

Report of the Auditor General on Head 285 – Department of Agriculture - Year 2015

The audit of the Appropriation Account, Revenue Account, Commercial Advance Account, Advance Accounts under Liquidation and the Reconciliation Statements including the financial records, books, registers and other records of the Head 285 – Department of Agriculture for the year ended 31 December 2015 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 Director General of the Department on 03 August 2016. 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 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, Revenue Account, Commercial Advance Account, Advance Accounts under Liquidation 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. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.6,138.25 million and out of that, a sum of Rs.5,785.70 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.352.55 million or 5.74 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	4,057.90	3,978.91	78.99	1.94
Capital	2,080.35	1,806.79	273.56	13.94
Total	6,138.25	5,785.70	352.55	5.74

(b) **Utilization of Provisions made available by other Ministries and Departments**

Provisions totalling Rs.379.98 million had been made available by other 02 Ministries for the Department for various activities and out of that a sum of Rs.261.44 million had been utilized by the end of the year under review. Accordingly, the entire provision made available by one Ministry had been utilized and out of the provisions made available by other Ministry, a sum of Rs.118.54 million or 32 per cent of the provisions had been saved.

2.2 Revenue Account

Estimated and Actual Revenue

The Department had prepared Revenue Estimates totalling Rs.220 million in respect of Revenue Code 20.03.12.18 for the year 2015 and Revenue totalling Rs.268 million had been collected. That represented 122 per cent of the estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2015			Excess as a Percentage of Estimates
	Estimated Revenue	Actual Revenue	Excess	
	Rs.Millions	Rs.Millions	Rs.Millions	
20.03.02.18	220	268	48	22

2.3. Advance Account

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.28501 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
230.00	181.88	145.19	184.50	500.00	401.58

2.3.2 Commercial Advance Account

The limits authorized by Parliament for the Commercial Advance Account, Item No.28502 maintained by the Department and the actual amounts are given below.

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
510.00	502.75	416.00	465.76	70.00	24.12

(b) Financial Results

The financial results of the Commercial Advance Account Activity, Item No.28502 had been as follows.

Advance Account Activity	Financial Results			
	2015		2014	
	Loss excluding Hypothetical Charges	Loss including Hypothetical Charges	Profit excluding Hypothetical Charges	Profit including Hypothetical Charges
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Advance Account for Maintenance of Agriculture Farm and Seeds Sales	22.75	68.04	170.96	138.01

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0081/0015/000 of the Department as at 31 December 2015 amounted to Rs.17.46 million.

2.5 General Deposit Accounts

The balances of the 06 Deposit Accounts of the Department as at 31 December 2015 totalled to Rs.46.96 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
-----	-----
	Rs.Millions
6000/0000/00/0001/0046/000	1.44
6000/0000/00/0002/0062/000	3.72
6000/0000/00/0006/0086/000	5.58
6000/0000/00/0013/0029/000	9.20
6000/0000/00/0016/0015/000	25.40
6000/0000/00/0018/0018/000	1.62

Total	46.96
	=====

2.6 Audit Observation

The Appropriation Account, Revenue Account, Commercial Advance Account, Advance Account under Liquidation and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Agriculture had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report, appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the Register of Electrical Equipment in terms of the Financial Regulation 454(2) while the Register of Fixed Assets on Computers, Accessories and Software had not been maintained in the proper and updated manner in terms of Treasury Circular No.IAI/2002/02 dated 28 November 2002.

3.2 Replies to Audit Queries

Replies to 04 Audit queries issued to the Department in the year under review had not been furnished even by 31 March 2016. The value of quantifiable transactions relating to those audit queries amounted to Rs.2,588,960.

3.3 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.10,000,000 made for 01 Object had been saved.

- (b) Excess provisions had been made for 28 Objects and as such the savings, after the utilization of provisions ranged between 14 per cent to 64 per cent of the net provisions relating to the respective Objects.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 04 deposits older than 2 years totalling Rs.304,435.

3.5 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account, Item No.28501.

- (a) According to the Reconciliation Statement presented, the balances that remained outstanding as at that date totalled Rs.14,429,970 and that represented 3.5 per cent of the total loan balance. Further, out of the total outstanding balance, the loan balances of Rs.5,423,268 had been older than 03 years and that represented 37 per cent of the entire outstanding loan balance. The Department had failed to recover those outstanding balances even by the end of the year under review.
- (b) The Department had not taken action to recover the outstanding loan balances totalling Rs.3,379,540 recoverable from 112 officers in terms of Sections 4.2.4, 4.2.5 and 4.4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka even by 25 August 2016.
- (c) Even though, the outstanding loan balances of 27 officers who vacated of posts amounting to Rs.1,614,155 had remained over a period ranging from 3 years to 21 years, action had not been taken to recover those balances from sureties or inheritors in terms of Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code and if it could not be recovered so on, action had not been taken to consult the Attorney General.
- (d) Action had not been taken in respect of settlement of loan balances of 27 officers transferred out totalling Rs.221,356 remained recoverable for a period ranging from 01 year to 30 years in terms of the National Budget Circular No.118 dated 11 October 2004.

3.6 Commercial Advance Account

The activities of the Commercial Advance Account, Item No.28502 had been executed by the Department in the year under review. It was observed in the audit test checks carried out on the above account presented to audit, the balances that remained outstanding totalled Rs.24,120,143 and the Department had failed to recover those outstanding balances.

3.7 Advance Accounts Activities Under Liquidation

The liquidation of 05 Advance Accounts Activities had been assigned to the Department according to a decision of the Cabinet of Ministers and the liquidation activities should be finalised, on 23 May 1984, 11 December 1991, 31 December 1996, 10 May 2000 and 09 April 2003. But the liquidation activities had not been finalized even by 31 December 2015. The following observations are made in this connection.

- (a) The accumulated working losses not approved relating to 04 Advance Accounts Activities under Liquidation totalled Rs. 65,842,264.
- (b) The outstanding balances amounting to Rs. 1,303,832 and a balance to be settled amounting to Rs.76,157 which exceeding a period of 15 years and 16 years respectively had remained in respect of 01 Advance Account Activity under Liquidation.

3.8 Good Governance and Accountability

Annual Performance Report

Even though, the Annual Performance Report should be tabled in Parliament within 150 days after closure of the financial year by the Department in terms of the Public Finance Circular No 402 dated 12 September 2002, the Performance Report had not been tabled in Parliament even by 14 June 2016.

3.9 Assets Management

The following deficiencies were observed during the course of audit checks of the assets of the Department.

(a) Idle and Underutilized Assets

It was observed during the course of audit test checks that certain assets categorised below had been either idle or underutilized.

	Category of Assets	Number of Units	Value	Idle or Underutilized Period	
				Over 1 year less than 3 years	Over 3 years
(i)	Buildings	97	Not computed	-	97
(ii)	Motor Vehicles	159	- do -	06	153
(iii)	Machinery	745	- do -	52	693

(b) Assets given to External Parties

Instances of certain assets released irregularly to other external parties by the Department were observed. Details appear below.

Category of Assets	Assets given to	Value	Period
		Rs.	
Lands (Hectares)	A Private Company	Not available	Not available
	Department of Rubber Development	247,692	- do -

(c) Irregular use of Assets belonging to other Institutions

It was observed during the course of audit test checks that the Department had used certain assets belonging to other institutions without a formal approval. Details appear below.

Category of Assets	Assets Owned By	Number, Unit or Quantity	Value	Period
			Rs.	
(i) Lands	Sri Lanka Mahaweli Authority	Not available	Not available	Not available
(ii) Buildings	- do -	- do -	- do -	- do -
(iii) Motor Vehicles	District Secretariat, Ampara	- do -	- do -	Since the year 2014
	Sri Lanka Mahaweli Authority	- do -	- do -	Not available

(d) Unsettled Liabilities

The unsettled liabilities of the Department in respect of 676 instances less than one year old as at 31 December 2015 amounted to Rs. 20,923,355.

3.10 Non – compliances

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

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

Reference to Laws, Rules and Regulations	Value	Non – compliance
-----	-----	-----
	Rs.	
(a) Statutory Provisions		

(i) Section 28 of the Seeds Act No. 22 of 2003	-	Even though, the approval of the Parliament should be obtained after being made directives and published in the Gazette and the functions enacted in the Act should be performed, the directives drafted since the year 2010 had not been approved even by the end of the year under review.
(ii) Section 13 of the Amendment Act No.06 of 1994 of the Control of Pesticides		The sale of any pesticide should not be handled by any person except under an authority given by a certificate issued by an authorized officer. Nevertheless, 281 sales outlets out of 1,405 sales outlets operated in the year under review had made sales without obtaining the trading licences.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka		

Section 4.7 of Chapter XV	5,655,567	The recoverable money from 04 officers on the breach of conditions of the scholarship agreements had not been recovered even by the end of the year under review.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 216	7,735,709	The expenditure for the year should not be deferred for the purpose of avoiding an excess on the amount provided in the annual Budget Estimates. Nevertheless the expenditure relating to the 06 Objects, for which the provisions not made had not been settled in the year under review and had been retained for the payments to be made for next ensuing year.

(ii) Financial Regulation 509 (1) 139,814,025 The depreciation relating to the Capital Assets of the Advance Account Activity had not been remitted to the Treasury to the credit of the "General Deposit Account, Depreciation Reserve Fund" before closing of the Treasury books for the respective financial year and the amount had not been carried in the relevant books of accounts of the said activity as an asset while it had not been shown in the Balance Sheet.

(iii) Financial Regulation 753 (2) 355,000 When articles are received, a Receipt Order should be prepared and the original should be forwarded to the officer who issued the articles. Nevertheless, the Receipts Orders for the articles such as an Electronic Scale and 50 Plastic Buckets issued by the Food Research Unit, Gannoruwa and Seeds and other articles issued by the Institute of Paddy Research and Development, Bathalagoda in 16 instances had not been obtained.

(iv) Financial Regulation 880 and 881 - Officers who are responsible for, or who under delegation are entrusted with the receipt or custody of public money should be have Security in accordance with the Public Officers Security Ordinance (Cap.612) for the faithful discharge of their duties. Nevertheless, it was observed during audit test checks that the officers of the Head Office, Institute of Paddy Research and Development Bathalagoda, Audio Visual Centre and Food Research Unit, Gannoruwa had not kept Security in 429 instances.

(d) Public Administration Circulars

Circular No. 09/2009 (1) dated 17 June 2009

- - Even though, all Government officers should support their arrival and departure through finger print machines, it was revealed during audit test checks that 12 officers in the Garden Crop Training and

Development Institute, Bibila had not supported their departure through finger print machines in 12 instances.

- The finger print machines in the Bee Keeping Development Unit, Bindunuweva and in the office of the Deputy Director of Agriculture, Polonnaruwa (inter provincial) were not in the proper working condition for over a period of 04 years (from the date of installation) and over a period of 03 years respectively and as such action had not been taken in accordance with the above Circular.

(v) **Public Finance Circulars**

Circular No.02/2015 dated 10 July 2015

- According to the audit test check, it was observed that 03 vehicles of the Institute of Paddy Research and Development and 03 vehicles of the Food Research Unit, Gannoruwa had remained in condemned position for a period over 6 years and for a period ranging from 1 year to 2 years respectively and action had not been taken for the disposal in terms of the provisions of the Circular even by 31 December 2015.

3.11 Foreign Aid Projects

The Department had implemented 21 Projects under foreign financed during the year under review. The estimated costs thereof according the Project Agreements totalled Rs. 75,008,500 and a sum of Rs.60,726,012 had been utilized on those projects during the year under review.

3.12 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and Action Plan for the year 2015 are given below.

(a) Key Functions not Executed Adequately

The key functions of the Department had not executed adequately and several instances so revealed are given below.

- (i) The varieties of paddy, suitable for the climate conditions of each region had been introduced through researches. But it was established by recent surveys carried out, that those were not utilized by the each region, and fruitful measures had not been taken to publicize those among farmers. Two varieties of paddy

named BG 300 introduced in the year 1987 and BG 352 introduced in the year 1992 only had been publicized mostly among farmers at present.

- (ii) The annual average crop per tree of the coconut cultivation consisting of 1500 trees in the Paddy Research and Development Institute, Bathalagoda and for the coconut cultivation consisting of 610 trees in the Garden Science Research Farm, Pasyala had been at a very low level of 19 nuts and 22 nuts respectively.
- (iii) The conditions such as existing of diseases in the field models of Paddy, Oranges, Guava, Maize, Bananas, Eggplants, Green grams and Coconut Crops and the plants had not grown and turning the leaves to yellowish colour which were used for training activities in the office of the Deputy Director of Agriculture (inter provincial), Polonnaruwa were observed.
- (iv) Even though a mushroom seeds production unit had been maintained in the Garden Science Research Farm, Pasyala in the year 2013 with the objective of providing training on Mushroom Cultivation, the training classes for the year 2015 had been conducted only for 07 days at the rate of 05 hours per day.
- (v) A loss totalling 82,608,551 had incurred from 12 Farms out of 24 Farms maintained under the Advance Account Activity of Maintenance of Farms and Seeds Sales.
- (vi) Out of the total expenditure in the Government Seeds Production Farm, Kundasale, the expenditure in respect of the losses incurred for the cultivation from the establishment of the cultivation up to the loss incurred for the Maha Season in the years 2012/13, 2013/14, 2014/15 had been a higher percentage of 62 per cent, 61 per cent and 60 per cent respectively and in the Yala Season in the years 2012, 2013 it had been 88 per cent and 46 per cent respectively. Action had not been taken by the Management to enquire the main reasons affected for the loss on cultivation and to minimize the loss.
- (vii) The Garden Science Research Farm, Pasyala which named as a Research Farm, had commenced and maintained one research relating to the Rambutan cultivation in the year 2010 while the reearch commenced on Papaw cultivation in the year 2015 had remained unsuccessful even from the commencement In addition to that, no research programme whatsoever had been commenced.

(b) Planning

The following observations are made.

- (i) The progress in the Bee keeping Development Unit, Bindunuweva, Garden Crop Training and Development Institution, Bibila, Office of the Pesticide Control Registrar, and in the inter Provincial areas in Ampara, Hambantota, Polonnaruwa, Hasalaka, Anuradhapura and Moneragala had been in a very low level as compared the targets included in the Technical Action Plan with the annual progress reports.

- (ii) In the execution of the main activities of Plant Preservation Service, the activities such as conducting Field Farming Models, providing training to targeted officers, implementation of the crop clinic programmes in Ampara and Moneragala Districts had not been carried out during the year under review. Further, the main activities of the Plant Preservation Service were Implementation, Operation and Evaluation of Integrated Pest Management Methods (IPM) in field level in respect of Vegetable Cultivation but no any model work thereon had been conducted during the year under review. Even though, it was targeted to train 250 extension officers in field level in respect of Green Vegetable Cultivation, no any officer had been trained while no field inspection whatsoever had been conducted.

3.13 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared by the Department of Agriculture for the month of December 2015 is given below.

Particulars of Adjustments	Age Analysis			Total
	Over 06 months less than 01 year	Over 01 year less than 03 years	Over 03 years	
	Rs.	Rs.	Rs.	Rs.
(a) Deposits not realized	80,104	104,349	1,958	186,411
(b) Cheques issued but not presented for payment	585,530	639,381	-	1,224,911
(c) Unidentified Debits	157,813	764,672	35,757	958,242
(d) Unidentified Credits	118,571	290,709		409,280

3.14 Irregular Transactions

Deviation from the Government Procurement Guidelines Procedure

Action had not been taken in accordance with the Guidelines 2.12, 3, 7.10, 8.9.3, 8.12.2 and 8.13.4 of the Government Procurement Guidelines in respect of 02 construction works carried out at the estimated value totalling Rs.4,513,363 in the Garden Crop Research and Development Institute, Gannoruwa and Seeds Production Unit of the Kundasale Seeds Production Farm.

3.15 Uneconomic Transactions

Even though a sum of Rs. 999,846 had been spent and required material had been purchased by the Bee Keeping Development Unit, Bindunuweva in the year 2014 to implement National Bee Keeping Development Project, that material had not been utilized even by the end of the year under review.

3.16 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Even though the officers had participated for the various Foreign Training Courses by spending Rs.11,585,917 in 408 instances during the year under review, the duties not relevant to those field had been assigned to them after the training.
- (b) Out of 31 sub plane machines purchased at Rs. 773,450 from a private supplier by the Department on 19 December 2014, 08 machines had been given to the units, after elapsed of guarantee period and other 23 machines had been given in the 10 days before elapsed of the guarantee period.

3.2 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	985	482	503
(ii)	Tertiary Level	308	65	243
(iii)	Secondary Level	3,691	2,658	1,033
(iv)	Primary Level	6,638	5,958	680
(v)	Others (Casual/Temporary/Contract Basis)	959	959	-
	Total	12,581	10,122	2,459