

Head 140 - Report of the Auditor General on the Accounts of the Ministry of Livestock and Rural Community Development and the Department under the Ministry – Year 2013

This report comprises two Parts.

Part 1 – Summary Report on the Accounts of the Ministry and the Department under the Ministry.

Part 2 – The detailed Report on each Head

Part I

Summary Report on the Accounts of the Ministry of Livestock and Rural Community Development and the Department under the Ministry

1. Department under the Ministry

Head	Name of Department
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292	Department of Animal Production and Health

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.3,008,567,679 and out of that a sum of Rs.2,427,801,036 had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and the Department amounted to Rs.367,583,402 and Rs.213,183,241 or 17 per cent and 25 per cent respectively of the total net provision. Details appear below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
140	2,155,811,679	1,788,228,277	367,583,402	17
292	852,756,000	639,572,759	213,183,241	25
Total	3,008,567,679	2,427,801,036	580,766,643	19

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

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

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
14001	6,000,000	3,398,348	3,700,000	4,415,583	30,000,000	13,803,799
29201	28,000,000	25,803,127	15,000,000	23,344,769	110,000,000	74,578,441

2.2.2 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.19,618,808. Details appear below.

Ministry / Department	Account Number	Balance as at 31 December 2013
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		Rs.
Ministry of Livestock and Rural Community Development	6000/0000/00/0015/0052/000	2,418,438
Department of Animal Production and Health	6000/0000/00/0015/0147/000	17,200,370

Total		19,618,808
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Part 2

Detailed Report Relating to each Head

1. Head 140 – Ministry of Livestock and Rural Community Development

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 Livestock and Rural Community Development 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 02 November 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

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Accounts 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

According to the Financial Records and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (e) and other major audit findings appearing in paragraphs 1.4 to 1.11 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Livestock and Rural Community Development have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

A Register of Liabilities had not been maintained in terms of the Financial Regulation 214.

(b) Lack of Evidence for Audit

The pass book relating to the Savings Account maintained in a State Bank for “Loan Scheme of Self Employment Revolving Fund” had not been furnished to audit. The balance of this account as at 12 September 2013 amounted to Rs.8,252,704 and loans amounting to Rs.3,845,061 had been granted to beneficiaries. None of the details relating to loan payments had been furnished to audit.

(c) Replies to Audit Queries

Reply to one audit query issued to the Ministry in the year under review had not been furnished even as at 15 November 2014 and the value of the quantifiable transaction relating to the audit query amounted to Rs.18,370,797.

(d) Budgetary Variance

The following observations are made.

- (i) The entire net provisions amounting to Rs.16,020,000 made for 2 Objects had been saved.
- (ii) Excess provisions had been obtained for 18 Objects and as such the savings thereunder after utilization of provisions ranged between 11 per cent and 94 per cent of the net provisions relating to those Objects.
- (iii) Under provisions of Rs.130,158,523 had been made for 10 Objects and as such provisions of Rs.3,229,000 and Rs.130,675,679 had been obtained through Financial Regulation 66 transfer and Supplementary Estimate allocations respectively.

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

According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account Item No. 14001, the balances that remained outstanding as at that date totalled Rs.649,918 and the Ministry had failed to recover balances aggregating Rs.950,491 older than 17 years recoverable from 05 officers who vacated posts and transferred out.

1.4 Good Governance and Accountability**1.4.1 Annual Action Plan**

Even though an Annual Action Plan had been prepared by the Ministry in terms of the paragraph 1.4.1 of the letter of the Director General of Public Finance No.PF/R/2/2/3/5(4) dated 10 March 2010, the activity, for importing 30,000 portions of semen of cattle whose sex has been determined had not been included in that plan.

1.4.2 Internal Audit

An audit had not been carried out relating to the Project for Grass Cultivation for Milk Production included in the Internal Audit Programme prepared for the year under review.

1.5 Assets Management

Following deficiencies were observed at the audit test check carried out relating to the assets of the Ministry.

(a) Idle Assets

Six vehicles belonging to the Ministry had remained idle for a period ranging from 11 to 32 months.

(b) Conduct of Annual Boards of Survey

Even though the Boards of Survey should be conducted as representing all the Sections of the Ministry, the Surveys had not been conducted in respect of 63 vehicles belonging to the Ministry.

(c) Assets given to External Parties

Five motor vehicles given to the former Minister had not been handed over to the Ministry.

(d) Unsettled Liabilities

The unsettled liabilities of the Ministry less than one year as at 31 December 2013 amounted to Rs.3,006,245,368.

The following observations are made in this connection.

- (i) Even though a sum of Rs.15,101,329 should be shown as liabilities to the District Secretariat, Nuwaraeliya under the Object 140-2-4-2502(2) it was shown as Rs.66,580,250 and as such it was overstated in the account by Rs.51,478,921.

- (ii) Even though according to the Financial Regulation 94(i) it was stated that except where otherwise provided in the annual estimates no expenditure or commitment shall be incurred by any department, the liabilities amounting to Rs.3,006,245,368 exceeding the provisions of the estimates had been shown under the Refurbishment of Processing Factories of Milco Institute on the instructions of the Treasury.

1.6 Non-compliances

(a) Non-compliance with Laws, Rules and Regulations

Any of provisions stated in the Public Finance Circular No 423 dated 22 December 2006 had not been followed relating to the operations of the Revolving Fund assigned to the Ministry in the year 2010 amounting to Rs.10,300,000 established to grant loans to youths in the estate sector for the employment projects.

1.7 Weaknesses in the Implementation of Projects

Instances revealed at the audit test checks carried out on delays in the execution of projects and projects without progress despite release of funds are given below.

(a) Delays in the Execution of Projects

A sum of Rs.18,125,901 should be paid for 34 projects which estimated value amounting to Rs.42,465,652 commenced in the year under review by the Ministry. Nevertheless, adequate action had not been taken to pay such amount after a proper evaluation and a follow-up action. As such, the financial progress of such projects had been at about 10 per cent of a minimum level.

(b) Projects without Progress Despite Release of Funds

- (i) It was planned to implement 103 sub projects by spending Rs.41,349,612 for constructions of toilets and water supply projects and subsequently a sum of Rs.7,450,498 had been paid to respective agencies by 31 December 2013. Nevertheless, according to the annual progress reports furnished to audit it was observed that those projects had not been commenced even as at 31 December 2013.
- (ii) According to the performance report of the Rural Community Section, a sum of Rs.54,730,077 had been allocated to implement 24 various sub projects under Rural Community Development through Local Authorities and Estate Housing Development Trust. However, these projects had not been implemented during the year under review.
- (iii) A sum of Rs.39,775 had been paid under the Expenditure Head of the Ministry for providing of electricity for an external person.

1.8 Performance

The observations relating to the progress according to the action plan 2013 are given below.

(a) Livestock Section

- (i) The provisions made under the Liquid Milk Consumption [Object Code 140-2-3-2502(3)] for the commencement of Milk Sales Centres, improvement of milk collection, promotion programme, procurement of Milk Chilling Tanks and project operation activities amounted to Rs.40 million. The provisions incurred out of that as at the end of the year under review amounted to Rs.9,639,089. Even though it was targeted to commence 18 Milk Sales Centres, only 12 Centres had been commenced. Due to non-submission of information relating to the targets and progress for other each activity of the project the performance could not be examined.

- (ii) The provisions allocated for the following 07 projects under the Small and Medium Scale Poultry Farm Development Project (No. 140-2-3-2502(19) amounted to Rs.20 million and the expenditure as at the end of the year under review amounted to Rs.9,137,495 million. The progress of this project had been as follows.

Project	Expected Targets According to the Action Plan 2013	Progress According to the Progress Review Report (as at 31 December 2013)
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Commencement of Small Scale Farms	2000	1500
Commencement of Small Hatcheries	5	2
Chilled Storage Facilities	2	-
Commencement of Small Production Units	25	7
Commencement of Small Food Production Units	15	5
Mobile Sales Units	20	3
Promotion Programme	-	-

- (iii) A sum of Rs.65,978,637 had been provided through Supplementary Estimate No 70 dated 18 March 2013 for the activity to import 30,000 portions of semen of cattle whose sex has been determined at the rate of Rs.2,200 which had not been included in the Annual Action Plan 2013. But it had been imported 14,500 portions only. A sum of Rs.62,386,985 had been spent for 14,500 portions and the price per one portion had been increased from Rs.2,200 to Rs.4,302.

(b) Rural Community Development Section

- (i) A sum of Rs.360 million had been estimated for empowerment of rural community through Strengthening Community Based Organisations and it was planned to implement 10 projects comprising 9 programmes under various sections and 1 project for monitoring and evaluation of such projects.

The following observations are made in this connection.

- Even though a sum of Rs.2,024,211 had been spent exceeding the allocations of Rs.3.5 million made for supervision and evaluation of the achievement of Physical and Financial Performance of each activity according to the time frame of the Action Plan, only 26 projects had been completed out of 268 projects approved for the year under review.
- Even though a sum of Rs.1,113,733 had been paid to the contractor on 29 January 2014 as the final payment of the contract for laying bitumen for the road section of Corangumale road awarded to the Estate Housing Development Trust, the liquidated damages of Rs.92,000 for the delay of 184 days had not been recovered.
- A sum of Rs.1,278,404 had been paid to the Estate Housing Development Trust, Kegalle without an agreement for a water lines extension project which come under the Special Projects. This project had not been substantially completed even as at 17 January 2014. As the non-availability of agreement, the details such as the date to be completed, relevant conditions and the recoveries of the delayed charges could not be verified.
- The agreement period of 3 months had been ended for most of the projects implemented in the Rural Community Section which remained as continued even as at 31 December of the year under review. However, the agreement period had been extended by the Ministry on the requests of the agencies. No evidence had been furnished to ensure the reasonableness of the facts stated by the agencies for the extension of the project.

(ii) Planning**Actions not taken in Accordance with the Annual Action Plan**

Number of sub projects expected to be carried out under each project group and allocations made thereon and other details had not been shown in the Action Plan 2013 and as such a comparison could not be made with the progress reports relating to the project included in the plan.

1.9 Losses and Damage

Action in terms of Financial Regulation 104 had not been taken on losses valued at Rs.245,229 caused by accidents to 5 motor vehicles before 15 years.

1.10 Management Weaknesses

The following observations are made relating to the deposits made amounting to Rs.1 million to establish a Revolving Fund for the grant of loans to the youths of the estate sector with the objective of to provide self-employment under the programme for giving employment training for youths in terms of the decision of the Cabinet of Ministers on 24 August 2000.

- (a) A sum of Rs.300,000 exceeding the approved amount had been deposited in the bank in the year 2004.
- (b) According to the Bank Statement dated 12 September 2013, a sum of Rs.3,845,061 (37 per cent of the Fund) out of the deposited amount in the Bank from the year 2000 had been granted as loans for beneficiaries. The balance amount of Rs.8,252,704 had remained idle in the Bank. It was failed to achieve the objectives expected by the Ministry through the Fund.
- (c) Even though the agreement entered with the Bank relating to the Revolving fund was cancelled from the year 2011, it had not been informed to the Bank to credit the interest which paying to the normal savings for the period not utilized the such fund for proper activity. The Ministry had failed to activate the agreement which cancelled in the year 2011 and enter into a Memorandum of Understanding with the bank to achieve the objective of the Fund even by 20 September 2014.

- (d) No benefit whatsoever had been obtained from this Fund from the year 2011 except obtaining interest of 02 per cent from the bank only, and no future arrangement had been implemented require to use the Fund. The information had not been furnished to audit whether the estate sector youths were informed relating to grant loans from this Fund from the year 2010 to 2013.

1.11 **Human Resources Management**

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

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	27	21	06
(ii) Tertiary Level	05	04	01
(iii) Secondary Level	88	66	22
(iv) Primary Level	70	55	15
(v) Others (Casual/ Temporary/ Contract Basis)	06	04	02
Total	196	150	46

The following observation is made.

The Ministry had not taken action to fill 46 vacancies even by the end of the year under review.

(b) **Human Resources released to Other Parties**

The particulars of human resources irregularly released to other parties during the period from 2010 to 2013 by the Ministry are given below.

Category of Employees	Number of Employees	Other Party	Period of Release	Salary Paid by the Ministry
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				Rs.
Secondary Level	01	Gamidiriya Foundation of the Ministry of Economic Development	Up to 31 December 2013	Had not been paid by the Ministry
Secondary Level	02	For personal staff of the Ministry of Parliamentary Affairs	From 19 September 2011 upto the period of Minister's option	Rs.25,116 (Reimbursement)
			From 01 December 2010 up to the period of Minister's option	Rs.26,664 (Reimbursement)
Primary Level	01	Presidential Task Force on Resettlement, Development and Defence	From 01 January 2013	Rs.26,082 (Reimbursement)

2. Head 292 –Department of Animal Production and Health

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 Animal Production and Health 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 Head of the Department on 28 July 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

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 Observations

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 2.9 herein, the Appropriation Account and the Reconciliation Statements of the Department of Animal Production and Health had been prepared satisfactorily.

(a) Budgetary Variance

- (i) Excess provisions had been obtained for 07 Objects and as such, the savings thereunder after utilizing the provisions ranged between 12 per cent and 100 per cent.

(b) Imprest Accounts

The following observations are made.

- (i) In terms of the Financial Regulation 371, the ad hoc sub-imprest had not been settled immediately after the completion of the purpose. However, it had been settled after delaying 1 ½ months after completion of the purpose.
- (ii) Ad hoc sub-imprests totalling Rs.150,200 had been issued in 12 instances to 04 officers exceeding Rs. 20,000 contrary to the provisions of Financial Regulation 371.

(c) General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 58 deposits amounting to Rs.3,534,952 older than 02 years.

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

According to the Reconciliation Statement of the Advances to Public Officers Account Item No.29201 as at 31 December 2013, the balances that remained outstanding at that date totalled Rs.642,572 and the total of those balances outstanding for more than 02 years had been Rs. 283, 935. The Department had failed in the recovery of those outstanding balances.

2.4 Accountability and Good Governance

Internal Audit

An internal audit unit had been established and implemented by the Department and 30 internal audit queries had been issued in the year 2013. Even though capital provisions amounting to Rs.472.5 million relevant to 02 major development programmes of the Department had been made, the internal audit unit had not prepared and implemented audit programmes relevant to those development projects. Internal audit had been limited to registers such as arrival, departure, leave, stock books and inventory registers.

2.5 Assets Management

The following observations are made during sample audit test checks in respect of management of assets.

(a) Idle and Under- utilized Assets

A large quantity of unusable goods and old expired chemicals of the Livestock Research Unit had been stored in the main stores in each unit. Out of these, 2917 units relevant to office equipment and 623 items of laboratory equipment belonging to the period from 1986 to 2008 and 135 units relevant to 40 items received to the stores before 2005 had remained idle in the stores even by 30 June 2014, the date of audit.

(b) Annual Boards of Survey

Following matters were revealed in respect of annual boards of survey.

- (i) In terms of the Public Finance Circular No. 441 dated 09 December 2009 amended by the letter of the Director General of Public Finance No. PF/Boards of Survey/01 dated 17 December 2010, the annual boards of survey for the year 2013 should be conducted before 31 March 2014 and the reports should be presented to the Auditor General. However, out of 58 units belonging to the Department, only reports relevant to 26 units had been presented to audit by 31 May 2014.
- (ii) No action had been taken as per the Financial Regulations in respect of recommendations indicated in the reports presented after the boards of survey.

(c) Irregular Use of Assets of other Institutions

Nineteen blocks of lands belonging to the Provincial Council and Divisional Secretariats had been used by the Department without a formal approval.

(d) Unsettled Liabilities

Liabilities amounting to Rs. 28,395,752 as at 31 December 2013 had not been revealed in the Appropriation Account by the Department.

2.6 Non-compliances

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

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

Reference to Laws, Rules and Regulations

Non-compliance

 (a) Financial Regulations of the
 Democratic Socialist Republic of Sri
 Lanka

Financial Regulation 115(4)

 The approval of the Chief Accounting
 Officer had not been obtained for payments
 relevant to the financial year prior to the
 preceding financial year.

(b) Public Administration Circulars

Circular No. 29/98 dated 30 December
 1998

Contrary to provisions in paragraph 4.8 of
 the circular, despite translators being
 employed, an amount of Rs. 77,277 had
 been paid for translating to an officer who
 is drawing language allowances.

(c) Pension Circulars

Circular No. 4/2010 dated 25 May
 2010

Contributions had not been paid to the
 Public Service Provident Fund in the year
 2013 to 49 persons who are serving on
 casual and contract basis.

(d) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka

Guidelines 4.2.3, 5.3.11, 5.4.8, 6.2.2 and 6.3.6

The contract of obtaining security services to the estimated value of Rs. 13,616,900 had been awarded contrary to the guidelines of the Government Procurement Guidelines.

2.7 Performance

According to the Livestock Master Plan prepared in January 2011 by the Ministry of Livestock and Rural Estate Infrastructure Development, a target of 800 million liters of milk relevant to make Sri Lanka self-sufficient in milk was expected by 2016. It had reached 381 million liters of milk by 2013. The annual growth had been 15 per cent as compared with the quantity of production in 2010. A production of 500 million liters of milk within that level of capacity can be expected by 2016 and if the annual capacity growth can be maintained in the level of 30 per cent hereafter, it was observed that the expected targets can be achieved. A proper programme had not been implemented to double the capacity even by 30 June 2014. It was observed in audit that a problematic situation exists in respect of reaching the above level of capacity due to non-implementation of a strategic plan by the Department.

2.8 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) According to a project proposal approved in 2011, it had been planned to commence the project named a Milk Technical Laboratory for the Livestock Research Institute from 2013. However, the construction of buildings relevant to this project had not been completed and handed over even by 15 July 2014. Further, it had been planned

to purchase chemicals and equipment for this project amounting to Rs.78 million and out of this, an amount of Rs. 11 million had been spent to purchase chemicals and equipment in the years 2012, 2013 and 2014. Most of the said equipment and chemicals had remained idle even by 15 July 2014 and the guarantee period of the equipment too had lapsed

- (b) Three officers had been trained for 02 weeks in India spending an amount of Rs. 243,470 to cover the genitals of one day old chicks. Despite the trained officers being employed, an extra expenditure of Rs. 11,609 had been incurred in the year under review for obtaining that service from an outside person.

2.9 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	No. of vacancies	Excess
(i) Senior level	167	116	51	-
(ii) Tertiary level	21	14	07	-
(iii) Secondary level	330	254	66	-
(iv) Primary level	34	271	-	237
	552	665	124	237
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The Department had not taken action to fill 124 vacancies and of these, 58 posts were at the executive level.