

Appropriation Head -175- Ministry of State Resources and Enterprise Development

Report of the Auditor General –Year 2012

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 State Resources and Enterprise Development for the year ended 31 December 2012 was carried out in pursuance of provisions of 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 28 June 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

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 Articles 148, 149, 150 and 152 of the Constitution 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 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 observations appearing at (a) to (d) and other major observations appearing in paragraphs 1:4 to 1:10 herein, the Appropriation Account, and the Reconciliation Statements of the Ministry of State Resources and Enterprise Development had been prepared satisfactorily.

(a) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs.218,608,217 and out of that a sum of Rs.128,387,439 had been utilized as at the end of the year. Accordingly, the net savings amounted to Rs.90,220,778 and that represented 41 per cent of the total net provision. Details appear below.

Nature of Expenditure	Estimated Provision as at 31December 2012	Net Provision as at 31 December 2012	Savings as at 31 December 2012	Savings as a Percentage of the Net Provision
	Rs.	Rs.	Rs.	%
Recurrent	106,515,000	101,050,344	4,244,433	4
Capital	104,600,000	117,557,873	85,976,345	73
Total	211,115,000	218,608,217	90,220,778	

(ii) Budgetary Variance

- * The entire net provision amounting to Rs.80,300,000 made under 02 Objects had been saved.
- * Excess provisions had been made for 09 Objects and as such the savings after the utilization of the provisions ranged between 57 per cent and 83 per cent of the net provisions relating to those Objects.

(b) Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 17501 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
5,000,000	2,421,886	1,500,000	1,894,570	20,000,000	10,725,555

(c) General Deposit Account

The balance of the General Deposit Account of the Ministry as at 31 December 2012 totalled Rs.4,202,532 and the details thereon are given below.

Account No.	Balance as at 31 December 2012
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	Rs.
6000/0000/00/0015/0078/000	4,202,532

Action in terms of Financial Regulation 571 had not been taken in respect of 02 deposits older than 02 years amounting to Rs.447,853.

1:4 Good Governance and Accountability

1.4.1 Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at the beginning of the year at least for a period of 03 ensuing years from the year 2010 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, the Ministry had not prepared that plan for the year 2012.

1:4:2 Annual Performance Report

Even though the Annual Performance Report that should be prepared by the Ministry 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 1.4.1 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 31 July 2013.

1:4:3 Internal Audit

Even though an Internal Audit Unit with a staff of two was functioning, an adequate internal audit had not been carried out. Only one audit report in respect of the Ministry for the year 2012 had been issued.

1.5 Assets Management

Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2012 amounted to Rs.14,646,550 and that balance was relating to a period less than one year.

* Five Objects of which the savings of the year under review were not adequate to settle the liabilities shown in the Appropriation Account had been revealed.

1.6 Non-compliances

 Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules, and Regulations	Value	Non-compliance
	Rs.	
<u>Financial Regulations</u> Financial.Regulations.371	177,098	Even though a sub imprest should be settled immediately after the completion of the purpose for which it was granted, 14 instances of settlement with delays were observed.
<u>Public Finance Circulars</u> Procurement Guidelines/Manual		
Paragraph 3.5(c)	159,700	Purchases had been made under the Direct Contract Method extraneous to the exceptional circumstances mentioned in this paragraph.

7. Transactions of Contentious Nature

 Establishment of the Sales Centre for Divineguma Products - Laksala

The Ministry of Economic Development had approved a provision of Rs.100,000,000 for the establishment of a Sales Centre for Divineguma Products at Laksala which comes under the purview of the Ministry of State Resources and Enterprise Development.

The following observations are made in this connection.

- (i) Even though a provision of Rs.75,000,000 had not been released by the Ministry of Economic Development, the Ministry of State Resources and Enterprise Development had paid money to the Laksala by obtaining imprest from the Treasury and debiting the Expenditure Head of the Ministry of Economic Development.

- (ii) According to the Cabinet Memorandum No.39/2012 dated 04 December 2012 in this connection, the observations of the Ministry of Finance had stated that if the Ministry of State Resources and Enterprise Development is satisfied with the ability of carrying out these activities by the Engineering Division of Laksala, the constructions should be completed with a financial transparency under the supervision of the Ministry. Nevertheless,
 - (a) it was not ascertained in audit that the estimates presented had been prepared by the Engineering Division of Laksala.

 - (b) a proper study had not been carried out by the Ministry to check whether an Engineering Division of Laksala was functioning and on the matters relating to its staff and their qualifications, resources, the nature of previous work completed, the ability of carrying out the activities by Laksala and the grant of approval by the Ministry in this connection.

1.8 Irregular Transactions

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

Deviation from the Procedure laid down in the Procurement Guidelines

Construction of an Exhibition Stall at the Deyata Kirula National Exhibition

- (a) The contractor had been selected without calling competitive bidding despite an expenditure of Rs.5,400,000 incurred thereon.

- (b) Even though action had been taken to deviating from the procurement procedure, in terms of Paragraph (ii) of Supplement No.20 of the Procurement Manual it was observed that the above work was neither urgent nor exceptional.
- (c) In case of deviations from the tender procedure, the apparent reasons thereon should be submitted with a copy to the Auditor General. However, action had not been taken accordingly.
- (d) Advances had been paid before the approval of the Tender Board was granted.
- (e) A committee had been appointed to make final payments or to investigate the matter and submit a report. According to the committee report it was reported that certain items stated in the estimate had not been carried out. Nevertheless, the total estimated amount had been paid without making any deduction.
- (f) Quotations for the iron frames used to set up the stall had been made as per the prices specified in the estimate. However, those frames had been taken away by the contractor despite the payments had been made.
- (g) According to the committee report, instructions had been given to remove all frames and give them to another institution which was under the Ministry. However, no evidence had been made available to confirm the fact that the said institution has taken over those frames.

1.9 Losses and Damage

An expenditure of Rs.1,205,727 had been incurred on repairs to 04 motor vehicles met with accidents during the year 2012.

1.10 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	19	15	04
(ii) Tertiary Level	03	03	-
(iii) Secondary Level	56	36	20
(iv) Primary Level	33	33	-
(v) Others	03	01	02
(casual/temporary/contract basis)	----	----	---
Total	<u>114</u>	<u>88</u>	<u>26</u>

Action had not been taken to fill 26 vacancies by the end of the year under review.