

Head 118 - Report of the Auditor General on the Ministry of Agriculture- Year 2017

The Appropriation Account, and Reconciliation Statement relating to Head and Item stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the [Ministry of Agriculture](#). The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The [Head of the Department appointed by the Treasury](#) will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a). This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the [Ministry of Agriculture- Head 308](#) for the year ended [31 December 2017](#) was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on [26 October 2018](#). The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the [Ministry of Agriculture](#) for the year ended [31 December 2017](#) revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph [1.3](#) above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph [2.1 to 2.18](#) of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation [127](#) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

General responsibilities of the Accounting Officers in terms of Financial Regulation 128	Non-compliance of the Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
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Financial Regulations

127 (1) (a)	Planning the financial work so that the business is transacted with correctness and financial propriety.	<ol style="list-style-type: none"> 1. Failure to prepare the Action Plan accurately. 2.2.1 2. Failure to adequately plan the procurements. 2.3.1 3. Failure to prepare the budget estimates in a realistic manner. 2.11 (a) (b) 4. Deficiencies in preparing imprest estimates. 2.13 5. Non-maintenance of books and registers. 2.15
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127 (1) (b)	A system should be evolved providing adequate controls over expenditure and the collection of revenues.	<ol style="list-style-type: none"> 1. Irregular transactions. 2.6 2. Management weaknesses. 2.8 3. Unresolved audit Paragraphs. 2.7 4. Non-compliance. 2.16 5. Deficiencies in Human Resource Management. 2.17
127 (2)	Existing items of expenditure , as well as proposals for new or increased expenditure in the Department under his control, are closely examined in the Ministry from the point of view of economy and efficiency.	<ol style="list-style-type: none"> 1. Failure to achieve the expected level of output. 2.2.3 2. Projects commenced after a period of delay. 2.2.5 (a) 3. Poor performance in foreign funded projects. 2.2.7 4. Failure to commence the foreign funded projects on time. 2.2.5 (b) 5. Deficiencies in the execution of procurement process. 2.3.2 6. Uneconomic transactions. 2.6 7. Deficiencies disclosed in the audit on value for money. 2.9

127 (3)	All cases of doubt or difficulty are referred to him so that he May bring his own administrative experience and judgement to bear on them.	<ol style="list-style-type: none"> <li data-bbox="999 181 1372 304">1. Deficiencies in the utilization of vehicles. 2.4 (a) <li data-bbox="999 383 1372 528">2. Existence of idle and underutilized assets. 2.4 (b) <li data-bbox="999 539 1372 730">3. Improper utilization of assets belonging to the other institutions. 2.4 (d) <li data-bbox="999 741 1372 853">4. Assets provided for external parties. 2.4 (c) <li data-bbox="999 864 1372 1010">5. Weaknesses in rendering services for the public. 2.10
127 (4)	Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.	<ol style="list-style-type: none"> <li data-bbox="999 1055 1372 1245">1. Failure to present the annual Performance Reports. 2.2.6 <li data-bbox="999 1368 1372 1559">2. Incurring commitments in excess of the limits in annual budget. 2.5.1 <li data-bbox="999 1570 1372 1682">3. Deficiencies the Imprest Account. 2.13 <li data-bbox="999 1693 1372 1839">4. Deficiencies in the General Deposits Accounts. 2.14
127 (5)	Important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	<ol style="list-style-type: none"> <li data-bbox="999 1883 1372 1995">1. Failure to utilize the provision made. 2.11 (a)

		2. Allocation of 2.12 overprovision.
127 (6)	Collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Deficiencies in 2.12 the Advances to Public Officers Account.
127 (7)	Procedure laid down in Financial Regulation 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R. 156 (1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the Department for which he is responsible.	Failure to 2.18 obtain securities from the officers whose duties involve monies.

2. Material and Significant Audit Observations

2.1 Main Functions of the Ministry

The main functions of the Ministry include : facilitation and formulation of policies, programmes and projects for the sake of development in the agriculture sector, providing guidance on policies for the institutions under purview of the Ministry, and supervision of administration and performance.

2.2 Performance

2.2.1 Planning

The following matters were observed with the Action Plan prepared for the year 2017 in view of achieving the results expected from 02 Departments and 09 statutory institutions established under the Ministry, one foreign project, and 02 funds.

- (a) Two main activities for which provision amounting to Rs. 262.70 million had been made through the annual budget estimate, were not included in the Action Plan.
- (b) Particulars relating to the organizational structure of the institution, approved cadre, and the actual cadre updated for the year under review, had not been included in the Action Plan.
- (c) Imprest requirements on the annual activities had not been included in the Action Plan.

2.2.2 Failure to Execute the Activities Mentioned in the Action Plan

The following observations are made.

- (a) A sum of Rs. 50 million had been allocated on the 03 activities of implementation of development programmes at district level, training the farmers and apprising them, and special development projects in regard to the strategy of conducting agricultural exhibitions and media events to make the public aware. Nevertheless, those activities had not been carried out.
- (b) For the activities such as, preparation of Formats, and organizing capacity development programmes including strategies for the arrangement of training workshops for Agricultural Research and Production Assistants, inclusive of 04 sub-activities, a sum of Rs. 40 million had been allocated. But, those activities had not been executed.
- (c) A sum of Rs. 4.42 million had been allocated for the execution of 08 activities relating to the promotion of indigenous food through Helabojun Centers and empowering women, and studying the productivity of main fruit crops. However, those activities had not been executed.
- (d) Although provision amounting to Rs. 20 million had been made by the Department of Agrarian Services for cultivating barren paddy lands, it had not been so done.

2.2.3 Failure to Achieve the Expected Level of Output

The following observations are made.

- (a) The progress achieved with respect to 09 activities at an expenditure of Rs. 1,938.40 million under the strategy of renovating and restoring 1,500 small tanks on an estimated provision of Rs. 3,000 million, ranged between 5 per cent to 71 per cent.
- (b) Under the strategy of re-cultivating the barren paddy lands, a sum of Rs. 5.8 million had been allocated to solve problems specific to soil in 2,344 hectares of paddy lands. However, the said activity had been carried out only on 378 hectares of paddy land equivalent to 16 per cent in the year under review by spending a sum of Rs. 1.9 million.
- (c) Under the strategy of promoting indigenous foods through Helabojun Centers and empowering women on estimated provision amounting to Rs. 13 million, the progress in establishing 03 new Helabojun Centers in Chilaw, Trincomalee, and Beligama along with 05 sub-activities relating to providing awareness programmes and training on the development of entrepreneurial skills in the said areas, ranged between 20 per cent to 46 per cent.
- (d) Provision amounting to Rs. 35 million had been made to develop a farm and conduct 03 exhibitions under the sub-activity of the development of infrastructure facilities for farms & research centers and conducting exhibitions with respect to the strategy of conducting agricultural exhibitions and media programmes. However, only one exhibition had been held by spending a sum of Rs. 4.67 million therefrom.
- (e) Of the 07 sub-activities, providing big onion seeds, construction of agricultural wells, granting water pumps and micro water systems, providing big onion bulbs & polythene, construction of stores, and providing organic fertilizer processing machine under the strategy of developing Sandanankulama as a village producing big onions on an estimated provision of Rs. 9.16 million, only the 2 sub-activities of providing big onion seeds and an organic fertilizer processing machine had been carried out by spending a sum of Rs. 779,300.
- (f) Although a sum of Rs. 160 million had been allocated in the Procurement Plan for purchasing goods in regard to E-agriculture, only a sum of Rs. 17.38 million had been spent thereon in the year under review.

2.2.4 Projects not Implemented

Minor irrigational renovations of 11 tanks in the agrarian areas of Dambulla, Kimbissa, Pallepola, Galewela, and Dewahuwa in Matale district to be renovated on estimates of Rs. 23.26 million, had not been carried out.

2.2.5 Projects Implemented after a Delay

The following observations are made.

- (a) The Government of Japan had granted provision amounting to Rs. 259.69 million in the year 2016 through Counterparty Fund of the Central Bank of Sri Lanka for repairing and renovating the technical equipment of National Plant Quarantine Service. The relevant activities had been commenced in the year 2018.

- (b) A loan amounting to Rs. 9,553.78 million had been granted to the Ministry of Agriculture under the World Bank assistance for the Agriculture Sector Modernization Project. The project had been scheduled to be commenced on 15 October 2016, but the project had been commenced on 22 March 2017.

2.2.6 Annual Performance Report

In terms of Public Finance Circular, No. 402, dated 12 September 2002, the performance report for the year under review should be tabled in Parliament by the Ministry within 150 days from the closure of the financial year. However, the performance report had been tabled in Parliament on 09 August 2018 after 220 days from the closure of financial year.

2.2.7 Performance in Foreign Funded Projects

Provision amounting to Rs. 700 million had been made under the Agriculture Sector Modernization Project commenced on 22 March 2017 with the objective of capacity development for farmer training in view of enhancing productivity and diversification of agricultural sector, establishing model park for agricultural technology, improving the infrastructure for production & sales, and obtaining consultancy services for the related activities. Except for a sum of Rs. 81.04 million spent therefrom on recruitment of staff, establishing regional offices, purchasing required equipment, and consultancy fees, no other activities relating to the achievement of project goals had been commenced.

2.3 Obtaining Supplies and Services through Procurement Process

2.3.1 Planning Procurements

The Ministry had been provided with provision amounting to Rs. 2,272.22 million in the year under review to obtain supplies and services through procurement process, and a sum of Rs. 486.57 million had been utilized therefrom. A sum of Rs. 260.85 million had been spent on partitioning , laying carpets, electricity & air-conditioning, furniture, and installation of information systems for a building obtained on rent for maintaining the Ministry. But, that expenditure had not been mentioned in the Procurement Plan.

2.3.2 Implementation of the Procurement Process

The following observations are made in this connection.

- (a) When the Ministry of Agriculture had been shifted to a private building in Battaramulla, a sum of Rs. 260.85 million had been spent on partitioning , laying carpets, electricity & air-conditioning, purchasing furniture, and installation of information systems. The following observations are made in that connection.
 - (i) Qualified and interested parties should be provided with equal and maximum opportunities to participate in the procurement in terms of Guideline 1.2.1 (c) of the Government Procurement Guidelines. However, the newspaper advertisements published for the supply of office furniture and information systems had set out conditions that the bidder should be able to apply for loans amounting to Rs. 140 million and Rs. 80 million respectively, thus depriving certain bidders of the opportunity to submit bids.
 - (ii) A warranty period of 05 years had been provided by the bidder who had submitted the lowest bid of Rs. 75.35 million on office furniture, but the Technical Evaluation Committee had stated that the relevant requirement had not been fulfilled. Despite being stated that the specifications shown in Chapter 03 of the bid document had not been complied with, the bid had been turned down by the Technical Evaluation Committee without specifically mentioning the specifications that had not been complied with. As such, the furniture had been purchased by incurring a cost of Rs. 31.42 million in excess.
 - (iii) High Density Fiber should have been used for partitioning the building as per the estimate, but the engineering estimate had been revised with "Particle Boards" upon the request of contractors. Nevertheless, it was

observed that the contractors had used Medium Density Fiber without using Particle Boards.

- (iv) Due to failure of the contractors to complete the constructions of the building on the scheduled date, penalty for delay amounting to Rs. 17 million should have been recovered from the contractors as per the agreement. However, it had not been done so.
- (b) In the year under review, 72,000 metric tons of Urea fertilizer had been imported at an expenditure of US \$ 23,572,800. The following observations are made in that connection.
- (i) Despite being planned to procure 18,000 metric tons of Urea for the Yala Season of 2017 upon prices of the registered suppliers, it had later been decided following a proposal of Chairmen of the Government fertilizer companies to make procurements through open international bidding in which payments would be made on Documents against Acceptance (DA Terms).
 - (ii) Bidders had been invited through a newspaper advertisement published on 09 November 2017 to purchase 72,000 metric tons of Urea under international competitive bidding. As the condition that DA Terms should be followed in the procurement had been set out in the advertisement, the competition in bids had been restricted.
 - (iii) As such, only one local bidder had submitted bids, and he had been awarded to the contract to import the stock of fertilizer. However, it had later been decided to suspend the import of relevant stock of fertilizer in consequence of a bogus laboratory report given by the said contractor. Action had not been taken in terms of Guideline 5.3.13 (c) of the Government Procurement Guidelines to confiscate the bid security of that contractor valued at US \$ 240,000, and due to delays in the procurement, a scarcity of fertilizer had occurred island-wide.
 - (iv) When it had been prepared to award the contract to Agri Commodities Finance FZE company for importing 36,000 metric tons of Prilled Urea by the Standing Procurement Committee on 11 December 2017 upon the Cabinet Decision received on 05 December 2017 and observations of the Minister of Finance and Mass Media, the contract had been cancelled without any reason whatsoever by the special Procurement Committee of the Cabinet met on the evening of the same day.
 - (v) Erroneous matters stated in the Cabinet Memorandum furnished on the same day to import 72,000 metric tons of Urea, had misguided the Cabinet of Ministers. The decision of the Cabinet had been granted subject to the consent of the Treasury on Paragraphs 1 and 2 of the said Cabinet Memorandum. However, consent of the Treasury had not been obtained.

- (vi) By deviating from the procurement procedure at that juncture, the same supplier, Agri Commodities Finance, who had been selected to import 36,000 metric tons of Prilled Urea at US \$ 316.20 per metric tons, was awarded the contract to import 72,000 metric tons of Granular Urea at the price as same as that of 01 metric ton of Prilled Urea. Accordingly, 36,000 metric tons of Urea had been imported in excess of the requirement of the country, thus fertilizer approximately worth Rs. 1,764 million had been imported in superfluity.
- (vii) The Freight on Board price of the Granular Urea amounted to US \$ 206 – 240 on 14 December 2017. As a sum of US \$ 30 had been incurred on transport and other expenses, the maximum price per 01 metric ton should have been approximately US \$ 270. However, as it had been agreed with the contractor to import 01 metric ton of Urea at US \$ 316.20, the Government had to make an overpayment of approximately Rs. 519.17 million for 72,000 metric tons of Urea.
- (viii) According to the said Cabinet Memorandum furnished to import fertilizer by deviating from the procurement procedure in view of supplying fertilizer in an expedited manner for the Yala Season of the year 2017, the date of importing the stock of fertilizer should have been 28 December. However, after a delay of 10 days, 40,500 metric tons of the said stock had been received on 08 January 2018 whereas the balance 32,000 metric tons had been received on 15 January 2018. As such, fertilizer requirement of the farmers for the Yala Season of the year 2017 could not be satisfied on time.

2.4 Assets Management

The following deficiencies were observed in the audit test check carried out on the assets of the Ministry.

(a) Examination of the Fuel Consumption of Vehicles

Fuel consumption of all 66 vehicles used by the Ministry had not been examined in the year under review in terms of Section 32.1 of the Public Administration Circular, No. 30/2016, dated 29 December 2016.

(b) Idle and Underutilized Assets

The following observations are made.

- (i) The land in extent of 17.199 hectares and the building complex thereon belonging to the Ministry of Agriculture, had remained idle since the year under review.

(ii) A Jeep and 08 motorcycles withdrawn from normal use, had remained idle, and no action had been taken either to repair or dispose those vehicles.

(c) Assets Given to External Parties

Forty eight vehicles belonging to the Ministry had been given to 16 external institutions without being vested in properly even by the end of the year under review.

(d) Improper Utilization of Assets belonging to Other Institutions

The Ministry has been improperly using 15 vehicles worth Rs. 70,158,373 belonging to 05 other Ministries and 02 institutions along with 06 cars with undisclosed value belonging to 2 other Ministries without taking them over.

2.5 Commitments and Liabilities -----

2.5.1 Incurring Liabilities in Excess of Provision -----

Commitments valued at Rs. 3,385.6 million had been incurred exceeding the provision of Rs. 30,729.4 million made for 04 Items of Expenditure by 10 per cent (Rs. 3,195.7 million).

2.6 Irregular Transactions -----

Some of the transactions performed by the Ministry had been devoid of regularity. Some of such instances observed are as follows.

(a) In terms of the Circular, No. NFS/FCG/(4)/2017, dated 19 April 2017 relating to the payment of paddy fertilizer subsidy, the maximum amount of subsidy to be received by a farmer per season had been limited to Rs. 25,000. Furthermore, in terms of the Circular, No. NFS/FCG/(OFC)/2017, dated 19 September 2017 issued on the payment of fertilizer subsidy for other field crops, the maximum amount of subsidy payable for a year was Rs. 10,000 per hectare. As such, the maximum amount of subsidy that a farmer cultivating both paddy lands and other field crops,, could receive was Rs. 35,000 per season. However, according to the audit test check, a sum totalling Rs. 402,500 had been paid to 09 farmers for the Yala Season in the year 2017 by exceeding the maximum limit of Rs. 35,000.

(b) According to Section 18 of the Model By-law of Farmers' Association, No. 4 of 1991, relating to registration of Farmers' Associations, a board of officers should be appointed annually by the Farmers' Associations. However, 05 contracts

valued at Rs. 9,447,154 had been awarded sans authority to 04 Farmers' Associations in the Dambulla agrarian working committee area of Matale district for which no office bearers had been appointed for the year 2017.

- (c) When paying paddy fertilizer subsidies, instances were observed in which, the subsidy had been paid for the paddy lands not cultivated in the relevant Seasons. As such, the total subsidy paid for non-cultivated paddy lands in the 16 districts that the audit test check had been carried out on, amounted to Rs. 1,131,723,030.

2.7 Unresolved Audit Paragraphs

References to the Paragraphs that had not been rectified out of the shortages pointed out in the report of the Auditor General for the year 2016 relating to the Ministry, are as follows.

Paragraph of the Report of the Auditor General	Subject Referenced
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3.5.2 (a)	Erroneous payments of Rs. 1,237.9 million in regard to fertilizer subsidy.
3.5.3	Progress of the programme to encourage the production and use of organic fertilizer.
3.5.6	Failure to rectify the deficiencies of the programme for the renovation of small tanks and irrigation systems.
3.5.7 (d)	Failure to establish a database in accordance with the objectives of Gamdora special programme implemented at an expenditure of Rs. 58 million.
3.7 (a)	Obtaining a building on rent for the Ministry without seeking instructions and approval from the relevant parties. Failure to rectify the defects in the building.

2.8 Management Inefficiencies

- (a) The subsidies totalling Rs. 28,245,000 paid to 3,142 persons for the 2 Seasons in the year 2016 as well as the Yala Season of the year 2017, had been credited to the accounts belonging to other persons instead of being credited to the accounts of the relevant farmers.
- (b) Subsidies totalling Rs. 5.48 billion with respect to two Seasons of the year 2016 as well as the Yala Season of the year 2017, had been paid after the period in which the subsidies for the said 3 Seasons should have been paid. Owing to that

delay, the farmers could not use fertilizer on paddy lands within the relevant times.

- (c) An external party representing the staff of the Computer Department of the University of Colombo was crediting the fertilizer subsidy to the accounts of the farmers. The supervision and involvement of the Fertilizer Secretariat in that connection remained poor.
- (d) The following matters were observed in the examination of computer systems introduced for the productive issuance of paddy land fertilizer subsidy.
 - (i) Without fulfilling the preliminary requirements of providing facilities at the Agrarian Service Centers relating to the establishment of databases, and granting the equipment required in that connection, the programme had been made use of in paying the fertilizer subsidy for Maha Season of the year 2017/2018.
 - (ii) Under the new computer software too, an overpayment of subsidy amounting to Rs. 4.83 million had been paid to 985 farmers belonging to the Agrarian Service Center in Alugolla , Matale on whom the audit test check had been carried out. It was observed that rectification of deficiencies in paying fertilizer subsidy had failed even with the new computer system established at an expenditure of Rs. 375.7 million.
- (e) It had been planned to cultivate about 2 million plants of fruit under a fruit village programme covering 2,000 villages under the provision amounting to Rs. 275 million in the year under review. As the said programme had been planned without considering the means of supplying the fruit plants, only 251,675 plants had been planted in 207 villages at an expenditure of Rs. 70.65 million.
- (f) The Ministry had implemented the “Sara Lanka” Loan Scheme island-wide through the farmers banks on the provision amounting to Rs. 80 million with the objective of encouraging the produce of organic fertilizer. As the amount of loans granted had been Rs. 27.65 million, the progress in granting loans remained as low as 35 per cent.
- (g) The Institute of Post Harvest Technology under the purview of Ministry of Agriculture, having tested 07 types of agricultural crops for 04 kinds of heavy metal by spending a sum of Rs. 5.35 million, and the concentration thereof if any, had not furnished the observation report thereon so as for all the relevant parties to become aware, thus failing to achieve the objectives of the project.

Moreover, the relevant programme had planned to test 1000 samples at 500 each for the years 2017 and 2018, but the programme had been abandoned by testing only 500 samples in the year 2017. Although a sum of Rs. 5.35 million had been paid for testing 500 samples at Rs. 10,700 per sample, the Institute of Post Harvest Technology, had in fact spent a sum of Rs. 1.96 million in that connection.

- (h) Action had not been taken to recover the overall damage of Rs. 6 million caused to a vehicle in the year 2016 from the officer in charge of the vehicle and the driver in terms of Financial Regulation 104 (4).

2.9 Value for Money Audit

In terms of Section 6 of the Public Administration Circular, No. 11/2015, dated 20 May 2015, official ceremonies should be organized in a simple and plain manner. However, a programme on the adaptation to climatic changes had been held in the year under review under the patronage of the President at the expenditure of Rs. 38.07 million, but only a short lecture had been delivered relating to the topic. A payment of Rs. 3.6 million had been made to a private institution to prepare the stage even without following the Government procurement procedure. Furthermore, the programme scheduled to be held under the name of "Kandula", could not be held, a sum of Rs. 515,000 had been spent thereon.

2.10 Rendering Services for the Public

A complaint box had not been maintained at the Ministry to accept complaints from the public, and although a register had been maintained to record the complaints, no adequate measures had been taken to exhibit the register. Moreover, the website of the Ministry had not facilitated the receipt of public complaints as well.

2.11 Utilization of Provision Made by the Parliament for the Execution of Activities

Information relating to the provision made for the Ministry during the 05 year period ended as at 31 December 2017, utilization, and the saving along with audit observations thereon, are as follows.

Year	Category of Expenditure	Net Provision	Utilization	Saving	Saving as a Percentage of the Net Provision
		Rs. Million	Rs. Million	Rs. Million	
2013	Recurrent	561.28	558.28	3.00	0.50
	Capital	1,268.35	764.30	504.05	39.74
	Total	1,829.35	1,322.58	507.05	27.71
2014	Recurrent	35,857.93	32,744.01	3,113.92	8.68
	Capital	872.59	834.39	38.20	4.38
	Total	36,730.52	33,578.40	3,152.12	8.58

2015	Recurrent	53,819.66	53,017.92	801.74	1.45
	Capital	1,188.06	712.96	475.10	40.00
	Total	55,007.72	53,730.88	1,276.84	2.32
2016	Recurrent	39,847.22	32,497.06	7,350.16	18.45
	Capital	5,123.11	2,248.61	2,874.50	56.11
	Total	44,970.33	34,745.67	10,224.66	22.74
2017	Recurrent	38,829.39	38,303.28	526.11	1.35
	Capital	7,872.77	3,338.98	4,533.79	57.59
	Total	46,702.16	41,642.26	5,059.90	10.83

According to the above information, a considerable amount of the provision made by the Treasury for capital expenses during the 05 preceding years except for the year 2014 had not been utilized. In addition to that, observations on the utilization of provision made for the year 2017, are as follows.

(a) Failure to Utilize the Provision Made

The total net provision of Rs. 262.15 million made for 03 Items of Expenditure had entirely been saved.

(b) Allocation of Overprovision

As overprovision totaling Rs. 6,733.48 million had been made for 69 Items of Expenditure, only a sum totaling Rs. 2,449.14 million had been utilized. Thus, the saving ranged between 10 per cent to 93 per cent of the net provision made.

(c) Utilization of Provision

The Department of Agrarian Development had been provided with provision amounting to Rs. 3,000 million in the year under review for achieving the objectives of , removal of sediments from 1,500 small tanks, providing the cultivated lands with high volume of water through the implementation of rehabilitation & renovation programme, and improvement of "Ellanga". Only a sum of Rs. 526.18 million had been spent therefrom. The following observations were made in the audit test checks conducted in that connection at the districts of Matale, and Nuwara Eliya.

- (i) According to Circular, No. MNPEA 03/2016 of the Ministry of National Policies & Economic Affairs, dated 08 September 2016, and Circular, No. 7/2017 of the Commissioner General of Agrarian Development , dated 21 June 2017 & the contract agreement, contracts awarded sans competition should not be allowed for sub-contracts by the Farmers' Associations that had signed the agreements. However, 16 Farmers' Associations in Matale district had given on sub-contracts 18 works with

the contract value of Rs. 35,844,307 in the year 2017 at a 5 per cent commission.

- (ii) As for the contract to deepen the Panwewa in Thittawwelgolla in the area of agrarian development, Dambulla at an expenditure of Rs. 2,519,640, a sum of Rs. 141,360 had been spent on the removal of soil in the bund to a depth of 0.30 meters and laying turves & watering. However, even up to 31 October 2017, turves had not been laid.
- (iii) The concrete dam of the canal at Rathmalgaha in the agrarian development area of Palapathwela should have been constructed to the height of 03 meters at an expenditure of Rs. 1,737,850, but it was revealed in the field inspection carried out on 31 October 2017 that the height thereof had been 2.2 meters. As such, sums of Rs. 396,015 and Rs. 34,312 totalling Rs. 430,327 had been overpaid for the foundation and the concrete respectively.
- (iv) A sum totalling Rs. 368,277 had been paid for renovating the sluice of Ehetullawewa in the agrarian area of Kimbissa, and the construction of the sluice at the right dam, but those works had not been done. Although a sum of Rs. 89,078 had been paid for uprooting the bushes in an area of 2.40 hectares on the bund and removing from the reservation area, that work had not been carried out.

A sum totalling Rs. 2,128,400 had been paid for removing 377 cubic meters of soil from the surface of the bund of the tank at a thickness of 75 millimeters, laying soil on the bund, watering & compacting, and laying turves on the bund. Nevertheless, those works had not been carried out properly, and hence, 05 places on the bund in the lengths of 20 meters, 08 meters, 18 meters, 19 meters, and 10 meters had caved in.

- (v) The Gamewewa agricultural road in Gedarawela had been renovated at an expenditure of Rs. 1,905,545. Although payments had been made for 46.50 cubic meters of concrete, the volume of concrete applied while surveying had been 37.64 cubic meters. Accordingly, a sum of Rs. 143,178 had been overpaid to the contractor for 8.86 cubic meters of concrete.
- (vi) When Thimbirigaswewa had been renovated at an expenditure of Rs. 3,207,383, it had been recommended to pay a sum of Rs. 2,335,290 for laying and compacting soil on the bund of the tank to a thickness of 150 millimeters. Nevertheless, those works had not been carried out according to the audit examination carried out on 08 March 2017. Part of the soil and sediments removed from the tank had been dumped close to the bund, and those soil was being washed out into the tank again.
- (vii) When Indigaswewa had been renovated at an expenditure of Rs. 2,232,039, it had been recommended to pay a sum of Rs. 1,272,480 for removing soil from the vicinity of the tank, dumping on layers,

watering and compacting. But, no compacting had been done, and hence, the soil had washed away into the tank thus, making the situation even worse. Despite being recommended to pay a sum of Rs. 216,240 for laying turves on the bund, it had not been so done.

- (viii) Of the 29 industries selected for sample test in 3 agrarian working committees in Matale district, it was revealed in the examination on the bank accounts of farmers' associations that the funds of farmers' associations had not been utilized on 24 projects with a total contract value of Rs. 40,667,671. As such, it was disclosed that the relevant projects, without being implemented, had been implemented through the sub-contractors.
- (ix) In terms of Circular, No. MNPEA 3/2016 of the Ministry of National Policies and Economic Affairs (amended), dated 08 September 2016, the value of a contract that can be awarded sans competition to a farmers' association in any instance should not exceed Rs. 05 million. Contrary to that, 10 contracts exceeding the value of Rs. 05 million, or rather in total of Rs. 29,258,007 had been awarded to 5 farmers' associations in the agrarian working committee areas of Kimbissa, Hettipola, and Dambulla in Matale district. Furthermore, when a contract is awarded sans competition in terms of the said Circular, the farmers' association should have registered with the Department of Agrarian Development prior to 02 years. Nevertheless, 04 farmers' associations in the agrarian working committee areas of Hettipola, and Kimbissa in Matale district that had been registered in the year 2017, had been awarded with 05 works worth Rs. 14,016,365.
- (x) In terms of Circular, No. 7/2017 of the Commissioner General of Agrarian Development, dated 21 June 2017 and Section 17 of the Contract Agreement, the contracts awarded sans competition should not be handed over to external parties. However, the "Ekamuthu" farmers' associations of Malulla, Udagalauda, and Galauda in the agrarian working committee area of Karalliyadda, had handed over the renovations of Galbokka tank valued at Rs. 1,591,026, Bandiyawa tank valued at Rs. 2,292,677, and Udaeswadduma canal valued at Rs. 1,105,670 respectively to external parties for a commission of 05 per cent. Moreover, the renovation of Wellathotaarawa canal valued at Rs. 695,450 in the agrarian working committee area of Hanguranketha, had been handed over to an external person by the Damunumeya farmers' association.
- (xi) When the Malulla tank in the agrarian working committee area of Karalliyadda had been renovated, a sum totalling Rs. 91,601 had been overpaid for 4.12 cubic meters of concrete and 120 Kg of metal bars.
- (xii) When BOQs had been prepared on the renovations of Galbokka tank valued at Rs. 1,591,026 in the agrarian working committee area of

Karalliyadda, the Technical Officer had intentionally prepared an overestimate valued at Rs. 872,042 by indicating measurements fraudulently, thereby obtaining approval thereon. Furthermore, having noted the height fraudulently in regard to that contract, a sum of Rs. 275,800 had been overpaid for 700 cubic meters of soil.

2.12 Advances to Public Officers Account

The Ministry had failed to recover loan balances totalling Rs. 725,953 comprising distress & property loan balances totalling Rs. 268,061 recoverable within a period of 13-20 years from 5 officers who had vacated the service, distress & property loan balances totalling Rs. 240,267 recoverable from 02 Clerks interdicted 17 years ago, and a loan balance of Rs. 190,575 recoverable from an officer deceased in the year 2009, along with the loan balance of Rs. 27,050 recoverable from an officer retired in the year 2015.

2.13 Imprest Account

The balance in the Imprest Account of the Ministry amounted to Rs. 456,000 as at 31 December 2017. The following observations are made in that connection.

- (a) The ad hoc Sub-Imprests obtained should be settled within 10 days from the completion of intended purpose in terms of Financial Regulation 371 (5) as amended by the Public Finance Circular, No. 03/2015, dated 14 July 2015. Nevertheless, there had been 101 instances in which delays of 21-87 days had occurred to settle Sub-Imprests totalling Rs. 1,384,160 obtained by 38 officers of the Ministry.
- (b) Ad hoc Sub-Imprests totalling Rs. 136,439 obtained by 11 officers on 12 occasions in the year under review, had been retained in hand for 01-24 days, and the same amount of money had been returned to the Ministry without carrying out the task for which the Sub-imprests had been obtained.

2.14 General Deposits Account

The total of the balances in 04 General Deposits Accounts under the Ministry amounted to Rs. 12.8 million as at 31 December 2017. The funds totalling Rs. 2,037,722 granted by other institutions in 11 instances for miscellaneous activities, had been retained in the Deposit Account without executing the relevant activities.

2.15 Failure to Maintain Books and Registers

It was observed in audit test checks that the following Registers had not been maintained by the Ministry.

Name of the Register -----	Relevant Regulation -----
(a) Official Telephone Register	Financial Regulation 845 (1)
(b) Register of Securities	Financial Regulation 891 (1)
(c) Register of Electric Appliances	Financial Regulation 454 (2)

2.16 Non-compliances with Laws, Rules, and Regulations

Running charts for 26 vehicles, and monthly summaries of 34 vehicles relating to the year under review had not been made available to Audit in terms of Financial Regulation 1646.

2.17 Human Resource Management

Attached Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Particulars on the approved, actual, vacant, and excess cadre for the execution of duties mentioned in Paragraph 2.1 above as at 31 December 2017 were as follows. The Ministry had spent a sum of Rs. 657,500,480 in the year under review on personnel emoluments. Accordingly, the expenditure per person amounted to Rs. 487,760.

Category of Employee -----	of Approved Cadre -----	Actual Cadre -----	No. of Vacancies -----	of No. of Excess Employees -----
Senior Level	139	114	25	-
Tertiary Level	11	3	8	-
Secondary Level	1359	1100	259	-
Primary Level	153	127	26	-
Casual / Temporary	2	4	-	2
Total	<u>1664</u>	<u>1348</u>	<u>318</u>	<u>2</u>

Action had not been taken to provide training for 1305 officers and employees of the Ministry in the year under review.

2.18 Securities for Public Officers

The officers of the posts, Shroff, Store Keeper, and Accountant who should furnish securities in terms of Financial Regulation 880, had not done so.