

**Report of the Auditor General on Head 149 – Ministry of Industries and Commerce -  
Year 2016**

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 149 – Ministry of Industries and Commerce for the year ended 31 December 2016, was carried out in pursuance of provisions of 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 27 June 2017. The audit observations, comments and findings on accounts and 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 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, Public Finance and Administrative Regulations. This responsibility includes; designing, implementing and maintaining internal control necessary to enable 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 Ministry amounted to Rs.9,435.51 million and out of that, Rs.8,195.57 million had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Ministry amounted to Rs.1,239.94 million or 13.14 per cent. Particulars are given below.

Expenditure	As at 31 December 2016			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	1,970.17	1,773.48	196.69	9.98
Capital	7,465.34	6,422.09	1,043.25	13.97
<b>Total</b>	<b>9,435.51</b>	<b>8,195.57</b>	<b>1,239.94</b>	<b>13.14</b>

## 2.2. Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 14901 relating to the Ministry and the actual values are shown 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
20.00	19.93	13.00	14.91	60.00	50.35

## 2.3 General Deposit Accounts

The balances of the 04 General Deposit Accounts under the Ministry as at 31 December 2016 totalled to Rs.70.03 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0002/0066/000	0.10
6000/0000/00/0016/0018/000	60.34
6000/0000/00/0018/0022/000	2.01
6000/0000/00/0013/0031/000	7.58
<b>Total</b>	<b>70.03</b>

## 2.4 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Industries and Commerce for the year ended 31 December 2016 have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1. The material and significant audit observations out of the audit observations included in that Management Audit Report appear in paragraph 3.

### **3. Material and Significant Audit Observations**

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#### **3.1 Non-maintenance of Registers and Books**

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It was observed during audit test checks that the Ministry had not updated the Register of Losses in terms of Financial Regulation 110.

#### **3.2 Appropriation Account**

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##### **3.2.1 Budgetary Variance**

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The following observations are made.

- (a) The entire net provision amounting to Rs.48,733,500 made for 11 Objects had been saved.
- (b) Excess provision had been made for 32 Objects and as such the savings, after the utilization of provisions, ranged between 32 per cent and 99 per cent of the net provisions relating to the respective Objects.

#### **3.3 General Deposit Account**

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The following observations are made.

Action in terms of Financial Regulation 571 had not been taken even by the end of the year under review on balances of deposits older than 2 years totalling Rs.15,338,514 in the General Deposit Account.

#### **3.4 Reconciliation Statement on Advances to Public Officers Account**

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According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.14901 presented to Audit, the outstanding balances as at that date totalled Rs.100,208. Even though those outstanding balances had remained for over a period of 7 years, the Ministry had failed to recover them even by the end of the year under review.

#### **3.5 Non-compliances**

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##### **Non-compliance with Laws, Rules and Regulations**

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

**Reference to Laws, Rules and Regulations**

**Non-compliances**

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

(i) Financial Regulation 94(1)

Commitments totalling Rs.81,886,596 had been incurred by exceeding the savings after utilizing the provisions made for 10 Objects.

(ii) Financial Regulation 113(4)

A copy of the Order of Write Off, given in respect of writing off loans amounting to Rs.100,000,000 that existed in Co-operative Societies, had not been presented to the Auditor General.

**(b) Budget Circulars**

Paragraph 2 of Circular No. 07/2015 of 29 December 2015

Out of the provisions made for 1202- Fuel Object and 1401- Transport Expenditure, 15 per cent and 10 per cent respectively should have been definitely saved. However, the Ministry had utilized the entire provision made for those Objects and taken action in terms of Financial Regulation 66 and utilized by transferring provisions from other Objects.

**3.6 Implementation of Projects under Domestic Financing**

**Projects without Progress despite the release of Money**

Even though a sum of Rs.320,000 had been spent by 31 December 2016 for a project, the functions of the relevant project had not even been commenced.

**3.7 Performance**

The observations on the progress of the Ministry according to the Annual Budget Estimates and Action Plan for the year 2016 are given below.

**(a) Key Functions not executed adequately**

Even though a sum of Rs.153,880,000 had been spent for the constructions of 07 industrial zones planned to be completed in the year under review, an adequate physical progress could not be achieved even by the end of the year under review.

**(b) Action not taken in accordance with the Annual Action Plan**

According to the Annual Action Plan, the functions should have been commenced by identifying the relevant lands by 31 December 2016 for establishment of the industrial zone. Nevertheless, those functions had not been commenced relating to 02 industrial zones.

**3.8 Human Resources Management**

**Approved Cadre and Actual Cadre**

The position on the cadre as at 31 December 2016 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	69	54	15
(ii)	Tertiary Level	07	06	01
(iii)	Secondary Level	683	525	158
(iv)	Primary Level	135	120	15
(v)	Other (Contract Basis)	01	01	-
	<b>Total</b>	<b>895</b>	<b>706</b>	<b>189</b>