

Head 180 - Report of the Auditor General of the Ministry of Minor Export Crop Promotion and the Department under the Ministry - Year 2012

This report comprises two parts.

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

Part 2 - The Detailed Reports on each Head

Part 1

Summary Report on the Accounts of the Ministry of Minor Export Crop Promotion and the Department under the Ministry

1. Department Under the Ministry

Head	Name of the Department
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289	Department of Export Agriculture

2. Accounts

2.1 Appropriation Accounts

(a) Total Provisions and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.755,520,000 and a sum of Rs.655,781,940 had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Ministry and the Department amounted to Rs.40,752,699 and Rs.59,485,361 respectively or 21 per cent and 11 per cent respectively of the total net provision. Details appear below.

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.
180	Ministry of Minor Export Crop Promotion	125,160,000	70,400,000	113,919,453	40,887,848	11,240,547	29,512,152
289	Department of Export Agriculture	317,460,000	242,500,000	277,469,326	223,005,313	39,990,674	19,494,687
	Total	442,620,000	312,900,000	391,388,779	263,893,161	51,231,221	49,006,839

(b) Utilization of Provision made available by one other Ministry and District Secretaries

One other Ministry and District Secretariats had made available provisions totalling Rs.51,186,000 as shown below for various purposes and the particulars of utilization of those provisions are given below.

Ministry / District Secretariat	Provision Received	Actual Expenditure	Savings / (Excess) as at 31 December 2012
	Rs.	Rs.	Rs.
Ministry of Economic Development	50,406,000	41,474,646	8,931,353
District Secretariat - Colombo	480,000	492,225	(12,225)
District Secretariat - Gampaha	300,000	194,333	105,667

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by the Parliament

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

Head	Item Number	Expenditure		Receipts		Debt Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
180	18001	2,500,000	2,218,669	1,000,000	1,441,164	12,300,000	6,276,553
289	28901	29,500,000	24,188,727	20,000,000	27,562,726	110,000,000	90,132,658

2.3 Imprest and General Deposit Accounts

(a) Imprest Accounts

Debit balances amounting to Rs.527,802,404 and credit balances amounting to Rs.527,800,270 existed as at 31 December 2012 in the Imprest Accounts of the Ministry and the Department under the Ministry. Details appear below.

Ministry / Department	Balances as at 31 December 2012 Debit / (Credit)
	Rs.
Ministry of Minor Export Crop Promotion	1,800
Department of Export Agriculture	527,800,604
- Do -	(527,800,270)

(b) General Deposit Accounts

The total balances of the General deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 totalled Rs.2,776,209. Details appear below.

Ministry / Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Minor Export Crop Promotion	6000/0000/00/0015/0189/000	48,772
Department of Export Agriculture	6000/0000/00/0015/0144/000	2,727,437

		2,776,209
		=====

Part 2

Detailed Report Relating to each Head

1. Head 180 - Ministry of Minor Export Crop Promotion

1.1 Scope of Audit

The Audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Minor Export Crop Promotion for the year ended 31 December 2012 was carried out in pursuance of provisions on 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 06 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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

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 of Article 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 Observations

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 observation appearing at (a) and (b) and other major observation appearing in paragraphs 1.4 to 1.8 herein, the Appropriation Account and the reconciliation Statement of the Ministry of Minor Export Crop Promotion had been prepared satisfactorily.

(a) Budgetary Variance

- (i) The entire net provisions amounting to Rs.3,150,000 made for 06 Objects had been saved.
- (ii) Excess provisions had been made for 18 Objects and as such, the savings after the utilization of the provisions ranged between 29 per cent to 97 per cent of the net provisions relating to those Objects.

(b) Imprest Account

Even though sub-impressts granted should be settled immediately after the completion of the purpose of it was given in terms of Financial Regulation 371(2), the sub-impressts amounting to Rs.105,570 obtained in 09 instances in the year under review had been settled after delays ranging from 01 month to 10 months.

1.4 Good Governance and Accountability

1.4.1 Annual Performance Reports

Even though the Annual Performance Report that should be prepared by the Ministry in terms of the Public Finance Circular No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 should be 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 June 2013.

1.4.2 Internal Audit

An Internal Audit Unit had not been established.

1.5 Assets Management

(a) Irregular Use of Assets belonging to other Institutions

Even though 03 motor vehicles valued at Rs.6,300,000 belonging to the Ministry of Agriculture are being used for the purposes of the Ministry from the year 2010, action had not been taken to effect the legal transfers of those assets to the Ministry.

(b) Unsettled Liabilities

Even though the unsettled liabilities of the Ministry as at 31 December 2012 amounted to Rs.585,026, according to the age analysis those were less than one year old.

1.6 Performance

Corporate Plan and Action Plan

(a) According to the Corporate Plan and the Action Plan prepared by the Ministry, the updating of the Export Agriculture Promotion Act, No. 46 of 1992 and the State Agricultural Corporations Act , No. 11 of 1972 had been planned for completion. Nevertheless, only the drafting of the Export Agriculture Promotion Act had been in progress even by 31 May 2013.

(b) According to the Corporate Plan prepared by the Ministry, preparation of Radio and Television Quiz Programmes for creating an awareness among the parties concerned had been indicated. But those had not been included in the Action Plan.

- (c) The following activities included in the Action Plan had not achieved the expected progress.
- (i) Even though the formulation of the Policy on Minor Export Crop Sector and legal Frame Work had been planned for completion by the end of the year, the national Policy had not been presented for approval of the Cabinet of Ministers even by 31 May 2013.
 - (ii) Even though a Five year Plan for Large Scale Cocoa Cultivation had been prepared it had not been implemented.
 - (iii) Even though 12 Workshops for the development of the attitudes and efficiency of the Field Officers of the sector had been planned, only 02 workshops for 06 districts had been conducted.
 - (iv) Even though the conduct of 12 Regional Entrepreneurial workshops had been planned for the year under review only 04 workshops had been conducted.
 - (v) Even though the conduct of 12 workshops for strengthening of Farmers Organizations, the introduction of 02 new Species Crops and the publication of the quarterly magazine had been planned for the year under review, those programme and the publication had not been implemented.
 - (vi) Even though making amendments to the Sri Lanka Cashew Corporation Act, No. 11 of 1972 had been planned for the year under review that had not been done by the end of the year under review.

1.7 Irregular Transactions

Even though the Minister in charge of the subject had participated at a Seminar of Research on Cultivation Sugar Cane held from 03 to 10 June 2012 in Lucknow, India and had returned on 07 June due to the protests campaign. A sum of US\$ 2,800 had been paid as incidental allowances and combined allowance for the foreign tour of 08 days. Even though he had returned prior to the conclusion of the tour US\$ 700 paid for 02 days had not been recovered.

1.8 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	14	11	03
(ii) Tertiary Level	01	01	-
(iii) Secondary Level	51	36	15
(iv) Primary Level	27	23	04
(v) Other (Casual / Temporary / Contract Basis)	02	02	-
Total	95	73	22

Action had not been taken even up to the end of the year under review to fill 22 Vacancies.

2. Head 289 - Department of Export Agriculture

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 Export Agriculture for the year ended 31 December 2012 was carried out in pursuance of provisions on 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 the 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 of Article 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 observation appearing at (a) to (c) and other major observations appearing in paragraphs 2.4 to 2.10 herein, the Appropriation Account and the reconciliation Statement of the Department of Export Agriculture had been prepared satisfactorily.

(a) Budgetary Variance

- (a) The entire net provision of Rs.5,500,000 made for one Object had been saved.
- (b) Provisions totalling Rs.559,960,000 had been made for 52 Objects and the savings after the utilization of provisions amounting to Rs.500,474,639 amounted to Rs.59,485,361 and ranged between 10 per cent to 100 per cent of the net provisions relating to those Objects.

(b) General Deposit Account

Action in terms of Financial regulation 571 had not been taken on 03 balances of deposits amounting to Rs.947,220 older than 02 years.

(c) Advances to Public Officers Account

Outstanding loan balances amounting to Rs.908,126 remained without being settled even by 31 December 2012 due to reasons such as retirements, death and vacation of posts. Out of that action had not been taken for the settlement of loan balances amounting to Rs.243,550 existing over periods ranging from 11 years to 17 years.

2.4 Good Governance and Accountability

2.4.1 Annual Performance Reports

Even though the Annual Performance Report that should have been 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 addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, 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 27 August 2013.

2.4.2 Internal Audit

Even though the Department had prepared an Internal Audit Plan for the year under review, internal audit had not been carried out according to the Plan.

2.4.3 Implementation of the Audit and Management Committee

According to the Circular No. DMS/2009/(1) dated 09 June 2009 of the Department of Management Audit, a minimum of 04 meetings should be held annually by the Audit and Management Committee. But the Committee had held only 03 meetings during the year.

2.5 Assets Management

(a) Idle and Underutilized Assets

It was observed during the course of audit test checks that certain assets had been either idle or underutilized as shown below.

Category of Assets	Number of Units	Idle or Underutilized period
		Years
(i) Buildings	03	Over 03
(ii) Motor Vehicles	03	Over 03
Motor Vehicles	06	Between 01 and 03
(iii) Other Assets		
Crowbars	33	Over 03
Solar Panels	04	Over 03

(b) Conduct of Annual Board of Survey

In terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey /01 dated 17 December 2010 of the Director General of Public Finance the Annual Board of Survey for the year 2012 should have been conducted and the reports thereon should have been furnished to the Auditor general before 31 March 2013. Nevertheless, the reports of 20 out of 34 Units of the Department had been furnished on 18 April 2013 and the reports of 14 units had been furnished on 19 June 2013. Action had not been taken to implement the recommendations made in these reports.

(c) Irregular Use of Assets not Transferred

Construction work had been carried out utilizing Treasury provisions on 49 blocks of land (350 acres in extent) on lands belonging to the Land Reform Commission, Department of Agriculture, National Housing Development Authority, Department of Sri Lanka Railways, 19 Divisional Secretariats and a private individual without properly transferring.

(d) Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2012 amounted to Rs.98,198,055 and an age analysis thereon given below.

Less than 01 year	Over 01 year less than 05 years	Balance as at 31 December 2012
----- - Rs. -----	----- Rs. -----	----- Rs. -----
89,137,371	9,060,684	98,198,055

2.6 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
-		
(a) Financial regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 104 and 109(1)		- Even though the Department had implemented a Seedlings Certification Service, action had not been taken to eliminate the perished seedlings from books and registers.
(ii) Financial Regulation 115(4)	577,500	Even though the expenditure of the preceding years had been paid in the year under review, approval for that had not been obtained from the Chief Accounting Officer.
(b) Public Administration Circulars		
----- Circular No. 41/90 of 10 October 1990		- The fuel consumption of 67 motor vehicles and 11 tractors of the Department have not been tested.

2.7 Deficiencies in the Operation of Bank Accounts

(a) Inordinate Delays in the Preparation of Bank Reconciliation Statements

The Bank Reconciliation Statements of a bank Account in respect of November and December 2012 had not been prepared even by 30 April 2013.

(b) Balance for Adjustment

The information revealed at a review of the Bank Reconciliation Statements prepared for December 2012 by the Department of Export Agriculture is given below.

Particulars of Adjustment	Age Analysis		Total
	Over 06 months less than 01 year	Over 01 year less than 03 years	
	Rs.	Rs.	Rs.
(i) Unrealized Deposits	45,848	-	45,848
(ii) Cheques issued but not presented for payment	85,602	36,298	121,900

2.8 Losses and Damage

Even though it had been identified from the statement made by the Driver and the Preliminary Inquiry Report in terms of Financial Regulation 104(3) that a Pajero Jeep of the Department had been robbed by thieves on 26 July 2012, the full report that should be furnished within 03 months from the date of loss had not been furnished even y 03 June 2013.

2.9 Uneconomic Transactions

The following observations are made.

- (a) An examination of the payments made including the transport cost for the purchase of planting materials for the Gasnewa Farm in the year 2012 and the market prices revealed that an over payment of Rs.100,050 had been made.
- (c) Despite the availability of excess stocks of polythene in certain stores of the Department, fresh stocks of polythene had been purchased for the requirements of seedling nurseries. A test check revealed the existence of excess stocks of 108,475 kilo grammes of polythene in two stores over a period exceeding 10 years as shown below.

Store Inspected -----	Date of Purchased -----	Size -----	Quantity ----- Kilo grammes
Matale Research and Farm Stores	Prior to 20 December 2004	10’’x 12’	40,000
	Prior to 25 January 2008	10’’x 07’	44,000
Black Water Stores	Prior to 16 October 2007	10’’x 07’	24,475
			----- 108,475 =====

Old unusable stocks of 201.5 kilo grammes of different sizes remained at the Matale Research and farm Stores.

2.10 Human Resources Management

(a) 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	84	49	35	-
(ii) Tertiary Level	05	04	01	-
(iii) Secondary Level	823	322	501	-
(iv) Primary Level	354	315	39	-
(v) Others (casual/ Temporary/ Contract Basis)	97	130	-	33
Total	1,363	820	576	33

The following observations are made.

- (a) Action had not been taken even up to the end of the year under review to fill 576 vacancies.
- (b) Action had not been taken to obtain the formal approval for the excess cadre recruited.