

Head 105 - Auditor General's Report of the Ministry of Economic Development and the Departments under the Ministry – Year 2012

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This Report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments under the Ministry

Part 2 - Detailed Report on each Head

**Part I**

Summary Report on the Accounts of the Ministry of Economic Development and the Departments under the Ministry

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1. Department under the Ministry

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Head	Name of Department
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218	Department of Commissioner General of Samurdhi
294	Department of National Zoological Gardens
305	Department of Upcountry Peasantry Rehabilitation
322	Department of National Botanical Gardens

2. Accounts

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2:1 Appropriation Accounts

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(a) Total Provision and Expenditure

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The total net provisions made for the Ministry and the 04 Departments under the Ministry amounted to Rs. 107,509,495,000 and a sum of Rs.93,823,266,007 had been utilized by the end of the year under review. Accordingly, the savings from the net provisions of the Ministry and each Department ranged from Rs.2,471,524 to Rs.12,866,453,529 or 1.35 per cent to 67.63 per cent of the total net provision.

Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
105	Ministry of Economic Development	9,906,377,000	85,005,363,000	9,846,613,355	72,198,673,116	59,763,645	12,806,689,884
218	Department of Commissioner General of Samurdhi	11,093,350,000	38,400,000	10,978,819,076	2,843,781	114,530,924	35,556,219
294	Department of National Zoological Gardens	150,110,000	763,425,000	146,152,258	149,515,831	3,957,742	613,909,169
305	Department of Upcountry Peasantry Rehabilitation	16,115,000	1,225,000	13,912,950	955,526	2,202,050	269,474
322	Department of National Botanical Gardens	174,880,000	360,250,000	174,316,716	311,463,398	563,284	48,786,602
	Total	21,340,832,000	86,168,663,000	21,159,814,355	72,663,451,652	181,017,645	13,505,211,348

(b) Utilization of Provisions made available to other Ministries and Departments

Provision amounting to Rs.45,457,667,395 as shown below had been made available by the Ministry of Economic Development to other Ministries, Departments and District Secretariats for various activities and the particulars of the utilization of those are given below.

	Provision	Expenditure	Savings
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	Rs.	Rs.	Rs.
Gama Neguma	13,478,000,000	12,955,247,074	522,752,926
Reconstruction of Minor Irrigation Works	800,000,000	584,558,668	215,441,332
Popularizing Rural Pre-schools	400,000,000	255,609,907	144,390,093
Uthuru Wasanthaya	532,000,000	302,899,830	229,100,170
Negenahira Navodaya	472,000,000	171,094,989	300,905,011
Sabaragamu Arunalokaya	2,048,000,000	1,841,068,646	206,931,354
Rajarata Navodaya	2,110,000,000	1,986,357,983	123,642,017
Kandurata Udanaya	1,567,000,000	969,725,516	597,274,484
Wayamba Pubudamu	1,693,000,000	1,643,669,645	49,330,355
Pubudamu Wellassa	2,100,000,000	1,984,508,681	115,491,319
Batahira Ran Aruna	2,952,000,000	2,831,084,183	120,915,817
Ruhuna Udanaya	2,309,000,000	2,007,913,230	301,086,770
Emerging Zonal Activities	14,996,667,395	12,657,972,221	2,338,695,174
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Total	45,457,667,395	40,192,010,569	5,265,956,822
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(c) Utilization of Provisions given by other Ministries and Departments

Provisions totalling Rs.22,225,000 as shown below had been given by other Ministries and Offices to the Department of National Botanical Gardens for various activities and the particulars of utilization of those provisions are given below.

Ministry/ Office which gave Provisions	Provisions given	Utilization	Savings as at 31 December 2012
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	Rs.	Rs.	Rs.
Ministry of Mass Media and Information	750,000	742,632	7,368
Presidential Secretariat	13,300,000	12,853,302	446,698
Office of the Prime Minister	5,000,000	4,986,896	13,104
Ministry of Defence and Urban Development	3,175,000	3,174,691	309
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	22,225,000	21,757,521	467,479
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2:2 Revenue Accounts

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Estimated and Actual Revenue  
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The Department of National Botanical Gardens had estimated revenue amounting to Rs.300,000,000 under the Revenue Code 20.03.02.19 for the year 2012 and collected revenue amounting to Rs.373,171,029 during the year under review. Accordingly, revenue amounting to 124 per cent of the estimated revenue had been collected.

2:3 Advance Accounts

2:3:1 Advances to Public Officers Account

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Limits Authorized by Parliament  
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The following limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the 04 Departments under the Ministry had been complied with. Details appear below.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		-					
105	10501	120,000,000	102,074,263	60,000,000	89,332,492	438,000,000	283,436,868
218	21801	12,000,000	9,777,871	9,000,000	11,222,942	90,000,000	51,948,767
294	29401	18,500,000	9,829,119	8,000,000	13,530,752	56,000,000	42,488,310
305	30501	2,200,000	1,311,225	800,000	1,415,178	8,000,000	5,630,991
322	32201	20,000,000	14,330,346	8,500,000	12,652,989	60,000,000	47,709,865

2:4 General Deposit Accounts  
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The balances of the General Deposit Accounts of the Ministry and the 04 Departments under the Ministry as at 31 December 2012 totalled Rs.188,349,927. The particulars thereof are given below.

Ministry/ Department -----	Account Number -----	Balance as at 31 December 2012 ----- Rs.
Ministry of Economic Development	6000/0000/00/0015/0019/000	92,383,062
Department of Commissioner General of Samurdhi	6000/0000/00/0015/0099/000	5,879,061
Department of National Zoological Gardens	6000/0000/00/0015/0149/000	80,085,161
Department of Upcountry Peasantry Rehabilitation	6000/0000/00/0015/0160/000	2,300,593
Department of National Botanical Gardens	6000/0000/00/0015/0167/000	7,702,050
Total		----- 188,349,927 =====

## **Part 2**

### Detailed Report relating to each Head

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#### 1 Appropriation Head 105 – Ministry of Economic Development

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##### 1:1 Scope of Audit

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The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Economic Development for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 09 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

##### 1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observation

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According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major observations appearing in paragraphs 1:4 to 1:13 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Economic Development had been prepared satisfactorily.

(a) Budgetary Variance

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The following observations are made.

- (i) The entire provisions totalling Rs.2,941,960,000 made for 02 Recurrent Objects and 12 Capital Objects had been saved.
- (ii) Out of the provision amounting to Rs.53,410,950,000 made for 08 Recurrent Objects and 12 Capital Objects provisions totalling Rs.50,972,347,215 had been utilized, thus resulting in savings amounting to Rs.2,438,602,785 and that ranged between 50 per cent to 99 per cent of the provisions made.
- (iii) Out of the provisions totalling made for 04 Recurrent Objects and 04 Capital Objects totalling Rs.5,158,000,000 the savings even after the transfer of Rs.2,177,800,000 or 42.22 per cent under the provision in Financial Regulation 66 to other Objects, amounted to Rs.2,086,819,706 or 40.45 per cent of the provisions made.
- (iv) Even though the Ministry had obtained provisions amounting to Rs.1,934,500,000 under Supplementary Estimates Allocation for the year under review, 1.76 per cent or Rs.34,117,372 out of that provision had not been utilized. The Secretary to the Ministry reported to me that the savings were due to the non-receipt of imprests from the General Treasury.
- (v) Provision for 04 development projects financed from foreign funds had not been made in the Annual Budget Estimates and provision

amounting to Rs.17,010,176 had been transferred under Financial Regulation 66 from other Objects. Out of the provisions so made only a sum of Rs.984,488 had been utilized even by the end of the year under review and a sum of Rs.16,025,688 or 94.2 per cent had not been utilized for the intended purposes. The Secretary to the Ministry reported to me that the additional provisions could not be utilized for the intended purposes due to the limitation of the receipt of imprests from the General Treasury.

(b) General Deposits Account  
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The balance of the General Deposits Account as at 31 December 2012 amounted to Rs.92,383,062 and action in terms of Financial Regulation 571 had not been taken on deposits amounting to Rs.37,143,872 older than two years included in that balance. Out of that balance, a sum of Rs.5,716,193 had been credited to the public revenue in November 2013. The Secretary to the Ministry informed that certain deposits are being withheld as the retention money on development projects.

(c) Reconciliation Statement of the Advances to Public Officers Account  
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- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 10501, the balances that remained outstanding for more than two years as at that date totalled Rs.3,996,837 and the Ministry had failed to recover those outstanding balances. A request had been made to the Director General of Public Finance for the write off of a sum of Rs.1,552,610 out of that balance.
- (ii) An employee of the District Secretariat, Trincomalee had been interdicted with effect from November 2011. Action had not been taken even up to the end of the year under review for the recovery of the loan balance of Rs.93,160 recoverable from him.

- (iii) A property loan balance of Rs.332,331 remained recoverable from an officer who had vacated post on 08 April 2008 and deceased subsequently. Since the vacation of post order had been issued prior to the death, he had been deprived of the death gratuity. The irrevocable Power of Attorney relating to the loan had not been registered. The advice of the Attorney General for the recovery of the loan balance in terms of Section 4.6 of Chapter XXIV the Establishments Code had not been obtained.
- (iv) According to the report of the Disciplinary Inquiry Committee relating an interdicted officer of the Kandy District Planning Office, the pension gratuity had disallowed and action had not been taken even up to 31 December 2012 for the recovery from the sureties the loan balance of Rs.64,314 due from the officer.
- (v) Sum of Rs.1,076,581 recoverable from two officers who had obtained leave abroad in the year 2001 and not reported for duty on the expiry of leave had been included in the Reconciliation Statement. The following observations are made in this connection.
- \* The property loan file of one officer had been misplaced and the Ministry of Public Administration and Home Affairs had been informed to include the name of the officer in the Blacklist for the failure to repay the loan.
  - \* The officer who approved the loan of the other officer had failed to take action in terms of Section 11.9 of Chapter xxiv of the Establishments Code for the registration of the Power of Attorney relating to the property purchased from the loan. The Land Registry, Gampaha had failed to register the Power of Attorney of that land even by 31 July 2013.
- (vi) Loans and advances under the Advances to Public Officers Account should be granted only in accordance with the provisions in Chapter XXIV of the Establishments Code. Nevertheless, the District Secretariats, Kilinochchi and Mullaitivu had granted interest free special two year salary loans to several officers in the

years 2011 and 2012. Even though the Director General of National Budget had, by his letter No. BD/GPS/AA/2001/S dated 20 October 2011, informed the Secretary to the Ministry of Economic Development that such interest free two year salary loans should not be granted as it would be a precedent to all public servants, those District Planning Directors had granted these loans even after the notification made. As such, action in terms of Section 8.1 of Chapter XLVIII of the Establishments Code should be taken against the officers responsible for the breach of the laws, rules and regulations relating to the public finance management and taking action disregarding the instructions of the General Treasury and the loans granted should be recovered in one lump sum. But no such action had been taken. The balance of the loans granted as at 31 December 2012 amounted to Rs.4,075,159.

- (vii) An officer who held the post of Development Field Assistant of the Ministry had performed duties of a Foreign Aid Project under the secondment basis and had not reported for service after the completion of that service even by 31 December 2012. A loan balance of Rs.11,266 recoverable from that officer and the interest on that had not been recovered.

1:4 Good Governance and Accountability

1:4:1 Corporate Plan

Even though the Ministry should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities that Plan had not been prepared even by 31 July 2013. The Secretary to the Ministry informed that the Ministry of Economic Development does not prepare a separate Corporate Plan and that estimates are prepared for the specific financial year and the ensuing two years under the respective development projects and prepare and implement the Annual Work Plan under the Mid Term Investment Plan prepared by the Ministry of Finance/ Mahinda Chintana Policy Framework.

1:4:2 Annual Action Plan  
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Even though the Ministry should have prepared an Annual Action Plan for the year 2010 and onwards according to the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 1:4:1 above, an Action Plan for the year under review had been prepared without preparing a Corporate Plan.

The Secretary to the Ministry informed that the Annual Action Plan is prepared by taking into consideration the Public Investment Strategic Plan prepared by the Ministry of Finance under the Mahinda Chinthana Vision for the period 2014-2016 as the Corporate Plan for the achievement of the objectives thereunder and that the Ministry had identified that as the practical and best methodology.

1:5 Assets Management  
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(a) Idle and Underutilized Assets  
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It was observed during the course of audit test checks that certain assets as analyzed below had been either idle or underutilized.

Equipment -----	Number of Units -----	Location of Assets -----	Idle/Underutilized -----
Cameras, Cassette Players	1 1	Divisional Secretariat Rambukkana, Kegalle	Underutilized Idle
Sports Goods	232	Divisional Secretariat Yatawatta, Matale	Underutilized
Infant School Equipment		Udunuwara Pradeshiya Sabha, Kandy	Underutilized
Cushioned Chairs with Arms Steel Almirahs	21 04	Divisional Secretariat Udawalpata, Kandy	Underutilized
LCD Televisions DVD Players	02 02	Divisional Secretariat Akurana, Kandy	Underutilized

(a) Assets given to other Government Institutions  
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According to the decision of the Cabinet of Ministers No. CM/11/1236/519/019 dated 09 June 2011, approval had been granted to obtain 725 items of machinery and equipment on loan basis for US\$ 115,853,892.69 from the China National Agro-Technology Import and Export Corporation for the procurement of machinery and equipment needed for the efficient implementation of the Road Development Projects implemented by the Ministry. The following observations are made in this connection.

- (i) The Foreign Aid Loan (Equipment Loan) had not been brought to account in terms of paragraph 5.3 of the Public Finance Circular No. 30/94 of 20 April 1994.
- (ii) Even though the decision of the Cabinet of Ministers referred to above had authorized that the Department of External Resources should discuss the bids of the China National Agro-Technology Import and Export Corporation to obtain further favourable conditions to Sri Lanka and the Secretary to the Ministry of Finance and Planning to sign the Loan Agreement, the signed Loan Agreement had not been furnished to audit. Even though it was stated that the advance of the 10 per cent of the contract value should be paid only after signing the agreement, the validity of the advance paid could not be established due to the failure to produce the agreement to audit.
- (iii) The loan installments on the machinery and equipment loan amounting to Rs.3,040 million comprising Rs.1,190 million in the year 2011 and Rs.1,850 million in the year 2012 had been paid. Instead of accounting for that expenditure under Object 3001, that had been brought to account under Object 2502. Similarly, the interest amounting to Rs.453 million paid in the year 2012 had been brought to account under Object 2502 instead of being brought to account under Object 1602.
- (iv) The machinery and equipment valued at Rs.14,504,000,000 obtained by the Ministry had been released to the following Government Institutions.

Category of Equipment	Number of Units	Assets given to	Value	Period
-----	-----	-----	-----	-----
			Rs.Millions	
i. Plants	49	* State Development and Construction Corporation	14,504	From November 2011
ii. Machinery	676	* Central Engineering Consultancy Bureau		
iii. Spare Parts for Machinery	--	* State Engineering Corporation		
		* Road Development Authority		
		* Western Provincial Road Development Authority		
		* Southern Provincial Road Development Authority		
		* Ministry of Agrarian Services and Wildlife		
		* Sri Lanka Army		
	----- 725 =====		----- 14,504 =====	

1:6 Non-compliances

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 Non-compliance with Laws, Rules and Regulations  
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Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
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Financial Regulation 703(2)(b)	2,746,405	The contracts awarded to the approved societies by the Divisional Secretary, Suriyawewa in the Hambantota District had been subsequently sub-contracted by those societies to other persons.
(b) Public Administration Circulars		
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(i) Paragraph 10.7 of the Circular No. 08/2010 of 24 May 2010	109,020	The bills of three officers which exceeded the monthly fuel allowance entitled to the private staff of the Hon. Ministers had been reimbursed.
(ii) Paragraph 10.7 of the Circular No. 21/2007 of 11 September 2007	--	The information on the foreign travel undertaken by 48 officers in the year 2012 together with the copies of agreements entered into with the Government had not been reported by the Secretary to the Ministry to the Administrative Authority of the Service to which those officers belonged.

(c) Management Services  
Circulars

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Circular No. 33 of 05 April  
2007

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Four officers had been recruited to the CARE Project on qualifications extraneous to those specified.

(d) Other Circulars

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(i) Paragraph 5.1.2 of  
the Divineguma  
Circular No. 2/2012  
of 10 July 2012

1,019,875

Even though a Register of Seedlings Supplied to the Beneficiaries, a Record Book for recording the seedlings and planting materials issued to the officers functioning as Facilitators and a Register of Signatures in support of receipt of the seedlings should be maintained for the supply of seedlings under the Divineguma Project while certification of the quality of seedlings in the nurseries should be obtained. Nevertheless, the above provisions had not been followed in connection with the seedlings valued at Rs.1,019,875 so distributed in the Division of the Divisional Secretariat Badulla in the year 2012.

(ii) Sub-section 6(1)(a) of  
the Public Contracts  
Agreements Act, No.  
3 of 1987.

24,873,873

Two contractors relating to 02 contracts valued at Rs.24,873,873 of the Physical Wellbeing Walkway Project at Gampaha Oruthota constructed under Ran Aruna Programme had not been registered by the Registrar of Public Contracts and the contract agreement had not been registered within 60 days from the date of award of contract.

1:7 Weaknesses in the Implementation of Projects

Instances revealed during the course of audit test checks of projects abandoned without completing and project delays are given below.

(a) Projects Abandoned without Completing

Provision of Rs.570,000 had been made for the garment production industry for the establishment of household industries in the area of the Mathugama Divisional Secretariat under the Divineguma Project. Provision for the production of garments had not been utilized even by 31 December 2012 and that project could not be implemented due to the following reasons.

- (i) As the maximum amount given per beneficiary for the production of the garments had been Rs.10,000, the beneficiaries were unable to obtain the additional money in instances where the price of equipment exceeded Rs.10,000.
- (ii) Those goods and services could be obtained from other institutions at prices less than those determined by the Regional Procurement Committee.

(b) Delays in the Execution of Projects

Delays in implementation following Projects by the Ministry were observed.

Project	Estimated Cost	Date of Commencement	Due Date for Completion	Expenditure as at 31 December 2012	Reasons for Delay
Concreting of Nwagammana Road Badulla District.	Rs. 500,000	2012.09.18	2012.06.20	Rs. 300,000	Difficulties in the transport of materials.
Concreting of the	500,000	2012,08,10	2012.10.10	Not paid	Parapet wall had

Parapet Wall and Road of Korayawanguwa Welikanda Road in the Area of the Divisional Secretariat, Aranayake, Kegalle District.

collapsed on to the road due to the failure to rectify the shortcomings pointed out by the District Engineer at the site inspection.

(c) Lack of Benefits from Money spent on Projects  
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Even though money had been released as shown below, several instances of lack of progress of work were observed.

- (i) Even though the concrete side drains of the Bandarawatta-Miriswatta Road in the area of the Gampaha Divisional Secretariat had been done in the year 2012 at a cost of Rs.709,936, there was no proper drainage of water due to constructions done here and there and the failure of the occupants of houses to provide hume pipes for the access to houses as promised.
- (ii) Even before the elapse of one month from the construction of concrete drains of the Imbulgoda Ganemulla Road in the area of Gampaha Divisional Secretariat in the year 2012 at a cost of Rs.779,508 there was no proper drainage of water due to scrub growth and clogging of drains and culverts resulting from the lack of maintenance.
- (iii) There was no proper drainage of water in the concrete drain of the Kasagahawatta-Ihalagama Road in the area of the Divisional Secretariat Gampaha in the year 2012 at a cost of Rs.629,315 as the owner of the land at the end of the drain had blocked it with large stones. As such the benefits expected from the money spent had not been achieved.

- (iv) A sum of Rs.108,000 had been spent on the distribution of 170 domestic chicks and poultry coops and under the Divineguma Project among 17 families in a Grama Niladhari Division in the area of the Badulla Divisional Secretariat. Out of that 36 chicks had died in the early stages and the beneficiaries had sold 74 chicks due to the inability to maintain them.
- (v) The following contract administration weaknesses were revealed in connection with the construction works done by the Naula Pradeshiya Sabha in the Matale District.
- \* Two agreements for Rs.1,960,000 had been entered into for concreting of the Naula Kanumulayaya by-road and the Pilihudugolla Ihala Batalawatta Road under the Gama Neguma Project 2012 and the total amount had been paid. Inspection of several places on the road revealed that ¾” metal on both sides of the road had surfaced and loosened and that the concrete mixture had not been laid in accordance with the estimated standard. A road which had not been installed the name board had been paid a sum of Rs.6,000 for that.
  - \* A sum of Rs.980,000 had been spent from the provisions of the 2012 Gama Neguma “One Work for One Village” Programme for concreting the Pilihudugolla Pahala Hapugahakanda Road. Even though ¾” size metal should be used for concrete mixture of 1:2:4(¾”), metal of ¾”, 1” and 1 ½” size and quarry dust had been used and as such the metal used for concrete on either sides of the road had been so weak that metal could be pulled out by hand.
  - \* A sum of Rs.961,982 had been spent from the provisions of the 2012 Gama Neguma “One Work for One village” Programme for the construction of the Moragahamada Pre-School Building. The timber of the roof had been destroyed by insects as it had been constructed with sapwood not conforming to standards and certain sections had been deteriorating. The expenditure incurred thereon amounted to Rs.185,568.

\* A sum of Rs.1,960,000 had been spent from the provision of the 2012 Gamaneguma “One Work for One Village” Programme for the construction of the multi-purpose buildings of Millagahawela Tenna and Kongahawela. One of the buildings had been constructed without carrying out a feasibility study and proper approval in an area earmarked, under the Kaluganga Scheme. The wood and equipment fixed for these buildings were not matched with the specifications of the estimates and the payments had been made without inspection.

(d) Release of Money without the Supply of Goods and Services

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A sum of Rs.965,398 had been paid from the provisions of the 2012 Gama Neguma “One Work for One Village” Programme for the completion of the construction of the Multi-purpose building at Senagama implemented by the Nawala Pradeshiya Sabha in the Matale District. The sapwood used for the roof and doors and not conforming to standards had cracked and subjected to deterioration. Even though, estimates had been prepared for the installation of square nets with angle iron frames of size 40mmx40mmx5mm, and payments made accordingly despite the use of angle iron of 35 mmx35mmx4mm. Even though a sum of Rs.7,358 had been paid for the construction of the ledge around the building by laying gravel though not needed, the gravel had been eroded. A sum of Rs.250,868 had been paid for constructions done without conforming to standards.

1:8 Transactions of Contentious Nature

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A sum of Rs.26,750,000 had been given to the Department of Fisheries and Aquatic Resource in the year 2012 for the grant of loans to 2,675 beneficiaries who had undergone technical training for implementation of projects under the Divineguma Fisheries Post Harvest Technical Projects Loan Scheme at a maximum of Rs.10,000 per beneficiary. Instructions had been issued for the implementation of the Fund as a Revolving Loan Scheme and the Department of Fisheries and Aquatic Resources had entered into a Memorandum of

understanding with the Bank of Ceylon. The following observations are made in this connection.

- (i) The Bank had granted loans amounting only to 35 per cent of the provision or Rs.9,250,000 even by 31 January 2013. The entire provision of Rs.26,750,000 made for the year under review by 31 December 2012 had been brought to account as an expenditure of the Ministry and shown in the Appropriation Account.
  
- (ii) Loans amounting to Rs.16,740,000 had been granted to 1,674 beneficiaries by 30 November 2013 and the balance sum of Rs.10,000,000 had been refunded to the Department of Fisheries and Aquatic Resources. But the Ministry of Economic Development had not taken any steps whatsoever for the recovery of the unspent sum of Rs. 10 million.

#### 1:9 Irregular Transactions

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Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

##### (a) Deviation from the Procurement Guidelines Procedure

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The following observations are made.

- (i) Sri Lanka Samurdhi Authority had implemented a programme by utilizing the provisions of the Ministry for the establishment of greenhouse nurseries in the areas of the Divisional Secretariats in the Kandy District. The Ministry had given provision amounting to Rs.19,088,361 to the Sri Lanka Samurdhi Authority for the purposes. Procurement action had been taken for the purchase of vegetable and fruit seedlings for those nurseries. The following deficiencies were revealed in that connection.

\* According to the Procurement Notice in terms of the Guideline 6.2.3 of the Government Procurement Guidelines, bids received after the closing date that is, 12 October 2012, should be rejected. Even so, the bids received on 19 October 2012 had been accepted.

- \* According to the Procurement Guidelines 6.3.3(b) of the Government Procurement Guidelines, bids should be opened in the presence of the bidders or their representatives who wish to attend, soon after closing of the bids. But the bids closed on 12 October 2012 had been opened only on 21 October 2012, that is after a delay of 09 days.
  - \* According to the Procurement Guideline 2.14.1 of the Government Procurement Guidelines, the maximum value of purchases that can be made by a Regional Procurement Committee under quotations amounts to Rs.500,000. Nevertheless, the Divisional Secretariat Bibile had exceeded that limit and purchased fruit seedlings valued at Rs.1,634,885 while the Divisional Secretariat Badalkumbura had purchased vegetable seedlings valued at Rs.5,002,000 under the quotations method.
- (ii) The Divisional Secretariat, Matara had awarded 17 contracts for the construction of 17 Maternal Clinics each valued over Rs.2 million. Even though a performance security for a sum not less than 5 per cent of the estimated value should be obtained in terms of the Guideline 5.4.8 of the Government Procurement Guidelines, the District Secretariat had not obtained performance securities for those 17 contracts.
- (iii) The Divisional Secretariat, Ambalantota had prepared estimates for the supply of pvc pipes 3'type 6000 of a certain kind for the Kirimetiya Lift Water Supply Scheme implemented in its area at Rs.4,500 per pipe and awarded the contract to the Rural Development Society. But the market price of a pvc pipe of that kind amounted to Rs.2,600. As the estimates had been made without paying attention to the market price of the pipes and overpayment of Rs.116,533 had been made to the Society.
- (iv) According to Section Sub-section 2(1)(o) of the Forests Ordinance (Cap. 451) as amended by the Forests (Amendment) Act, No. 65 of 2009, the approval of the Department of Forests should be obtained for construction of roads or removal of earth from the lands owned by the Department of Forests. But the Kalkanna

Kalgaha Anga Kumbura Road in a protected forest of the Department of Forests at Haldummulla Divisional Secretariat area, had been constructed by excavation and removal of about 558 cubic metres of earth without prior approval and contractor had been paid a sum of Rs.1,250,420 on 6 June 2012.

- (v) According to the letter No. MED/RE/A-SEE/A1/U dated 10 June 2011 of the Secretary to the Ministry, out of the estimated amount for the construction of a protected net house, a maximum of 50 per cent can be given as a grant to the beneficiary and the balance 50 per cent should be spent from his private money. The estimated sum of the construction of the house amounted to Rs.110,770 and according to the estimate, each beneficiary can be given a grant of Rs.55,385. As each beneficiary had been given grants amounting to Rs.84,000 overpayments amounting to Rs.28,615, per beneficiary had been made. Accordingly 53 beneficiaries in the Kandy District had been overpaid Rs.1,516,065 at the rate of Rs.28,615

#### 1:10 Losses and Damage

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The following losses and damages were observed during the course of audit test checks.

- (a) The approved price of the Department of Agriculture for a grafted Rambuttan Seedling amounted to Rs.150. As the Divisional Secretariat, Badalkumbura, Monaragala District had purchased seedlings at Rs.280 per seedling, a loss of Rs.1,066,000 had been incurred.
- (b) A beneficiary in the Ihala Beligalla East Grama Niladhari Division had been given 400 papaw seedlings not recommended by the Agricultural Research and Production Assistant under the purchase and distribution of fruit seedlings under the Divineguma Programme in the area of the Divisional Secretariat, Beliatta. All the seedlings had been uprooted and removed due to a plant disease and the expenditure of Rs.16,000 incurred had become a loss to the Government.

1:11 Uneconomic Transactions

-----

The particulars of transactions entered into devoid of economy revealed during the course of audit test checks are given below.

- (a) Even though the Maternity Clinic of Wilatha, Pallegama in the area of the Divisional Secretariat, Akurana in the Kandy District had been repaired at a cost of Rs.2,800,980, it could not be used even by December 2012 as the electricity connection had not been supplied to the Maternity Clinic.
- (b) A sum of Rs.103,433 had been paid for filling of 169 cubic metres of earth and compacting under Item No. 6 of the contract for the development of the Asgiriya East Pre-school carried out in the area of the Divisional secretariat, Gangawata Korale in June 2012. But an overpayment of Rs.64,135 had been made as 100 cubic metres had been measured in excess.
- (c) Overhead expenditure of Rs.39,706,049 and profit of Rs.39,706,049 totalling Rs.79,412,098 had been overpaid to the contractors in connection with 567 projects in 15 areas of Divisional Secretariats in the Badulla District contrary to the instructions in the internal circulars on the implementation of Gama Neguma Programmes issued by the Secretary to the Ministry.

1:12 Management Weaknesses

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The following observations are made.

- (a) The following deficiencies were observed in the agreements entered into with private contractors in the implementation of Gampaha Tharuna Aruna Road Development Programme by the Western Provincial Road Development Authority with the provisions of the Ministry.
  - (i) Dates of entering into agreements had not been stated.
  - (ii) Entering into agreements and award of contracts after the completion of the contracts.

- (iii) Contracts had been executed through persons other than the contractors who entered into agreements without prior approval.
  
- (b) The Ministry of Economic Development had given a sum of Rs.48,816,717 in terms of Financial Regulation 215(3)(c) to the District Secretariat, Moneragala for 48 Minor Irrigation Development Projects. Instructions had been issued under the Ministry letter No. MED/5/TRE/PD/2010 dated 16 June 2011 to credit any unspent balances from those projects to the Public Revenue. Nevertheless, the District Secretariat had retained such savings amounting to Rs.2,922,974 in the Deposit Account instead of crediting the Public Revenue.
  
- (c) The following deficiencies were revealed in the selection of a contractor for the Maternity Clinic at Kalidasa Raod, Matara.
  - (i) Instead of selecting the lowest quotation of Rs.6,402,040 out of the bids submitted by 03 bidders, the contract had been awarded to the institutions which submitted the bid for Rs.7,366,118.
  
  - (ii) The contractor had prepared an additional estimate for Rs.1,504,986 and completed the work by increasing the contract cost to Rs.7,906,946. Nevertheless, the estimated cost of the contract amounted to Rs.7,611,014. Payment had been made without obtaining the approval for exceeding the contract value by a sum of Rs.295,635 and the additional estimate of Rs.1,504,986 exceeding the value of the contract entered into.
  
  - (iii) The reason adduced for the rejection of the lowest price had been that the said bidder had to execute 05 contracts at that time. Nevertheless, the contractor awarded with the contract also had to execute 04 contracts at that time and the contractor had completed the work after a delay of 06 months
  
  - (iv) Even though the estimates of the contract had been prepared under the supervision of the Chief Engineer of the District Secretariat, Matara, additional estimates had to be prepared as that estimate was not accurate.

- (d) Even though a person who served as the Development Field Assistant of the Planning Secretariat of the District Secretariat, Puttalam had reported for duty only on 04 days during a period of 06 months after 29 September 2010 to 30 March 2011, salaries amounting to Rs.174,452 relating to that period had been paid to him. Distress loan installments amounting to Rs.76,500 had not been recovered from the salaries paid. Action had not been taken even up to the end of the year under review for the recovery of sums totalling Rs.250,952 from that officer.
- (e) The Divisional Secretariat, Bibile had purchased seedlings at higher prices without paying attention to the instructions on the purchase of seedlings for the Divineguma Programme as specified in the letter No. Divineguma 2011 dated 01 September 2011 of the Deputy Director of Agriculture, Moneragala and as such an overpayment of Rs.612,252 had been made.

1:12 Human Resources Management

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 Approved Cadre and Actual Cadre  
 -----

The position of the cadre as at 31 December 2012 had been as follows.

	Category of Staff	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
	-----	-----	-----	-----	-----
(i)	Senior Level	746	592	154	--
(ii)	Tertiary Level	06	03	03	--
(iii)	Secondary Level	18,127	17,100	1,027	-
(iv)	Primary Level	251	206	45	-
(v)	Others (Casual)	-	15	--	15
		-----	-----	-----	-----
	Total	19,130	17,916	1,229	15
		=====	=====	=====	=====

The following observations are made.

- (a) The Ministry had not taken action for filling 1,229 vacancies even by the end of the year under review and the excess cadre not included in the approved posts had been 15.
  
- (b) Human Resource's obtained Irregularly  
-----

An officer who had served in the "Rural Economy Resuscitation Trust Fund" under the purview of the Ministry of Economic Development and subsequently attached temporarily to the Regional Development Divisions of the Ministry by the letter No. MED/AD/E3/1/12(RE ii) dated 18 April 2011 of the Secretary to the Ministry had been recruited without the qualifications required according to the Circulars as Engineering Assistant/ Technical Officer of the Emergency Needs of the Conflict Affected Areas Project under the Ministry and had been paid Rs.1,064,000 as salaries and allowances for the period from 15 September 2011 to September 2013.

2. Head 218 – Department of Commissioner General of Samurdhi

2:1 Scope of Audit

-----

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Commissioner General of Samurdhi for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of the Department on 26 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

-----

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observation

-----  
According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (e) and other major observations appearing in paragraphs 2:4 to 2:10 herein, the Appropriation Account and the Reconciliation Statements of the Department of Commissioner General of Samurdhi had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

-----  
The Department had not maintained the following registers.

Category of Registers	Relevant Regulation
-----	-----
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.
Register of Computers	Treasury Circular No. 1A1/2002/02 of 28 November 2002.
Register of Losses and Damage	Financial Regulation 110.
Register of Deposits	Financial Regulation 414.
Inventory Book	Financial Regulation 754.
Register of Vehicles	Financial Regulations 802 and 1647
Motor Vehicles Log Books	Financial Regulations 1645(a), 1647(a) and Public Administration Circular No. 41/90 of 10 October 1990.
Register of Consumables	Financial Regulation 1647(c)

(b) Budgetary Variance

-----  
The following observations are made.

- (i) The entire net provisions amounting to Rs.5,350,000 made under 05 Objects had been saved.
- (ii) Excess provisions had been made for 31 Objects and the savings after the utilization of provisions, amounted to Rs.81,094,154 and ranged between 11 per cent to 98 per cent of the net provisions relating to the respective Objects.

(c) Provisions obtained under the Budgetary Support Services Contingent Liabilities Project  
-----

In addition to the provision made for one Object from the Annual Budget Estimates, provision of Rs.1,000,000,000 had been made under the Supplementary Estimates Allocations and a sum of Rs.46,811,344 out of that had been saved.

(d) General Deposit Account  
-----

Action in terms of Financial Regulation 571 had not been taken on deposits totalling Rs.5,879,061 older than 02 years.

(e) Reconciliation Statement of the Advances to Public Officers Account  
-----

According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 21801, the balances that remained without being recovered as at that date totalled Rs.841,783 and the Department had failed to recover that amount.

2:4 Good Governance and Accountability  
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2:4:1 Corporate Plan  
-----

Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities that Plan had not been prepared even by 31 December 2012.

2:4:2 Annual Performance Reports  
-----

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 15 August 2013. The Annual Reports for the years 2007 and 2008 had been tabled in Parliament on 22 October 2009.

2:4:3 Internal Audit  
-----

An Internal Audit Unit had not been established for the Department of Commissioner General of Samurdhi and the Rural Development Training and Research Institution.

2:4:4 Implementation of the Audit and Management Committee  
-----

According to the Audit and Management Circular No. DMA-2009(1) of 06 June 2009, the Audit and Management Committee should hold at least 4 meetings annually at one meeting per quarter. Nevertheless, only 02 meetings had been held during the year under review.

2:5 Assets Management  
-----

The following observations are made.

(a) Idle and Underutilized Assets  
-----

Five motor vehicles of the Rural Development Training and Research Institute had been idling and underutilized over a period of 02 years.

(ii) According to the Reports of the Boards of Survey of the Department of Commissioner General of Samurdhi, excesses of 265 units of 45 categories of goods and shortages of 16 units of 08 categories of goods had been revealed. According to the Reports of the Board of Surveys of the Rural Development Training and Research Institute, 510 units of 10 categories of goods had been idle. The Department had not taken action on those excesses and shortages.

(b) Conduct of Annual Boards of Survey  
-----

According to the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Boards of Survey/01 dated 17 December 2010 of the Director General of Public Finance the Board of Survey for the year 2012 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2013. Nevertheless, the Reports of Boards of Survey of the Department of Commissioner General of Samaurdhi had been furnished on 29 May 2013 and the Reports of Board of Survey of the Rural Development Training and Research Institute had been furnished on 13 July 2013.

(c) Assets given to External Parties  
-----

Instances of the irregular release of certain assets by the Department to external parties were observed. Details appear below.

Category of Assets	Number of Assets	Assets given to	Value	Period
-----	-----	-----	-----	-----
			Rs.	
Motor Vehicles	01	Ministry of Technology and Research	Value not assessed	From 1996
Motor Vehicles	03	Ministry of Samurdhi (Ministry of Economic Development)	Value not assessed	2002, 2009, 2012

Motor Vehicles	01	Samurdhi Authority of Sri Lanka	Value assessed	not	From 2009
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(d) Irregular use of Assets of other Institutions

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It was observed during the course of audit test checks that certain assets of other institutions had been used by the Department without formal approval. Details appear below.

Category of Assets	Assets Owned by	Number of Units	Value	Period
-----	-----	-----	-----	-----
			Rs.	
Motor Vehicles	Ministry of Economic Development	02	Value assessed	not From 2010
Motor Vehicles	Ministry of Youth Affairs and Skills Development	01	Value assessed	not --
Motor Vehicles	Ministry of Plan Implementation (Defunct)	02	Value assessed	not --

(e) The existence of 01 motor vehicle of the Department could not be established during the physical inspection.

2:6 Non-compliances

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Non-compliance with Laws, Rules, Regulations, etc.

-----

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules, Regulations, etc.	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
Chapter xxiv Sections 4.5 and 4.6	476,020	Action had not been taken in connection with the loan balances outstanding from the officers who had vacated posts and interdicted either for recovery from the sureties as provided for in the regulations or for taking legal action in that connection.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 571(3)	4,639,112	The balance remaining from the income earned by the Rural Development Training and Research Institute after the deduction of the expenditure incurred had not been credited to the Public Revenue despite the elapse of over 02 years.
(ii) Financial Regulation 802 and the Public Finance Circular No. 353(5) of 31 August 2004.		Action in terms of the Circular had not been taken on 05 Unusable motor vehicles and awaiting repairs.
(c) Public Administration Circulars -----		
Circular No. 41/90 of 10 October 1990.	--	Even though the fuel consumption of motor vehicles should be tested once in every six months in terms of the circular, it had not been so done.

(d) National Budget Circulars

-----  
Paragraph 1.1.7 of Circular 485,878 Loan balances of 06 officers  
No. 118 of 11 October 2004. 609,509 transferred out by 31 December 2012  
amounting to Rs.485,878 and loan  
balances of 03 officers transferred to  
the Department amounting to  
Rs.609,509 had not been settled.

2:7 Irregular Transactions

-----  
Issue of Goods to the Social Security Sector  
-----

A large quantity of stationery and other inventory goods had been issued monthly from the stores of the Department to the Social Security Fund which did not relate to the Department Head for which provision had not been made in the Annual Budget Estimates.

2:8 Management Weaknesses

-----  
Even though a motor vehicle of the Department which had met with an accident and taken off from use had been parked in the premises action had not been taken to obtain its release from the revenue licence.

2:9 Human Resources Management

-----  
Approved Cadre and Actual Cadre  
-----

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	44	22	22
(ii) Tertiary Level	19	15	04
(iii) Secondary Level	442	325	117
(iv) Primary Level	98	72	26
	-----	-----	-----
Total	603	434	169
	=====	=====	=====

One hundred and sixty nine vacancies in the cadre as at the end of the year under review were observed.

3. Head 294 – Department of National Zoological Gardens  
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3:1 Scope of Audit  
-----

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of National Zoological Gardens for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director of the Department on 15 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

3:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements  
-----

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

3:3 Audit Observation  
-----

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) and (b) and other major observations appearing in paragraphs 3:4 and 3:11 herein, the Appropriation Account and the Reconciliation Statements of the Department of National Zoological Gardens had been prepared satisfactorily.

(a) Budgetary Variance

-----

- (i) The entire net provision of Rs. 2,000,000 made for one Object had been saved.
- (ii) Excess Provisions had been made for 05 Objects and the savings after the utilization of provisions amounted to Rs.646,326,345 and ranged between 42 per cent to 95 per cent of the net provisions of the respective Objects.

(b) Reconciliation Statement of the Advances to Public Officers Account

-----

- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 29401, the balances that remained outstanding as at that date totalled Rs.2,445,076 and the follow up action on the recovery of those outstanding balances had been at a weak level.
- (ii) A difference of Rs.20,505, was observed between the loan balances appearing in the register of individual balances and the Reconciliation Statement.

3:4 Good Governance and Accountability

-----

3:4:1 Corporate Plan

-----

Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities that Plan had not been prepared even by 31 December 2012. A draft Corporate Plan prepared for the years 2012 to 2016 had been furnished to the Secretary to the Ministry on 22 November 2011.

3:4:2 Annual Action Plan  
-----

Even though the Department should have prepared an Annual Action Plan for the year 2010 and onwards according to the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 3.4.1 above, the Action Plan for the year under review had been prepared only on 07 July 2012. But that Action Plan had not been prepared in accordance with the draft Corporate Plan.

3:4:3 Annual Performance Reports  
-----

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in paragraph 3.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 20 September 2013.

3:4:4 Internal Audit  
-----

An Internal Audit Unit had not been established in the Department and the Internal Audit Unit of the Ministry had not carried out an adequate internal audit.

3:4:5 Implementation of the Audit and Management Committee  
-----

Only 03 meetings of the Audit and Management Committee had been held in the year 2013.

3:5 Assets Management

-----  
 At the sampling audit check of the assets of the department the following observations are made.

(a) Idle and Underutilized Assets

- (i) It was observed during the course of audit test checks that certain assets as analyzed below had been either idle or underutilized.

Category of Assets	Number of Units	Idle or Underutilized Period
-----	-----	-----
Gampola Farm		
- Sathsanda Cage	01	Over a long period
- Water Tank – 1000 litres	01	01 year

- (ii) According to the Annual Action Plan for the year 2008, the construction of exhibition stalls, installation of the ceiling and electrical wiring of the Animal Museum of the Dehiwala Zoological Gardens should have been done. A sum of Rs.1,565,160 had been spent on that in the year 2008. In addition to that, expenditure amounting to Rs.3,950,592 and Rs.101,015 had been incurred in the year 2010 for air-conditioning and servicing respectively. That museum had not been opened for the viewers even by 30 November 2013. Repairs to the roof had not been carried out properly before the installation of the ceiling and it had been damaged by rain water. The expected benefits of the work costing Rs.5,616,767 had not been achieved even by 30 November 2013.

(b) Conduct of Annual Boards of Survey

-----  
 According to the Public Finance Circular No.441 dated 09 December 2009 an amended by the Letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Board of Survey for the year 2012 should have been completed and the reports thereon should have been furnished to the Auditor General before 31 March 2013. Nevertheless, the Annual Boards of Survey for the year 2012 had not been

conducted by the Department even by 30 November 2013. The last Board of Survey conducted had been for the year 2010.

(c) Irregular use of Assets belonging to Other Institution  
-----

The Department had used a land situated at Gonapala for maintaining a Farm without effecting a formal transfer of the land. The Director replied that action is being taken for the formal transfer of the land.

(d) Unsettled Liabilities  
-----

The unsettled liabilities of the Department less than 01 year old as at 31 December 2012 amounted to Rs.26,416,608.

3:6 Weaknesses in the Implementation of Projects  
-----

Instances observed during the course of audit test checks of project delays are given below.

(a) Non-implementation of Projects  
-----

Provision amounting to Rs.100 million had been made in the year under review for the construction of the Wattala Aquarium. The construction work could not be done as the land proposed for the construction could not be acquired even by 31 December 2013. As such the entire provision made had been saved. Even though provision of Rs.35 million had been made for this purpose even in the year 2011, that as well could not be utilized.

Provision had been made for 05 Sub-objects under the Object 2104 – Buildings and Constructions and out of the sum of Rs.240 million allocated thereunder for the development of the new Zoological Gardens at Pinnawala a sum of Rs.172.4 million had been saved. The Director of Zoological Gardens admitted that the savings had resulted due to the inability to execute the construction work as planned, the delays in the

appointment of another consultancy firm after changing the former consultancy firm and the delays in the submission of bills. Even though a sum of Rs.300 million had been allocated for the construction work of the Hambantota Safari Park, a sum of Rs.34.7 million or 11 per cent only had been spent. The Director informed that it was due to the non-receipt of imprests and the problems surfaced in the final determination as to how the parapet wall and the fence scheduled for construction around the Gardens should be constructed.

(b) Delays in the Execution Projects

Delays in the execution of the following projects were observed.

Project	Estimated Cost	Date of Commencement	Due date of Completion	Expenditure as at 31 December 2012	Reason for Delay
	Rs.			Rs.	
(i) Construction of the Restaurant Building of the Department of National Zoological Gardens	29,653,051	2011.06.30	2011.06.10	15,508,881	Need for changing the basic concepts and Plans.
(ii) Regulated Rainwater Drainage System for the new Zoological Gardens ,Pinnawala	7,400,573	2010.05.20	2010.11.16	4,396,529	Need for changing the basic concepts and Plans.
(iii) Construction of the underground Water Storage Tank of the new Zoological Gardens, Pinnawala	82,879,438	2008,08,15	2010.06.15	9,728,004	Delays in the handover of construction by the contractor.
(iv) Construction of the Drinking Water Distribution System of the new Zoological Gardens, Pinnawala	29,831,462	2009,11.20	2010.03.19	5,670,613	Delays in the handover of construction by the contractor.

(c) Alteration of Project Estimate Values – New Zoological Gardens Wagolla  
-----

- (i) In the construction of the Tiger Pool, additional work amounting to rs.7,062,392 exceeding the estimated amount had been done and items of work amounting to Rs.7,862,452 had not been done. In the examination of the reasons for that revealed that the nature of construction had been changed due to the alterations made to the designs of the consultant. That had been due to the concreting of the pool as determined by the subsequent consultant in place of the geo synthetic cloth proposed by the former consultant.
- (ii) Even though detailed estimates could have been prepared for more than 25 per cent of the cost estimate prepared for the Tiger Jungle, the estimate had been prepared by including the unidentified work as a provisional sum.
- (iii) Items of work valued at Rs.279,552 had been done extraneous to the work relating to the Drinking Water Distribution System and payments for such work had been made under the payments for the Internal Road System as well. As such it was observed that double payments had been made for the same work.

(d) Payment of Mobilization Advances exceeding the Limit  
-----

The mobilization advance payable to the State Engineering Corporation on the agreement valued of Rs.184,609,701 for the construction of the Tiger Jungle of the Wagolla New Zoological Garden amounted to Rs.36,921,940. Nevertheless, a sum of Rs.38,487,138, which exceeded that limit by a sum of Rs.1,565,198, had been paid.

3:7 Performance  
-----

The observations on the progress of the Department for the year 2012 are given below.

(a) Key Functions not Executed Adequately

-----  
Construction of the Wagolla New Zoological Gardens  
-----

The following observations are made.

- (i) Even though land 16.45 hectares from the Wagolla Agricultural Farms of the Department of Agriculture had been transferred in the year 1998 for the construction of the Wagolla New Zoological Gardens, out of that, land 4.15 hectares in extent had not been utilized for any development work whatsoever even up to the end of the year 2012. It was observed that the Farm is being further maintained in that part of the land.
- (i) Even though it had been agreed with the Department of Agriculture to provide alternate lands or provisions in that connection, it had not been so done even by the end of the year 2012.
- (iii) Even though the construction of the Wagolla Zoological Gardens had been stopped in the year 2001 on a policy decision of the Government, the construction works had been commenced again in the year 2008 on a decision of the Cabinet of Ministers. Even though a decision had been taken for the expansion of the Zoological Gardens to an extent of 104 acres of land the transfer of the additional lands had not been completed even up to 31 December 2012.
- (iv) Even though the construction of the new Zoological Gardens in accordance with the international standards had been the objective a preliminary plan and a detailed plan for the entire extent of 104 acres of land had not been prepared.

(b) Viewers' Visits and Income

-----  
The particulars of the number of viewers who visited to see the Dehiwala Zoological Gardens and the Pinnawala Elephant Orphanage with year under review and by income received therefrom are given below.

(i) Dehiwala Zoological Gardens

	<u>2012</u>		<u>2011</u>	
	Number of Viewers	Income received from Viewers	Number of Viewers	Income received from Viewers
		Rs.		Rs.
Local	1,412,062	110,039,210	1,689,755	130,922,050
Foreign	21,188	25,108,000	20,446	25,178,750
<b>Total</b>	<b>1,433,250</b>	<b>135,147,210</b>	<b>1,710,201</b>	<b>156,100,800</b>

The number of foreign viewers who visited the Dehiwala Zoological Gardens as compared with the preceding year had increased by 742 persons or 3.6 per cent and the income collected therefrom had increased by a sum of Rs.70,750 or 0.3 per cent. But the number of local viewers and the income had decreased by 277.693 persons and Rs.20,882,840 respectively.

(ii) Pinnawala Elephant Orphanage.

	<u>2012</u>		<u>2011</u>	
	Number of Viewers	Income received from Viewers	Number of Viewers	Income received from Viewers
		Rs.		Rs.
Local	497,157	36,083,510	463,982	34,053,050
Foreign	266,297	455,554,750	264,452	448,625,000
<b>Total</b>	<b><u>763,454</u></b>	<b><u>491,638,260</u></b>	<b><u>728,434</u></b>	<b><u>482,678,050</u></b>

The number of local and foreign viewers and the income in the year 2012 as compared with the year 2011 had increased by 7 per cent and 0.7 per cent and income by 5.9 per cent and 1.5 per cent respectively.

3:8 Irregular Transactions

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Deviation from the Procurement Guidelines Procedure

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Furniture costing Rs.843,325 had been purchased for the restaurant of the Dehiwala Zoological Gardens without inviting competitive quotations in terms of Guideline 2.14.1 of the Procurement Guidelines.

3:9 Uneconomic Transactions

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The particulars of transaction entered into devoid of economy observed during the course of test checks are given below.

- (i) As a result of the construction of the new Wagolla Zoological Gardens according to the new design due to the change of the design of the new Zoological Gardens under constructions, 04 cages for squirrels, bird cages, mouse deer grove and the grove for animals such as Hog deer jackal and civets had been dismantled. Therefore the raw material cost incurred for prepare the cages, consultancy fees and fees incurred for removal of those amounting to Rs.9,466,569 observed as fruitless expenditure.
- (ii) In addition to the estimate for the modernization of the restaurant of the Dehiwala Zoological Gardens, a sum of Rs.1,967,991 had been spent on electrical works including electric lamps for parties. The expenditure incurred the installation of party lamps in the premises of the Zoological Gardens where parties cannot be held in the nights is observed as a fruitless expenditure.
- (iii) As a result of the change of the plan of internal power distribution system of the Zoological Garden, an expenditure of Rs.498,770 spent for the consultancy fee in 2010 was fruitless.

3:10 Management Weaknesses

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The contract for the supply of fodder for the elephant in the Pinnawala Elephant Orphanage was scheduled to expire on 31 July 2012 and the procurement process for the selection of a contractor had been commenced only on 27 June 2012. In

view of the delay, the period of the new contract had to be awarded from 01 November 2012 to 31 October 2013 and in the meantime the existing contract had been extended from time to time. The Department had failed to award the contract valued over Rs.100 million to a suitable contractor on time.

3:11 Human Resources Management

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 Approved Cadre and Actual Cadre  
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The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
(i) Senior Level	25	14	11	--
(ii) Tertiary Level	02	01	01	-
(iii) Secondary Level	108	75	33	-
(iv) Primary Level	574	232	342	-
(v) Others (Casual/ Temporary/ Contract Basis)	--	39	--	39
	-----	-----	-----	----
Total	709	361	387	39
	====	=====	====	==

The Department had not taken action to fill 387 vacancies that existed as at the end of the year under review.

4. Head 305 – Department of Upcountry Peasantry Rehabilitation

4:1 Scope of Audit

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The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Upcountry Peasantry Rehabilitation for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 12 September 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

4:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

4:3 Audit Observation

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According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) and (b) and other major observations appearing in paragraphs 4:4 to 4:7 herein, the Appropriation Account and the Reconciliation Statement of the Department of Upcountry Peasantry Rehabilitation had been prepared satisfactorily.

(a) Budgetary Variance  
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Excess provisions had been made for 06 Objects and as such the savings after the utilization of provisions represented 8 per cent to 55 per cent of the net provisions relating to the respective Objects.

(b) Reconciliation Statement of the Advances to Public Officers Account  
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The salary loans amounting to Rs.137,120 recoverable from an employee interdicted on 22 March 2012 included in the Reconciliation Statement of the Advances to Public Officers Account Item No. 30501 had not been settled even by 31 December 2012.

4:4 Good Governance and Accountability  
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4:4:1 Corporate Plan  
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Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities that Plan had not been prepared even by 31 December 2012.

4:4:2 Annual Action Plan  
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Even though the Department should have prepared an Annual Action Plan in terms of the letter of the Director General of Public Finance referred to in paragraph 4.4.1 above, an Action Plan for the year under review had not been prepared even by 31 December 2012. Nevertheless, an Action Plan covering only for the Capital Provision of Rs.1.2 million approved for the Department in respect of the year under review had been prepared.

4:4:3 Annual Performance Reports  
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Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in paragraph 4.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 30 July 2013.

4:4:4 Internal Audit  
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The Department had not established an Internal Audit Unit.

4:4:5 Implementation of the Audit and Management Committee  
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Audit and Management Committee had not been established.

4.5 Assets Management  
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At the sampling audit check carried out in the management of the assets of the department the following observations are made.

(a) Idle and Underutilized Assets  
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An unusable motor vehicle of the Department had been idling from the year 2012.

(b) Assets given to External Parties  
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Instances of release of certain assets irregularly to external parties by the Department were observed. Details appear below.

Category of Assets	Number/ Units/ Quantity of Assets	Assets given to	Value
-----	-----	-----	-----
(i) Buildings	02	Upcountry Development Authority of Sri Lanka	Rs. Not computed
	01	Southern Development Authority – Circuit Bungalow – Monaragala	Not computed
(ii) Motor Vehicles	01	Upcountry Development Authority of Sri Lanka	188,233

(c) Irregular Use of Assets not Transferred

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The Department had constructed a building at its own cost on a land obtained from the University of Peradeniya on long term lease .

4:6 Performance

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Even though the Department of Upcountry Peasantry Rehabilitation had been established with the objective of achieving 06 basic activities, none of those activities had been executed in the year under review. Out of the provision of Rs.17,340,000 made for the capital and recurrent activities of the Department for the year under review, a sum of Rs.16,115,000 or 93.5 per cent had been spent on the personal emoluments and other administrative expenses.

4:7 Human Resources Management

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Approved Cadre and Actual Cadre

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The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	06	04	02	--
(ii) Tertiary Level	01	-	01	--
(iii) Secondary Level	37	19	18	--
(iv) Primary Level	11	07	04	--
(v) Others (Casual/ Temporary/ Contract Basis)	--	01	--	01
<b>Total</b>	<b>55</b>	<b>31</b>	<b>25</b>	<b>01</b>

5. Head 322 – Department of National Botanical Gardens  
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5:1 Scope of Audit  
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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of National Botanical Gardens for the year ended 31 December 2012 was carried out in pursuance in provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 04 July 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

5:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements  
-----

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

5:3 Audit Observation

-----

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) and (b) and other major observations appearing in paragraphs 5:4 to 5:10 herein, the Appropriation Account, Revenue Accounts and the Reconciliation Statement of the Department of National Botanical Gardens had been prepared satisfactorily.

(a) Budgetary Variance

-----

Excess provision had been made for a Capital Object and as such the savings after the utilization of provisions represented 23 per cent of the net provision relating to that Object.

(b) Reconciliation Statement of the Advances to Public Officers Account

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According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 32201, the balances that remained outstanding as at that date totalled Rs.200,675 and the Department had failed to recovery of those outstanding balances.

5:4 Good Governance and Accountability

5:4:1 Annual Performance Reports

-----

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 01 July 2013.

5:4:2 Internal Audit

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An Internal Audit Unit had not been established even by the end of the year under review.

5:4:3 Audit and Management Committee

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The Audit and Management Committee had not functioned in the year under review.

5:4:4 Assets Management

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At the sampling audit check carried out in the management of the assets of the department the following observations are made.

(a) Idle and Underutilized Assets

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Land 12 hectares in extent of the Mirijjawila Dry Zone Botanical Gardens had been idle over a period exceeding three years.

(b) Conduct of Annual Board of Survey

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According to the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No.PF/Boards of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Board of Survey for the year 2012 should be conducted and the Reports of the Boards of Survey should be furnished to the Auditor General before 31 March 2013. Nevertheless, the reports relating to 05 Units of the Department had not been furnished to audit even by 31 May 2013.

(c) Assets taken Possession of by External Parties  
-----

It was observed in audit that land belonging to the Hakgala Botanical Garden over 20 hectares in extent had been illegally taken possession of by external parties. The total extent of land so illegally taken possession of had not been determined.

5:6 Performance  
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The following observations are made.

- (a) The access building, visitors hall, latrine system and other internal construction work of the Avissawella Wet Zone Botanical Gardens scheduled for completion on 15 December 2012 had not been completed even by 17 January 2013, the date of audit.
- (b) Two activities amounting to Rs.3,995,000 included in the Action Plan of the Gampaha Botanical Gardens for the year 2012 had not even been commenced by 15 March 2013.
- (c) Even though the construction of a bridge over Attanagalu Oya to provide access to the Gampaha Botanical Gardens through the Gampaha-Ja-Ela Road had been proposed that had not been constructed even during the year under review. As such the new access gate and the ticket counter constructed about two years ago could not be used even by 15 March 2013.
- (d) Even though the construction of 04 summer cottages of the Mirijjawila Dry Zone Botanical Gardens at a contract value of Rs.4,072,667 had been scheduled for completion by 28 June 2012 those constructions had not been completed even by 22 January 2013.

- (e) A sum of Rs.1,318,870 comprising Rs.1,254,590 in the year 2011 and Rs.64,280 in the year 2012 had been spent for the construction of the Semicircular Shady House of Mirijjawila Dry Zone Botanical Gardens. The construction of the shady house scheduled for completion by 28 December 2010 had not been completed even by 22 January 2013. It was observed that work had been abandoned after the construction of the frame work of the building.

5:7 Deficiencies in the Maintenance of Bank Accounts

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Balances for Settlement

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According to the Bank Reconciliation Statement for December 2012 prepared by the Department of National Botanical Gardens, the value of other adjustments existing over periods from 01 year to less than 03 years amounted to Rs.131,159.

5:8 Transactions of Contentious Nature

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The income of Rs.1,053,900 received for the restaurant maintained in a building of the Hakgala Botanical Gardens in respect of the period from 01 August 2007 to 31 July 2013 had been credited to the Fund of the Employees' Welfare Society instead of crediting the Public Revenue.

5:9 Management Weaknesses

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It was observed that the repairs to the office building, employees' quarters, public latrines, stores, ticket counter, security hut and several other places had not been carried out.

5:10 Human Resources Management

-----  
 Approved Cadre and Actual Cadre  
 -----

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
(i) Senior Level	33	16	17	-
(ii) Tertiary Level	06	05	01	-
(iii) Secondary Level	145	101	44	-
(iv) Primary Level	516	423	93	-
(v) Others (Casual/ Temporary/ Contract Basis)	-	116	--	116
	-----	-----	-----	-----
Total	700	661	155	116
	====	====	====	====

The Wet Zone Botanical Gardens at Awissawella did not have an approved cadre and the employees deployed was inadequate to carry out the work of the Gardens properly.