

Transactions Report of the Kithul Development Board - 2022, and 2023

The audit of the operational activities of the Kithul Development Board for the year ended 31 December 2022 and 2023 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 Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, my comments and observations on the functionality of the Board which I consider should be reported to Parliament appear in this report

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity. In terms of Section 16(2) of the said Act, annual financial statements shall be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports of those entities within such period as may be provided by rules. In terms of Section 38(1)(d) of the said Act, the Chief Accounting Officer or an Accounting Officer of an auditee entity shall ensure that it is required to prepare annual reports and other financial statements within the required periods and the Chief Accounting Officer shall be responsible to submit the annual reports to Parliament pertaining to the auditee entity.

2. Submission of financial Statements

Audit observation	Comments of the Management	Recommendation
As per section 6.5.1 Public Enterprises Circular No PED12 dated 02 June 2003, although the financial statements and draft annual reports should be submitted to the Auditor General within 60 days after ending of the financial year, financial statements related to 2 years from 01 January 2022 to 31 December 2023 and the draft annual report of the year 2023 had not been submitted to the Auditor General as at the date of this report.	Although the final financial reports related to the year 2022 were submitted on 09/05/2023 to the Secretary of the Ministry of Plantations Industries with a copy to the Government Audit Division, since it has been informed that due to there are drawbacks in the financial statements, hand over them following corrections are made thereon and also due to a Director Board has not been appointed, it has not been possible to get the relevant documents approved. This will be submitted to the audit as soon as the approvals are obtained.	Financial statements and annual draft reports should be submitted to the audit on the scheduled day.

2.1 Non-compliance with laws, rules and regulations and management decisions

Reference to laws, rules and regulations and management decisions	Non-compliance	Comments of the Management	Recommendation
(a) The Stamp duty (special provision) Act No 12 of 2006.	No stamp duty had been collected by the Board on 11 occasions in the year 2023.	The Kithul Development Board has not registered itself for the stamp duties and the stamp duties are collected from the relevant parties. Accordingly, the staff has been made aware of the fact that hereinafter, all payments are to be made after the stamp duties are recovered.	Stamp duties should be recovered for payments over Rs.25,000 as per the Stamp duties Act,
(b) Section 40 of the National Audit Act No 19 of 2018	Although an internal Auditor duly appointed by the Governing Body, should be available to carry out internal audit activities, no Internal Audit Division had been established even after more than two years have elapsed since the establishment of the Board.	It was not possible to make a recruitment to that post owing to the Circulars issued from time to time on account of the situation prevailed in the country during the period the Board had been established.	An Internal Auditor should be appointed for audit activities of the Board.
(c) Financial regulations of the Democratic Socialist republic of Sri Lanka			
(i) F.R. 137	A sum of Rs.645,186 had been paid upon unapproved vouchers on 13 occasions in the year 2023.	The stages of authorization, approving and certification of all vouchers have been completed by now and action has been taken to make the payments.	Payments should be made only for approved vouchers as per the financial regulation.
(ii) F.R . 139(5)	When paying money through vouchers, a sum of Rs.1, 414,023 had been paid without verifying the identity of the payee on 39 occasions in the year	All officers have been made aware as to the need of essentially obtaining the signature hereinafter to the effect that money was accepted	A proof on the voucher should be obtained to the effect that the money was received by the payee.

2023 without placing the signature to the effect that the money was accepted.

(d) As ammended by Public Finance Circular No 01/2020 dated 28 August 2020

(i)F.R.371(2)(b)

Although adhoc sub imprest should be given to a maximum value of Rs. 100,000 in one instance for a special purpose, advances that amounted to Rs.2,40,000 and Rs.1,35,000 had been paid on two occasions exceeding the maximum limit.

Upon the delays of money receipts related to the projects offered from the Line Ministries and the difficulty of finding money on hand for an immergency, action had been taken to obtain an advance amounting to Rs. Rs.240,000 from the Kulubadu Mandiraya and got it deposited in the account of this Board and thereafter that amount has been given to the relevant Societies.

Ad hoc sub-impresst are to be issued as per the financial regulations.

(ii)F.R. 371(5)

Although ad-hoc sub-impresst should be settled within 10 days from the completion of the tasks for which they were given, it had taken 17 to 61 days to settle 07 ad-hoc sb-impressts tottaling to Rs. 1,142,895. given in the year 2022.

All officers have been informed to complete the tasks given and settle the advances within the relevant time periods.

Action should be taken to settle the ad-hoc sub-impressts within prescribed time periods.

(e) Specimen 4.2.1 of the Procurement Guidelines issued by the National Procurement Agency – 2006

Although a sum of Rs. 2 million had been allocated for capital expenditure from the annual budget of the Board for the year 2023, a detailed procurement plan containing information such as work, goods and other services, had

It is observed that no procurement plan has been prepared in the year 2023 and a procurement plan for the year 2024 should be prepared and activities thereof should be carried out in accordance with that plan

A detailed procurement plan should be prepared annually.

not been prepared by the Board for the year 2023.

- | | | | | |
|-----|--|---|--|--|
| (f) | Public Enterprises Circular No 01/2021 dated 16 November 2021 of the Secretary to the Trasury and the guideline on good governance of establishments issued accordingly. | The relevant approval had not been obtained from the relevant Secretary To the Ministry for the strategic plan for the year 2022-2024 as per the circulars. | A corporate plan has been prepared by this Board for the year 2022-2024. Approval of the Secretary to the Line Ministry has not been obtained therefor.. | A stratigic plan should be prepared and approval obtained therefor as per the referred Circular. |
|-----|--|---|--|--|

3. Operational Review

3.1 Performance

Audit Observation	Comments of the Management	Recommendation
(a) As per the gazette extra ordinary dated 17 March 2021 related to the establishment of the Kithul Development Board, action had not been taken to give assistance to plant Kithul in the lands expected of the Board to provide assistance, streamlining and promoting thereof, promoting rearing of animals in the lands where Kithul plantation is done, promoting, promoting cultivation of coconut and other crops in kithul planted lands, promoting manufacture of kithul products and giving assistance thereto and promotion .	It has not been able to take measures to fulfil all the tasks expected through the gazette due to the prevalancce of minimum staff..	Steps required should be taken to fulfill the objectives expected of the establishment of Kithul Development Board..
(b) Although a sum of Rs. 8,550,000 had been allocated in 2022 for the tasks of giving assistance to 20 entrepreneurs to get the GMP and SLS certificates and providing financial assistance to promote the products and related technology into international market and development of seed beds to increase the number of Kithul trees as a commercial operation, the project had not been implemented	This project was not implemented due to the insufficient staff. Although seed bed owners had been informed to find suitable seed variaties, due to the difficulty of finding seed flowers during the off-season, it has been unable to develop seed beds to increase the number of kithul trees and develop	Action should be taken to find out the potentiality of implementing the project through a preliminary feasibility study for the planned projects and tasks.

- | | | |
|-----|--|--|
| | and a sum of Rs. 7,750,000 or 90 per cent had been saved. | this turn it into a commercial operation. |
| (c) | As per Action plan 2022, although a sum of Rs. 17,000,000 had been allocated related to the two tasks of introducing a life insurance system for Kithul products manufacturers and introducing a new market for them, no measures thereon had been taken and model kithul estates expected in the year 2023 had not been established. | <p>The project had not been implemented due to non-receipt of sufficient funds and non-assigning of sufficient staff to the project. Further, as per the instructions given by the National Budget Circular No 3/2022, the projects which have not yet been started or the project for which commitments have not yet been incurred. And also it was unable to find suitable land for the model Kithul project.</p> <p>The progress should be maintained at a maximum level by preparing and revising the annual plans in a productive way.</p> |
| (d) | Although a sum of Rs. 4,052,850 had been incurred for a programme conducted on 29 September 2022 in Galle for the introduction of several programmes related to the development of Kithul plantation including the launching of the road map of the Kithul Development Board, no sufficient contribution had been made thereby to the improvement of the productivity development of the Institution since the activities of the Board could not be extended at divisional level and also non establishment of kithul Farmer societies even till the end of the year under review. | <p>Since the establishment of Kithul Development Board took place in 2021, the identification Kithul farmers at divisional level providing required facilities for them and the extension of activities of the Kithul Development Board at divisional level were the main tasks to be carried out. Therefore, conducting this programme was an essential task and it was possible to prepare a data system to plan the future tasks of the Kithul Development Board and lay the foundation for the development of this field.</p> <p>A programme should be planned and implemented for enhancing the productivity of Kithul Development Board.</p> |

3.2 Administration of the Cadre

Audit Observation	Comments of the Management	Recommendation
Since the post Internal Auditor in the approved cadre of the Kithul Development Board and 15 Development Assistant posts and 09 Management Assistant posts had been vacant by the end of the year under review, and also the duties of the General Manager and 04 posts of Assistant / Deputy Managers are carried out on acting basis, the Board had not taken action to recruit officers for essential posts.	This Board had been established in 2021 and thereafter as per the Circulars issued from time to time by the Ministry of Finance to curb Government expences, it had not been possible to recruit officers by the end of the year 2022. As per the approval received as at 22.11.2023, 05 Management Assistant officers (Non-technical) had been recruited by the of the year 2024.	Action should be taken to recruit officcers for the essential posts to perform the tasks of the Board.