

Report of the Auditor General on Head 301 – Department of Co - operative Development - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 301 – Department of Co - operative Development 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 Commissioner of Co - operative Development and Registrar of Societies on 29 August 2016. The audit observations, comments and findings on the accounts and the Reconciliation Statements were based on a review of the Accounts and the 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 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, 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

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs. 86.99 million and out of that, Rs. 79.62 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs. 7.37 million or 8.47 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	63.79	62.20	1.58	2.48
Capital	23.20	17.42	5.79	24.95
Total	86.99	79.62	7.37	8.47

2.2 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.30101 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
5.54	3.31	2.54	3.53	20.00	11.60

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0108/0015/000 of the Department as at 31 December 2015 amounted to Rs. 37,304.

2.4 General Deposit Account

The balance of the General Deposit Account No. 6000/0000/00/0017/0032/000 as at 31 December 2015 amounted Rs. 13.68 million.

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Department 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

The Department had not updated the Register of Fixed Assets in terms of Treasury Circular No. 842 dated 19 December 1978.

3.2 General Deposit Account

Appeal charges, Courts fines, Arbitration charges had been retained in the Deposit Account of the Department of Co – operative Development for the necessities of the Co – operative Societies. A sum of Rs. 13.68 million had been retained in the Deposit Account from the year 2010 to 31 December 2015.

3.3 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.30101.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs. 2,095,823. Even though, those outstanding balances remained over periods ranging from 01 year to 13 years, the Department had failed to recover those outstanding balances even by the end of the year under review.
- (b) The loan balances recoverable as at 30 September 2016 from 03 officers retired in the years 1997, 2001 and 2011 amounted to Rs. 662,018 and the loan balances recoverable from officers transferred to other Government institutions amounted to Rs. 224,815. Those loan balances had remained outstanding for a period ranging from 01 year to 30 years.

3.4 Good Governance and Accountability

3.4.1 Assets Management

Conduct of Annual Boards of Survey

According to the Public Finance Circular No. 02/2014 of 17 October 2014, the Boards of Survey for the year 2015 should be conducted and the reports thereon should be furnished to the Auditor

General before 17 March 2016. Nevertheless the Department had not furnished those reports for audit even by 26 August 2016. The last Boards of Survey conducted had been for the year 2014.

3.5 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

Only 26 Co – operative societies out of 59 registered Co – operative societies had not been subjected to the internal audit for the year 2015.

(b) Planning

According to the Action Plan prepared for the year under review by the Department, it was planned to carry out audits on 80 accounts of the societies and issue 75 reports. But assignments given in the year under review amounted to 43 and number of reports issued out of that amounted to 16. While another 13 reports had remained in a reviewing stage.

3.6 Uneconomic Transactions

A foreign team consisting of 40 persons representing member countries of the Co – operation Network of the Agricultural Co – operative members covering various sections of the Co – operative sector had participated for an education tour to achieve the objectives such as to obtain International Co – operation for the Co – operative sector of Sri Lanka, to improve each section by obtaining views and proposals internationally, and to contribute for the development of the country effectively. A sum of Rs. 5,362,792 had been incurred thereon and 58 per cent out of that had been incurred for food and lodging facilities.

3.7 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) The Department had issued loans amounting to Rs. 635 million to 09 provincial consumer societies and Co – operative Wholesale Establishment from the revolving fund. A large lump sum amount had been released to consumer societies instead of giving loans as installments without checking the utilization of those funds efficiently and effectively, the progress and the ability to repay the loans.
- (b) The loans had been provided for Co – operative societies and other institutions from the revolving fund. The follow – up actions on the recovery of loans had not been carried out through out the period of 05 years. Therefore, Rs. 292.9 million or 46 per cent out the loans granted had not been recovered.

- (c) Out of the loans granted from Revolving Fund to Sri Lanka Consumer Co - operative Society Ltd amounting to Rs. 127,000,000, a sum of Rs. 54,858,265 including principal amount of Rs. 54,210,209 and arrears of interest of Rs. 648,055 had remained recoverable.
- (d) A sum of Rs. 1,102,500 had been granted as advances for 08 programmes in the year 2015 and out of that a sum of Rs. 740,421 had been settled without utilizing. The advance amount remained unutilized had ranged from 49 per cent to 80 per cent.

3.8 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	09	04	05
(ii) Tertiary Level	07	02	05
(iii) Secondary Level	105	79	26
(iv) Primary Level	20	14	06
Total	141	99	42