

1.1 Scope of Audit

The audit of the appropriation account of the Ministry of Coconut Development and Janatha State Development for the year ended 31 December 2013 comprising the financial reports, reconciliation statements books and other records was carried out in pursuance of provision in Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review had been issued to the Secretary to the Ministry on 16 December 2014. Audit observations, comments and findings on accounts and reconciliation statements were based on review of accounts and reconciliation statements presented to audit and substantive 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 Accounts and Reconciliation Statements

Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and 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 Public Finance and Administration 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

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 other major audit findings appearing in paragraph 1.4 to 1.7 herein, the Appropriation Accounts and reconciliation Statements of the Ministry of Coconut Development and Janatha State Development had been prepared satisfactorily.

(a) Maintenance of Registers and Books

It was observed in audit that the vote ledgers had not been properly maintained and updated by the Ministry.

(b) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.182,590,000 and out of that a sum of Rs.180,902,958 had been utilized by the end of the year under review. Accordingly, the savings had been amounted to Rs.1,687,042 or 0.92 per cent of the net provision. Particulars are given below.

<u>Expenditure</u>	<u>As at 31 December 2013</u>			<u>Savings as a percentage of Net Provision</u>
	<u>Net Provision</u>	<u>Utilization</u>	<u>Savings</u>	
	Rs.	Rs.	Rs.	
Recurrent	139,098,000	138,381,052	716,948	0.51
Capital	43,492,000	42,521,906	970,094	2.23
	-----	-----	-----	
Total	182,590,000	180,902,958	1,687,042	0.92
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(ii) Budgetary Variance

The following observations are made.

- i. The entire net provision amounting to Rs.500,000 made under 2 Capital Objects had been saved.
- ii. Excess provisions had been obtained for 03 Objects and as such the savings thereunder after utilizing the provisions ranged between 24 per cent to 52 per cent of the net provisions relating to those Objects.

(c) Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for advances to Public Officers Accounts of the Ministry and the actual values are given below.

Item No.	Expenditure		Receipts		Debit balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
17801	4,000,000	3,963,767	800,000	1,874,700	8,000,000	5,824,871

(d) Imprest Account

Imprest Balances of the Ministry as at 31 December 2013 amounted to Rs.420,507.

1.4 Good governance and Accountability

1.4.1 Annual Procurement Plan

In terms National Budget Circular No. 128 of 24 March 2006 the Annual Procurement Plan had not been prepared even up to end of 31 December 2013.

1.4.2 Internal Audit

An internal audit unit of the Ministry had not been established even up to 31 December 2013.

1.5 Assets Management

----- Conducting of Annual Board of Survey -----

In terms of the Public Finance Circular No. 441 dated 09 December 2009 as amended by the Director General of Public Finance by his letter No. PF/ Board of Survey/01 dated 17 December 2010, the Annual Board of Survey for 2013 should be carried out and those reports should be forwarded to the Auditor General before 31 March 2014. However, those reports had not been furnished to audit even up to 31 May 2014.

1.6 Non-compliances

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

Instances of non-compliance with the provisions of laws, rules and regulations observed in 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 -----	Rs.	
(i) Financial Regulation 1646		First copy of summary of the monthly summaries and running charts of each month had not been furnished to the Auditor General before 15 of the following month.
(iii) Financial Regulation 1647(b)		A survey relating to the motor vehicles had not been conducted.
(iv) Financial Regulation 104 (3) (4)	785,075	The copies of the primary report and the final report relating to the losses should be furnished to the Auditor General. However, the losses incurred due to vehicle accidents had not been furnished.

(c) Treasury Circulars

Circular No. IAI/2002/02 of 28
November 2002

- A Register of Fixed Assets relating to computer accessories and software had not been maintained.

(e) Public Accounts Circulars

Circular No. 174 of 14 October 2004

Fixed assets had not been classified under Note -1 of the Appropriation Account.

1.7 Human Resources Management

(a) **Approved Cadre and Actual Cadre**

Cadre position as at 31 December 2013 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Vacancies
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Senior level	06	05	01
Tertiary level	09	03	06
Secondary level	768	230	538
Primary level	21	18	03
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	804	256	548
	=====	====	====

The Ministry had failed to fill 548 vacancies by the end of the year under review.