

Report of the Auditor General on Head 180 – Ministry of Minor Export Crop Promotion and Department under that Ministry -2014.

Paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and the Department under that Ministry and audit observations on each Head appear in paragraph 3 onward.

1. Department under the Ministry

Head	Department
289	Department of Export Agriculture

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records, and Reconciliation Statements of the Ministry of Minor Export Crop Promotion and the Department under that appearing in Paragraph 1 Ministry referred to above for the year ended 31 December 2014 were carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Secretary to that Ministry and the Head of Department on the under mentioned dates. 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.

Head	Ministry/ Department	Dated issue of the Management Audit Report
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180	Ministry of Minor Export Crop Promotion	30 July 2015
289	Department of Export Agriculture	24 June 2015

1.2 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 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. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

While the total net provision made for the Ministry and the Department under the Ministry amounted to Rs.1,035.34 million, a sum of Rs.29.03 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the Department out of the net provision had been Rs.25.42 million

and Rs.80.89 million or 10.28 and 10.26 per cent of the net provision respectively. Details are shown below.

Head	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
-----	-----	-----	-----	-----
	Rs.Millions	Rs. Millions	Rs. Millions	
180	247.05	221.63	25.42	10.28
289	788.29	707.40	80.89	10.26
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Total	1,035.34	929.03	106.31	10.27
	=====	=====	=====	

(b) Utilization of Provisions Made Available by the Ministry of Economic Development

Provisions amounting to Rs.111.56 million had been made available by the Ministry of Economic Development for various activities. While a sum of Rs.72.08 million had been utilized out that, there had been saving of Rs.39.48 as at the end of the year under review.

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorised by Parliament

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

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
18001	30.0	23.9	20.0	23.1	120.0	83.1
28901	3.5	4.0	1.0	3.1	12.0	7.3

2.3 General Deposits Accounts

The total of balances of Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled was Rs.2.78 million. Details are given below.

Ministry/ Department	Deposit Account No.	Balance as at 31 December 2014
		Rs.
Ministry of Minor Export Crop Promotion	6000/0000/00/0015/0189/000	3,700
Department of Exports Agriculture	6000/0000/0015/0144/000	2,779,741
Total		2,783,441

2.4 Audit Observation

According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit reports referred to in Paragraph 1.1, the Appropriation Account and the reconciliation statements of the Ministry of Minor Export Crop Promotion and the Department of Exports Agriculture had been prepared satisfactorily. Out of the observations included in the management reports, material and important observations appear in paragraphs 3 to 4 herein.

3. Head 180 -Ministry of Minor Exports Crops Promotion

3.1 Non -maintenance of Registers and Books

It was observed in audit sample checks that the Ministry had not maintained certain registers shown below, while certain registers had not been maintained properly and updated.

Category of Registers	Relevant Regulation	Observations
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(a) Register of Liabilities	Financial Regulation 214	Not maintained.
(b) Register of Cheques and Money Orders Received	Financial Regulation 451	Not properly maintained.
(c) Register of Security Deposits	Financial Regulation 891(1)	Not properly maintained.
(d) List of Motor Vehicles	Financial Regulation 1647 (e)	Not properly maintained.
(e) Register of Computer, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.	Not maintained having updated.

- (f) Register Calling for Bids Guideline 5.2.1 of the code of procurement guidelines Not properly maintained.
- (g) Attendance Register of Procurement Committee and Technical Evaluation Committees Guideline 2.11.2 of the code of procurement guideline. Not properly maintained.

3.2 Replies to Audit Queries

While replies had not been furnished to two audit queries issued to the Ministry during the year under review even up to 31 March 2015, value of transactions which could be computed subject to those audit queries amounted to Rs.24,070,846.

3.3 Appropriation Account

Budgetary Variance

Following observations are made.

- (a) The entire net provision of Rs.200,000 made available for 02 Objects had been saved.
- (b) Due to excessive provision made under 16 Objects saving after utilization of the net provision relating to those object were in a range between 21 to 93 per cent.
- (c) Imprest required for provisions made available in the Annual Estimates for the year under review had been approved by the Treasury Operations Department. While out of the provision of Rs.50 million made available under Objet 180-2-3-1-2210 a sum of Rs.39.5 million had been utilized and it had not been possible to utilize the balance provision of Rs.10.5 million.

3.4 Reconciliation Statement relating to Advances to Public Officers Account.

Following lapses were observed with regard to Reconciliation Statement relating to Advances to Public Officers Account Item No. 18001 as at 31 December 2014.

- (a) An officer not in Public Service had been accepted as surety for a Distress Loan of Rs.119,700 paid during the year 2013.

- (b) A Loan balance of an officer who came on station transfer from the Uva Provincial Council during the year 2013 had been deducted in installments from the officer's salary and had been remitted to the Provincial Council without being taken over. While evidence to support that the loan balance of Rs.83,050 as at 31 December was recovered or settled were not furnished to audit, it had also been deleted from the Members Loan register.

3.5 Imprest Account

Ad-hoc-Imprest totalling Rs.69,716 had been issued exceeding the limit of Rs.20,000 to three officers in three instances, contrary to the Financial Regulation 371.

3.6 Good Governness and Accountability.

Internal Audit

An Internal Audit Unit had not been established.

3.7 Unsettled Liabilities

The amount of Un- settled Liabilities for less than one year by the Ministry as at 31 December 2014 had been Rs.1,838,715.

3.8 Non-compliance

Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
<p>(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka</p> <p>-----</p> <p>Chapter XXIV Sections 3.5 and 3.17.2</p>		<p>- Distress loan had been paid to an officer who had exceed the abatements limit of 40 per cent of the salary. An another similar officer had been accepted as a surety as well.</p>
<p>(b) Financial regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>-----</p> <p>(i) Financial Regulation 1104 (3) (4)</p>	130,544	<p>Action had not been taken in connection with the broken windscreen of a vehicle on 30 December 2014 in terms of Financial Regulation.</p>

		356,665	Action had not been taken in connection with the accident of two vehicles with each other took place in the Ministry premises on 24 October 2014 in term of Financial Regulation.
(ii)	Financial Regulation	487,209	Three vehicle accidents taken place during the year under review had not been reported to the police.
	1642		

3.9 Performance

Activities Contrary to the Key Functions

While instances of deviations from the key functions of the Ministry were observed, certain such instances revealed in audit sample checks are given below.

- (a) A sum of Rs.904,781 had been spent for providing lunch to 3,600 individuals who participated in the National Farmers Conference held in Temple Trees on 21 November 2014.
- (b) A sum of 196,560 had been spent for publishing a full page advertisement in the Dinamina Newspaper in commemoration of electing to the Pout of President.

3.10 Un-economic Transactions

A sum of Rs.632,884 had been spent during the year under review for printing 100 books in a private institution, containing Progress Report for the year 2014 and Development Programmes for the year 2015.

3.11 Audit Paragraphs not Resolved

Reference to paragraphs with regard to deficiencies pointed out in the Auditor General's Reports relevant to the Ministry and not rectified by the Ministry is given below.

Reference to Auditor General's Report		Subject Referred to
Year	Paragraph Number	
2011	09	Although it had been stated that control of assets and Security of the Spices and Allied Products Marketing Board is a main function of the Ministry, winding up of the Board and preparation of winding up accounts had not been done.

3.12 Human Resources Management

(a) Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	14	10	04
(ii) Tertiary Level	01	01	-
(iii) Secondary Level	51	33	18
(iv) Preliminary Level	27	24	03
(v) Others (Casual/ Temporary/ Contract Basis)	02	-	02
	-----	-----	-----
Total	95	68	27
	=====	====	==

Following observations are made.

- (a) Ministry had not taken action to fill 27 vacancies as at the end of the year under review.
- (b) Although the maximum age limit to be in the Public Service is 60 years, an individual who had exceeded that limit had been enrolled as a driver of the Minister's Staff and a sum of Rs.1,052,764 had been paid as salaries and allowances during the period from 23 November 2010 to December 2014. Further, sum of Rs.33,254 had been spent as contributions to the Public Service Provident Fund and that amount had been returned to the Ministry as he has exceeded the age limit of 60 years. That money had been paid to the driver again.
- (b) Although it has been stipulated that the qualifications specified in the Government Approved Scheme of Recruitment should be fulfilled when recruiting employees for the posts of driver to the post of Personal Assistant of

the Private Staff of the Minister and the Deputy Minister in terms of the paragraph 2.2 of the Circular No. CA/1/17/ 1 dated May 14 2010 of the Secretary to the President, the qualifications of 22 individuals enrolled to the staff of the Minister and the Deputy Minister had not been confirmed.

4. Head - 289 Department Export Agriculture

4.1 Appropriation Accounts

4.1.1 Budgetary Variance

Due to excessive provision made for 04 Objects , balance left after utilization of provision was in a range between 23 per cent and 979 per cent of the relevant net provision.

4.2 General Deposits Account

Action had not been taken in terms of Financial Regulation 571 with regard to 05 deposits totalling Rs.567,791 remained unsettled for more than 02 years.

4.3 Reconciliation Statement relating to Advances to Public Officers Account

According to the Reconciliation Statement relating to Item No. 28901 - Advances to Public Officers Account as at 31 December 2014, the Department had failed to recover loan balances in arrears totalling Rs.671,553 which had elapsed a time range from 03 to 13 years due from 05 officers.

4.4 Good Governance and Accountability.

Audit and Management Committee

Although Audit and Management Committee Meetings should be held at least once in a quarter in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009; only one meeting had been held by the Department during the year under review.

4.5 Assets Management

Idle and Under-utilized Assets

It was observed in audit simple checks that certain assets had been kept idle or under-utilized as analyzed below.

Type of Assets	Number of Units	If it in under-utilized or Idle the such period
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(i) Land and Buildings	01	Since a period prior to 34 years
-do-	01	Period not furnished
(ii) Motor vehicles	05	One to ten years

4.6 Foreign Aid Projects

Idle Existence of Project Assets

Although Machinery and Equipment required for an Agricultural Products Packaging Project had been fixed having constructed a building on 16 November 2009 having utilized the grants provided under Korean Government Friendship Association

(KOICA) during the year 2009, work of that Project had not been commenced even as at 08 July 2015.

4.7 Losses and Damages

Course of action to be taken in terms of Financial Regulations with regard to the vehicle valued at Rs.2,400,000 stolen during the year 2012 had not been finalized even as at 08 July 2015.

4.8 Human Resources Management

Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus
	-----	-----	-----	-----	-----
(i)	Senior Level	85	51	34	-
(ii)	Tertiary Level	28	09	19	-
(iii)	Secondary Level	800	604	196	-
(iv)	Preliminary Level	353	424	-	71
(v)	Others (Casual/ temporary/ contract basis)	97	09	88	-
	Total	1,363	1,097	337	71
		=====	=====	=====	=====