

## **Head 417 - State Ministry of Estate Housing and Community Infrastructure**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the State Ministry of Estate Housing and Community Infrastructure for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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. In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the State Ministry of Estate Housing and Community Infrastructure was issued to the Accounting Officer on 30 June 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 20 July 2021 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the State Ministry of Estate Housing and Community Infrastructure as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion was qualified on the basis of matters set out in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements**

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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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines 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 annual and periodic financial statements to be prepared of the Commission.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the 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 system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility for the Audit of the Financial Statements**

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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 judgement and maintain professional skepticism throughout the audit. I also:

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

I communicate with the 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

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As required by Section 6 (1) (d) of the National Audit Act, No. 19 of 2018, I state the following:

There was no need of preparing financial statements for the previous year as the State Ministry of Estate Housing and Community Infrastructure is a new Ministry.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Statement of Financial Performance

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Audit Observation	Comments of the Accounting Officer	Recommendation
(a) <b>Receipts of Advances</b> Although the total advances received had been Rs. 8,684,240 according to SA 52, it had been indicated as Rs.8,955,958 and as a result, the value of advance receipts had been understated by Rs. 271,718 in the financial performance statement.	It is informed that the reason for the decrease in the balance of the value of advance receipts by Rs. 271,718 was the debits amounting to Rs. 143,400 made in March 2020 under Expenditure Head 267 of the Advance Account 417012 and debits amounting to Rs. 128,318 made in June 2020 under Expenditure Head 269.	Information should be submitted accurately on the basis of Treasury printouts.
(b) The recovery of the housing loan has been indicated by other receipts (230099) in the Monthly Accounts Summary submitted by the Accounts Division and the grand total amounting to Rs. 16,757,936 comprised of its financial receipts as Rs. 9,192,895 and Rs. 7,565,041 as cross entries had been credited to the Government Revenue. However, according to the letter of the Additional Secretary (Development) bearing No. SMEHCI/03/Gov.Audit/GEN/2021-(ii)/(02) dated 08 April 2021, it was indicated that the total charges were Rs. 7,782,538 and as a result, a difference of Rs. 8,975,398 was observed.	Replies were not provided.	Action should be taken to accurately submit the information on the recovery of loans.

## 1.6.2 Property, Plant and Equipment

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The following deficiencies were disclosed in the accounting of property, plant and equipment.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Purchases made under No. 6112201 included in property, plant and equipment during the year had been overstated by Rs.500,000 as per Form ACA-6 when compared with Treasury books and Departmental books. Therefore, it was observed that the balance of the property, plant and equipment reserve account had also been overstated by that amount.	I would like to inform you that the reason for the additional balance of Rs.500,000 is an amount given by the Department of State Accounts without notice. Relevant letters related to the rectification of this error have been sent to the relevant sections.	The information must be presented accurately.
(b) Although the expenditure incurred during the year from the Objects of acquisition of assets of the Ministry was Rs. 3,704,616, Rs. 3,140,716 had been indicated as purchases during the year as per Form ACA 6 of the financial statements and Rs.2,640,716 had been indicated as purchases as per the summary report of non-financial assets of the Treasury	Replies had not been provided.	Information should be accurately submitted in the financial statements based on the Treasury printouts.

## 1.6.3 Advance Account Balances

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The following deficiencies were revealed during the year-end balance accounting of the advance accounts.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although the advance payment was Rs.41,612,297 according to SA 52, it had been indicated as Rs.6,660,541 in the Statement of Financial Performance and as a result, advance payment had been understated by Rs.40,945,756.	It is informed that the value of the total of advance payments related to the Ministry amounting to Rs.6,660,541 is accurate and those values are equal in accordance with the year-end printed Accounting statements of the Treasury and the year-end accounting records prepared by the Ministry.	Information should be presented accurately based on the Treasury printouts.

<p>(b) Even though there had been debits amounting to Rs.35,636,499 and credits amounting to Rs. 1,557,251 during the year according to the Treasury Books, an amount of Rs. 684,743 was indicated as debits and an amount of Rs.1,828,969 had been indicated as credits during the year under No. 8493/0/0/0417/0/012 related to ACA-5 Advance Account.</p>	<p>Replies had not been provided.</p>	<p>The information should be presented accurately based on the Treasury printouts.</p>
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**1.6.4 Imprest Balance**  
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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>Although a sum of Rs. 27,939,559 has to be indicated as receipts from other sources under imprest receipts in the imprest account under ACA-3, it was stated as Rs. 28,793,782 and as a result, it was observed that an amount of Rs.854,223 had been overstated. Furthermore, it was observed that the increase had been stated as receipts from other sources in July in the monthly accounts summary.</p>	<p>Replies had not been provided.</p>	<p>Information must be presented accurately based on the Treasury Printouts.</p>

**2. Financial Review**  
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**2.1 Expenditure Management**  
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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) <b>Total Saving of Provision</b></p> <p>Provision allocated for the Object of Capital bearing 417-01-01-2002 was Rs.925,000 and the total provision was saved.</p>	<p>This was a saving by adding the expenditure related to the Object 417-01-01-2003 to this Object by mistake by the National Budget Department in the preparation of the budget estimate for the last quarter.</p>	<p>The changes should be checked and the estimates should be prepared accurately.</p>

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| (b) | In the preparation of the initial expenditure estimate and the revised expenditure estimate, the variation of 09 Objects had varied in the range of negative 100 per cent to positive 21 per cent. | Replies had not been provided. | Relevant estimates should be prepared as accurately as possible. |
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## 2.2 Incurring Liabilities and Commitments

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Liabilities amounting to Rs.6,672,415 related to the year 2020 and which had not been mentioned in the statement of commitments and liabilities had been paid during the year 2021.	Accepted. Relevant officials were informed to ensure that this will not be happening in the future	All the liabilities relevant to the current year must be accurately included in the statement of liabilities.
(b) Commitments for Liabilities had been incurred exceeding provision amounting to Rs.6,085,170 without considering the savings in 11 Objects.	Replies had not been provided.	Action should be taken with care in relation to the savings in the relevant Objects in incurring commitments pertaining to liabilities related to the current year.
(c) Liabilities amounting to Rs. 1,137,489, which was not in the SIGAS copy of the statement of liabilities submitted to audit, had been included in the statement of commitments and liabilities.	The Department of State Accounts has updated the CIGAS Computer Programme at the end of the year 2020. During that update, several items worth Rs. 1,137,489 in the statement of liabilities related to our Ministry have been omitted. Subsequently, we observed it and notified it to the Department of State Accounts and added it back to the statement of liabilities.	Information should be accurately included in the statement of commitments and liabilities.

## 2.3 Reconciliation Statement of the Advances to Public Officers Accounts

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The following deficiencies were revealed in accounting advances to public officers.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Necessary action had not been taken even by 22 March 2021 to recover the debt balance of Rs.258,250 to be recovered from three officers, who had transferred from the Ministry.	Arrangements are being made to notify the new work places regarding the officers, who are transferring, and to settle the relevant loan balances.	Necessary action should be taken to expeditiously recover the loan balances.
(b) Necessary action had not been taken to recover the outstanding loan balance amounting to Rs.326,582 outstanding for a period of 02 to 04 years and receivable from employees, who had resigned or who had been interdicted.	Legal action is being taken under Section 4:6 of Chapter XVIV of the Establishments Code to recover the due amounts.	-Do-
(c) Necessary action had not been taken to recover the loan balances amounting to Rs.60,630 outstanding for a period more than two years and which were to be recovered from an employee, who had vacated the post.	-Do-	-Do-
(d) Even though the maximum limit of expenditure of Advances to Public Officers of the Ministry is Rs.23,700,000, the total expenditure during the year was only Rs.5,975,798 or 25 percent.	Provision was received quarterly and although the provision was saved, provision cannot be utilized for forthcoming quarters and therefore, I would like to inform you that the provision was saved.	Advance accounting activities should be operated with due regard to the limits of the advance accounts.

## 2.4 Non-compliance with Laws, Rules and Regulations

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The instances of non-compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks are analyzed below.

<b>Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>Reference to Laws, Rules and Regulations</b>		
<b>(a) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) FR 501 (c) and 502 (b)	Action had not been taken to collect receivable amounts without delay to ensure that full amount of loans given to the public is recovered and to monitor as to whether a satisfactory progress has been achieved in the relevant task and to properly maintain a loan register to record all the relevant transactions.	Replies had not been provided.
		Action should be taken in compliance with the Financial Regulations.



(ii) FR 571 (3)	<p>Action had not been taken to credit the value of Rs. 452,776 stated in the deposit account 6000-0-0-13-0088-0 to the relevant account or to the government revenue or to repay the amount.</p>	<p>Action was taken on 11/04/2017 to inform the owner of the deposit that if the request has not been made within a month, the amount would be credited to the government revenue.</p>	-Do-
	<p>Action had not been taken to credit the value of Rs.47,075,764 stated in the deposit account 6000-0-0-16-0082-0 to the relevant account or to the government revenue or to repay the amount.</p>	<p>Necessary action has been taken to credit an amount of Rs. 6,559 to the government revenue in the year 2021 and to prepare an amount of Rs. 2,924 for payment and to inform to remit a deposit amounting to Rs. 6,396 to the relevant institution and to inform that a deposit of Rs. 40,416 would be credited to the government revenue if the depositor had not made a request. The balance was the retention money deducted in relation to the payments of the construction projects, which had been commenced in the previous years and work of which had not been completed and follow up activities for settling the retention money are being carried out.</p>	-Do-
(iii) FR 104 (4)	<p>Although the full report should have been submitted within three months from the date of occurrence of the losses and damages subsequent to the preliminary investigation, action had not been taken accordingly in relation</p>	<p>The submission of the full report was delayed due to the delay in obtaining the required police reports and I have made a note to submit these full reports within 03 months.</p>	-Do-

to the vehicles bearing numbers PH-0177, PG-1440 and CAR-5030, which had faced accidents.

- (iv) FR 104 (4), 106 (3) and 109 (1)
- Action had not been taken to allocate money from the General Treasury until 31 December 2020 and to write off the loss incurred in respect of vehicles bearing Numbers CAJ-4341 and JY-2971, which had involved in accidents in the year 2015. An amount of Rs. 100,000.00 has been allocated from the budget for the year 2021 as the provision for compensation for losses. I would like to inform you that action will be taken expeditiously to account the loss amounting to Rs.68,641, the loss from the Cab bearing No. JY-2971 as the loss has already been written off from the books and to write off the loss of Rs. 14,450 incurred for the car bearing No. CAJ-4341 from the books and to account it. -Do-
  - Although it is required to take action in accordance with the Financial Regulations in relation to the loss of two clerical tables, action had not been taken accordingly until 31 December 2020. The loss has been identified as Rs.25,935.00 and a committee has been appointed to write off the loss from the books and I would like to inform you that action will be taken in accordance with Financial Regulations 104 (4), 106 (3) and 109 (1) subsequent to conducting a preliminary investigation. -Do-
  - Although it has been recommended to recover the amount of Rs. 1,032,130, incurred owing to Letters have been issued to recover the loss of Rs. 1,032,130, caused by the accident of the vehicle bearing number JY – 2916, from the driver. The letter has been referred back to the Ministry as the driver does not reside at that address. However, this -Do-

the accident driver is not currently employed in  
occurred to the the Ministry and steps are being  
vehicle bearing taken to take legal action in this  
number JY-2916, regard.  
which had  
obtained only the  
third-party  
insurance, from  
the Deputy  
Director General  
and the driver, any  
amount had not  
been recovered  
even by 31  
December 2020.

- Action had not It has been notified on three -Do-  
been taken to occasions to pay the loss of  
recover from the Rs.89,759, incurred to the vehicle  
driver the loss bearing number KB-9614 after the  
amounting to accident. The driver, who had been  
Rs.89,759, attached to the staff of the Minister,  
incurred to the is not currently serving in the  
Government from Ministry and this matter has been  
the damage caused referred to the Attorney General to  
by the accident get the advices from him.  
occurred to the  
vehicle bearing  
No. KB-9614.

(v) FR 702

When awarding Plantation Human Development -Do-  
construction contracts Trust has been gazetted as an  
to the Plantation institution under the purview of the  
Human Development Ministry in page numbers, **19 A** and  
Trust (PHDT), the **20 A** of the Gazette Extraordinary  
formats approved by dated 09.08.2020. Accordingly,  
the Attorney General approval is given to the Plantation  
had to be signed. Human Development Trust for the  
However, it had not implementation of the development  
been done so. projects of the Ministry.

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| (vi) FR 702(3)                     | A copy of all the contracts signed by the Ministry had not been submitted to the Auditor General.   | Copies of the Contract Agreements entered into by the Plantation Human Development Trust with the relevant Estate Co-operative Societies will be made available for audit in the future. I will also submit copies of direct contract agreements pertaining to this Ministry to the Auditor General.   | -Do- |
| (vii) FR 237 (a)<br>(iii)          | <p>The retention amount of Rs.5,149,696 had been paid to the Director General of the Plantation Human Development Trust without the consent of the relevant Authority.</p> <p>An amount of Rs.86,620 had been paid as the final bill value to an Institution for road projects of Kandy without deducting the retention amount.</p> | <p>After the completion of the construction activities of the phases of the development projects, the Plantation Human Development Trust submits the bills to the Ministry. Payments are currently being made only on the recommendation of the Consultant Engineer of the Ministry and the Project Engineer after supervising the work done by the Technical Officers of the Ministry. I kindly report that we will continue to do so in the future also.</p> | -Do- |
| (viii) FR 756, 757<br>and 1647 (b) | Annual verifications should be conducted on vehicles and also on spare parts. Although such verification should be conducted whenever the load of a vehicle is changed and as soon as the safety of the vehicle is handed over, this was not conducted so from 2016 to 2020.  | The Transport Division of the Ministry has already forwarded the relevant information to the Accounts Division and further work is being done regarding the vehicle survey.  | -Do- |

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| (b) | Paragraph 3.31 of Public Administration Circular No. 30/2016 dated 29 December 2016 | A fuel inspection had not been carried out on the vehicles of the Ministry from 2016 to 31 December 2020.   | I made a note to complete this task as soon as possible. | Action should be taken in accordance with the Public Administration Circular. |
| (c) | Paragraphs 3 and 6 of the Public Finance Circular No. 2/2018 dated 18 August 2018.  | Action had not been taken to close 13 funds, including the revolving fund and to recover the loans that should be recovered to the revolving fund even by 31 December 2020. | Replies had not been provided.                           | -Do-  |

## 2.5 Issuance and Settlement of Advances

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) An amount of Rs. 133,000 had been granted to a Non-Staff Grade Officer without considering the maximum limit and the advance amounting to Rs. 68,300, given to another female officer had been settled after delays of 107 days and 112 days subsequent to the completion of the relevant task.	Accepted. Relevant officers were instructed to pay special attention in the payment of advances to officers in the future and to take action to recover the advances within the due period.	Action should be taken in accordance with the Financial Regulations and with a control in the issuance of advances.
(b) Advances amounting to Rs. 20,000 and Rs. 112,500 obtained by two officers had been settled after delays of 173 days and 143 days.	-Do-	-Do-
(c) An advance amounting to Rs. 200,000 had been issued to an officer in the MARKFED as sub imprest for fuel and an advance amounting to Rs. 100,000 had been issued to another institution and the advance had been settled after a delay of 243 days.	-Do-	-Do-

### 3. Operational Review

#### 3.1 Planning

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The details of the updated organizational structure of the institution, the approved staff and the actual staff for the year to be included in the Action Plan as per paragraph 03 of the Public Finance Circular No. 01/2014 dated 17 February 2014 had not been included in the Action Plan.	Details of the updated organizational structure of the institution and the approved cadre and the regular staff had been forwarded with the Action Plan for the year 2020 and the Performance Report for the year 2020 submitted to the Auditor General.	Action should be taken in accordance with the Public Finance Circular.
(b) In the preparation of the Action Plan, attention had not been paid to the matters such as the establishment of estate community related “People-Centric Boards and People-Centric Centres” giving priority to the community leadership and community participation which is a major function of the Ministry and to offer houses, of which constructions were completed, to the beneficiaries.	Establishment of “People-Centric Boards and People-Centric Centres” for the estate community has been assigned to the Ministry by the Gazette dated 06.10.2021. Preliminary work has been carried out to establish People-Centric Centres” for the estate community by formulating drafts and by making community communication facilitators aware in that regard.	Proper attention should be paid to the main functions of the Ministry in the preparation of the action plan.

#### 3.2 Non-performance of Roles

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although it has been scheduled to construct 150 new housing units up to the wall level under “Nawa Jeewana” Housing Programme in the Action Plan, work in any housing unit had not been started until 31 December 2020. A total of Rs. 27,840,000 comprised of mobilization expenses and management fees to the Plantation Human Development Trust had been paid to 91 houses in the Hatton Zone and 47 houses in the Nuwara Eliya Zone. This programme, which had been planned in the beginning of the year, had been funded in December and as a result, any work had not been carried out.	Due to the prevailing Covid 19 situation, many initial activities could not be carried out as expected. The request for money was delayed until the end of the year and the money had to be released at the end of the year.	Action should be taken to complete the functions incorporated in the Action Plan with maximum efficiency.

### 3.3 Not Achieving the Expected Level of Output

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the action plan, the number of carry over houses expected to be completed by 30 June 2020 was 1710. The total number of houses completed as at 31 December 2020 by incurring a cost of Rs. 680.79 million was 700 and it was observed that it was a physical progress of 40.9 percent out of the expected level of output.	Although adequate provision was not made to achieve the desired physical targets, 100% financial progress was achieved according to the amount allocated. However, it was not possible to achieve the expected physical progress due to the delays in construction activities owing to travel restrictions imposed due to Covid-19 pandemic prevailed and due to insufficient allocations.	Action should be taken to complete the tasks, incorporated in the action plan, with maximum efficiency.
(b) In the examination of the Action Plan and the Annual Performance Report, 10 projects were implemented under 03 programmes and it was observed that the physical progress of 09 projects was in the range of 1.7 percent to 58.58 percent.	Expected progress could not be achieved due to conducting awareness programmes and community training programmes as per the existing Covid regulations.	-Do-
(c) Although provision amounting to Rs. 108.87 million had been received for the livelihood development programme during the year under review, the financial progress was 63.13 percent as the actual expenditure was Rs. 68.73 million. Targets had not been set for the Food Security and Nutrition sub-project and the progress in achieving physical targets of the other projects was as low as 1 percent to 1.7 percent.	The programmes could not be planned and implemented as expected due to the allocation of provision amounting to Rs. 60 million, out of Rs. 108.87 million allocated, to the Vote on Account on 30.09.2020. Accordingly, the programmes started with a delay are being implemented continuously for the year 2021 and they are expected to be completed within this year.	Action should be taken to complete projects with maximum efficiency.

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| (d) | Although it had been planned to construct 1890 housing units under the Indian-funded housing project, only 1466 housing units had been completed and any of the houses had not been handed over to the beneficiaries. | It was not possible to provide infrastructure for houses as provision had not been allocated in the year 2020 to provide infrastructure for Indian Assisted projects and as a result, houses could not be handed over to the beneficiaries. | Action should be taken to complete and to hand over to the relevant beneficiaries. |
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### 3.4 Not Achieving the Expected Level of Outcome

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) A revolving fund had been set up and loans amounting to Rs. 9,210,760 had been disbursed under the first phase from the date of commencement of the Fund up to the year 2010. Only Rs. 4,223,343 had been collected up to 30 January 2013 and the balance had been credited to the Revolving Fund. Under the Phase II, a new agreement was signed with the Bank of Ceylon for the balance of Rs.8,758,443 of the revolving fund prevailed as at 26 January 2016 and loans had been granted to the beneficiaries. The progress in the recovery of the loan disbursed as at 31 December 2020 is as follows.	Accepted. Twenty-eight (28) beneficiaries, out of the 35 beneficiaries of the revolving fund, have already repaid the full amount of the loan. Four (04) beneficiaries are paying loan instalments at the moment and three beneficiaries have defaulted the repayment of loan instalments. Plantation Community Communication Facilitators have been informed to take necessary action to recover the loan from the beneficiaries, who had defaulted the repayment of loans.	The activities of the revolving fund should be carried out under proper supervision and control.
(i) A balance of Rs.183,466 had not been recovered from two beneficiaries, who had been given loans under the first round in the month of August 2016.		
(ii) An amount of Rs. 120,297, to be recovered from 5 beneficiaries, to whom loans had been granted under the second round in the year 2017, was in arrears.		



- (iii) It was observed that 3 beneficiaries, who had been given the loans in the year 2016 had not utilized the loans for the purpose, for which the loans had been obtained and the Ministry had not taken adequate action in this regard until 31 December 2020.
- (b) The progress made by the Ministry in achieving the expected benefits through the housing projects implemented by the Ministry with the main objective of providing safe houses and dwellings with basic infrastructure facilities to all in the plantation sector, is mentioned below
- (i) Although 4007 housing units had been completed as at 31 December 2020 under the Green Gold Housing Programme, only 2225 housing units had been offered to the beneficiaries. It was 55 percent of the housing units that had been completed. 177 houses completed with infrastructure facilities in the years 2016, 2017 and 2018 and 574 houses completed without infrastructure facilities had not been handed over to the beneficiaries even by the end of the year under review.
- (ii) It was observed according to the reports submitted to the audit that the completed houses during the period after the year 2018 had not been offered to the beneficiaries.
- (c) The Ministry had provided housing units worth Rs. 292,025,000 to 1159 beneficiaries on loan basis in the years 2015, 2016, 2017 and 2018 covering 55 estates in 07 zones. Any amount, out of Rs. 77,550,000 to be recovered for 282 housing units had not yet been recovered even by 31 December 2020.
- It was not possible to hand over these houses as the beneficiaries have not accepted these houses giving various reasons. I have recorded to take necessary action to provide houses to other beneficiaries, who have housing requirements after finding information in relation to the houses that had not been handed over to the beneficiaries.
- Action should be taken with maximum efficiency to achieve the desired outcome from the housing projects.
- Accepted.  
I will take action to report the action taken in this regard to the audit in the future.
- Action should be taken to recover the due amounts for houses as soon as possible.

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| (d) | According to the information provided to the audit, the total amount recovered by the Ministry as at 31 December 2020 was Rs.73,070,941 and it was as minimum as 25.02 percent out of the total loan amount. | Replies had not been provided. | Action should be taken with maximum efficiency to recover the loan amounts. |
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### 3.5 Abandonment of Projects without Completion

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Audit Observation	Comments of the Accounting Officer	Recommendation
It had been stated in the Progress Report that the construction activities of 1026 carry over housing units under the Green Gold Housing Project in the years 2016, 2017 and 2018 had been suspended in 2020 and the mobilization cost amounting to Rs.67,120,000 had been paid for 482 housing units. Action had not been taken to recover this amount.	The amounts paid were covered for bills submitted to pay for new projects.	Action should be taken to recover the due amounts to the Ministry as soon as possible.

### 3.6 Delays in the Implementation of Projects

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although an amount of Rs. 3,770,000 had been paid to the Plantation Human Development Trust as 20 percent advance and management fee for preliminary work of the construction of 45 and 8 housing units in Kegalle and Galle Zones respectively in the years 2017 and 2018, any work had not been carried out even by the end of the year under review. Accordingly, the delay in the execution of the projects had exceeded 03 years and the reasons for non-performance of those activities had not been submitted to the audit.	Although additional provision had been requested for projects commenced in the years 2015-2019, it had been informed to incur expenses from the provision allocated to the Ministry for the year. However, provision allocated for this year would be used to implement the projects as per the action plan of this year and as a result, the payments for the aforesaid projects has been suspended until the additional allocations are received. Therefore, the projects commenced in the previous years have not yet been finalized.	Arrangements should be made to complete the projects in the relevant period.

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|---|------|------|
| <p>(b) Only 33 housing units had been completed out of 211 housing units, which had commenced construction in 2017 and to be completed within 06 months in 06 zones namely, Hatton, Nuwara Eliya, Kandy, Ratnapura, Kegalle and Galle. This was a minimum level progress of 15.6 percent achieved in the completion of the housing units. Only Rs.76,759,144, out of the estimated cost for these housing units amounting to Rs.114,088,522, had been incurred as at 31 December 2020 and financial progress of 67 percent had only been achieved.</p>  | -Do- | -Do- |
| <p>(c) Any housing unit had not been completed out of 205 housing units, of which construction had been commenced in 2018 in 03 zones namely, Hatton, Nuwara Eliya and Kandy. Although the progress of finalization of projects was zero, only Rs.72,810,466, out of the estimated cost for these housing units amounting to Rs.114,429,022, had been incurred by the end of the year under review and 50 percent of financial progress had only been achieved. It was observed that there had been no efficiency in the utilization of government funds in relation to housing projects.</p> | -Do- | -Do- |
| <p>(d) Only 75 projects had been completed as at 31 December 2020 out of the 120 infrastructure projects commenced in the years 2017, 2018 and 2019 and activities of 45 projects had not been completed.</p>   | -Do- | -Do- |

### 3.7 Projects for which Funds had been Released but a Progress had not been Achieved

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Even though any activity had not been commenced for the construction of 19 housing units in the Fordies Estate under the Programme of constructing 150 new houses under the Housing Project in the year under review, an amount of Rs. 570,000 had been paid to the Plantation Human Development Trust as management fee as at 31 December 2020.	Replies had not been given.	Payments for relevant projects should be made with proper supervision and control.

### 3.8 Annual Performance Report

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although it had been indicated in the annual performance report that Rs. 1 million has been spent on projects implemented under the Poverty Alleviation Programme, the actual expenditure as per the progress report of the year 2020 was Rs.33.16 million.	It has been recorded as one million due to a shortcoming occurred in the computerization of the Performance Report and it should be rectified as 33.16 million.	Relevant information should be submitted accurately.
(b) Although the actual number of employees as at 31 December 2020 was 295 according to the information provided by the letter of the Secretary of the Ministry bearing No. SMEHCI/2/3/17 dated 25 January 2021, it had been indicated as 288 as per the annual performance report.	Replies had not been provided.	-Do-

### 3.9 Foreign Assisted Projects

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The approval of the Cabinet had been obtained to complete the 4000 housing units project constructed with the assistance of the Government of India within a period of three years. Although nearly five years had passed since 31 December 2020, only 3576 houses had been completed under phases 1 and 11. Out of those houses, 699 houses were handed over to the beneficiaries. Furthermore, work of 83 housing units had not been commenced.	Accepted.  Commencement of the construction activities was delayed due to the issues in the land allocation for the construction of houses.	Action should be taken to complete foreign assisted projects with maximum efficiency within the relevant period and to deliver them to the beneficiaries.
(b) The approval of the Cabinet had been obtained to pay management fees for 5000 houses in the first part of the second phase of the above housing project and the construction work had not been commenced even by 31 December 2020 although Rs. 10 million had been paid to the Plantation Human Development Trust in the year 2019.	It has been planned to complete the construction by 30.09.2021 after completing all the infrastructure facilities related to 4000 housing units to be constructed under the first phase along with the infrastructure development projects in order to hand over the houses to the beneficiaries.	-Do-

### 3.10 Procurement

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although the multimedia projectors and extension power cord equipment worth Rs.2,982,000, for which payments had been made on 31 August 2020 should have been received by the Ministry on 20 October 2020, it had been observed that the equipment was received to the Ministry on 18 November 2020.	The cheque had to be prepared in advance for the purchase as provision made by the Vote on Account would be utilized within the relevant period.	Action should be taken in accordance with the Procurement Guidelines.

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| (b) | Although an order was placed on 30 August 2020 for the purchase of computer equipment worth Rs. 10,733,750, the Ministry had not signed an agreement with the supplier in accordance with 8.9.3 of the Procurement Manual and 8.9 of the Procurement Guidelines. Although a certificate that the Goods supplied are in accordance with the specifications and other agreed terms should be issued by the Officer-in-Charge prior to making such payments as per Section 8.12.3 of the Procurement Guidelines, payments had been made without doing so. | Accepted. The relevant officers were informed to take action to prevent this occurring in the future.  | -Do- |
| (c) | Although payments should be made after receiving the relevant equipment to the Ministry according to the terms and conditions contained in the bidding documents, it was observed that 15 Desktop Computer, UPS and Wireless printers had been received by the Ministry during the period of 30 November 2020 up to 12 January 2021 even though an amount of Rs.11,695,366 had been paid for the equipment on 31 August 2020.  | Transportation of goods was carried out despite the outbreak of Corona Pandemic throughout the world. I would like to inform you that the receipt of goods was delayed as the relevant ship had been sent back with the cargo. | -Do- |

### 3.11 Asset Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Two motor bicycles bearing number BBN 9715 and BDK 5469 valued at a total of Rs.399,000 under the Thondaman Memorial Foundation remained idle until the end of the year 2020 and the motor cycle bearing No. BBN 9715 had been verbally declared as provided to the Ministry of Housing. Written evidence related to that as well as the running charts for the years 2019 and 2020 had not been submitted to the audit.	The driver, who had been attached to the motorcycle had been temporarily attached to the Ministry of Urban Development and Housing from our Ministry owing to the exigencies of the service and this motorcycle was given to the driver to perform his duties under the prevailing Corona pandemic. This was given on the instructions of the Secretary. Running charts had not been	The vehicles owned by the Ministry should be used with the maximum efficiency and the actual details related should be submitted.

issued for these motorcycles as fuel was not provided for the motor cycles in any instance.

- (b) The maintenance cost amounting to Rs. 1,679,213 had been incurred for Mitsubishi Cab bearing No. PA-1442 from 2017 to 2020 and it had been idling for more than 10 months in the year 2020. It was observed that the repairs had not been carried out with a proper supervision.
- The Vehicle had been directed to United Motors, which was the local agency for repairs prior to March 2020 and the Company was closed for more than two months due to the prevailing Corona pandemic and it had informed that there had been no spare parts. Later, with the spread of the second and third corona waves, the functioning of the Company was further hampered. However, the engine of the vehicle has been sent to the Edirisinghe brothers for repairs.
- Vehicle repairs should be carried out with proper supervision and action should be taken to get maximum benefits from those vehicles.
- (c) The vehicle bearing number NC-9910 had been obtained from Central Finance under an operating lease agreement with a monthly instalment of Rs.199,293 each for a period of 05 years on the basis of running at least 3000 km. Although 27,000 km had to be run for 9 months according to the information provided, the vehicle had run 9,822 km less than that.
- According to the Agreement, the maximum mileage of the van bearing number NC – 9910 was 3000 km.
- Action should be taken to use the relevant vehicles with maximum efficiency.
- (d) Four (04) vehicles belonging to the Ministry had been released to other Ministries and another 04 vehicles had been released to other institutions under the purview of this Ministry and another 04 vehicles had been released to the Plantation Human Development Trust.
- Due to the change in the scope of the Ministry, 04 vehicles received from the Ministry of Rehabilitation, Resettlement and Hindu Affairs have been returned to the Ministry and 04 more vehicles have been provided temporarily to other institutions under the purview of this Ministry on the exigencies of the service. Although 04 vehicles have been temporarily released to the Plantation Human Development
- Arrangements should be made to use the relevant vehicles with the maximum efficiency within the Ministry or to properly transfer them.

Trust, which is under the purview of the Ministry to supervise the development projects of the Ministry, 03 of these vehicles have already been returned to the Ministry.

**3.12 Losses and Damages**  
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Audit Observation	Comments of the Accounting Officer	Recommendation
Although the losses and damages incurred during the year should have been recorded in the statement of losses and damages (Note i) accompanied with the financial statements, entries in relation to the loss of Rs. 1,679,168 incurred during the current year had not been included.	Accepted. Noted down to rectify.	Action should be taken to include the relevant notes properly.

**3.13 Uneconomic Transactions**  
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Audit Observation	Comments of the Accounting Officer	Recommendation
Percentages of 4% and 4.5% had been paid to the PHDT as management fees out of each contract work without considering the proper authority.	Discussions were held and conclusions were made at the Progress Review Meeting of the Ministry chaired by the former Secretary of the Ministry to pay management fees for infrastructure projects at the rate of 4% and 4.5%. Accordingly, it has also decided to pay 4% for projects with the cost over Rs. 1 million and to pay 4.5% for projects with the cost less than Rs. 1 million.	Payments should be made by a proper authority.

**3.14 Annual Verification of Goods**  
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Audit Observation	Comments of the Accounting Officer	Recommendation
Although reports on the Verification of Goods should be submitted to the audit by 31 March 2021 after conducting a verification of goods for the year 2020 in terms of FR 756, action had not been taken accordingly. As a result, the physical existence of the fixed assets could not be verified. The Reports of the Annual Verification of Goods for the year 2019 had been submitted to audit on 27 January 2021.	Replies had not been provided.	Action should be taken in accordance with the Financial Regulations.



#### 4. Achieving the Sustainable Development Goals

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The Ministry had implemented 07 target programmes under 04 Sustainable Development Goals identified by the Ministry and the expected output level in relation to 05 of these programmes by the end of the year under review was at a low level of 1.8 percent to 48.13 percent.	Expected progress could not be achieved due to the difficulty in forecasting the allocations as financial activities were carried out under Vote on Account and delays in some planned constructions due to the Covid-19 pandemic prevailed in the country.	Taking action to achieve the Sustainable Development Goals with maximum efficiency and to obtain the desired output level to the maximum.

#### 5. Good Governance

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##### 5.1 Internal Audit

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In terms of FR 134 (2), the internal audit plan related to the financial matters was prepared only from 01 January 2020 to 30 April 2020 and it had not been updated for the entire year.	The relevant audit plan was prepared on the provisions allocated from the Vote on Account Budget only for the first 4 months of the year. However, Corona pandemic prevailed since March 2020 and therefore, the plan could not be updated owing to interruptions to office work.	Action should be taken in accordance with the Financial Regulations.

#### 6. Human Resource Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The approved cadre of the Ministry was 324 and the actual number of employees was 295. Therefore, there were 40 vacancies. Nine (09) of senior level posts out of the vacancies were majorly remained unfilled.	Nine (09) senior executive level posts and executive level posts are belonging to the All Island Service and recruitment for these posts cannot be made at the Ministry level and requests were constantly made to the appointing authority, the Ministry of Public Services and Local Government to fill these vacancies.	Action should be taken to fill the vacancies in essential posts as soon as possible taking into consideration the needs and taking steps to discharge the functions of the Ministry in a systematic manner.

- (b) There had been an excess of 08 primary level posts of drivers and office employees as the approved cadre had not been increased and recruitments for 03 primary level posts in the approved cadre had not been made.
- The approved staff for the Cabinet Ministry of Upcountry New Villages, Estate Infrastructure and Community Development had been reduced by the Director General of Management Services when the Ministry was converted as the State Ministry of Estate Housing and Community Infrastructure Facilities. It has been requested from the Director General of Management Services to increase the cadre of drivers and office employees as the approved cadre for drivers and office employees is not sufficient.
- Action should be taken to fill the vacancies based on the approved cadre and to get the approval for the excess staff.

The Director General of Management Services has directed to inquire into the possibility of obtaining staff related to Office Employees' Service and Drivers' Service required by the Ministry from the Department of Multipurpose Development Task Force. Accordingly, action is being taken at present to increase the number of posts, which have been indicated as excess.

Three (03) vacancies in the Primary Grade have been approved on temporary basis.