

Head 140 – Ministry of Community Empowerment and Estate Infrastructure Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Community Empowerment and Estate Infrastructure Development for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Community Empowerment and Estate Infrastructure Development was issued to the Chief Accounting Officer on 29 May 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 09 October 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Ministry of Community Empowerment and Estate Infrastructure Development as at 31 December 2019 and its financial performance and cash flow 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 the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

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 annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

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

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

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

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

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations shown in my report regarding the financial statements furnished for the preceding year had not been implemented as per the observations stated in Paragraph 1.6.4 (a) (b) (c) Paragraph 1.6.5 (a) of and 1.6.7 (a) - (iii) (iv) , Paragraph 3.1.2 (h) (k) (l) and 5 (a) of this report.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observation is made.

Audit Observation

As a result of understatement of deposit receipts and deposit payments by Rs.87,180 and Rs.34 ,125 respectively in the account as per Treasury printouts, the credit balance of imprest that should be settled to the Treasury had been overstated in the accounts by Rs.53,055 .

Recommendation

The financial statements of the Ministry should be Prepared as per the balances available to the relevant Ministry in the financial statements of the Treasury.

Comments of the Chief Accounting Officer

This difference is shown due to the fact that removing from receipts in the 13/88 account from the Treasury and stating to the payments of the same account and not making the correction of the value of Rs.53, 055.62 for the transfer sheet number No. 19/12/01 sent to the General Treasury by correcting errors of Rs. 34,125 and Rs. 53,055 in revenue accounting. Accordingly, it is declared that it is correct as stated in the Ministry accounts.

1.6.2 Statement of Financial Position

The following observation is made.

Audit Observation

Due to non-correction of property, plant and equipment balance which was understated by Rs.5, 455,801 as at 31 December 2018 the balance of property, plant and equipment in the statement of financial position had also been understated by the same amount as at 31 December 2019.

Recommendation

Actions should be taken to keep up the records maintained by the Ministry accurately.

Comments of the Chief Accounting Officer

Accept. This value has been reported to the Treasury by now and it has been correctly noted accordingly.

1.6.3 Accounting Deficiencies

(a) Non-revenue Receipts

The following deficiencies were observed in accounting for non-revenue receipts related to financial statements.

Audit Observation

(i) Recovery of Debts

Even though a sum of Rs.33 ,952,233 had been credited to the Government Revenue as home loan recovery under other receipts in the monthly account summary, it had been stated that the total debt recovery for the year 2019 was Rs.14, 284,419 as per the letter of the Additional Secretary of the Development Division dated 28 May 2020. Accordingly, a difference of Rs.19, 695,783 was observed in between the debt recovery in the year 2019 and the balance credited to Government Revenue.

Recommendation

Actions should be taken to prepare accounts accurately by maintaining books need to be kept up properly and reconciling information in Development Division and the books of the Accounts Division and to credit revenue accurately to government revenue when accounting for non-revenue receipts.

Comments of the Chief Accounting Officer

The total loan recoveries in the year 2019 amounted to Rs.14, 284,419.00 has consisted as follows according to the Development Division.

- Housing loan instalments recovered from management fees.
- Housing loan instalments which are being recovered through Estate Managers.

It is informed that not only the money recovered by the Development Division is included under the Other Receipts Revenue Code.

- (ii) The credits made in less to Government Revenue as at 31 December 2018 was Rs.13,624,433 as debt collections of the year 2018 which were not accounted for the Government Revenue as at 31 December 2018 amounting to Rs.1,092,776 and the credits made in less to Government Revenue as debt collections for the year 2017 amounting to Rs.12,531,657. This had not been corrected up to 31 December 2019.

-do-

Answers have not been given.

(b) Advance Account Balances

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(i) There was a difference of Rs.699,805 in Advance Account No.12 as per the credit balance in Ministry Books and the credit balance in Treasury printouts as at 31 December 2019.	Actions should be taken to account for in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 and to prepare financial statements accurately.	Accept.
(ii) There was a difference of Rs.704, 997 in between the balances as per Ministry books and the trial balance pertaining to the receipts of the Advance 'B' Account of the Public Officers for the year. Due to non-preparation of the advance control account accurately that difference had not been identified. Therefore, only the net difference of Rs. 400 had been	Actions should be taken to account for in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 and to prepare financial statements accurately.	The net difference of Rs. 400 as shown in the 2: 1 Format of the Account was an over recovery of a special advance for the year 2017 and actions will be taken to correct that difference in the year 2020 .

stated in Format 2.1 of the Account without specifying the reasons for the differences in terms of Financial Regulation 427(4) at the time of submission of the account as at 31 December 2019.

- | | | |
|--|---|--|
| <p>(iii) The debt balances amounted to Rs.338, 754 receivable from two officers who had transferred from the Ministry during the months of May and June 2018 had not been recovered even by 13 May 2020.</p> | <p>Arrangements should be made to recover the debts in terms of the instructions in Paragraph 4.5 of Chapter XXIV of the Establishments Code and the Paragraphs 1.1.6 and 1.1.7 of the Circular No. 118 of Director General of National Budget dated 11 October 2004.</p> | <p>Although the salary details of the relevant officer have been sent to the Ministry and a Provincial Education Office where they had transferred, actions have not been taken to settle the relevant amount so far. Arrangements will be made to recover by inquiring again.</p> |
| <p>(iv) Arrears debt balances receivable from an officer who had deceased on 22 July 2017 amounted to Rs.136,550 had not been recovered.</p> | <p>Actions should be taken to recover the loans as per the instructions in Paragraphs 4.4, 4.5 and 4.6 of Chapter XXIV of the Establishments Code.</p> | <p>Although an application has been submitted to the Department of Pensions to recover the outstanding loan amount from the death gratuity of the deceased officer, that amount has not been settled so far.</p> |
| <p>(v) Arrears loan balances amounted to Rs. 134,000 due from an officer who had retired on 15 June 2018 had not been recovered even by 26 May 2020.</p> | <p>Arrangements should be made in terms of Paragraphs 4.2.3 and 4.2.4 and 4.2.5 of Chapter XXIV of the Establishments Code and the Circular of Director General of State Accounts No. 262/2017 dated 29 December 2017 as well.</p> | <p>This retired officer has deposited the relevant arrears loan amount in the bank account of the Ministry and the money has been mistakenly accounted for as Government Revenue and actions will be taken to rectify that error during this year.</p> |

<p>(vi) The debt balances over 5 years amounted to Rs. 107,896 and Rs.2,250 for more than 6 years amounted to included within the loan balances receivable from 03 officers who had left the service amounted to Rs.326,582 had not been recovered even by 26 May 2020 .</p>	<p>Actions should be taken to recover the debts in accordance with the instructions in Paragraph 4.5 of Chapter XXIV of the Establishments Code.</p>	<p>Distress loan files and personal files of the two officers who had left the service are not available in this Ministry. Actions will be taken to inquire from the Ministry of Livestock. A letter has been sent on 29 October 2019 as a final notice to the officer from whom to be charged amounting to Rs.216,436 .</p>
--	--	--

1.6.4 Non-maintenance of Registers and Books

The certain documents shown below had not been maintained by the Ministry and it was observed that certain documents had not been maintained in proper and updated manner.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Register of Security Deposits</p> <p>-----</p> <p>A Register of Security Deposits Consisting of the details of the officers and employees who should keep the Security Deposits had not been prepared in terms of Financial Regulation 891 (1).</p>	<p>Register of Security Deposits should be maintained In accordance with Financial Regulations.</p>	<p>It has been noted to make arrangements to maintain Register of Security Deposits.</p>
<p>(b) Register of Liabilities</p> <p>-----</p> <p>The Register of Liabilities had not been maintained in an updated manner in accordance with Financial Regulations 214 and 447 (4) and (5).</p>	<p>The liabilities should be recorded in a Register of Liabilities in terms of Financial Regulation 214.</p>	<p>All liabilities are included into the CIGAS computer programme accurately and the relevant file will be installed during this month.</p>
<p>(c) Maintenance of Books for the Debt Revolving Fund</p> <p>-----</p> <p>Books and records had not been maintained in terms of the Financial</p>	<p>Actions should be taken to maintain</p>	<p>It has been stated that the information regarding the</p>

Regulations 501 (c) and 502 (b) to account for the payments for claims in instalments and to ensure the recovery of the entire amount in accordance with the prescribed conditions for the loans granting under the Revolving Fund and providing houses on loan basis .

books and records as per Financial Regulation and to recover the loans

recovery of loans is not available in the Ministry and the actions would be taken to implement the programme in future as per information obtain from field officers.

- (d) The Ministry had not maintained documents and records as mentioned in Category 2 of Guideline to Project and Contract Management issued by the Ministry of Finance in February 2017 in respect of documents and formats to be maintained by the financing agency.

Registers should be maintained to enable to identify payments made under contracts, balances payable and recoveries.

Actions will be taken to maintain the above formats from the year 2020 onwards.

1.6.5 Lack of Evidence for Audit

The audit evidences had not presented regarding the following transactions.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Agreements which had been entered into examine the building rentals, supplying of services and commitments in construction projects were not submitted for audit.	It should be entered into contracts in accordance with Financial Regulation 702 (3).	Relevant agreements are available with the Administration Division of the Ministry. It can be provided when required.
(b) The instalment payments and interest on the loans granted to the housing recipients by the Plantation Human Development Trust should be paid back to the Ministry and a detailed report on the unpaid amount and the amount of management fees paid for it and books and documents kept on recording of all transactions relating to recovery of those amounts were not submitted for audit.	Documents should be maintained to enable to identify payments and recoveries made under each housing project and under each contract.	Details on Housing Loan Recovery are available with the Development Division and actions will be taken to provide the relevant details. A sum of Rs. 03 million of the management fee receivable to the Plantation Human Development Trust during the year 2019 has been deducted for unpaid loan instalments to the

Ministry .

- | | | |
|--|---|--|
| (c) Even a detailed schedule regarding agreements and on-going work and payables in respect of commitments formed on provisions of Rs.2,800,000,000 for construction contracts under 3 expenditure objects was not furnished to audit. | It should maintain documents to enable to identify payments and recoveries made under each housing project and under each contract. | A CR book containing relevant details is currently being maintained and actions will be taken to rectify the deficiencies remained and to maintain a register of contract in future. Actions will be taken to complete and submit the financial and physical progress reports in future. |
|--|---|--|

1.6.6 Certifications to be made by the Chief Accounting Officer

Even though the Chief Accounting Officer shall certify in respect of following matters in terms of Section 38 of the National Audit Act No 19 of 2018, it had not acted accordingly.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- The Chief Accounting Officer should ensure that an effective internal control system for the financial control exists 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 and even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.	----- Actions should be taken in terms of the of Section 38 of the National Audit Act No. 19 of 2018.	----- Answers have not been given.

1.6.7 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in the Rules, Regulations and Regulations observed during the audit test checks carried out are analyzed below.

Reference Laws, Rules, and Regulations	Observation to Non-compliance	Recommendation	Comments of the Chief Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 214	Although the authorized officers as well as the certifying officers should check the Register of Liabilities regularly, it was observed in audit that it had not been so examined.	Actions should be taken in accordance with the relevant Financial Regulation.	Actions will be taken as instructed to maintain a Register of Liability in future.
(ii) Financial Regulation 388	Although instead of the cheques written by the Accounts Division in the name of the Plantation Development Trust to be handed over to the contractors, had been handed over to the officers of the Development Division and then handed over to the Plantation Development Trust by them, a Register had not been so maintained in accordance with the Regulations at the time of handing over the cheques.	Actions should be taken in accordance with the relevant Financial Regulation.	Answers have not been given.

(iii) Financial Regulation 570 and 571(1)	Although a list of all expired deposits should be prepared at the end of each half year, it had not been so prepared.	Actions should be taken in accordance with the relevant Financial Regulation.	These information is reported through the Development Division of the Ministry.
(iv) Financial Regulation 571(3)	Actions had not been taken in terms of the Financial Regulations in respect of the total value of Rs.56,355,960 on 116 cases in deposits expired for more than 02 years in two General Deposit Accounts.	Actions should be taken in accordance with the relevant Financial Regulation.	Actions will be taken in accordance with the F.R 571 in respect of the balance. Actions will be taken to release the money remained in the account for more than two years on requests 6 months after the completion of the projects.
(v) Financial Regulation 702 (3)	Although a copy of all contracts signed by the Ministry should be forwarded to the Auditor General, it had not been so done.	Actions should be taken in accordance with the relevant Financial Regulation.	It has been instructed the Development Division to take actions in future.
(b) Paragraph (c) of the Public Finance Circular No. 3/2015 and dated 14 July 2015 of the Secretary to the Treasury and Financial Regulation 371 (5)	The advances obtained at 44 instances totalled to Rs.1,047,150 from 12 days to 143 days in between Rs. 2,375 to Rs. 91,990 as per the audit test checks carried out in the year 2019, had been withheld without spending and settled in cash.	Actions should be taken in accordance with the relevant Financial Regulation.	Due to the fact that the expenditure related to the needs to obtain an advance has been spent before, the money obtained was settled as a result of reimbursement of them and cancellation of other duties.

1.6.8 Improper Transactions

The following observations are made.

(a) Unauthorized Transactions

The Ministry had carried out the following transactions without authority.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(i) The Plantation Human Development Trust, which was Limited Guarantee Company had collected debts on behalf of the Ministry for many years and the balance payable to the Ministry as at 31 December 2018 was Rs. 31.02 million as per its audited financial statements. Since a sum of Rs.2.97 million out of the management fees payable to the Plantation Human Development Trust had been recovered as receipts during the year under review, the value receivable by the Ministry from the Plantation Human Development Trust furthermore only from the balance remained as at 31 December 2018 excluding money collected during the year under review and the balance to be credited to the Government Revenue was Rs. 28.5 million accordingly.</p>	<p>Necessary systems and controls should be put in place so that to be enable to credit the government money on time without allowing it to be kept by external parties.</p>	<p>Answers have not been given.</p>
<p>(ii) Although the advance should be paid after obtaining the approval for a written programme for the expected task of obtaining an advance, the entire amount which was obtained by 05 persons at 07 instances in between Rs. 7,000 and Rs.75,250 totalled to Rs.184,700 (Without spending) had been settled after withholding a period ranging from 11 and 14 days.</p>	<p>Advance payment should be made only after obtaining the approval for a written programme.</p>	<p>Answers have not been given.</p>

(b) Unapproved Transactions

The following transaction had been carried out without obtaining proper approval.

Audit Observation

The approval of the Cabinet of Ministers dated 30 November 2006 had been obtained to have management assistance under payment of a fee to the Plantation Human Development Trust. However, it was observed that in addition to contract supervision of housing schemes implemented by the Ministry, the selection of contractors and payments to contractors had been carried out by the Plantation Human Development Trust outside the Guideline 8.12.1(a) of the Procurement Guideline in contrary to that approval and procurement process. Further, the cheques payable in the name of the contractors of the Project were first issued in the name of the Plantation Human Development Trust and the approval obtained to make such payments was also not furnished to audit. In addition, there was no even an agreement between the Ministry and this institution for the relevant activities.

Recommendation

Government money should be used in the most efficient and transparent manner for providing the maximum benefit to the people in accordance with the existing laws and rules and considering the provisions mentioned in the Government Procurement Guidelines as well.

Comments of the Chief Accounting Officer

Answers have not been given.

2. Financial Review

2.1 Imprest Management

Audit Observation

The net provision of the year was Rs.4,667,859,000 and although the total imprest to be applied during the year was Rs.3,797,022,000 as per the imprest plan of the Ministry , the imprests amounted to Rs.3,903,315,000 exceeding that imprest plan had been applied during the imprest year. Nevertheless, imprest receipts during the year was Rs.1,479,160,000 and it was 32 per cent out of the total imprest requests.

Recommendation

Comments of the Chief Accounting Officer

Due to non-receipt of imprests as requested monthly, the imprests has been applied more than the plan taking into consideration the remaining allocation expenditure plans and the portion of imprest received in less in the previous months .

2.2 Expenditure Management

The following observations are made.

Audit Observation

- (a) Despite it had been informed to curtail Rs. 15 million from the annual provisions under expenditure object 140-02-04-05- 2506 (17) by the Letter No. BD / EE140 /1/4 dated 17 July 2019 addressed to the Secretary to the Ministry by the Director General of National Budget, it was observed that, a sum of Rs.4.9 million had been saved in contrary to that.

Recommendation

Accurate estimates should be prepared in accordance with Financial Regulations 50 .

Comments of the Chief Accounting Officer

Those provisions have been spent to construct the required infrastructure in accordance with the housing grants received under the expenditure object 140-02-04-05-2506 (17) and it has been able to save only 5 per cent accordingly.

- | | | | |
|------------|---|---|--|
| (b) | Out of the net provision of Rs. 2,811,550,000 allocated for 11 capital expenditure objects, a sum of Rs.1,179,103,828 was spent and a savings of Rs.1,632,446,173 ranging from 25 to 99 per cent was observed. | Accurate estimates should be prepared in accordance with Financial Regulations 50 . | It was impossible to carry out the procurements planned at the end of the year because of the procurements had to be limited and prevented as per the instructions of the Circular 04/2019 of Department of National Budget. |
| (c) | The supplementary estimates of Rs. 200,000,000 in total had been passed on 01 July 2019 for 02 capital expenditure objects of 140-2-4-2-2506 and 140-2-4-3-2506 . Nevertheless, exceeding the supplementary estimate provision so passed, a sum of Rs. 1,559,991,875 had been saved at the end of the year. | Accurate estimates should be prepared in accordance with Financial Regulations 50 . | Due to non-receipt of cash as mentioned earlier, provisions have been saved in expenditure objects without being able to make payments for completed works. |
| (d) | Supplementary estimate provisions amounted to Rs.3,000,000 and Rs.1,500,000 had been passed on 14 February 2019 and 20 September 2019 respectively for capital expenditure object 140-1-2-1-2201. Only 33.3 per cent or Rs. 1,500,000 of that had been utilized. | Accurate estimates should be prepared in accordance with Financial Regulations 50 . | Due to non-receipt of imprests in accordance with the provisions allocated, provisions have been saved because of not being able to spend as planned. |

2.3 Entered Into Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The information and documents required for the audit were not furnished to verify the values of commitments, balance of commitments, Liabilities and balance of Liabilities in the Note No.(iii) statement of commitments and liabilities in the financial statement.</p>	<p>Liabilities should be properly identified during the financial year by acting in a timely manner with other sectors maintaining a Register of Liabilities and information should be provided to audit as per the Financial Regulations.</p>	<p>It has occurred by a mistake. Actions will be taken to correct.</p>
<p>(b) Although all the liabilities should be recorded as liabilities as per State Accounts Circular No. 255/2017, the value of total liabilities amounting to Rs.613,417 and Rs.1,086,080 respectively had not been recorded under Note No. (iii) in the financial statement under 3 expenditure items those were not related to supplies and services and 3 expenditure items related to supplies and services where the payments were made by 29 February 2020 .</p>	<p>The required systems and controls should be applied to maintain an up-to-date Register of Liabilities in accordance with Financial Regulation 94 (1).</p>	<p>Accept. This activity is being carried out by the CIGAS Programme and the relevant liability number is written on the voucher and the certification is done at the time of certification. Actions will be taken to rectify the shortcomings in future years.</p>
<p>(c) Although it should mentioned in the financial statements of the year 2018 as commitments to make payments in 2019 for the works of 2018 in terms of the State Accounts Circular No. 255/2017 dated 27th April 2017, liabilities or obligations whatsoever had not been mentioned as per the financial statements of the year 2018. But it</p>	<p>The systems and controls required to apply to maintain a list of liabilities in an updated manner in accordance with Financial Regulation 94 (1).</p>	<p>Actions are being taken to minimize these shortcomings in the year 2019 and arrangements will be made to obtain accurate information having discussions with the Development Division in future.</p>

was observed that a sum of Rs.280.578 million for 1489 houses out of 1566 housing units which were started in the year 2018 brought forward without completing that year in contrary to that Circular.

3. Operating Review

3.1 Failure to Perform Activities

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) A number of 551 houses approved for construction in the year 2019 under 6 plantation zones totalled to Rs.551 million had not been even commenced the construction by 31 December 2019.	Arrangements should be made to construct houses as planned.	Answers have not been given.
(b) Out of the loan balance provided by Revolving Fund, a total of Rs.332,013 receivable in 4 to 29 instalments from 06 beneficiaries to whom provide loans in August 2016 and a total of Rs.120,297 receivable in 2 to 19 instalments from 05 beneficiaries to whom provide loans in August 2017 was in arrears as at 31 December 2019 without recover. It had been informed that 03 beneficiaries who had defaulted on their loans in 2016 were not engaged in the relevant self-employment as per a field inspection carried out on 31 August 2018. The Ministry had not taken adequate actions in this regard even by 07 February 2020.	Actions should be taken to recover the debts carrying out follow up actions on lenders.	Even though it has been informed to carryout follow up actions by the Plantation Community Liaison Officers on the beneficiaries who have not paid more than 2 instalments in arrears as per the statement of Bank of Ceylon dated 31/12/ 2019.

3.2 Failure to Obtain the Desired Output Level

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The housing projects initiated in 2017, 2018 and 2019 to be completed within 6 months from that date had not been completed 58, 21 and 18 in instances respectively during the relevant period and a sum of Rs. 1,399,647,490 had been spent out of its estimated cost of Rs.2,128,171,041 as at 31 December 2019 and only 66 per cent financial progress had been achieved. In the inspection of the physical progress of the 2117 housing projects included in those 97 projects, only 846 houses had been completed (according to the Progress Report) . Accordingly, it was observed that the delay in the execution of projects was more than 2 years.</p>	<p>Introduce systems and controls required for proper preparation of plans and make plans for efficient and effective use of funds to be able to execute projects on time.</p>	<p>Answers have not been given.</p>
<p>(b) A sum of Rs.47,000,000 had been approved in 2018 for the construction of 47 houses in the Ailawaththa Estate Division for the people displaced by the landslide. The Plantation Human Development Trust had entered into an agreement with Ailawatta Estate Employees Co-operative Society Rs.950,000 per house on 12 February 2018 for the construction of these houses. Although the housing project expected to be completed by 12 September 2018 as per the agreement, only the first phase of housing construction has been completed as at 31 December 2019, the date of audit .</p>	<p>Plans need to be properly formulated enable to prioritize the tasks that should be given priority in performing services to the public and to carry out projects within the stipulated time frame.</p>	<p>Answers have not been given.</p>

3.3 Failure to Obtain the Expected Outcome

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Despite it had elapsed 15 months and 1 month in Nuwara Eliya area and 3 years and 3 months in Hatton area after entrusting 153 houses valued at Rs.140,359,085 in Hatton area and 128 houses valued at Rs.108,750,000 in Nuwara Eliya area, it was observed during the physical examination on 30 December 2019 that the beneficiaries had not resided. Accordingly, the public did not receive the benefits of the expenditure incurred by the Ministry officials for not supervising these Projects after the houses were provided and it was a misspend of government money.</p>	<p>Public money should not be misspent and should be spent in a way that is fair to the people.</p>	<p>Answers have not been given.</p>
<p>(b) Even though it had elapsed more than two years after completing the construction of 612 housing units in 35 Housing Projects as per the inspection of the Internal Audit Division, those houses had not been handed over to the beneficiaries.</p>	<p>Houses should be constructed according to the standard and handed over to the beneficiaries.</p>	<p>Answers have not been given.</p>

3.4 Abandonment of Projects without Completion

The following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- It was observed that due to disputes occurred over the selection of 10 plots of land with an estimated cost of Rs.192,635,000 in Hatton District those projects had been abandoned without being commenced.	----- Conducting a feasibility study prior to the commencement of projects and introduce systems and controls to identify suitable lands for construction.	----- Answers have not been given.

3.5 The Projects Released Funds but not Progressed

The following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Twenty five other non-housing development projects to be completed valued at Rs. 14,181,329 in 2017 and 3 projects to be completed valued at Rs. 12,262,097 in the year 2018 and the advances paid for 8 projects for more than 2 years of period amounting to Rs. 911,664 were not recovered as per the inspection of the Internal Audit Division and a project which was paid an advance of Rs. 190,349 had applied first claim under the first phase after 2 years. Fifteen other development projects had been completed exceeding more than a year after the deadline and the advance payment amounting to Rs. 740,358 for 4 projects had been settled again after 4 months. It was observed that the public money had not been utilized effectively.	----- Advance payments should be made with proper supervision.	----- Answers have not been given.

3.6 Annual Performance Report

The inaccurate information contained in the Annual Performance Report and the following shortcomings were observed with regard to that.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Since the absence of project commencement and completion dates in the Performance / Progress Report for projects, it had been impossible to find information on project delays beyond 8 months planned time for construction of a house and failure to comply with laws and rules regarding delays.</p>	<p>Necessary systems and controls had to be developed to exchange information between the divisions in a timely manner to prepare the Annual Performance Report based on accurate information.</p>	<p>Answers have not been given.</p>
<p>(b) Out of 4920 incomplete houses at the beginning of 2019, the number of houses completed as at 31 December 2019 was 2059 as per the Progress Report for the year 2019. Although the constructions are expected to be completed within 8 months, as at 31 December 2019, there were 2,861 incomplete houses for more than one year.</p> <p>However, it was observed in further examination of the file, even though it had been stated that the proposed number of houses at Pendrick Estate under Phase 1 in Ratnapura 2018 under Green Gold Housing as 15, the actual number should be 30 and also the number of incomplete houses commenced in 2016 brought forward to 2019 had been stated as 760 but the actual value should be 1,104 .Accordingly, it</p>	<p>Necessary systems and controls had to be developed to exchange information between the divisions in a timely manner to prepare the Annual Performance Report based on accurate information.</p>	<p>Answers have not been given.</p>

was observed that the information of the completed houses was not properly documented.

- | | | | |
|-----|--|--|------------------------------|
| (c) | The format of the Progress Reports submitted for audit had varied according to each officer in charge of the subject and due to submission of non-unitary formats, the audit was interrupted when summarizing the information. | Necessary systems and controls had to be developed to prepare the Annual Performance Report as per the accurate information. | Answers have not been given. |
|-----|--|--|------------------------------|

3.7 Foreign Funded Projects

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) The approval of the Cabinet of Ministers had been obtained to pay 1.5 per cent from the total value as per the progress of the Project to the Plantation Human Development Trust from the government provisions a for overseeing the preliminary work of the first proposed 4,000 Housing Project with the Aid of the Government of India. It had also been observed in internal audit that the 699 houses had been handed over to the beneficiaries and infrastructure facilities had not been provided for 1,368 houses and the land of 265 houses had not been selected or arranged. Accordingly, only a sum of Rs. 32,263,200 can be paid to the Plantation Human Development Trust. However, as a result of payment of Rs.34,997,000 without proper supervision an over payment of Rs.2,733,800 was observed as at 31 December 2019.	The officer who grants recommendation and approval for a particular payment and making the payment, should act in accordance with the Financial Regulations and arrangements should be made as per the laws and rules with regard to payments made occurring a loss to the Government.	Answers have not been given.
(b) The approval of the Cabinet of Ministers had been obtained to make	-do-	Answers have not been given.

payments to the Plantation Human Development Trust from government allocations with regard to the construction of 5,000 housing units also under Indian Aids as per the progress of the Project above in accordance with the approval of the Cabinet of Ministers dated 20 August 2019. Nevertheless, despite the basic works such as agreeing on the number of houses, allocating land and making plans had not been done, an uneconomic payment amounting to Rs.10 million had been made to the Plantation Human Development Trust on 08 November 2019 .

- | | | |
|---|-------------|-------------------------------------|
| <p>(c) The approval of the Cabinet of Ministers No. 10/0296/739/002 dated 28 February 2018 had been provided to enter into a Memorandum of Understanding with the Government of India for the construction of 10,000 houses as per the Memorandum of Understanding with the Government of India. Although houses are being built under it, the Ministry did not have a signed Memorandum of Understanding even by 09 July 2020.</p> | <p>-do-</p> | <p>Answers have not been given.</p> |
| <p>(d) As per the approval of the Cabinet of Ministers given to the Cabinet Memorandum dated 18 January 2016, Regional Plantation Companies are required to pay Rs. 30,000 per house for the initial works required to start the construction of Indian houses and although the Ministry should spend only to provide the necessary infrastructure for housing after the construction of houses, the Ministry had paid a sum of Rs.355,835 in contrary to the Cabinet Memorandum for 3 estates as per the test check carried out for basic surveys on estate lands.</p> | <p>-do-</p> | <p>Answers have not been given.</p> |

3.8 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Plantation Human Development Trust is a guaranteed limited company established under the Companies Act No. 07 of 2007. Accordingly, although transferring construction projects of the Ministry to a company without any methodology and agreement and releasing funds and entering into agreements on behalf of the Ministries, were in contrary to the laws and rules, it was observed that this process is continuously carried out.</p>	<p>Relevant procurements should be carried out considering the provisions mentioned in the Government Procurement Guidelines.</p>	<p>Answers have not been given.</p>
<p>(b) It had been informed that the contracts totalling to more than Rs.2 million should not be provided to Co-operative Societies and the total number of contracts to be executed by a society within a specified period should not exceed three in accordance with Paragraph 3.9.4 of the Procurement Guideline . However, since contracting with the Estate Employees' Housing Co-operative Societies and constructing on behalf of the Ministry for all contract constructions carried out by the Plantation Human Development Trust, actions had been taken exceeding the limits set out in the Procurement Guideline.</p>	<p>Relevant procurements should be carried out considering the provisions mentioned in the Government Procurement Guidelines.</p>	<p>Answers have not been given.</p>
<p>(c) The Plantation Human Development Trust enters into an agreement with the Estate Co-operative Societies owned by the Plantation Company to carry out the construction works</p>	<p>Relevant procurements should be carried out considering the provisions</p>	<p>Answers have not been given.</p>

at the estimated value, according to a Bill of Quantity (BOQ) prepared on the basis of the allocations made by the Ministry. All the above contracts had been subcontracted by the Estate Co-operative Societies. An examination had not been carried out by the Plantation Human Development Trust regarding the feasibility of completing the industries of the subcontractors so, and it was revealed in the field inspections that the contracts which should be awarded to ICTAD Registered Contractors were performing by unskilled contractors and persons who were not registered at least as contractors.

mentioned in the Government Procurement Guidelines.

- (d) It was observed that the housing projects over Rs.1,000 million per year are being continuously carried out excluding the procurement methodology such as failure to submit bid invitations properly and awarding bids to contractors without obtaining bid security and performance insurance.

Relevant procurements should be carried out considering the provisions mentioned in the Government Procurement Guidelines.

Answers have not been given.

- (e) When the Ministry pays for the construction bills submitted by the sub-contractors under the supervision of the officers of the Human Development Trust because of the cheques were written in the name of the Human Development Trust instead of being written to those contractors, it was very late for the contractors to receive the money. According to the audit test check carried out in Hatton and Nuwara Eliya Districts during the period from 01 June 2018 to 30 May 2019, out of Rs.204.62 million released by the Ministry for the contractors, only Rs. 105.03 million was released to the contractors.

Avoid misuse of government funds by entering into agreements with contractors and sending cheques directly to them.

Answers have not been given.

Accordingly, it was observed that the delays in construction due to weakness of the contractor's viability, failure to meet proper standards and misuse of released government funds also had occurred.

- | | | |
|--|---|-------------------------------------|
| <p>(f) The contract had been awarded to a private company whose business was registered on 09 December 2016 to a Rs.100,000,000 for the construction and completion of 100 houses within 6 months under the precast system of the Fruitville and Strathadon Divisions of the Strathadon Estate belonging to the Watawala Estate Society by its Co-operative Society on 19 December 2016. However, there was no any evidence available in audit that the procurement system was followed in awarding the contracts.</p> | <p>Relevant procurements should be carried out considering the provisions mentioned in the Government Procurement Guidelines.</p> | <p>Answers have not been given.</p> |
| <p>(g) Even though it had been determined that to make the contractual payment subject to completion within 6 months on 19 December 2016 and "The maximum amount allocated for one house is Rs. 1,000,000" as per the Decision of the Cabinet of Ministers dated 1 March 2017 for the construction of 100 houses in Strathadon Estate under precast contract scheme, payments had been made increasing the provision of a house up to Rs.1,030,000 at the request of the Plantation Human Development Trust and the certificate of the project engineer in contrary to that . Out of 100 houses above, 50 had been completed and handed over on 07 January 2019 and the value paid as per the engineering approval was Rs. 47,065,717 for that by 31 December 2019 and the retention</p> | <p>It should act in accordance with the Decision of the Cabinet of Ministers and charge late fees.</p> | <p>Answers have not been given.</p> |

amount pertaining to that was Rs. 2,214,815. Nevertheless, charging of late fees had not been carried out.

- | | | |
|--|---|-------------------------------------|
| <p>(h) Although 100 houses had to be built according to the precast housing scheme as per the agreement entered into with the Plantation Co-operative Society in connection with precast housing and the Global Community Development (Pvt) Ltd. on 12 January 2018, all 50 houses had been built as a combined model, that is, a combination of precast and ordinary construction.</p> | <p>Actions should be taken to implement projects as per agreements.</p> | <p>Answers have not been given.</p> |
|--|---|-------------------------------------|

3.9 Assets Management

The following deficiencies were observed in connection with this.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Arrangements had not been made to carry out the Board of Survey on the movable and immovable properties of the four institutions of PoolBank Vocational Training Center, Ramboda Cultural Center, Norwood Sports Complex and Community Energy Center which were in active under the Saumya Murthy Thondaman Memorial Foundation and to takeover by the Ministry properly in the year 2017 . Further, the actions had not been taken even by 27 September 2019 to prepare and submit reports in accordance with Financial Regulations 755 (1) and (2). As a result of above facts, the Ministry had not submitted the</p>	<p>Formulation and implementation of systems and controls required for proper acceptance of assets and preparation and submission of reports in accordance with Financial Regulations.</p>	<p>Answers have not been given.</p>

assets belonging to these four institutions to the Comptroller General's Office in terms of Assets Management Circular No. 1/2017 dated 28 June 2017.

- | | | |
|--|--|-------------------------------------|
| <p>(b) The building with the milk bar on the ground floor of the Ministry building had been leased out by the Welfare Association of the Ministry to an outsourced party entering into an agreement and actions had not been taken to recover the cost and rent for the electricity and water of the milk bar and credit it to the Government Revenue.</p> | <p>When transferring assets to other institutions, arrangements should be made to transfer only the assets which do not interfere with the objectives of the Ministry.</p> | <p>Answers have not been given.</p> |
| <p>(c) The recommendations of the Chief Accounting Officer had not been recorded in Form T and A and submitted to the Auditor General as per the Board of Survey Report as at 31 December 2018, in respect of their excesses and shortages in accordance with Financial Regulations 757 (2) (a) and (b) . Even though a shortage of 396 items and excess of 106 items under 111 items were observed as per the above Board of Survey Reports actions had not been taken to include in the register of damages and losses and to act in accordance with Financial Regulation 103 (1) and to include under Note No. (11) in the Financial Statement 2019 .</p> | <p>It should act in accordance with Financial Regulations.</p> | <p>Answers have not been given.</p> |

3..10 Losses and Damages

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Out of the 184 proposed houses in the Kotiyagala Estate, only 42 have been completed and as a result of obtaining the relevant report from the Landslide Research and Risk Management Division of the National Building Research Institute after 23 May 2016 the date of the contract was awarded or 08 June 2016 and not paying attention to those recommendations, those houses had not been undertaken by 42 recipients mentioning the shortcomings that had occurred. Nevertheless, a sum of Rs.13,612,617 had been overpaid as at that date due to the payment of Rs.40,443,527 to the contractor by 31 December 2018 exceeding the approved estimate of Rs. 26,830,910 for that.</p>	<p>The money should be released in accordance with the provisions of the Government Procurement Guidelines after proper supervision in the advance payment and actions should be taken to recover the loss.</p>	<p>Although 184 houses were planned at this site, due to the environmental problems occurred at the site only 42 houses had to be completed. He had left the workplace due to high costs. He was informed about this on several occasions and steps had been taken to inform the ICTAD to take actions against him. Bills have not been submitted for additional work done by this institution. Therefore, the amount stated here was recorded as overpaid.</p>
<p>(b) A sum of Rs.6.84 million had been paid as at 31 December 2019 by entering into an agreement of Rs. 7 million with another company called , Berendina on 10 September 2018 to rectify the shortcomings pointed out by the above 42 housing beneficiaries, to complete the work before 15 November 2018, without transparency and procurement process. These expenditures incurred exceeding the approved allocations had also become a loss to the Government in addition to above amount.</p>	<p>The contracts should be implemented in accordance with the provisions of the Government Procurement Guidelines and in a manner that does not cause any loss to the Government.</p>	<p>Recipients have been informed that they would not be able to move into the houses until the shortcomings are rectified. It has been agreed to assign to Berendina institution which conducts other projects of the Ministry and to pay 7 per cent management fee which is paid to PHDT, to them since the work has stopped and the houses have been damaged and</p>

		because it would take time to prepare estimates and process the tender.
(c)	It was observed that a total of Rs.690,262 as Rs. 20,037, Rs.9,945 Rs. 9,945 and Rs.650,335 had been overpaid for digging soil and paving on surface, Laying Polythene , for shuttering and applying concrete respectively at the physical inspection of Pitaratmale access road.	-do- It has been informed that the contractor had admitted guilt and corrected as per the PHDT answer. It is recommended to deduct the management fee by 4 per cent or Rs. 27,251 due to the failure of quality construction.
(d)	A sum of Rs.1,227,600 had been paid for 74.4 cubic meters for the 1.3.6 concrete applied on the bottom of the side wall relating to the construction of the side wall of the Ampitikanda Housing Scheme. However, it was observed that the amount achieved was 66.249 cubic meters as per the physical examination and a sum of Rs. 126,241 had been overpaid accordingly.	-do- It is recommended to deduct 50 per cent of the 4 per cent of management fee from the total of Rs.5,570,461 recommended to be paid because this is also a mistake made due to a lack of supervision.
(e)	Although a sum of 89,759 should be charged out of the loss occurred amounting to Rs.272,276 to the government from an accident of the vehicle KB- 9614 in February 2017 by the driver who workd on a temporary basis , it was unable to recover so far due to the resignation of the driver from the service.	Actions should be taken to recover or write off in accordance with Financial Regulation 113 (4). Answers have not been given.
(f)	Due to obtaining only a third party insurance in case of an accident to an assigned vehicle in August 2016, a sum of Rs. 1,032,130 had been spent for the repairs. Even though it had been recommended to recover the repair cost from the two officers responsible for the accident by the	Recommendations furnished in accordance with the Financial Regulations should be implemented. It has been ordered to recover the damage occurred to the vehicle included in the final report of the investigation conducted under FR104 (4) from the Director General and

report of Financial Regulations 104 (4) submitted on 25 October 2018, no money whatsoever had been recovered even by 30 August 2020 .

the driver the two officers have resigned. Accordingly, action is being taken to obtain their information through personal files and recover the relevant amount.

3.11 Failure to Answer Audit Queries

Information on outstanding audit queries is given below.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Out of 31 queries submitted by the Internal Audit Division during the year under review, time had been taken for providing of answers to 17 audit queries from 01 month to 08 months and to 06 queries from 02 weeks to 03 weeks. Despite a period of 9 months to 19 months had elapsed for the remaining 08 queries by 30 August 2020 the answers had not been provided.</p>	<p>Actions should be taken to submit answers to audit queries during stipulated time and take action to correct such errors.</p>	<p>Answers have not been given.</p>
<p>(b) Out of 13 audit queries issued by the National Audit Office for the year 2019, time had been taken for providing of answers to 04 audit queries from 02 weeks to 04 months and despite a period of 1 1/2 months to 7 months had elapsed for 5 audit queries by 17 September 2020, answers had not been received from the Ministry.</p>	<p>-do-</p>	<p>Answers have not been given.</p>

3.12 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) By the Decision of the Cabinet of Ministers dated 06 December 2016 on Land Ownership and Providing Appropriate Housing Facilities for the Plantation Community and as per the decision of the Cabinet of Ministers dated 27th October 2017 and No. AMPA / 17/2281/739 / 001- III, it had been informed that it was appropriate to select uncultivated lands when selecting lands for the construction of such housing contracts after that date. Even so, approximately a total of 73.1 acres of cultivated tea whereas a productive land for tea cultivation in Hatton, Nuwara Eliya and Badulla had been removed as per the audit test check carried out during the field inspection conducted from 25 to 29 November 2019.</p>	<p>It should act in accordance with the Decision of the Cabinet of Ministers.</p>	<p>The fact that the audit states that using of productive tea estates for housing projects is very true. These new housing projects were designed to demolish the very old existing line houses and create a disaster-free housing system in the area. But the thing happening now is that houses are being built in other places removing tea plantation while those line houses are still there. This has also been a major issue in the Indian housing programme and many are living in old houses, nominally running new homes. Therefore, actions will be taken to make a policy decision to break down decayed line houses and build houses only in those places to make this project a success, which is being done at a huge cost.</p>

- | | | |
|---|--|-------------------------------------|
| <p>(b) The handing over of new houses should be carried out on the agreement to return the existing line houses or temporary sheds as per the Establishment Guidelines for the Implementation of Estate Housing Project issued from 2009 to 2014. It was observed at the field inspections carried out by audit in Nuwara Eliya District from 25 to 30 November 2019 that, out of 491 houses in 22 divisions in 17 estates given to the housing beneficiaries the old line houses in 20 divisions in 15 estates had not been removed. Accordingly, as a result of not leaving of those old houses, further being used by the same families of the beneficiaries.</p> | -do- | -do- |
| <p>(c) Although the deeds for housing for beneficiaries should be provided after recovering of loans, and returning the line houses used until then and after recovering the housing loan in fully as per the Decision of the Cabinet of Ministers dated 08 April 2015, issuance of deeds for lands to the beneficiaries of 116 houses was observed during the field inspection conducted from 25 to 29 November 2019 regarding 240 houses provided on loan and assistance basis without doing so from 2016 to 2017 in Nuwara Eliya area.</p> | <p>It should act in accordance with the Decision of the Cabinet of Ministers.</p> | <p>Answers have not been given.</p> |
| <p>(d) Although in the Selection of beneficiaries under Guideline No. 7.2 for the Year 2009 on the New Living Estate Housing Programme it should be done by a Committee with the participation of the Plantation Human Development Trust and the Estate Housing Co-operative Society based on 07 criteria, the Ministry had not monitored the fact that such a Committee was appointed to select the beneficiaries or that the selection of</p> | <p>Follow a formal methodology in selecting beneficiaries and officers should be deployed to provide proper communication facilities to the plantation community and they should be properly informed.</p> | <p>Answers have not been given.</p> |

beneficiaries was done properly and no written evidences other than the list of beneficiaries was submitted to the audit for further investigation.

- | | | |
|--|--|-------------------------------------|
| <p>(e) According to the Guidelines for Housing Projects for Beneficiaries, it was stated that as a mandatory to be a registered employee of the estate when selecting housing beneficiaries and although it has been determined and activated it to provide loans and assistance on a mixed basis as a support to the families of estate workers who had faced landslides and working on estates in high risk areas in providing houses in accordance with the Decisions of the Cabinet of Ministers, it was observed that the houses were provided in violation of those criteria during the field inspection which was conducted from 25 to 29 November 2019 . That is, it was observed that out of 986 houses inspected in the Hatton and Nuwara Eliya zones, 14 houses were given to those who do not work in the estate respectively.</p> | <p>-do-</p> | <p>Answers have not been given.</p> |
| <p>(f) Although the beneficiaries should be identified and lists should be prepared before the commencement of the construction of houses in accordance with the Guidelines regarding the construction of houses and it had been entered into agreements with the contractor on 21 December 2016 in respect of the construction of the Precast Project for the Stratadon Division of the Stratadan Estate , beneficiaries for these 50 houses had not been identified even by 30 November 2019, the date of the audit.</p> | <p>The Beneficiaries should be properly identified prior to the commencement of the project.</p> | <p>Answers have not been given.</p> |

- | | | |
|---|---|-------------------------------------|
| <p>(g) As a result of the problems in the method of selecting beneficiaries based on need, it was observed that 03 houses which had been provided to the beneficiaries valued at Rs. 2,300,000 had been rented out to other parties without partaking them according to the audit test check carried out at field inspection Nuwara Eliya area from 25 November 2010 and accordingly, these houses are not essential for the selected beneficiaries.</p> | <p>-do-</p> | <p>Answers have not been given.</p> |
| <p>(h) The construction of houses is being implemented and monitored by the Human Development Trust since the commencement of the housing project and 6 per cent management fee is being paid for gold housing projects. Accordingly, a sum of Rs.45,781,306 during the year 2018 and Rs.53,650,870 during the year 2019 had also been paid. But there was no approval obtained to pay the management fees and there was no agreement with the Plantation Human Development Trust or the Plantation Cooperatives to oversee the project or pay management fees.</p> | <p>Contracts should be executed in accordance with the provisions of the Government Procurement Guidelines.</p> | <p>Answers have not been given.</p> |
| <p>(i) It had been approved to provide a sum of Rs. 480,000 as a grant and Rs. 520,000 as a loan out of the value of a house amounting to Rs.1,000,000 as per the Decision of the Cabinet of Ministers dated 21 February 2017 . But the instructions had been given as Rs. 494,000 loan under 4 per cent interest and Rs. 506,000 as grants according to the manual of the Guideline given by the Ministry for this purpose in contrary to the Decision of the Cabinet of Ministers . Further, it had not mentioned that when the loan repayment should be commenced.</p> | <p>Accurate instructions should be given in accordance with the Decision of the Cabinet of Ministers.</p> | <p>Answers have not been given.</p> |

- | | | |
|---|--|-------------------------------------|
| <p>(j) Although there is a document signed by the beneficiaries stating that part of the cost incurred was given on loan basis as per the test checks carried out on 235 houses constructed in Nuwara Eliya zone, the date of the agreement, the loan terms, etc. had not been included since lack of a signed valid agreement. Although the recovery of the loan is stated under Paragraph 5.03 of the document as subjected to a future decision, no measures whatsoever had been taken as per the Decision of Cabinet of Ministers to recover the debts.</p> | <p>Actions should be taken to recover the debts.</p> | <p>Answers have not been given.</p> |
| <p>(k) Although it had been mentioned that the monthly instalment was Rs. 3,800 for the recovery of the loan in 180 installments, the methodology of debt collection and its responsible officials had not been specified as per the relevant Guidelines and since there was no agreement between the relevant borrower and the Ministry recovery of those loans was questionable. Further, actions had not been taken to maintain the information and account for to be enable to identify the portion of recovery of debts from the borrowers so far and the portion of debts to be recovered.</p> | <p>Books should be maintained in the manner of suitable to identify the arrears debts.</p> | <p>Answers have not been given.</p> |
| <p>(l) Although it had been stated that four per cent interest would be charged on loans given for the construction of houses as per the guidance given by the Ministry, the books had not been maintained to be enable to identify the information regarding the recovery of that income or the loan interest income received during the year or the loan interest income receivable.</p> | <p>Actions should be taken to maintain the books as per the financial Regulations.</p> | <p>Answers have not been given.</p> |

4. Achieving Sustainable Development Goals.

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Providing the ownership of 3234 housing units with 07 perches of land to the plantation community living in line houses with drinking water facilities, electricity and access roads by the end of 2020 had been stated in the Action Plan as per the Sustainable Development Goals. Even though a number of 2059 housing units have been completed as at 31 December 2019, since the built houses were also not in proper quality, actions had not been taken to receive or reside the 281 houses by the beneficiaries as per the audit test checks carried out in Hatton and Nuwara Eliya areas only.</p>	<p>As per the Sustainable Development Goals by the end of 2020, arrangements should be made to enable to achieve the proposed goals.</p>	<p>Answers have not been given.</p>
<p>(b) Failure to design houses or take precautionary measures considering and the size of the land and its condition as per the NBRO reports and the plan issued by the National Building Research Institute in accordance with the topography of the land, there was a risk of damage to the occupants and the expected productivity of the construction cost could not be achieved due to the inability of the houses to be used in a short period of time.</p>	<p>Actions should be taken to give priority to public safety and to spend public money in the most productive manner.</p>	<p>Answers have not been given.</p>

5. Good Governance

5.1 Performing Services to the Public

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>(a) Although a website has been created to receive public complaints, there was no mechanism to receive complaints from the public and arrangements had not been made to document the complaints.</p>	<p>A system for receiving public complaints should be developed.</p>	<p>Answers have not been given.</p>
<p>(b) Even though the establishment of new villages and towns had been shown in the role of the Ministry with a view to developing housing and infrastructure facilities for landless people working in government and private plantation companies, instead of doing so today, it was revealed that the it was stipulated to lose 1,312 acres of cultivable land in Hatton, Nuwara Eliya alone by constructing houses and infrastructure facilities in the existing line houses within the existing tea estates and in addition from other lands in the estate as per the proposed housing projects for December 2019.</p>	<p>Proposed projects should be implemented in a proposed and country friendly manner.</p>	<p>The fact that the audit states that tea estates have been used for housing projects is very true. Further, these new housing projects were planned to demolish the very old existing line houses and to establish a disaster-free housing system in the area. Nevertheless, it is currently happening that the tea is being removed elsewhere and houses are being built while those line houses are still there. This has also been a major issue in the Indian housing programme.</p>

6. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Eight posts out of the 21 senior level posts had been in vacant.	As vacancies have a special effect on the performance of the Ministry actions should be taken promptly to fill them.	Requests have been made to the Secretary to the Ministry of Public Administration to fill the relevant vacancies.
(b) Even though the duties had been assigned to plantation community communication facilitators to conduct field inspections on various projects, there was no evidence that they were engaged in those duties during the field inspection conducted by the Audit from 25 to 29 November 2019. Accordingly, it was revealed that, these officers who were recruited as the posts only limited to the Ministry and paid salaries by the Ministry and they had dealt with the Divisional Secretariats and Municipal Councils.	The officers recruited on the requirement of the Ministry to carry out the projects of the Ministry should be deployed efficiently.	Answers have not been given.