

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Hill Country, New Villages, Infrastructure and Community Development for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Hill Country, New Villages, Infrastructure and Community Development was issued to the Chief Accounting Officer on 30 May 2019 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Ministry was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11(2) of the National Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ministry of Hill Country, New Villages, Infrastructure and Community Development as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 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 Responsibility of the Chief Accounting Officer on the Financial Statements

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

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

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement, of the financial statements, whether due to fraud or error design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional, omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

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

1.5 Report on Other Legal Requirements

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

Since there was no requirement for the Ministry of Hill Country, New Villages, Infrastructure and Community Development to prepare financial statements for the preceding year, it could not state that the financial statements presented were consistent with the preceding year and therefor recommendations on the financial statements had not been made.

1.6 Comments on Financial Statement

1.6.1 Statement of Financial Performance

The following Observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Direct remittances amounting to Rs.1,407,650 had been credited during the year 2018 to the current account maintain at the Bank of Ceylon. But action had not been taken to identify those receipts and include in the Statement of Financial Performance as at 31 December 2018 and credit to the government revenue.	Bank reconciliation statements should be prepared as at the due date and the revenue related to the year should be identified and accounted.	Out of the direct remittances amounting to Rs.1,407,650 for the year ended 31 December 2018 ,a sum of Rs.959,387.60 has been settled as at 30.04.2019 and a sum of Rs.448,262.03 remained unsettled as at that date. Of this, a sum of Rs.285,601 was taken to the cash book and necessary action will be taken to take the balance sum of Rs.137,661.03 to the Cash book.
(b) Non – revenue receipts amounted to Rs.1,800,206,000 and instead of showing this in the Statement of Financial Performance, a sum of Rs.1,839,817,825 had been shown, including a sum of Rs.39,611,825 received from other sources.	Financial Statement should be prepared in terms of Public Accounts Circular No.267/2018 dated 21 November 2018	Matters pointed out are agreed with Action will be taken to follow the matters pointed out while preparing the Statement of Financial Performance for the year 2019.

1.6.2 Statement of Financial Position

The following Observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>Although a sum of Rs.240,865,352 should have been shown in the Statement of Financial Performance for the year under review as balance of the property plant and equipment; it had been shown as Rs.235,409,551 less by Rs.5,455,801.</p>	<p>Financial Statements should be prepared in terms of Public Accounts Circular No 267 / 2018 dated 21 November 2018</p>	<p>The amount of Rs.235,409,551 shown as the balance as at 31.12.2018 according to form A.C.A.6 in the Financial Statement is correct. Action will be taken to rectify these deficiencies while preparing the Financial Statements for the year 2019.</p>

1.6.3 Cash Flow Statement

The following Observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The net cash Flow generated from operating activities had been overstated by Rs.1,417,524,872 and the net cash Flow generated from investing activities had been understated by Rs.147,514,872.As such the net cash flow had been overstated by Rs.10,000.</p>	<p>Financial Statement should be prepared in terms of Public Accounts Circular No 267 / 2018 dated 21 November 2018</p>	<p>The Cash Flow Statement was introduced in year 2018 for the first time and it is agreed that deficiencies were occurred while preparing the Cash Flow Statement by adjusting cross entry receipts and payments. Action will be taken to minimize these type of errors while preparing Financial Statements during 2019</p>

1.6.4 Reconciliation Statement on Public Officers Advances Account

The following Observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The difference of debit balances</p>	<p>The accounts should be kept</p>	<p>The deficiency pointed out is</p>

and the difference of credit balances between the monthly accounting summaries and the Treasury Printout with regards to the Advance Account should be shown in the Adjustment Account as Rs.198,884 and Rs.3,788,379 respectively. However, the debit balance had been shown as Rs.2,475,360 and the credit balance had been shown as Rs.6,258,235 in the Adjustment Account.

(b) There was a difference of Rs.6,042 between the balance as pre-Treasury Printouts as at 31 December 2018 and the book balance of the account submitted and the reasons for the difference had not been identified even by 10 May 2019.

(c) Action had not been taken to recover the sum of Rs.326,582 due from 03 officers who had left the service by 31 December 2018.

(d) It was observed that the maximum limit of expenditure of the Advances to Public Officers ‘ B ’ Account under No; 14001 had been exceeded by Rs.655.

according to the provisions of the Public Accounts Circular No 267 / 2018 dated 21 November 2018 and the Financial Statement should be prepared accordingly.

Steps should be taken to maintain registers, books and records correctly.

Action should be taken to recover loans in terms of the instructions of Section 4.5 of Chapter xxiv of the Establishments Code.

Expenditure should not be incurred in excess of the maximum limit of expenditure under Subject No 14001 of Schedule 03 of the Annual Appropriation Act.

agreed with. This difference was occurred due to preparation of taking adjustment account into account the total debit and credit balances of 11 and 12 of the Advances Account based on the Treasury Printouts. Financial Statement for the year 2019 will be prepared in a manner to avoid these types of deficiencies.

The difference pointed out in the Audit Reports is accepted. Action will be taken to identify and rectify this difference which is brought forward from the years prior to 2018, while preparing the account for the year 2019.

The deficiency accrued is accepted.

Deficiency pointed out in the Audit Reports is accepted. Approval had been given for Rs.15 million for the year 2018 and a sum of Rs.16,675,655 had been spent. A Cabinet memorandum was submitted to obtain the approval for the money spent in

excess.

1.6.5 Deposits

The following Observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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The difference between the balance as at 31 December 2018 as per the Register and the Treasury Printouts for the General Deposits Accounts was Rs.329,397.	Action should be taken to reconcile the books of the Ministry with the books of the Treasury.	Action will be taken to identify the difference pointed out in the audit report and to rectify the same.

1.6.6 Property Plant and Equipment

The following Observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) According to the Treasury Printouts, purchase of plant and equipment as at 31 December of the year under review amounted to Rs.6,761,702. But, it had been shown in the statement of Non – Financial Assets as Rs.1,305,901. Therefore, purchases had been understated by Rs.5,455,801.	Action should be taken to maintain correctly the registers and records maintained by the Ministry.	Although the purchases for the year was shown as Rs.1,305,901, it is accepted that the correct amount which should be shown is Rs.6,761,702.
(b) According to the Treasury printouts and the monthly accounting summaries of the year under review, purchase of furniture, office equipment and machinery amounted to Rs.6,806,702. But according to the register of Fixed Assets, the value of purchases during the year	Action should be taken to maintain correctly the registers and records maintained by the Ministry.	It is accepted that there are understatements and overstatements in the vote Leger as pointed out by the Audit Report. Most of the officers came on new appointments works in the

under review amounted to Rs.11,980,714 showing a difference of Rs.5,219,012.

Accounts Division. Therefore, defective accounting entries have been made Action will be taken to minimize these defects in future.

1.6.7 Non – maintenance of Registers and Books

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Recovery of Loan Interest ----- According to the directions forwarded by the Ministry it has been mentioned that an interest of 4% is charged for the loans granted for construction of houses. However, books and records had not been maintained to recognize the information on recovery of the above income, revenue from loan interest received during the year or loan interest receivable.</p>	<p>Action should be taken to maintain books and records in accordance with Financial Regulations</p>	<p>It is kindly inform that separate files are maintained for recovery of loans properly and updated presently. It is noted to maintain these records in order to recognize the revenue from loan interest</p>
<p>(b) Register of Security Deposits ----- A register of security deposits including the information on the officers and employees obliged to keep security deposits had not been prepared in terms of Financial Regulation 891 (1).</p>	<p>A register of security deposits should be maintained on officers obliged to keep security deposits including the information as required by Financial Regulations.</p>	<p>A register of security deposits is prepared and updated.</p>
<p>(c) Register on Liabilities ----- The Register of Liabilities had not been maintained in terms of Financial Regulation 214</p>	<p>According to the Financial Regulations the liabilities should be recorded in a Register of Liabilities</p>	<p>Action will be taken to maintain a Register of Liabilities as per instructions given</p>

(d) Maintenance of Books and Records for Revolving Fund

Books and records had not been maintained in terms of Financial Regulation 501 (c) and 502 (b) to account loans granted to people, payment of installments on claims and to ensure the recovery of the entire amount in terms of the conditions laid down while authorizing the first payment.

Action should be taken to maintain books and records and to recover the loans in terms of the regulations

It has been stated that the information regarding the recovery of loans is not available in the Ministry and that action would be taken to implement the programme in future as per information obtained from Field Officers.

1.6.8 Lack of Evidence for Audit

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Agreements entered were not made available to audit in order to examine the commitments building rent, supply of services and construction projects.	Agreements should be entered into for contracts in terms of Financial Regulation 702 (3)	Not Replied
(b) A sum of Rs. 12,531,657 and Rs. 1,618,836 totaling Rs. 14,150,493 had been credited less to the government revenue during 2017 and 2018 respectively. Reasons and explanations in this regard were not forwarded. However, the details as per the letters of the Additional Secretary Development Division are shown below.	All the loans and interest collected should be credited to the government revenue. Loan installments and interest due in respect of particular periods should be calculated, outstanding balances should be recovered and the financial statements should be prepared correctly.	According to the records maintained by the Development Division at present, the total loan recoveries during the year 2017 amounted to Rs. 9,270,607.11 and the loan recoveries during the year 2018 amounted to Rs. 21,610,542.98.
i. During the year 2018, housing loans recovered from the beneficiaries of the Estate Housing Programme amounting to Rs. 19,991,707 had been credited to the government revenue. However it had been informed again that the recoveries of 2018 is Rs.21,610,543. Therefore, loan recoveries had been credited to		

the government revenue less by Rs. 1,618,836 during the year 2018.

- ii. It had been stated that loan recoveries by the Ministry as at 31 December 2017 was Rs. 13,045,536 and that the management fees payable to the Plantation Development Trust in respect of amount set-off was Rs. 17,106,132. Accordingly, the total balance that should be credited to the government Revenue as at 31 December 2017 amounted to Rs. 30,151,668. But, only a Sum of Rs. 17,620,011 had been credited to the government revenue.

1.6.9 Certification of the Chief Accounting Officer

The following observation is made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The Chief Accounting Officer and the Accounting officer should ensure that an effective internal control system is prepared and operated for the financial control of the Ministry Further periodical reviews should be carried out on the effectiveness of the said system and the necessary changes to be done to keep up the system effectiveness and also the reviews should be documented and a copy of that should be forwarded to the Auditor general. However, statements on such reviews had not been forwarded to audit.</p>	<p>Action should be taken in terms of the provisions of Section 38 of the National Audit Act No. 19 of 2018.</p>	<p>It is noted to make aware the officers on the matters pointed out and to take action accordingly in future.</p>

1.6.10 Non – compliance with Laws, Rules and Regulations

The following observations are made in this regard.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Reference to Laws, Rules and Regulations	Non- Compliance	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
i. Financial Regulation 104 (4)	After the Preliminary Examination the complete report should be forwarded within 3 months since the date of the accident. However, these reports had not been furnished at 04 instances.	Action should be taken in term of Financial Regulations
ii. Financial Regulation 570 and 571 (1), (3)	Action had not been taken in terms of the regulations in respect of 35 deposits totaling Rs. 9,008,068 which had lapsed 2 years from the date of deposit.	Not replied According to Financial Regulation 570, 571 (1) and 571 (3) a list of lapsed deposits will be prepared once in 06 months 2019 onwards. Action will be taken without delay on the 2 years lapsed deposits amounting to Rs. 9,008,068 pointed out in the Audit Report.

1.6.11 Unauthorized Transactions

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) It has been stated according to the project construction guideline to implement the uncompleted housing projects which had been commenced prior to 2018 and the “Haritha Ran” housing project which had been commenced from the year 2018 and to supervise the same by Plantation Human Development Trust and to pay them 6% of the contract value. Accordingly, management fees of 6% amounting to Rs. 45,781,306 had been paid during 2018. However, it cannot confirm in audit whether the approval has been obtained to pay this management fees even at the time of obtaining approval of the cabinet of Ministers in year 2015 and 2017 for the value of the houses.</p>	<p>A proper approval should be obtain and an agreement has to be entered into with view to fix the legal responsibility</p>	<p>Not Replied</p>
<p>(b) According to the audited financial statements of the Plantation Human Development Trust, the balance payable to the Ministry for collection of loans on behalf of the Ministry amounted to Rs. 33.2 million as at 31 December 2017 in addition, although a sum of Rs. 4.9 million had been collected during the year 2018, only a sum of Rs. 7.2 million had been paid to the Ministry by the Trust during the year under review. Accordingly, the amount not remitted to the Ministry by the Trust even though they were already collected was Rs. 31 million as at 31 December 2018</p>	<p>Necessary systems and controls should be introduced in order to credit the government money on the due date without allowing to keep the money with the external parties.</p>	<p>Recovery of loans directly assigned to the Plantation Human Development Project and the Trust had not remitted the money to the Ministry of Finance, It had been informed to the Estates Management to remit the loan recoveries direct to the Ministry. Specific information relating to the money retained by the Plantation Human Development Trust up to now had not been furnished to the Ministry and the Plantation Human Development Trust had remitted a sum of Rs. 7,994,450.83 to the Ministry as at 28 August 2018. Further, action had been taken to recover a sum of Rs. 17,106,132.36 as loan</p>

recoveries from the Plantation Human Development Trust by setting off the management fees due to them.

2. Financial Review

2.1 Expenditure Management

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) A savings of Rs. 29.08 million was observed out of the provisions made for 15 Codes of recurrent expenditure and it was within a range of 5% to 55% of the provisions made. Further, the entire provision of Rs. 50,000 made for an item of recurrent expenditure had not been utilized showing a 100% savings.	Accordinging to Financial Regulation 50, correct expenditure estimates should be prepared.	Imprests were not received at the level requested from the Treasury. Therefore provisions for recurrent expenditure could not be utilized as planned. Further salaries and other allowances were not paid due to the political changes prevailed in the country and this also a reason for saving of provisions.
(b) Provisions amounting to Rs. 2,719.35 million had been made for 10 items of capital expenditure and of this a sum of Rs. 1,665.32 million had been spent. Hence a savings of Rs. 1,054.03 million ranging from 8% to 90% was observed.	- Do-	Audit observation is accepted. Orders had been placed for purchase. But, purchases could not be done as the Treasury had not released imprests as requested in December 2018 and therefore provisions remained unutilized.

2.2 Liabilities and Commitments

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Liabilities amounting to Rs. 595,688 had been committed in excess of the provisions of the Ministry in respect of 2 items of expenditure which are not relevant to supplies and services.	Liabilities should be properly identified in terms of Financial Regulation 94 (1)	Liabilities were not committed for Rs. 497,345 under item of expenditure 140 -1-2-1301 and liabilities were committed only for Rs. 31,561 under 140-1-1-1301.
(b) According to the payment vouchers up to February 2019, total liabilities not recorded in a register amounted to Rs. 1,631,881 of which 4 items of expenditure were not related to supplies and services and 06 items of expenditure were related to supplies and services.	Liabilities should be recorded in a register in terms of Public Accounts Circular No. 255/2017 dated 17 April 2017.	(b) ,(c) It is accepted that the liabilities were not recorded in a register as pointed out by the Audit Report. This deficiency was occurred as the relevant Divisions had not reported these liabilities to the Account Division prior to 31.12.2018.
(c) According to the progress report for the year 2017, out of the commitments amounting to Rs. 932.11 million as at 1 January 2018 in respect of 04 zones of housing projects, only a sum of Rs. 305 million had been paid in the year 2018. Further, according to the performance report, commitments amounting to Rs. 1,994.48 million being Rs. 1,367 million for 561 incomplete houses as at 31 December of the year under review and Rs. 627.11 million for year 2017 were observed. However, no commitments had been shown in the financial statements for the year 2018.	According to Financial Regulation 94 (1) systems and controls should be introduced in order to maintain an updated Register of Liabilities.	As at 01 January 2018, there were commitments amounting to Rs. 932.11 million for housing projects in galle, Badulla, Kegalle and Nuwara-eliya zones. Future, the total value of commitments of each project were clearly shown in the progress reports maintained by the Development Division.

2.3 Operating Bank Accounts

The following observations are made

Audit Observation	Recommendation	Comments of the Chief
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Accounting Officer

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| <p>-----</p> <p>(a) Two cheques valued at Rs. 126,260 dated 27 September 2018 submitted by the Horana Plantations Company for recovery of loans had not encashed as the name of the Ministry is not correctly indicated. But action had not been taken to obtain these cheques again, even up to 31 August 2019.</p> <p>(b) According to the Bank Reconciliation prepared for the month ended 31 December 2018, the balance of unidentified receipts remained within a period ranging 01 month to 13 months amounted to Rs. 1,407,650. This balance includes a sum of Rs. 526,060 directly deposited to the current account of the Ministry by the companies which recover housing loans and this had not been identified and taken to the government revenue.</p> | <p>-----</p> <p>Money transactions should be carried out within a proper internal control and supervision.</p> <p>Action should be taken to prepare bank reconciliations, properly identify the revenue received and to taken into books and accounts and to credit to the government revenue.</p> | <p>-----</p> <p>These 02 cheques were returned as the name of the Ministry was differed.</p> <p>Not replied</p> |
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3. Operating Review

3.1 Planning

The following observations are made

- | Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
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| ----- | ----- | ----- |
| <p>(a) It was observed that the approved action plan for the year 2018 does not includes the following information shown in Paragraph 03 of the Public Finance Circular No. 2014/01 dated 14 February 2014</p> <ul style="list-style-type: none"> • The updated Organization Structure, approved cadre and the existing cadre relating to the year under review. • The implementing time line had not been shown so as to | <p>An action plan should be prepared including all the information as per the circular instructions.</p> | <p>The facts shown with regard to the paragraphs are accepted. Action has been taken to prepare the Action Plan for the 2019 accordingly as per instructions given by Audit.</p> |

identify it project wise.

- (b) The Action Plan for the year 2018 and the performance Report submitted to the Parliament had not been prepared in order to obtain information region wise or estate wise separately. Therefore, it could not correctly assess the physical and financial performance during the year ended 31 December 2018.
- The Action plan and the Performance Report should be prepared correctly and enabling to examine physically as per the Circular instructions representing all the Divisions.
- The facts shown with regard to the paragraphs are accepted. Action has been taken to prepare the Action Plan for the year 2019 accordingly as per instructions given by Audit. The revised Action Plan per the year 2018 shows the annual targets under each project and the provisions made for each said project. Although a specific project period can be shown for one project, it is practically impossible to include all the projects to the Action plan and the performance Report separately due to the manner in which the projects are forwarded.

3.2 Non – achievement of Expected Output Levels

The following observation is made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Action had not been taken during the year to commence 219 houses valued at Rs. 219,000,000 that had been planned to complete during the year 2018 under 2 stages of the housing project.	Action should be taken to construct the houses as planned.	The expected output could not be achieved due to non – receipt of requested provisions adequately during the year 2018, heavy rainy climate prevailed in the areas in which these projects implement and the delays experienced in obtaining NBRO reports with regard to selection of suitable lands.

3.3 Abandonment of Projects without being Completed

The following observation is made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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It was revealed that the 04 project i.e Millavitiya, Alupola, Wellawala and Wuludon, Pantyia, of which the estimated cost was Rs. 27,000,000 and the expenditure as at end of the year was Rs. 5,590,000 that had commenced in January 2018 had been abandoned without being completed.	A Reliability study should be carried out before the commencement of the project and necessary controls and systems should be introduced to identify the lands suitable for construction. Necessary action should be taken to examine abandoned projects and to minimize the loss on expenditure incurred.	It is kindly informed that no project is abandoned incomplete during the year 2018.

3.4 Delay in Implementation of projects

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Estimates to the value of Rs. 1,996,375,141 had been prepared for 83 projects during the year under review. Out of a sample of construction of 488 houses of 32 projects, only 189 houses had been completed.	Plans should be properly prepared in order to complete the projects within the expected time periods	“Haritha Ran”, housing project was approved in the middle of the year 2018 and action was taken to inform the Plantation Human Resources Development Trust.
(b) According to the progress report of the year 2018, there were 3345 continual houses at the beginning of the year and of this, only 1458 houses had been completed as at 31 December 2018.	- Do -	It has taken more time than expected time to get release the suitable lands to construct these houses from the estate companies, delay in obtaining NBRO Reports; the Treasury had not released the requisite provisions during 2018 as expected and due to the above reasons these housing projects could not be achieved within the expected time

periods.

3.5 Annual Performance Report

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) There were disagreements among the Action Plan for 2018, Performance Reports for 2017 and 2018 submitted to the Parliament and estate –wise detailed progress reports forwarded to audit as shown below. Therefore, it could not be satisfied in audit on the correctness of these reports.	Necessary system and controls should be introduced in a manner to exchange the information timely among the Divisions so as to prepare the Annual Performance Report based on correct information.	The Development Division has provided recovery details of housing loans for the Performance Report. However, action will be taken to inquire about this difference from the Development Division and to revise the Annual Performance Report.
i. It had been proposed by the Action Plan for year 2018 to construct 1500 houses under Phase II of the” Haritha Ran” Housing Project. According to the Performance Report the number of proposed houses had been shown as 1566, and it had been shown in the Progress Report as 1136 houses.		
ii. According to the Performance Report of year 2017, the number of continual houses as at 31 December 2017 was 2543 and as per Performance Report for year 2018 the number of continual houses as at 1 January 2018 was 2567. But, provisions had been made in the Annual Action Plan for the year 2018 for 3325 continual houses existed as at the beginning of the year and according to the Progress		

Report the number of continual houses as at 01 January 2018 was 3345.

iii. According to the Progress Report for the year 2018 1458 houses had been completed. But according to the Performance Report only 936 had been completed.

iv. According to the Progress Report, the total houses of Phase I of the “Haritha Ran Niwasa” was 571. However, the actual total was 323.

- (b) The following deficiencies were observed in preparing the Action Plan and the Performance Report submitted to the Parliament and therefore; the physical and financial performance of each project as at the year ended 31 December 2018 could not be separately examined.
- According to the circular instructions, the Action Plan should be prepared including the targets so as to compare with the performance Physically.
- The expected targets were including for relevant activities in the revised Action Plan for the year 2018.
- i. Action Plan had not been prepared so as to obtain information region-wise and estate-wise.
 - ii. The date of commencement and the date of completion of the project had not been shown in the Performance / Progress Report for the Projects. Therefore, the delay in projects over the planned of 08 months for construction of a house could not be identified in audit.

3.6 Foreign Aid Projects

The following observations is made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Foreign aid amounting to Rs. 94 million had been provided under Indian Government Aid and a sum of Rs. 15 million had been provided by Sri Lanka government for improvement of the Vocational Training Center – Hatton. However, foreign aid had not been utilized during the year 2018 and only Rs. 1.43 million had been spent out of the government provision.	----- Plans should be prepared in order to obtain the maximum productivity out of the government and foreign aid and to implement those plans.	----- A time period more than expected has to be spent for land survey and soil investigation. Further, it was planned to purchase training equipment and carry out tender procedure for the building simultaneously. Hence, it could not spent the money for expected activities.

3.7 Projects Implemented from Local Funds

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- (a) Provisions amounting to Rs. 2,600 million had been made for 03 locally funded projects for the year under review by the Ministry and of this, Rs. 1,588.31 million had been spent. Hence, a sum of Rs. 1,011.69 million equivalent to 38.91% had been saved out of the provisions.	----- According to Financial Regulation 50 correct expenditure estimates should be prepared.	----- The money allocated for the year 2018 could not be fully utilized due to the delay in selecting suitable lands and get release those lands and also due to non-receipt of provisions properly during the year 2018.
----- (b) Kotiyagala Housing Project		
i. In the process of awarding the tender for construction of 184 houses, the tenderer who had offered the fifth minimum price had been selected without checking the pre-qualification; of the tenderer without taking into	The respective procurements should be carried out taking into consideration the provisions of the government guidelines	Kotiyagala Housing Project Was assigned to East Lanka for the construction of 184 houses. For this, 14 institutions had forwarded their offers and the institutions which had offered the first and second lowest prices had not provided the details of

- consideration the forth minimum price and without transparency. Further, the date of commencement and the date of completion, and the conditions on demurrages and the value of the agreement had not been mentioned in the agreement entered into with the contractor on 23 May 2016.
- ii. The respective report from the research and Risk Management Division of the National Building Research Organization had been obtained 08 June 2016 even after awarding the contract on 23 May 2016. The Project plans and specifications had not been prepared taking into consideration their recommendations and those had not been complied with. Therefore, beneficiaries had not accepted 42 houses completed.
- iii. The Deputy General Manager of the Kotiyagala Estate had informed that only 42 out of 184 houses had completed and the contractor had stopped the construction of balance of houses after June 2017. Although the maximum amount payable for this was Rs. 26,830,910; a sum of Rs. 31,964,677 had been paid to the contractor for this project as at 31 December 2017. As such, a sum of Rs. 5,133,766 had been over paid.
- previous constructions. As the 150 houses of Huftvalley Housing project have been assigned to the institution which had offered the second lowest price, this housing project could not be assigned to them. This contractor who had offered the third lowest price had agreed to construct a house Rs. 21,000 less than their original price and hence, this contract was assigned to him.
- Action should be taken to select the land for the project; decide the number of houses as per the Report of the National Building Research Organization and to properly monitor the projects.
- The contractor (selected by calling for tenders) who accepted these constructions delayed the works due to high transport and other expenses and due to the difficult sites. However, it was decided to extend the contract period as it was essential to complete the houses.
- The contracts should be implemented in terms of the provisions of the government Procurement guidelines.
- Although it was planned to construct 184 houses at this site; only 42 houses were completed due to the environmental problems prevailed in the site. He had abandoned the work-site due to the heavy expenses occurred. This situation was informed at several instances and action was taken to make aware the ICTAD to take action against him. The bills have not been submitted for additional works carried out by this institution and therefore the amount shown has been mentioned as an overpayment.

- iv. An agreement had been entered into with another institution named Barandaina institute on 10 September 2018 to complete constructions before 15th November 2018 the value of Rs. 7 million to rectify the defects pointed out by beneficiaries of the above 42 house and this had been done without transparency and without following procurement procedure. Further, a sum of Rs. 1.36 million had been paid for the above and these spending in excess of the approved provision had become an additional loss to the government.

(c) A physical inspection carried out on houses constructed in Kandy and Matale Districts under green gold Housing Project revealed that these houses had been constructed in contrary to the procurement procedure and were not suitable to occupy. The reasons are given below.

- i. The soil had not been properly rolled before concreting the floors of the houses and it was observed that the concrete mixture included soil and can be easily breakable and concrete mixture used was sub-standard. Further, the thickness concrete layer of the floor should be 3 inches as per estimates, and it was observed that the actual thickness was 1.5, 2 and 2.5 inches.

- ii. An agreement valued at Rs.19 million had been

The parties entrusted with the monitoring of contracts should properly carry out the monitoring.

According to item No.3.4 of the estimate, the thickness of the concrete floor of the house should be 3 inches and in some places it can be more or less than 3 inches and it has happened due to improper leveling of the concrete floor. If the thickness is less at certain places action will be taken to deduct from the payment to the contractor .

Action should be taken to select the National Building Research

entered into for the project of construction of 20 houses in the Elagalala Divisions of the Opalagala Estate. But, construction works had been commenced only for 14 houses as at 27 April 2018; the date of audit. There is a possibility of having landslides and the iron bars of the uncompleted concrete poles come out are being corroded .

relevant land for the project; decide suitable number of houses as per the report of the NBRO and to properly monitor the contracts.

Organization are considered while selecting the lands for housing projects and the proposals relating to soil conservation were forwarded to the Ministry. Instructions were issued to the contractor to clean the corroded iron bars and to carry out concreting.

3.8 Procurements

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The plans which should be prepared at the pre-contract phase and post-procurement phase in terms of section 4.1 and 4.2 of the Procurement guidelines had not been submitted to audit.	The relevant procurement plans should be prepared taking into consideration the provisions of the Procurement Guidelines.	Action will be taken to prepare all the procurement documents as pointed out by the Audit Reports in 2019.
(b) Contract monitoring of Housing Projects implemented by the Ministry is done by the Plantation Human Development Trust and in addition, selection of contractors and payments to the contractors also done by the Trust. Deviation from Section 8.12.1 (a) of the Procurement guidelines were also observed. The cheques which should be pay in the name of contractors had been firstly issued in the name of the Plantation Human Development Fund and the approval obtained for this had not been made available to audit.	The systems and controls which are required 80 as to take action according to section 8.12.1(a) of the Procurement guidelines shod be introduced	The Plantation Human Development Trust have been established as an institution under the Ministry by the gazette Extra- ordinary No. 1933/13 dated 21.09.2015 of the Democratic Socialist Republic of Sri Lanka and these provisions had been allowed accordingly. The entering of external parties to the location given by the relevant plantation companies has been limited and therefore these projects are implemented through Estate live societies.

3.9 Assets Management

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>Action had not been taken to survey movable and non-movable property of the 04 institutions i.e. Pool Bank Vocational Training Center operate under Saumya Moorthi Memmorial Foundation, Ramboda Cultural Center, Norwood Sports Complex and Praja shakthi Center and to vested the assets properly with the Ministry. Further, action had not been taken even upto 27 September 2019 to prepare and submit the reports in terms of Financial Regulation 755 (1) and (2). Due to the above reasons the Ministry had not forwarded the assets owned by these 4 institutions to the office of the comptroller general in terms of Assets Management Circular No. 1/2017 dated 28 June 2017.</p>	<p>The necessary system and controls should be prepared and implemented to take over the assets properly and to prepare and submit the reports in terms of the Financial Regulations .</p>	<p>A survey was not done while vesting with the Ministry, the movable and non- movable property of the Pool Bank Vocational Training Center operates under Saumya Moorthi Thoandaman Foundation, Ramboda Cultural Center, Norwood sports Complex and Praja Shakthi Center. But, offer the acquisition it as planned to finish the Board of Survey as at the year ended 31 December 2018 prior to 15 June 2019.</p>

3.10 Assets Given to External Parties

The following observations is made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The building with the Milk Bar located in the ground floor of the Ministry building had been given on lease to an external party by the welfare society of the Ministry after entering into an agreement. But, action had not been taken to recover the rent and the expenditure on electricity and water of the Milk Bar by the Ministry and to credit to the government revenue</p>	<p>While vesting the assets provided to achieve the goals and objectives of the Ministry to other institutions; only the assets not disrupt the objectives of the Ministry should be vested properly.</p>	<p>Not replied .</p>

3.11. Losses and Damages

 The Following Observations are made.

Audit Observations -----	Recommendation -----	Comments of the chief Accounting officer -----
(a) Action had not been taken in terms of Financial Regulation 113(4) even up to 31 st December 2018 to recover or write- off the 03 losses and damages totaling Rs.109,006 carried since year 2015.	Action should be taken in terms of Financial Regulations.	Accepted. As per Financial Regulation 113(4) action will be taken during 2019
(b) A sum of Rs. 1,032,130 had been spent to repair an assigned vehicle which had met with an accident in August 2016 as only a third party insurance had been done. According to the report submitted on 25 th October 2018 in terms of Financial Regulations 104(4) it had been recommended to recover the repair expenses from the 02 officers responsible for the accident. However, no money had been recovered even up to 30 th April 2019.	The recommendations made in terms of Financial Regulations should be implemented.	It had been mentioned in the final report of the investigation carried out under Financial Regulations 104 (4) in respect of the accident to the vehicle bearing No. JY2916 occurred on 22.08.2016 that the damages to be recovered from the Director General and the Driver. However, these two had resigned from the service. Hence action is being taken to obtain their details from the personal files and to recover the money.

(c) The loss to the Government amounting to Rs. 272,276 occurred due to the accident to the vehicle bearing No. KB9614 in February 2017 had not yet been recovered.	According to Financial Regulation 113 (4) action should be taken to recover or write-off.	Action has been taken to recover the loss of Rs. 272,276 to the government from May 2019 due to the accident to the vehicle bearing No. KB9614 from the salary of the Driver of the vehicle.
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4. Achievement of Sustainable Development Goals

The Following Observation is made.

Audit Observation	Recommendation	comments of the Chief Accounting Officer
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The goal of the sustainable development is to provide the plantation community live in line houses with 2000 units of houses with a plot of 07 purchase of land including drinking water, electricity and access roads as at end of the year 2020. However, the total number of houses proposed had not been constructed during 2018 and as the houses completed were not up to the standard the beneficiaries had not accepted or occupied these houses.	Action should be taken in order to achieve the expected targets as at the end of the year 2020 as per sustainable development goals.	Not replied.

5. Accomplishment of Services to Public

The Following observations are made.

Audit observation	Recommendation	comments of the Chief Accounting Officer
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(a) Although a web site had been created to accept public	A system should be prepared to receive public complaints	Although the Ministry web site was created,

complaints, action had not been taken to introduce a system to accept the public complaints and to record in a register.

further promotional activities have to be carried out. At present action is being taken to include these facts.

(b) According to the Public representations received, the most needy persons suffering from poverty and do not have ownership of a house do not get these houses and there is no proper methodology to select the persons.

Actions should be taken to correctly implement the methodology for selecting the beneficiaries.

There was approval to construct 411 houses in the year 2017. It has been decided to give priority in 2018 for housing applications received by the Ministry specially unrespect of the people live in areas experienced landslides and having a risk of having landslides. According to the progress as at 31st December 2018, only 85 out of 411 houses had been completed.

(c) A sum of Rs. 47,000,000 had been approved in the year 2018 for construction of 47 houses in the Aylawatta Section for the persons displaced due to landslides. The Plantation Human Development Trust had entered into an agreement with the Aylawatta Estate workers Co-Operative Society on 12 February 2018 to construct these houses at Rs. 950,000 per houses. According to the agreement this housing project had to be completed by 12 September 2018. But only the Preparations of site for construction of houses had been done as at 26 April 2019; the date of audit.

Necessary Systems and controls should be introduced to prepare plans properly in order to complete the projects within the scheduled time periods giving priority to activities to accomplish the service to Public.

Not replied.

6.Human Resources Management

The following observation is made.

Audit observation

Recommendation

comments of the Chief
Accounting Officer

The approved cadre as at 31 December 2018 was 341 and the actual cadre was 223 and there were 118 vacancies.

The Vacancies in the posts affect the performance of the Ministry and therefore action should be taken immediately to fill the Vacancies.

Requests were made to the secretary to the Ministry of Public Administration to fill the relevant vacancies.