

Transaction Report of the New Village Development Authority for Plantation Region - 2019, 2020, 2021 and 2022

The audit of operating activities of New village Development Authority for plantation Region for the year ended 31 December 2019 2020, 2021 and 2022 were carried out under my direction in pursuance of provisions in Article 154(1) of the Constitutions of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018, No 38 of 1971 Finance Act and Section 22 of the New Village Development Authority for Plantation Region Act No. 32 of 2018. This report shows my comments and observations regarding the functioning of the Authority which intend to submit to the Parliament.

1. Financial Statements

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

As per sub section 16(1) of the National Audit Act No.19 of 2018, the Authority is required to maintain proper books and records of its income, expenditure, Assets and liabilities, to enable annual and periodic financial statements to be prepared of the entity.

According to the section 16(2) of the said Act, the annual financial statements in respect of each audited entity, should be submitted by the Chief Accounting Officer to the Auditor General along with the annual performance reports within such period as may be prescribed by rules.

In terms of section 38 (1) (d) of the said Act, the Chief Accounting Officer should ensure the timely preparation and submission of annual reports and other financial statements and in addition he is required to submit annual reports to Parliament pertaining to the entity.

1.3 Presentation of financial statements

Audit Observation	Comments of the management	Recommendation
As per Section 6.5.1 of the Public Enterprises Department Circular No. PED/12 dated 02 June 2003 and Paragraph No. 6.6 of the Operations Manual submitted with Circular No. 01/2021 dated 16 November 2021, Financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year. However, the financial statements and draft annual report for the years 2019, 2020, 2021 and 2022 had not been submitted to the Auditor General by 15 January 2023.	Accepted. Due to the lack of staff, it has not been possible to perform the related tasks. Reports for 2019, 2020, and 2021 have been forwarded to the Chief Internal Auditor of the Ministry as per the instructions of the Board of Directors, and recommendations have been obtained now. Accordingly, action will be taken to submit it to the Auditor General immediately.	As per the circular, the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year.

1.4 Lack of written evidence for audit

Audit Observation	Comments of the management	Recommendation
(a) Rs.120,000 was paid at Rs.60,000 per month to a person for the months of september and october in 2019, but the accuracy of the respective payments could not be checked with the vouchers as the work done had not been submitted.	An amount of Rs. 60,000 has been paid to Mr. S.G. Prajivan, who was recruited as Assistant Director (construction), and the Board of Directors' approval has been obtained on 03.06.2019 by No. 5/2 for that recruitment.	A work assignment and a description of the work done should be submitted along with the relevant vouchers.
(b) The decisions related to the board meeting held on 08.09.2020 and the minute of the board meeting was not submitted for audit.	Accepted. There is no relevant meeting minutes.	Minute of board meeting should be submitted for audit.

1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Audit Observation	Non-compliance	Comments of the management	Recommendation
Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----		
(a) F.R.1645(a)	Notes in the vehicle logbook bearing WP KD -4194 were not orderly, properly completed, and recorded.	The driver has been informed to deliver on the relevant date. The log book provided for the vehicles provided to the Authority on a temporary basis has been updated by the Transport Officer of the Ministry.	Log books should be completed in an orderly and proper manner.
(b) F.R 1645 (b) and (c) and F.R.1646	According to the daily running record, the monthly summary notes should be sent to the Auditor General before the 15th day of the following month after the end of each month, but regarding of two vehicles used, it was not so directed.	No comments were made.	Monthly summary notes should be sent to the Auditor General.

2. Operational Review

2.1 Management Inefficiencies

Audit Observation	Comments of the management	Recommendation
As per the No.01/2014 and dated 17 February 2014 Circular of the Secretary of the Ministry of Finance and Planning, board meetings should be held at least once a month regarding the management decisions of the Authority. Nevertheless, 10 meetings were held in 2019, one meeting in 2020, two meetings in 2021 and only 05 meetings were held until 30 November 2022.	Accepted. Accordingly, taking into account the allocations of the institution, only essential board meetings were held to take essential board decisions.	As per the circular, board meetings should be held at least once a month.

2.2 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
(a) The New Village Development Authority for Plantation Region was established by Act of Parliament No. 32 of 2018 dated 04 October 2018. According to Section 6 of the Act, the activities and affairs should be planned to cover the following tasks to be performed by the authority, but It had not been done so. (i) Implementation of government plans, programs, and projects for the development of new villages in designated areas after consultation with the Minister. (ii) Coordinating with other national, regional and district level implementing agencies in the plantation region in carrying out the objectives of the Authority. (iii) Ensuring the participation of community-based organizations in the plantation zone in making government plans, programs, and projects for the development of new villages and implementing them in the designated areas. (iv) To facilitate the issuance of title deeds to the legal occupants of the houses in the estates in the designated areas in order to grant ownership of those houses. (v) To assist the youth community in the estate sector in the designated areas to enroll in tertiary and higher educational institutions for their educational development.	The corporate plan for 2021–2025 has been prepared, covering the above activities.	Activities and actions should be planned according to the Act.

- (vi) To work with the local level offices of Provincial Council, Ministries and other Government Ministries to facilitate the provision of essential services to the community in the designated areas.
 - (vii) To promote alternative livelihood opportunities for the estate community in designated areas and provide necessary guidance and inputs in this regard.
 - (viii) Empowering various community groups in the sector including women, children, elderly persons and persons with special needs to uplift their livelihoods.
 - (ix) Ensuring that the descendants of the legal residents of the houses located in the estates in the designated areas are also provided with all the facilities enjoyed by those legal residents
 - (x) Encouraging conservation measures, both preventive and remedial, at all levels with a view to reducing physical degradation of land and sources of water in designated areas and eliminating environmental pollution.
 - (xi) Identify hazardous areas in designated areas, protect them from illegal settlements for residential purposes, and divert them to alternative productive uses with the consultation of the National Building Research Organization and the Disaster Management Centre.
 - (xii) Promote provision of adequate social services and adequate sustainable infrastructure in designated areas.
- (b) Although the Authority has been running for more than 03 years from March 2019 when the authority was established to the audit date 2022.12.31, but during that entire period, under the initial phase of offering the deeds related to 1000 houses built at the government's expense and under foreign grants to the beneficiaries. Accomplishing the initial work of the 375 award program and completing the work of nearly 300 awardable deeds and getting them to the institution and under development projects, only 08 road concrete paving projects had been completed, with an estimated value of Rs.3, 968,304.
- No answers provided.
- Action should be taken to increase efficiency.

Moreover, the total recurring expenditure incurred by the authority for the years 2019, 2020, 2021 and 2022 were Rs 2,318,382, Rs 1,891,480, Rs 3,286,774 and Rs 8,145,340 respectively. For the years 2019, 2020 and 2022, Rs. 470,000, Rs. 53,815 and Rs. 331,759 were spent as board meeting expenses respectively. Of the total recurrent expenditure, Rs. 1,839,842 or 79 percent and Rs. 1,817,088 or 96 percent and Rs. 3,109,592 or 95 percent and Rs. 6,040,648 or 74 percent Rs. 12,807,170 had been paid for salaries and allowances for the years 2019, 2020, 2021 and 2022 respectively.

2.3 Transactions of Contentious Nature

Audit Observation	Comments of the management	Recommendation
<p>As per the appointment letter No. MCEEID/2/STMF/2020/2/temporary dated 22 September 2021 of the Secretary, Ministry of State, Estate Housing and Community Infrastructure, the Secretary to the Line Ministry to cover the duties of the Director of the Authority in the post of Deputy Director (Administration) of the Soumayamurthy Thondaman Memorial Foundation. The said officer was appointed to the position of director of this authority for a period of 03 months, i.e. from 21.09.2021. If service extensions are given at the end of that period, the relevant appointment authority should be given by the board of directors, but on two occasions, the chairman of the authority has given service extensions for two periods of 06 months each. Also, according to the appointment letter, it has been stated that he is not entitled to receive any remuneration for covering the duties of that position, but contrary to the terms of the letter, Rs. 220,811 had been paid to this officer from February 2022 to December 2022.</p>	<p>The authority obtained approval in the board meeting on 11.02.2022 to recruit the said officer to the post of authority on an acting basis. Accordingly, an extension of service and payment of salary have been made for the appointment made on the basis of acting. Therefore, payments have been made since February.</p>	<p>It has been stated that there is a Board of Directors approval to give a service extension, but that decision has not been submitted for audit, so it should be submitted immediately.</p>

2.4 Procurement Management

Audit Observation	Comments of the management	Recommendation
<p>(a) According to Section 4.2.1(b) of the procurement guidelines, the authority should prepare the main procurement plan for a period of at least three years and then prepare detailed information for the procurement activities for the coming year. According to paragraph 4.2.3 of the guidelines, a procurement schedule should be prepared and proper management should be done, but the authority had not prepared such a procurement plan and schedule for the years 2019, 2020, and 2021.</p>	<p>Accepted. It had been corrected from 2022.</p>	<p>A procurement plan and procurement schedule should be prepared according to the procurement guidelines.</p>

- (b) In relation to the purchase of 03 laptops, the technical evaluation committee evaluated the specifications on 18 December 2020, and in the specifications evaluated by the technical evaluation committee on the same day in relation to the purchase of another laptop computer, the same requirements were mentioned. On 28 November 2020, for the purchase of 03 laptops and for the purchase of another laptop on the same day, the same 03 companies submitted bids, and the prices offered by those companies were different from each other. When buying a laptop computer, one computer was purchased for Rs.121,464 from the private supplier who had submitted the lowest bid and 03 more laptops, worth Rs.190,000 each, had been purchased by incurring Rs. 570,000.
- It is accepted that the above purchases have been made on 02 occasions. The specifications of the 02 laptops are not equal. The specifications have changed depending on the warranty period in 02 cases. Warranty period 02 year Laptop is Rs. 121,464/- Warranty period 03 year Laptop is Rs.190,000/- Therefore, the above payment should be made even if the purchase is made at once and not in 02 cases. Rs.205,608 was not overpaid when buying these laptops. The procurement decision was made based on the specification difference.
- The warranty period of the specifications presented for the purchase of 03 laptops was not mentioned as 03 years. If any such specification is available, it should be submitted immediately.

2.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) No. DMS/1849 dated 15.08.2019, approved by the Department of Management Services, the recruitment should be done according to the recruitment procedure, but without doing so, the recruitment of officers for the permanent positions of the institution is done on contract basis and the contract period is extended by 30 November 2022 was held in the institution. Instead of permanent officers, 7 officers were recruited under contract basis for the posts of Regional Director, Assistant/Deputy Director, Administrative Officer, Office Assistant and Driver and were kept in the institution by extending the period for 6 months.	The authority has recruited the staff on contract basis under the approval of the board of directors on the basis of the need to have a staff to carry out the activities of hirings a permanent staff and to fulfill the operational role of the authority until then. Officers have to be maintained on contract basis due to non-ability to recruit permanent officers.	Action should be taken to recruit permanent officers for the approved posts.
(b) If service extensions are given at the end of the working period, the relevant service extension should be given by the Board of Directors, which is the appointing authority, but the chairman had given the time extension for the	A letter of service from the appointing Authority is not required for an extension of previous appointment without the date of termination of	Extension of service should be granted by the Board of Directors which is the appointing

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| <p>officers of the Director General, Development Officer and Director of the authority.</p> | <p>service being noted in the said letter of appointment. Accordingly, the extension of service given by the Chairman is not applicable to those officers.</p> | <p>authority.</p> |
| <p>(c) In case any officer has been appointed on contract basis for the approved posts, after the expiry of the contract period, extension of time should be given under the approval of the appointing authority. Instead of the Board of Directors, the Chairman had given service extension to the following: Deputy Director recruited on 01 November 2020, and 04 occasions till 31 December 2022, Administrative Officer recruited on 01 July 2021, and 03 occasions till 31 December 2022, Driver recruited on 19 November 2020, and 04 occasions till 31 December 2022, another driver recruited on 01 June 2021, and 03 occasions till 31 December 2022 at any time , the office assistant was recruited on 01 July 2021 03 occasions till 31 December 2022.</p> | <p>The recruitment of these officers has been done under the approval of the Board of Directors. Accordingly, the issuance of appointment letters and extension of service has been done by the Chairman under the approval of the Board of Directors held on 14.10.2021 and 23.06.2022.</p> | <p>Although it was indicated that the Board of Directors approved the extension of service, the decision was not submitted for audit, so it should be submitted immediately.</p> |
| <p>(d) According to the Board of Directors decision No. 13/21 dated 12 October 2021, the Board of Directors had approved the recruitment of three officers on 01 July 2021 for the positions of administrative officer, management assistant and office work assistant. In the examination of the related appointment letters, the appointment letters of the administrative officer and the office support officer had been issued on 18 June 2021 before the respective appointments were approved. Board approval was given on 01 June 2021 for the recruitment of a driver officer on contract basis, but the appointment letter was issued on 21 May 2021 before Board approval.</p> | <p>Comments had not been given.</p> | <p>Appointment letters should be issued after the dates of approval by the Board of Directors.</p> |
| <p>(e) 12 applicants were called for interview on 16 July 2021 for the post of Assistant/Deputy Director of the Authority. According to the approved recruitment procedure, a basic degree related to business administration, public administration, human resource management, and commerce and a minimum of one year of work experience at the</p> | <p>The recruitment of the Assistant Director of the Authority mentioned in the said audit inquiry was done on contract basis before the calls for permanent appointments were made. The minimum qualification required as per the</p> | <p>Officers with basic educational qualification and minimum service experience should be selected as per approved recruitment</p> |

management level after the basic degree or passing the intermediate examination of a professional chartered accounting institute and, after that, a minimum of one year of service at the management level are required. Three applicants who did not have those qualifications were called for interviews. The applicant who was selected as the first officer suitable for this position had a Bachelor of Laws degree and a Bachelor of Science in Insurance and Valuation from the Open University which did not fall under the degrees mentioned above. Candidates who were selected as second and fourth officer had not completed minimum one year work experience at management level after graduation. Also, the applicant who had been selected as the second officer by the interview panel had been recruited on a contract basis with no experience for this position at that time and he had been paid Rs.1,719,712 as contract salary from 01 November 2020 to the date of audit, 31 December 2022 in the same approved salary scale.

recruitment procedure is one year minimum work experience at management level and graduation from a recognized university.

- (f) Although the authority should work to complete the approved positions, according to the board discussion notes dated 12 September 2019, applications were invited for 12 positions in February 2021 and interviews were held for 03 positions of director, assistant/deputy director, and accountant in July 2021 but recruitment had not been done. According to an open method, 07 officers were recruited under contract basis as assistant director and driver positions in November 2020, administrative officer and office assistant positions in July 2021, driver position in June 2021, and assistant director (Administration) and driver positions in February 2022. It was also observed that although there was a possibility of permanent completion of 07, it was not done so.

The delay in permanent recruitment during the time it took to call for applications from 2019-2021 was not due to a weakness in the management of the institution. It is due to delay in approval of recruitment procedure.

Approval for recruitment received on 17.11.2020. Applications are invited for recruitment of essential staff for the year 2021. In the year 2021, the recruitment process could not be completed due to lack of allocation.

According to an open system, action should be taken to fill up the approved posts on a permanent basis.

3. Accountability and Good Governance

3.1 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
Although copies of the corporate plan prepared 15 days prior to the commencement of the financial year, along with an updated budget statement after approval by the Board of Directors, should be submitted to the Line Ministry, Department of Public Enterprise, General Treasury as per Section 5.1.3 of Public Business Circular No. PED/12 dated 02 June 2003; the corporate plan for 2020–2024 had not been prepared. According to Public Enterprise Circular 01/2021 dated 16 November 2021, Action Plan and budget along with strategic plan for 2021-2025 had not been submitted until 31 December 2022, through Secretary of Line Ministry to Secretary to General Treasury, Director General of Public Enterprise Department, State Budget Department and General Treasury.	The recruitment procedure of the authority's staff has been approved on 17.11.2020. Therefore, the preparation of the corporate plan for the institute has been started in the year 2021. Accordingly, the corporate plan was prepared for the years 2021-2025 and the Board of Directors approved it on 08.04.2021.	As per the circular, these plans should be submitted 15 days before the beginning of the accounting year.

3.2 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
According to the Public Finance Circular No. 1/2014 dated 17 February 2014 issued by the Secretary of the Ministry of Finance and Planning, the authority had not prepared an action plan covering the objectives and functions of the institution for the years 2019 and 2020. In the action plan prepared for the year 2021, no work identified and planned other than the implementation of government plans, programs and projects for the development of new villages and the issuance of title deeds to the legal residents of the estates in order to grant the right to those houses. No other work was identified, planned and covered in the action plan submitted for the year 2021.	The staff recruitment procedure of the Authority was not approved until November 2019 and 2021, and due to the lack of staff, the authority's operations have not taken place for the years 2019 and 2020. Due to the absence of allocations for the development activities of the Authority in the year 2021, the annual action plan for the year 2021 had been prepared by targeting the activities which require allocations made by the ministry and the tasks that do not require initial allocations.	The action plan should be prepared as per the circular.

Also the following information which should be included in the annual action plan as per clause 4 of this circular was not included.

- (a) Details of organization structure, approved cadre and information about

existing staff of the institution as updated for the relevant year

- (b) Budget statement for the relevant year
- (c) The action plan prepared according to the priorities based on the annual budget in the relevant year, the implementation time frame and the expected outputs/results of those activities
- (d) Procurement plan for major procurements.
- (e) Imprest plan for annual activities in respect of enterprises running on Treasury provisions.
- (f) Internal Audit Plan

3.3 Internal Audit

Audit Observation	Comments of the Management	Recommendation
(a) Internal audit plans had not been prepared and implemented as internal audit work had not been established or assigned to the internal audit division of the ministry in accordance with Section 40 of the National Audit Act No. 19 of 2018 and Public Business Circular No. PED/12 dated 02 June 2003 and Public Enterprise Circular No. 01/2021 dated 16 November 2021.	Accept. It was decided in the board meeting held on 30.01.2023 to carry out the internal audit work through the ministry and accordingly requests have been made from the ministry to carry out the internal audit work to supervise the operations of the authority.	By establishing an internal audit division or, the ministry's internal audit division should do the work.
(b) Although it has been stated that State Ministry of Estate Housing and Community Infrastructure has been assigned to carry out the internal audit work of the Authority, the Board of Directors decision including relevant decisions and any internal audit queries issued by the ministry's internal audit division after carrying out the audit work of the Authority had not been submitted for audit.	Accept. It was decided in the board meeting held on 30.01.2023 to carry out the internal audit work through the Ministry and accordingly requests have been made from the Ministry to carry out the internal audit work to supervise the operations of the authority.	Decision of the Board of Directors and internal audit queries should be submitted.

3.4 Audit Committes

Audit Observation	Comments of the Management	Recommendation
According to 7.4.1 of Public Enterprise Circular No. PED/12 dated 02 June 2003, audit and management committee meetings should be held once in every three months or four times a year, but the authority failed to hold any meeting by the end of the years 2019, 2020 and 2021.	The Authority's internal audit work has been referred to the Ministry's Internal Audit Division for supervision. Audited from time to time by the internal audit division. As mentioned above, the Ministries have been referred to internal audit.	Action should be taken to hold the audit and management committee meetings once in every three months, according to the circular.

3.5 Budget Report

Audit Observation	Comments of the Management	Recommendation
According to 5.2.4 of Public Enterprise Circular No. PED/12 dated 02 June 2003, a draft budget should be submitted to the Board of Directors for approval three months before the beginning of the financial year, but it was observed that the authority has not done so, for the years 2020 and 2021. .	Action will be taken to correct in future.	According to the circular, the draft budget should be approved by the Board of Directors three months before the commencement of the financial year.

3.6 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Although the United Nations has introduced the Sustainable Development Agenda based on the economic growth and social development and environmental protection of all countries belonging to the organization by 2030, it has not identified the desired objectives, targets and indicators to match it, and the access to accurate data and physical resource management methods were also not identified.	In relation to Sustainable Development 17, the expected targets to be achieved by Sri Lanka or the baseline data have not been published so far. No related national plan or strategic plan has been given to these institutions. Therefore, it is not possible to identify targets or indicators related to the institution, so it has not been done so far. In order to prepare future goals, a data survey will be conducted to obtain data on the current situation.	Desired objectives, targets and indicators should be identified to match the sustainable development agenda.