and the selection of beneficiaries had also been done by that company.

2.5 Ascertainment of supplies and services by procurement process

Incurring expenditure from the provisions made by the annual budget estimates approved by Parliament and the provisions from supplementary estimates for the year 2017 relating to the following expenditure objects should have been done in accordance with the provision of the Government Procurement Guideline the Ministry had made a provision of Rs.2,009.61 million for obtaining supplies and services by following procurement guidelines and a sum of Rs.1,445.61 million had been utilized therefrom. Accordingly, a sum of Rs.564 million or 28.06 per cent of the provision had been saved.

2.5.1 Planning of Procurements

Provision of Rs.2,009.61 million had been made by the Ministry in the year under review for the fulfilment of supplies and services by following procurement guidelines, out of which a sum of Rs.1,445.61 million had been utilized. Observations on procurement plans prepared in respect of the provisions made are as follows.

(a) Planning procurements and its primary stage

The following observations are made in respect of the examination of plans and documents.

(i) Master Procurement Plan – Not available
(ii) Procurement Package Summary – Not available
(iii) Primary Procurement Plan - Not available
(iv) Documents required for obtaining the special approval relating to the identified procurement - Not available
(v) Development of Specifications, designs, creations etc. - Not available

(b) Pre contract phase

The following observations are made in respect of documents and plans to be prepared under this phase.

(i) Each contract package and procurement time schedule - Not available
(ii) Detailed Procurement plan for works, goods and services - Not available
(iii) A detailed procurement plan for consultancy services - Not available

(c) Post contract phase (Contract Administration)

The following observations are made in respect of the preparation of documents and plans under this phase.

(i) Contract Administration Plan - Not available
(ii) Cash outflows connected with the contract administration plan - Not available

2.5.2 Implementation of Procurement Process

The following observations are made.

(a) Matters observed on contract administration existed in the Ministry in respect of projects perform by the Plantation Human Development Trust.

(i) All construction works perform by the Plantation Human Development Trust are carried out by the Estate Workers Housing Co-operative Societies on behalf of the Ministry having being entered into agreements. In terms of procurement guidelines and paragraph 3.9.4 of the procurement manual, the contracts more than the total value of Rs.2 million should not be awarded to the Co-operative Societies and the total number of contracts to be performed by a society within a specific period should not be exceeded three. However, in excess of the limits stated in the procurement guidelines, all constructions relating to each estate societies had been awarded to those societies and sub contracted by those societies on the contrary to the procurement guideline 3.9.1. Furthermore, the Plantation Human Development Trust which is a private entity had entered into contracts for construction works on behalf of the Ministry but the approval for such work was not made available to audit.

(ii) Provisions of Rs.329 million and Rs.19.7 million had been made in respect of 18 housing projects consisting of 392 housing units during the year 2017 within the Kandy and Matale Districts under the Grinhold Housing Project and as management fees therefor respectively and a sum of Rs.173.7 million had been paid as at 31 December 2017 and also there was a liability of Rs.155.2 million. Of the management fees, a sum of Rs.7.5 million had been paid. Constructions of 6 projects consisting of 106 units of houses for which a sum of Rs.100.5 million had been spent were physically verified. The raw materials used for the houses subjected to physical verification had been substandard and low quality and constructed by employing unskilled labourers devoiding any standards.

(iii) Even though the construction works of 50 houses had been awarded to the Plantation Human Development Trust of Ministry for a sum of Rs.50 million under the pre-finished contract method as a pilot project construction of that project had been sub-contracted to the Co-operative Society belongs to the Trandon Estate Society by the Plantation Human Development Trust. Contrary to the government procurement guidelines, this construction works had been sub-contracted again by that estate society to another society registered on 09 December 2016.

(iv) According to the guideline 8.9.1 of the government procurement guidelines, a written agreement should be entered into for any works contract exceeding the value of Rs.250,000. However, no evidence was made available to audit to ensure whether a formal agreement for awarding the contract including other condition up to now had been entered into with the Plantation Human Development Trust or with the contracted company by the Ministry.

(v) In terms of guideline 8.12.1 (a) of the government procurement guidelines, the procurement entity (Ministry) should be responsible to ensure whether all activities of the construction works of projects had been supervised and assessed and before taking over, the quality of services and works performed should be independently examined. Nevertheless, it was observed at test examination that except the certification of estimates relating to projects performed by the Plantation Human Trust, supply of consultancy services, selection of contractors supervision cash payments etc. had not been done accordingly.

- In awarding the tender for the construction of 184 houses at Kotiyagala, without checking pre-qualifications, without being evaluated the 4th minimum price and without transparency, the contractor who had submitted the 5th minimum price had been selected and agreement had been entered into with the contractor on 23 May 2016. The following observations are made in this connection.
    - Dates of commencement and completion were not indicated in the agreement.
    - No any conditions were stated. Apart from conditions action taken had not been stated.
    - Value of contract was not indicated.
    - Anything about demurrage charges was not mentioned.

(b) At the physical verification carried out in respect of constructions valued at Rs.1,392.73 million out of constructions carried out during the period from 2014 to 2017 in the Nuwara Eliya District and the provision of infrastructure facilities valued at Rs.23.30 million the following matters were observed.

(i) The Plantation Human Development Trust had not checked the ability of the entities to complete the construction works to which sub-contracts had been awarded by estate societies. Field inspections observed that contracts to be awarded to the registered contractors with the Construction and Training Development Institute had been performed by contractors who did not sufficient ability and persons not registered as contractors.

(ii) There were vast differences between the standard building rates in the industrial field and the estimates. It was observed that the estimate of the Plantation Human Development Trust relating to the “Green Gold Housing” project plan and the estimate prepared on the standard building rates existed within the Nuwara Eliya District was more than 30 per cent that of the estimate of the Plantation Human Development Trust.

(iii) The Plantation Human Development Trust had entered into agreements with co-operative Estate Societies and projects of the Ministry had been awarded to such co-operative societies. Without checking the construction ability, those projects had been sub-contracted. Accordingly, it was observed that projects worth more than Rs. One thousand million per year had been given to contractors away from the procurement process.

(iv) Even though, recommendations of the National Building Research Organization had been obtained prior to the fulfilment of all projects, it could not be satisfied in audit that action had been taken in accordance with those recommendations. In addition, after being constructed houses, approval should be obtained before being inhabited ensuring that houses had been constructed in accordance with the recommendation of the National Building Research Organization, but evidence to ensure such an approval had been obtained was not made available.

2.6 Assets Management

Audit test check carried out in respect of assets of the Ministry revealed the following weaknesses.

(a) Vehicle Utilisation

(i) The Ministry had existed 122 vehicles and motor cycles by the end of the year under review out of which only 30 vehicles belonged to the Ministry and 3 vehicles had been obtained on rent basis and the balance 89 vehicles belonged to the Thondaman Memorial Foundation of the above 122 vehicles, 13 had been assigned vehicles by the ministry and 84 motor cycles belonged to the Thondaman Memorial Foundation had been assigned to coordinating officers and used them. Accordingly, 3 vehicles and one vehicle of the balance 25 had remained without being operated during the entire year and 10 months respectively. The balance 21 vehicles were used as pool vehicles. Running Charts of 4 vehicles for one year, 2 vehicles for 9 and 6 months out of the balance 21 vehicles were not made available.

(ii) The Ministry had 122 vehicles by the end of the year under review. Twenty Seven vehicles for which information was made available to audit thereof, (except leasing vehicles) 532,998 km had run as detailed below and a total sum of Rs.24.96 million, comprising Rs.1.94 million for fuel and lubricants for 19 running vehicles (except 2 leasing vehicles) Rs.11 million for servicing of 25 vehicles, Rs.9.96 million for repairs and Rs.2.06 million for insurance had been spent. Accordingly, the Ministry had spent a sum of Rs.47 per km for running vehicles, except for drivers salaries and other allowances.

	Type of vehicles	No.of vehicles	Value	Other expenses except drivers salaries and allowances	No.of km run	Expenditure per km run
			Rs.	Rs.	Km	Rs.
1.	Jeeps	8	101,100,000	7,787,000	233,712	33
2.	Motor cars	8	22,080,000	3,093,541	106,349	29
3.	Cabs	9	37,270,000	14,029,508	187,868	75
4.	Motor cycle	2	399,000	45,820	5,469	8
	Total	27	173,689,000	24,955,869	532,998	47

The following observations are made in this connection.

(i) Repairs

According to the vehicles record of 01 January 2017, it was observed that one jeep valued at Rs.4.5 million and a motor car valued at Rs.2.4 million had remained idle during the period from 06 January 2016 and 03 March 2017 to 26 July 2018 respectively without being repaired.

(ii) Other observations

- In terms of assets management circular No.01/2017 of 28 June 2017, information in respect of 91 vehicles existed under the Saumayamorthi Thondaman Foundation but acquired by the Ministry had not been presented to the Comtroller General's Office when information on assets was sent. Information in respect of 88 vehicles existed under the Saumayamorthi Thondaman Foundation was not made available to audit in the information on vehicle presented by the Foundation.

- The annual physical verification which should be conducted in terms of Financial Regulation 756 and 757 in respect of vehicles had not been conducted.

(b) Vehicle utilisation under the finance and operating leasing method

The Ministry had obtained 3 vehicles under operating leasing method and the lease instalment of Rs.1.02 million and a sum of Rs.99,067 for fuel and lubricants had been paid therefor and 5,759 km had been operated by those vehicles. Accordingly, Rs.193 had been spent for running one km. Particulars are as follows.

	Class of Vehicle	No.of Vehicles	Annual Lease installment value	Other expenses except drivers salaries and allowances	No.of km Run	Expenditure per km run
	------------	-------------	--------------	---------------	--------------	--------------
			Rs.	Rs.		
1.	Van	01	1,019,400	99,067	5759	193
2.	Double Cab	02	2,275,831	-	-	-

The following observations are made in this connection.

(i) According to a operating leasing agreement entered into by the Ministry, it was agreed on 07 July 2017 to run the van 3000 km per month subject to a minimum monthly payment of Rs.169,000 (excluding VAT) and a sum of Rs.20 per km (excluding VAT) exceeding that limit. Accordingly, the minimum number of km to be run for 6 months from July to December 2017 amounted to 18,000 km. Instead, that vehicle had run only 5759 km for 6 months, as a range from 355 km to 1541 km per month and paid a sum of Rs.1,019,400. Accordingly, that van had spent Rs.177 for running one km in addition to the full cost.

(ii) It was informed the audit that particulars of number of km run by 2 double cabs obtained by the Ministry under operating leasing method during the year 2017 were not available with the Ministry.

(c) Expenditure incurred on maintenance of offices

The Ministry belongs only one building and the office is operated in a rented building at an annual rental of Rs.31.67 million. The annual cleaning charge and the security charge amounted to Rs.2.98 million and Rs.1.92 million respectively. Accordingly, the total expenditure for the building amounted to Rs.36.57 million. The following observations are made in this connection.

(i) Even though an attendance register was maintained for the building where the Ministry was located, it had not been subjected to supervise daily by the Establishments division. It was revealed that the attendance register was under the charge of the officer in charge and that register was used by the Ministry for payment purposes. Accordingly, it was observed that very weak control system existed therein.

(ii) As the computation errors existed in the application of the selected entity in the cleaning service procurement process had not been rectified, in entering into agreement it was agreed to make an over payment of Rs.1,132 per month, and as such it was observed that an over payment of Rs.16,983 had been made for the period April 2016 to July 2017. It was observed that there was a weak control over in and out of the cleaning service employees and an over payment of Rs.49,474 had been made contrary to the agreement in terms of finger print marks and the attendance register during the period of 3 months subjected to test check.

(d) Conducting annual Board of Surveys

The following observations are made.

(i) In terms of Public Finance Circular No.05/2016 of 31 March 2016, the Board of Survey for the year 2017 should have been conducted and the reports thereon should be submitted to the Auditor General before 15 June 2018 in terms of paragraph 3.2.6 of the circular, but such reports had been submitted to the Auditor General only on 27 August 2018.

(ii) The approval of the Cabinet of Ministers bad been granted on 29 June 2016 to transfer all movable and immovable properties of the 4 entities viz; Pool Bank Vocational Training Centre, Ramboda Cultural Centre, Norwood Sports Complex and Prajashakthi Centre operated under the Saumayamorthi Thondaman Memorial Foundation. However, action had not been taken to survey such properties to take over the property and to prepare and submit reports in terms of Financial Regulation 755(1) and (2) even by 12 April 2018. As a result, it was observed in the examination that the assets belonged to those 4 entities had not been sent to the Comtroller General's Office by the Ministry in terms of assets management circular No.1/2017 of 28 June 2017.

(e) Assets given to external parties

The building with the milk bar located at the ground floor of the Ministry building had been given on lease to an external party by the Welfare Division of the Ministry without entering into an agreement. It was observed that electricity and water expenses of that milk bar had been borne by the Ministry.

2.7 Commitments and liabilities

The following observations are made in this regard.

(a) Committing Liabilities exceeding the annual budget limits.

(i) It was observed that according to the agreements entered into with external entities by the Ministry for incurring expenditure under operating programme to be shown as commitments to 3 vehicles taken on rent basis, commitments to be made for obtaining security service and cleaning service, and the liabilities incurred based on the commitments totalling Rs.15.09 million for the year and the commitments at the end of the year accordingly, had not been shown in the appropriation accounts.

(ii) Even though, it was stated in the appropriation account of the Ministry under development programs the reason for incurring commitments and liabilities as "Entering into agreements at the end of the year" for commitments relating to the following liabilities no agreements were entered into. Furthermore, documents (contract documents, liabilities registers) as sufficient evidence to check the accuracy of balances were not made available.

(iii) Agreements not made available to audit relating to operating programs entered into with external entities by the Ministry had also existed and their values had not been included as commitments in the appropriation account (eg; Building Services agreement, Air conditioner service agreement). However, a liability of Rs.2,639,250 relating to the building service agreement for the year 2017 had only been included in the account, as commitments.

(b) Overstatement of liabilities

(i) The Ministry had entered into an agreement with 2 East Lanka Private Companies on 23 May 2016 and 20 April 2016 respectively for the total value of Rs.212.96 million and only a sum of Rs.83.61 had been paid thereof during the year 2016. Accordingly, the commitment for the year 2017 amounted to Rs.129.36 million but a liability of Rs.151.30 million under these agreements had been shown in the appropriation account. Accordingly, a sum of Rs.11.29 million for one private company and Rs.10.65 million for the other private company had been shown as liabilities, exceeding their agreements.

(ii) Liabilities of Rs.3.24 million relating to 2 objects payable by the Ministry had not been noted in the appropriation account. On the contrary to Financial Regulations 94(1), commitments of liabilities in excess of the provision, relating to 7 objects amounted to Rs.5.56 million.

2.8 Irregular Transactions

Certain transactions made improperly by the Ministry. Certain such instances observed appear below.

(a) Transactions not paid in terms of Financial Regulation 139

(i) All housing constructions done prior to the year 2017 under the Estate Housing Development Programme had been awarded to the Plantation Human Development Trust without entering into any agreements. They had sub contracted and constructed through estate co-operate societies to other entities. However, it was observed that cheques were issued by the Ministry in the name of the Plantation Human Development Trust. A sum of Rs.1,346.50 million had been paid during the year 2017 to the Plantation Human Development Trust for the "Nawajeewana" and "Green Gold Housing Programme". It was observed that receipts for all these payments, acknowledging the receipt of money were not available.

(ii) According to the progress reports presented by the Ministry in respect of the implementation of housing projects, the construction work of which were given sub-contracts under the estate employees co-operative societies by the Plantation Human Development Trust, it was observed that, payments amounting to Rs.1.17 million had been made in excess of the provision for housing projects.

(iii) In terms of the letter (ideagraph) signed on 14 June 2017 between the Plantation Human Development Trust and the Estate Authority for the housing construction project under the premative concrete method, the date of commencement and the date of completion of the project had been 17 May 2017 and 16 November 2017 respectively. However, out of the estimated amount of Rs.50 million in respect of this project, a sum of Rs.33 million had been paid to the Plantation Human Development Trust by 21 December 2017 by the Ministry. Nevertheless, any house whatsoever had not been completed and handed over even by 31 December 2017.

(b) Recovery of loans from beneficiaries and crediting to the Treasury not properly done
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(i) In terms of Housing construction guideline 9.2 up to 31 December 2016, it was the responsibility of the Estate Authority and the Estate Employees Co-operative Society to recover the amount properly every month and remit it and that money should be brought monthly and sent it direct to the Ministry before 15th of ensuing month to be credited to the Consolidated Fund. Nevertheless, the above entities had not made aware appropriately as granting loans and selection of loan applicants had been done by the Plantation Human Development Trust. It was observed that loan recoveries are collected by that Trust. According to the final accounts of the annual report of the Plantation Human Development Trust, the balances so collected but not remitted to the Ministry amounted to Rs.30.85 million, Rs.37.75 million and Rs.33.25 million as at 31 December 2015, 2016 and 2017 respectively. Even though, the audit had pointed out in the previous year about the money not remitted to the Ministry as well, the Ministry was able to recover in the years 2016 and 2017 amounted only to Rs.7.59 million and Rs.7.47 million respectively. Accordingly, it was observed that the government money had been misused.

(ii) According, to the report given by the Director, Development on debt recovery, it was informed that as the recovery of Rs.958,405 from estates in the year 2015, a sum of Rs.975,820 recovered by cheques of the Housing Fund, Rs.649,613 from estates in the year 2016 Rs.9.20 million from estates in the year 2017 and Rs.1.26 million recovered by cheques of the Housing Fund had not been remitted to the Ministry, a sum of Rs.17.11 million payable to the Plantation Human Development Trust by the Ministry as management fees had been set off in the year 2017. Accordingly, the total loan balance recovered as at 31 December 2017 amounted to Rs.30.15 million and this total amount should have been credited to the Treasury as at that date. However, only a sum of Rs.17.62 million had been credited to the Treasury from the debt recoveries from 2015 to 31 December 2017. Accordingly, the balance of Rs.12.53 million was not even in the general deposit account and as such it was observed that the set off management fees balance had not been correctly accounted as an expenditure and a revenue.

(iii) As stated in paragraph 9.2 of the guidelines existed prior to the year 2017 relating to the implementation of projects under the Nawajeewana Estate Housing Development Programme, recover of debts from beneficiaries should be started from the 3rd month since the opening of housing projects. However, during the year 2011 to the beginning of the year 2017, loans of Rs.442.94 million had been paid under the Nawajeewana Estate Housing Development Programme and Green Gold Project. The recoverable amount from those loans was Rs.236.46 million comprising a sum of Rs.232.24 million from Nawajeewana Estate Houses and Rs.4.11 million from Green Gold Estate houses. However, according to the report rendered by the Director, Development, the total loan balance recovered was only Rs.30.15 million. Accordingly, average debt recovery rate as at 01.01.2017 was only 7.45 per cent of the total loan amount and as such it was observed that debt recovery process had been at a very feeble level as it was not properly monitored.

(iv) According to the guidelines made available by the Ministry, it was stated in the first paragraph that 4 per cent interest is recovered on housing loans granted. However, in terms of circular No.261/2017 of 21 December 2017 of the Department of State Accounts, a report on government revenue, report on the arrears of revenue in respect of the above interest recoveries had not been presented to the Audit General.

2.9 Responsibility on losses

As a road accident happened on 12 February 2017 to a vehicle assigned to the Ministry, an expenditure of Rs.403,700 had to be incurred for repairs it but the Insurance company had agreed to pay only Rs.176,325 on 09 December 2017. Further, according to the decision of the Gampaha Magistrates Court dated 20 February 2017, reasons for the accident stated that the driver had not made an attempt to prevent this accident and driven the vehicle negligently and without being controlled. Action had not been taken to prepare the full report in terms of Financial Regulation 104(4) in this regard and to identify the responsible party and to recover the loss even up to 16 April 2018.

2.10 Unresolved audit paragraphs

References to the paragraphs in respect of which the Ministry had not rectified the deficiencies pointed out in the audit paragraphs of the Auditor General's reports relating to the Ministry are as follows.

Reference to the Auditor General's Report		Subject Matter
Year	**Para No.**	
2016	3.10	An expenditure of Rs.1.03 million had been spent for the repair of an assigned vehicle which met with an accident on 22 August 2016. Even though, this accident should have been reported to the policy in terms of Financial Regulation 103(1) (a) it had not been done. The preliminary report in terms of Financial Regulation 104(3) had been prepared on 09 January 2018 but action had not been taken to prepare the full report in terms of Financial Regulation 104(4) to identify the responsible party and to recover the value of loss as this vehicle was covered with only 3rd party insurance, resulting the full amount being a loss to the government, even up to 16 April 2018. Payments made by the Ministry for projects performed by the Plantation Human Development Trust and maintenance of books and records.
2016	3.7(f)(i)	In the execution of projects, Ministry had not entered into agreements with other entities and the Plantation Human Development Trust which monitors all project activities entrusted to implement those project to Estate Co-operative Societies. Thereafter they sub-contracted those projects. In making payments by the Ministry, all cheques were not directly issued to the contractors, instead, they were written in the name of Plantation Human Development Trust and as such there were delays in getting money by sub contractors. It was also observed in audit that there would be a possibility of misuse of government money and delays in the construction of projects, retained that money by the Plantation Human Development Trust.
2016	3.7(f)(ii)	Audit observations in the year 2015 had pointed out that the Accounts Division directly issued cheques to the officers of the Development Division. Accordingly, if the cheques received

		by the Development Division were sent by post or hand delivered, a register in terms of Financial Regulation 388 should be maintained by that Division in respect of all cheques issued to the Plantation Human Development Trust indicating the date of cheques number of cheque, bank by which money is pond thereto, amount of cheque, reference to voucher number, date of despatch, date of acknowledgement of payment, initial of officers responsible for despatch. Even though, it was stated in the previous year as well, such a register in respect of cheques issued to the Plantation Human Development Trust had not been maintained.
2016	3.7(f)(iv)	In terms of Financial Regulations 501(c) and 502(b) loans, given to the house recipients, accounting of part payment made on claims and the conditions imposed in granting authority for payments, to ensure the recovery of full amount, prompt recovery of receivables and to record all transactions in respect of achieving a satisfactorily progress of the relevant purpose, action had not been taken to maintain books and records.

2.11 Management Weaknesses

The following weaknesses were observed at audit test checks.

(a) According to the ruling of the Construction and Training Development Institute, the demurrage charge per day should be 1/2000 of the contract sum and the retention money should be 10 per cent. Nevertheless, on the contrary retention money and the demurrage charges in the housing construction agreements had been agreed as 2.5 per cent and Rs.500 per day respectively.

(b) In the examination of vouchers in the year 2017 as a sample in respect of contract payments, receipts for certain cheques issued had not been received from the Plantation Human Development Trust in the acknowledgement of the amount in terms of Financial Regulation 264.

(c) Even though 12 audit queries for the year 2017 had been issued by the government audit division, replies to 9 of them had not been given through it was delayed for 2 to 1 months, even by 10 September 2018.

2.12 Accomplishment of services to public

The following observations are made.

(a) Acceptance of public complaints

Even though, a web site had been created for the Ministry, it was observed that a methodology to accept public complaints had not been prepared and even a register was not maintained.

(b) Public representations stated that mostly needy persons suffering from poverty and do not have an ownership of a house are not getting houses and there was no formal method in selecting persons as well. As the Ministry does not have a methodology to select house recipients, entities such as the management of the estates and Plantation Human Development Trust select and determine the recipients without any transparency and as such it was observed in audit that discrepancies might be happened.

(c) As the relevant report obtained from the Earth-slip Research and Risk Management Division of the National Building Research Organization in the construction of houses for this project on 08 June 2016, even after awarding the contract on 23 May 2016 for the construction of 140 houses at Kotiyagala, those recommendations had been disregarded in the preparation of specifications required to be included and the physical verification carried out on 26 November 2017 observed that those specifications had not been followed and used for the construction of houses as described below.

(i) Land in which houses were constructed was a severe declivitous land and the land in which houses were constructed had been subjected to rigid soil erosion and a menace for the existence of certain houses. Access road had also not been completed.

(ii) Even though, keys of houses had been handed over none of them had inherited as electricity and water was not supplied to the houses.

(d) The Secretary to the Ministry had informed the contractor on 20 January 2017 stating that even one house had not been completed and handed over up to now, a senior technical officer had not been appointed to the work site for the last 6 months, since that date, an Engineer had not been appointed as agreed upto date and the performance had been at a very feeble level. However, despite the work had not been completed as per agreement on due dates he got the period of contract agreement extended from time to time by adducing unfair reasons.

(e) Furthermore, according to the letter dated 15 August 2017 of the Deputy General Manager of the Kotiyala estate stated that only 40 houses out of 184 had been completed and the contractor had halted the project half way after June 2017, even though the land for the construction of houses had been identified and the officers of the Plantation Human Development Trust or the Ministry had not come to supervise the construction worksite. At the physical verification carried out by audit on 26 November 2017 the above position was established.

2.13 The extent of existing land for tea plantation probably be gradually move away at a long run

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According to the decision No. අමප/15/0364/612/012 dated 23 April 2015 of the Cabinet of Ministers, approval had been granted as a policy to give the land ownership and the real proprietary of a house to a estate worker. Accordingly, the Ministry of Plantation Industries had decided to give the legal ownership of a land, 7 purchase in extent and a house to the relevant beneficiary. However, persons who engaged in other employment but non-estate workers had also been selected as beneficiaries. Accordingly, audit examination revealed that the number of workers working in the estate out of these beneficiaries had been as low as 28 per cent.

2.14 Utilisation of provisions made by Parliament for the fulfilment of functions

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Particulars of provisions made to the Ministry, their utilisation, savings and audit observations thereon are given below.

Year	Type of Expenditure	Net Provision	Utilisation	Savings	Savings as a percentage of net provision
		Rs.Mn	Rs.Mn	Rs.Mn	
2013	Recurrent	189.28	188.93	0.35	0.18
	Capital	152.06	135.24	16.82	11.06
	Total	**341.34**	**324.17**	**17.17**	**5.19**
2014	Recurrent	390.33	388.04	2.29	0.59
	Capital	4,441.57	4,301.16	140.41	3.16
	Total	**4,831.9**	**4,689.2**	**142.7**	**2.95**
2015	Recurrent	322.03	271.08	50.95	15.7
	Capital	824.44	785.80	38.64	4.7
	Total	**1,146.47**	**1,056.88**	**89.59**	**7.8**
2016	Recurrent	223.42	189.12	34.30	15
	Capital	1,573.58	1,094.97	478.61	30
	Total	**1,797.00**	**1,284.09**	**512.91**	**29**
2017	Recurrent	335.38	308.48	26.89	8
	Capital	4,032.51	2,116.24	1,916.27	47
	Total	**4,367.89**	**2,424.73**	**1,943.16**	**44**

The following observations are made in this regard.

Appropriation Account

(i) Non-utilisation of provisions made

The entire provision of Rs.132.02 million made for 2 objects had been saved without being utilized any provision.

(ii) Making over provisions

As over provision totalling Rs.951.66 million made for 9 expenditure objects, only a provision of Rs.559.84 million had been utilized and the savings of the total net provision ranged from 11 per cent to 89 per cent.

(iii) Provisions made through the supplementary estimates

Out of the provision of Rs.21.15 million in 11 objects, Rs.7.85 million had been transferred to another objects via Financial Regulation 66. It represented 11 per cent to 100 per cent of the provision made to 11 objects. Accordingly, it was observed that provision had been made in excess of the requirement.

2.15 Advances to public officers account

The following observations are made.

(a) Limits approved by Parliament

Limits determined by Parliament and actual values in respect of advances to public officers account bearing item No.140011 relating to the Ministry are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
14.00	13.94	7.00	7.09	40.00	27.98

(b) Non-recovery of outstanding loan balances

According to the reconciliation statements made available to audit, outstanding balances as at 31 December 2017, except the balances of the officers who went on transfer totalled Rs.478,625. Even though, those balance remained outstanding for periods ranging from 01 to 3 years, follow up action on the recovery of outstanding balances had been at a week position.

2.16 Imprest Account

The following observations are made in respect of imprest account maintained by the Ministry.

(a) According to the imprest estimate prepared by the Ministry for the year under review, particulars of expected imprest monthly, requested imprest monthly and the receipt of imprest are as follows.

Month	Imprest to be requested as planned	Imprest requested	Imprest received	Difference between requested imprest and as planned	Difference between requested imprest and imprest received
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
January	276.14	127.00	77.8	149.14	49.2
February	328.33	65.00	18.97	263.33	46.03
March	328.64	100.00	18.97	228.64	81.03
April	376.87	100.00	73.27	276.87	26.73
May	326.86	125.00	100.21	201.86	24.79
June	285.42	160.00	131.1	125.42	28.9
July	292.4	500.00	219.1	(207.60)	280.9
August	276.74	200.00	136.37	76.74	63.63
September	276.85	375.00	231.2	(98.15)	143.8
October	280.23	610.00	219.1	(329.77)	390.9
November	275.77	610.00	293.94	(334.23)	316.06
December	39.41	800.00	381.04	(760.59)	418.96
Total	3,363.66	3,772.00	1,901.07	(408.34)	1,870.93

The following observations are made in this regard.

According to the reply received for the audit query, reasons for the savings of provisions stated as non -receipt of requested imprests. Accordingly, 50 per cent of the imprests requested for capital expenditure, or Rs.1,871 million was not received. Furthermore, it was observed that imprests of Rs.2,020 million or 53 per cent had been requested for capital expenditure during the last 3 months.

2.17 Non-maintenance of Books and Registers

Test check observed that the Ministry had not maintained the following registers and certain registers had not been properly maintained and not in an updated manner.

Type of Registers	Relevant Regulation	Observations
Register of liabilities	Financial Regulation 214/447 (4,5)	An incomplete register of liabilities had been maintained in a manner not to identify the balance liabilities in each month end and the differed (liabilities) commitments.
Security Register	Financial Regulation 891	The Ministry had not maintained a security register.

2.18 Non-compliances

In terms of Financial Regulation 702(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, all contract agreements signed by the Ministry with 3 copies and one copy should be submitted to the Auditor General but action had not been done accordingly.

2.19 Internal Audit

Financial Regulation 133 emphasised that the Accounting Officers should establish internal audit units in their Departments in order to perform his duties and functions as stated in Financial Regulation 128. The following observations are made in this connection.

(a) The internal audit unit consisted of the Chief Internal Auditor and only 3 other officers. According to the Circular No.DMA/2009/01 dated 09 June 2009 of the Department of Management Audit a sufficient number of officers with the knowledge of accounting, auditing and training had not been attached to the unit, in order to strengthen the Internal Audit Division.

(b) Replies to 3 internal audit queries issued on 24 March 2016, 09 November 2016 and 16 December 2016 had not been given even by 25 July 2018.

(c) During the period 20 March 2017 to 15 December 2017 31 internal audit queries had been issued for the year 2017 but replies to 12 queries thereof had not been given even up to 25 July 2018.

2.20 Human Resources Management

2.20.1 Approved Staff, Actual Staff and Personnel Emoluments

Particulars of approved cadre, actual cadre, number of vacancies and excess staff as at 31 December 2017 are given below. The Ministry had spent a sum of Rs.209.64 million for the year under review under the personnel emolument category. Accordingly, per capital expenditure amounted to Rs.866,275.

	Employees Category	Approved Cadre	Actual Cadre	No.of vacancies	Excess cadre
(i)	Senior Level	16	12	04	-
(ii)	Tertiary Level	04	01	03	-
(iii)	Secondary Level	295	207	88	-
(iv)	Primary Level	27	21	06	-
(v)	Casual/ Contract	-	01	-	01
	Total	342	242	101	01

The following observations are made in this connection.

(a) Got the cadre approved in excess of the requirement

(i) The above vacancies included 8 out of 20 Management Assistants posts, and 5 out of 12 Karyala Karya Sahayaka posts.

(ii) It was stated that in the preparation of salaries estimates in the annual estimates relating to the year 2018, it had been based on the actual employment of the Ministry in the year 2017. However, according to the approved cadre of the Ministry and the actual cadre as at 31 December 2017 it was observed that the approved cadre in the annual estimates and the actual cadre had exceeded by 297 and 92 respectively.

(iii) It was observed that salaries had been paid by the Ministry under other object bearing No.1409 (others) to 185 employees of the 4 entities viz; Pool Bank Vocational Training Centre, Ramboda Cultural Centre, Norwood Sports Complex and Praja Shakthi Centre not included in the above cadre and acquired on the decision of 29 June 2016 taken by the Cabinet of Ministers and to 15 employees of the Saumayamoorthi Thondaman Memorial Foundation (Head Office) not in the above approved cadre. Particulars are as follows.

	Type of Employees	Approved Cadre	Actual Cadre
(i)	Pool Bank Vocational Training Centre	56 *	35
(ii)	Ramboda Cultural Centre	10	11
(iii)	Norwood Sports Complex	35	5
(iv)	Prashakthi Centre - permanent	-	102
	- Contract	158	32
(v)	Thondaman Memorial Foundation	29	15
	Total	288	200

Particulars of approved cadre was not made available to audit and the following observations are made in that connection.

- It was observed that the cadre attached to the Pool Bank Vocational Training Centre which was under the Saumayamorthi Thondaman Foundation acquired by the Ministry, subsequently, had not been approved by the Department of Management Services or any other institution.
- The approved cadre of the Plantation Community Communication facilitators serve under this Ministry amounted to 255 and the existing cadre at present amounted to 179 they had been attached to the Divisional Secretariats and the Housing Trust Fund existed regionally. Even though, they had been given list of duties to supervise the projects implemented under those housing trust Funds, they did not have the opportunity to fulfil those duties as per statements given by them. Further, it was stated in the assignment of duties to them that their supervision reports should be submitted for the contract payments, the Ministry had made payments irrespective of those reports and it was therefore observed that they had not been effectively employed for the performance.

(b) Staff Training

Training of staff of the Ministry continuously should be an inevitable requirement and the particulars submitted on training of its staff observed the following.

(i) Number of officers not trained even a minimum of 8 hours per year amounted to 34.

(ii) As compared the provisions made for training for the last 5 years with the utilisation, it was observed that 98 of the provision had been utilized except for the year 2015. Particulars appear below.

Year	Net provision	Expenditure	Savings	Utilisation of Provision as a percentage
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	Rs.	Rs.	Rs.	
2013	710,000	698,640	11,360	98.4
2014	3,520,000	3,508,859	11,141	99.68
2015	1,560,000	988,436	571,564	63.36
2016	1,000,000	997,876	2,124	99.79
2017	900,000	896,684	3,316	99.63

2.21 Keeping securities by government officers

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A security register had not been maintained by the Ministry to ensure whether officers required to give security had kept security in terms of Financial Regulation 880.