

**Head 180 – Report of the Auditor General of the Ministry of Minor Export Crops Promotion and the Department under the Ministry – Year 2013**

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This report consists of two parts

Part 1 – Summary report relating to the Ministry and the Department under the Ministry

Part 2 – Detailed report relating to each Appropriation Head

**Part I**

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**Summary report on the Accounts of the Ministry of Minor Export Crops Promotion and the Department under the Ministry**

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**1. Department under the Ministry**

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<b>Head</b>	<b>Name of Department</b>
289	Department of Export Agriculture

**2. Accounts**

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**2.1 Appropriation Accounts**

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**Total Provision and Expenditure**

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The total net provision made for the Ministry and for the Department under the Ministry amounted to Rs.957,875,000 and out of that a sum of Rs.747,801,019 had been utilized by the end of the year under review. Accordingly the savings of the Ministry and the Department amounted to Rs.36,141,717 and Rs.173,932,264 or 17 per cent and 23 per cent respectively of the total net provision. Details appear below.

<b>Head</b>	<b>As at 31 December 2013</b>			<b>Saving as a Percentage of Net Provision</b>
	<b>Net Provision</b>	<b>Utilization</b>	<b>Saving</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
180	212,890,000	176,748,283	36,141,717	17
289	744,985,000	571,052,736	173,932,264	23
<b>Total</b>	<b>957,875,000</b>	<b>747,801,019</b>	<b>210,073,981</b>	<b>22</b>

## 2.2 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by the Parliament for the Ministry and the Department under the Ministry on the Advances to Public Officers Accounts and the actual values thereon are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
18001	3,500,000	2,222,671	900,000	2,116,987	10,000,000	6,382,237
28901	31,000,000	18,833,176	20,000,000	26,630,969	118,000,000	82,334,865

## 2.3 Imprest and General Deposit Accounts

### 2.3.1 Imprest Accounts

The balance of the Imprest Accounts of the Department of Exports Agriculture as at 31 December 2013 amounted to Rs.573.

### 2.3.2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 totalled Rs.3,207,738. The details are given below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2013
		Rs.
Ministry of Minor Export Crop Promotion	6000/0000/00/0015/0189/000	71,844
Department of Export Agriculture	6000/0000/00/0015/0144/000	3,135,894
<b>Total</b>		<b>3,207,738</b>

**Part 2**  
-----**Detailed Report relating to each Head**  
-----**1. Head 180 - Ministry of Minor Export Crops Promotion**  
-----**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 Minor Export Crop Promotion for the year ended 31 December 2013 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 08 August 2014. 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 2013, it was observed that except for the effects of the general observations appearing at (a) and other major audit findings appearing in paragraphs 1:4 to 1:6 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Minor Export Crop Promotion had been prepared satisfactorily.

(a) Budgetary Variance  
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Following observations are made.

- (i) Excess provisions had been made for 09 Objects and as such the saving thereunder after the utilization of provisions ranged between 28 per cent and 98 per cent of the net provision.
- (ii) The reasons for the saving of provisions in the previous year were stated to be that the provisions allocated for electricity and water had not to be utilized as the building being used to maintain the Ministry belonged to the Ministry of Agriculture. The said provisions had been transferred to another Object by making provisions amounting to Rs.400,000 in the year under review. The entire savings of the provisions had not been spent and the same reason had been expressed to be the reason for the saving.

**1.4 Good Governance and Accountability**  
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**1.4.1 Unsettled Liabilities**  
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The unsettled liabilities of the Ministry remaining for less than 01 year as at 31 December 2013 amounted to Rs.3,837,871 and 04 liabilities valued at Rs.34,076 as at that date had not been included in it.

**1.5 Performance**  
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Observations of the progress of the Ministry as per the Annual Action Plan 2013 are given below.

**(a) Key functions not Executed Adequately**  
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Even though it was stated that ensuring the assets of the Spices and Allied Products Board is a key activity of the Ministry, the assets of the said Board had been handed over to the Export Agriculture Department in the year 2009. However, action had not been taken to wind up the Board by preparing winding up accounts.

**(b) Planning**

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**Failure to take action as per the Annual Action Plan**

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It was observed that action had not been taken in accordance with the Action Plan in instances given below.

- (i) Preparation of a programme for promotion of Cashew cultivation in Madu area and Districts in Northern Province.
- (ii) Implementing 03 programmes to strengthen and empower Farmer Organizations.
- (iii) Introducing new 02 spice crops.

**1.6 Human Resources Management**

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**Approved Cadre and Actual Cadre**

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Cadre Position as at 31 December 2013 is given below.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	14	08	06
(ii)	Tertiary Level	01	01	-
(iii)	Secondary Level	51	29	22
(iv)	Primary Level	27	23	04
(v)	Other(Casual/Temporary/ Contract basis)	02	01	01
	Total	95	62	33
		===	===	===

The Ministry had failed to fill 33 positions including 06 senior level vacancies even by the end of the year under review.

## **2. Head 289 -Department of Exports Agriculture**

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### **2.1 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 Exports Agriculture for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) 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 04 August 2014. 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**

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

### **2.3 Audit Observations**

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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and major audit findings appearing in paragraphs 2.4 to 2.11 herein, the Appropriation Account and the reconciliation statements of the Department of Exports Agriculture had been prepared satisfactorily.

#### **(a) Non-updating of Registers**

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Fixed Assets Register had not been up-dated as required by Treasury Circular No. 842 dated 19 December 1978.

#### **(b) Budgetary Variance**

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Following observations are made.

- (i) The entire net provision of Rs.5,000 provided under object had been saved.

- (ii) Excessive provision had been made under 07 Recurrent objects and 13 Capital objects. Due to that, savings after utilization of those provisions was totalled Rs.172,264,889. Those savings were in a range from 14 per cent to 74 per cent of the each object of net provision made.

**(c) General Deposits Account**  
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Action in terms of Financial Regulation 571 had not been taken with regard to 33 deposits amounting to Rs.1,167,998 remained for more than two years.

**(d) Reconciliation Statement relating to the Advances to Public Officers Account**  
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The total of recoveries in arrears according to the Reconciliation statement relating to Advances to Public Officer Account - Item No.28901 amounted to Rs.1,015,972. Out of those balances in arrears, a sum of Rs.355,307 had been outstanding for more than 11 years.

**2.4 Good Governance and Accountability**  
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**Conducting Audit and Management Committees**  
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Only 03 Audit and Management Committee meetings had been held during the year 2013.

**2.5 Assets Management**  
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Following observations are made in the sample audit checks carried out relating to assets management.

**(a) Idle and Underutilized Assets.**  
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It was observed in audit sample checks that certain assets had been lying idle or under utilized as analyzed below.

	<b>Type of Assets</b> -----	<b>No. of Units</b> -----	<b>Idle or Underutilized Period</b> -----
(i)	Building with drying ground of which roof could be movable	01	Very old
(ii)	Buildings (including fixtures)	01	Since 2009
(iii)	Machinery and Equipment	07	- do-
(iv)	Packing Papers (thick)	10 Cubic meters	- do-

(v)	Binding Roles (Large)	30	- do-
(vi)	Paint (10 Liters )	08	- do-
(vii)	Computers	01	- do-
(viii)	Three Phase Electricity Connection	01	- do-
(ix)	Pepper Seeds Sorting Machine	01	Since 2013
(x)	Machine for Removing Dormant Pepper Seeds	01	- do-

**(b) Annual Board of Survey Reports**  
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In examination of board of survey reports relating to the year 2013, the officers appointed for the survey of certain sections had shown only the ledger balances in the Form General 66. Although actual balance, excess or shortage had not been shown after carrying out the survey based on that form, relevant Heads of Sections had made wrong statements and certified that the survey works have been carried out properly.

**(c) Improper use of Assets not Vested**  
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Forty six Units of land own by the government and private institutions had been used by the Department without a proper vesting order.

**(d) Unsettled Liabilities**  
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Liabilities unsettled for less than one year by the Department as at 31 December 2013 amounted to Rs.105,196,568

**2.6 Non-compliance**  
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**Non-compliance with Laws, Rules and Regulations.**  
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Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.



Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
<b>(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka</b> ----- Section 23.18 of Chapter xii	-	Head of Department had not furnished monthly report relating to leave spent out of the Island by the government officers to the Auditor general
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> ----- Financial Regulation 115(3)(a)	300,000	Payments amounting to Rs.300,000 relating to the period from August to November 2013 had been made in April 2014 on the basis of the approval of a Director without obtaining the approval of the Chief Accounting Officer.

## 2.7 Weaknesses in Implementation of Projects

Although a building had been constructed and machinery and equipment required for the Project had been supplied and fixed as at 16 November 2009, utilizing the assistance provided through the Korean Government Friendship Association (KOICA) during the year 2009, Project activities had not been commenced even as at 17 July 2014.

## 2.8 Performance

Key objective of the Department is "Limiting imports through Promotion of export and taking action for increasing the capacity of the national production ". Although a separate research division had been established in the Department for this purpose, there was no clear program to bring to light new inventions (results) in the field. Due to this, action had not been taken to take to the field, 54 research results brought to light out of 129 research work in operation from the year 2010 to year 2013.

## 2.9 Losses and Damages

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While two vehicles of the Department had been damaged on 26 June 2012 and on 12 December 2012 respectively, full report in terms of Financial Regulation 104(4) had not been submitted even up to 30 May 2014.

## 2.10 Audit Paragraphs not Resolved

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According to the reply furnished at the Public Accounts Committee Meeting held on 20 February 2014, it was stated that action will be taken to use the machinery and equipment at Nalanda, Preprocessing Centre for training work at Matale, Elwala. However, it was observed at the field inspection carried out on 17 July 2014 that those assets had been kept in a building at the Matale, Plants Conservation Centre and remained unutilized.

## 2.11 Human Resources Management

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### Approved Cadre and the Actual

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Cadre position as at 31 December 2013 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Surplus Cadre
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(i) Senior level	85	45	40	-
(ii) Tertiary Level	28	10	18	-
(iii) Secondary Level	800	609	191	-
(iv) Preliminary Level	353	293	60	-
(v) Others (Casual/ Temporary/Contract)	97	158	-	61
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<b>Total</b>	<b>1,363</b>	<b>1,115</b>	<b>309</b>	<b>61</b>
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Following observations are made.

- (a) Department had not been able to fill 309 vacant posts in the cadre by the end of the year under review.
- (b) Although 61 employees had been enrolled on casual/temporary/contract basis, the Department had not taken action to obtain proper approval for that.