

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the New Villages Development Authority for the Plantation Region (“Authority”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity, and Cash Flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies , 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 and the Finance Act No.38 of 1971 and Section 22(4) of the New Villages Development Authority for Plantation Region Act No. 32 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements of the Authority present a true and fair view of its financial position as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Authority’s financial reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the Authority 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 Authority.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and

whether such systems, procedures, books, records and other documents are in effective operation.

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resource of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

	Reference to Laws, Rules, Regulations, etc.	Non compliance	Comments of the Management	Recommendation
(a)	Section 35 of the New Village Development Authority for Plantation Region Act, No. 32 of 2018	The meetings of the Authority, the procedures to be followed at those meetings, and the rules regarding the management of the Authority's affairs had not been prepared.	Agree with the audit observations.	Rules regarding procedures and management of proceedings for meetings should be prepared in accordance with the provisions of the Act.
(b)	Section 38 (1) (c) and Section 38 (2) of the National Audit Act, No. 19 of 2018	The Accounting Officer shall ensure that an effective internal control system is established and maintained for the financial control of the Authority and shall review the effectiveness of that system in advance and make any necessary changes to ensure that the system operates effectively. Furthermore, although the review should have been conducted in writing and a copy thereof submitted to the Auditor General in accordance with Section 38 (2) of the said Act, such a review had not been conducted and copies thereof had not been submitted for audit.	Currently, the Ministry's Internal Audit Division is evaluating the financial control of the Authority and sending review reports to the Auditor General.	The provisions of the Act should be followed. The effectiveness of the internal control system over financial control should be reviewed and a report submitted to the Auditor General.
(c)	In Accordance with Section 10 of the	Although the employer was required to pay contributions	Since the contribution to	Action should be taken to complied with

Employees' Provident Fund Act, No. 15 of 1958 and Section 16 of the Employees' Trust Fund Act, No. 46 of 1980	to the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) according to the prescribed percentages within the prescribed period, contributions to the Employees' Provident Fund and Employees' Trust Fund had not been paid for 08 employees for the period from January to September 2022.	the Employees' Provident Fund was initiated from October 2022 by hiring a contract staff and completing the relevant documents, arrangements have been made to contribute to the Employees' Provident Fund and the Trust Fund of the employees from that date.	the provisions of the Employees' Provident Fund Act and the Employees' Trust Fund Act.
(d) Paragraphs 4.2.1, 4.2.3, 4.3.1 and 4.3.2 of the Government Procurement Guidelines 2006	The Authority had not prepared a master procurement plan for a period of at least three years, a procurement schedule and a total cost estimate for the year under review.	Although a permanent staff has been approved, due to the staff shortage resulting from the failure of the relevant institutions to properly provide the necessary approvals for the relevant recruitments, all previous plans have not been able to be fulfilled as planned. However, all purchases and other procurements	The Authority should identify the tasks expected to be carried out in the future and prepare relevant procurement plans, and prepare an annual procurement schedule and a total cost estimate.

made during
this year have
been made
following the
guidelines.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a loss of Rs. 477,984, while the corresponding loss for the previous year was Rs. 477,984. Accordingly, no growth or decline in financial results was observed. This was mainly due to the fact that only the asset depreciation expense remained during the year under review, as the remaining funds received from the Treasury were remitted back to the Treasury after being spent on the salaries of the employees of the Authority and other administrative expenses.

2.2 Trend analysis of major income and expenditure items

The administrative expenses for the previous year and the year under review were Rs. 3,744,132 and Rs.8,523,650 respectively. Accordingly, administrative expenses had increased by Rs.4,779,518, or 127 percent, compared to the previous year. Furthermore, other expenses for the previous year and the year under review were Rs. 34,092 and Rs. 99,674 respectively. Accordingly, other expenses had increased by Rs. 65,582, or 192 percent, compared to the previous year.

3. Operational review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although the Authority was expected to perform its role in the plantation zones in accordance with the objectives stated in Section 4 of the Act and the functions of Section 6, the institution was unable to perform its expected functions due to factors such as non-availability of the necessary provisions, staff vacancies and failure to prepare plans to achieve the desired objectives and submit them to the relevant institutions within the prescribed time limits and obtain approval.	Approval to recruit staff for the Authority was obtained by August 2019, and approval for the recruitment procedure was obtained by December 2020. All requests for funds have been duly fulfilled. Accordingly, the Authority has made maximum efforts at the institutional level.	The Authority should take actions to obtain the resources required to achieve the objectives of the Act, submit the necessary plans for approval within the prescribed period, and effectively utilize the existing resources to achieve the objectives of the institution.

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| <p>(b) Although the Authority was recommended to be operated as a division of the Ministry of Plantations and Community Infrastructure under the direct supervision of the Secretary to the Ministry as per the Cabinet decision dated 25 March 2025, this was not disclosed in the financial statements and it had not yet been operationalized as a division.</p> | <p>It will make arrangements to mention the Authority's going concern status when presenting future financial statements.</p> | <p>Action should be taken in accordance with the decision of the Cabinet of Ministers.</p> |
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3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Although 28 permanent officers were to be appointed for the posts approved by the Department of Management Services, 07 Ministry officers had been recruited on an acting basis and 07 on a contract basis as of 31 December 2022, but the approval of the Department of Management Services and the Department of National Budget had not been obtained for the same. Accordingly, there were 28 vacancies in the institution as of that date. As at 31 May 2026, only 04 permanent appointments had been made for 03 posts.	Since the necessary approval was not given to recruit permanent staff, relevant contract and temporary recruitments have been made as an alternative measure under the approval of the Board of Directors and with the consent of the Secretary to the Ministry, with the aim of fulfilling the large role expected of the Authority at a minimum level.	Actions should be taken to recruit staff for essential positions.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
Although Section 6.6 of the Operational Manual for Corporate Governance of State Enterprises issued with State Enterprise Circular No. 1/2021 dated 16 November 2021 requires the submission of financial statements	The Authority has been delayed in submitting annual reports since 2019 as it does not have a permanent accountant until 2024.	As per the circular instructions, the draft annual report along with the financial statements should be submitted to the audit on the due dates.

and draft annual reports to the Auditor General within 60 days of the end of the accounting year, the financial statements and draft annual reports for the year 2022 were submitted to the Audit Office 1,107 days delayed on 13 March 2026.

4.2 Annual Report

Audit Observation	Comments of the Management	Recommendation
In terms of Section 4 of Appendix III annexed to Guideline 3.1 of the Guidelines on Corporate Governance for State-Owned Enterprises issued with Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Annual Report should be tabled in Parliament within five months after the end of the financial year. However, as at the date of audit, 20 May 2026, no Annual Report had been tabled in Parliament since the establishment of this Authority in 2019.	The 2020 Annual Report, together with the 2019 Annual Report, was submitted to the Minister for approval on 27 May 2026 for tabling in Parliament.	According to the Guidelines, Annual Reports should be tabled in Parliament.

4.3 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
In terms of Guideline 2.3 of the Guidelines on Corporate Governance for State-Owned Enterprises issued with Public Enterprises Circular No. 01/2021 dated 16 November 2021, a Strategic Plan for the years 2022–2026 had not been prepared.	Agree with the audit observation.	Strategic Plans should be prepared in accordance with the instructions of the Circular.

4.4 Annual Action Plan and Progress of Targeted Activities

	Audit Observation	Comments of the Management	Recommendation
(a)	In accordance with Appendix I to Section 2.3 of the Guidelines on Corporate Governance for State-Owned Enterprises issued together with Public Enterprises Circular No. 01/2021 dated 16 November 2021 and the Ministry of Finance and Planning Circular No. PFD/RED/01/04/2014/01 dated 17 February 2014, the Annual Action Plan had not been prepared in accordance with the requirements of the Circular.	Due to the adverse economic situation prevailing in the country in 2022, the Authority had only a limited number of staff, and as the officers did not have the facilities required to perform their duties from home, there was no opportunity to prepare all the technical plans as instructed.	The Annual Action Plan should be prepared in the ensuing years in accordance with the instructions issued through the Circular.
(b)	In the Action Plan, 6 activities had been identified under the granting of title deeds to the plantation community. Although the identification of 600 beneficiaries, conducting 514 surveys for measuring the boundaries of lands and marking the plots, confirmation of beneficiaries and completion of 514 applications, obtaining 290 deeds from the Land Reform Commission and handing over the deeds had been targeted, the target of handing over the deeds had not been completed as at the end of the year under review.	Due to the failure to receive the provisions expected from the Ministry, it had been difficult to achieve the expected targets under the programme for granting deeds implemented with Treasury provisions through the Action Plan for the year 2022.	Action should be taken to achieve the objectives and activities included in the Action Plan.
(c)	Although the Action Plan had planned the construction of 13 concrete roads and the development of a community centre at a cost of Rs. 7.8 million for the development of sustainable infrastructure in the Kandy District, the community centre had not been developed and 5 concrete roads had also not been constructed.	Based on the provisions allocated by the Ministry, 8 projects had been implemented by managing the funds, after evaluating the projects and determining their priorities.	Action should be taken to achieve the objectives and activities included in the Action Plan.

4.5 Audit Committee

Audit Observation	Comments of the Management	Recommendation
In terms of Guideline 4.2 of the Guidelines on Corporate Governance for State-Owned Enterprises issued together with Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Audit and Management Committee should meet once every three months. However, the Authority had not conducted Audit and Management Committee meetings from 2022 up to 21 May 2026.	The functions of the Authority are audited by the Internal Audit Division of the Ministry and reviewed at the Audit and Management Committee meetings held under the Ministry once every three months.	Action should be taken in accordance with the instructions of the Circular.

4.6 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
The United Nations had introduced the Sustainable Development Agenda based on achieving economic growth, social development and environmental protection in all countries belonging to the Organization by 2030. Although the Authority was required to identify the expected objectives in line with the Agenda, it had failed, during the 4 year period up to 31 December 2022, to identify the expected objectives, targets and indicators and to specifically identify the methodologies for obtaining accurate data and managing physical resources to achieve those objectives and implement them quantitatively.	Agreed. Necessary action has been taken in this regard by now.	The Authority's desired objectives, targets and indicators should be identified in accordance with the Sustainable Development Agenda and action should be taken accordingly.