

Head 285 - Report of the Auditor General of the Department of Agriculture – Year 2017

The Appropriation Account and a Reconciliation Statement under Head and Item Number 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 and a Revenue Account relating to the revenue codes included in the table 3.2.2 of the Annual Budget Estimates were presented to audit by the Department of Agriculture. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer, Accounting Officer and the Revenue Accounting Officer

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. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. 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 Article 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 Department of Agriculture – Head 285 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, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, 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 Director General of the Department on 05 June 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 Department of Agriculture for the year ended 31 December 2017 revealed in audit appear in Management Audit Report 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 has been executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka.

| Accountability of the Accounting Officer in terms of Financial Regulation 128 | Non-compliance with the Provisions by the Accounting Officer | Reference to the Paragraph included Observations |
|--|---|--|
| Financial Regulation | | |
| 128(1)(a) | The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified. | <ol style="list-style-type: none"> 1. Deficiencies in the Action Plan. 2.1.1(a) 2. Deficiencies in the Research Plan of which to be identified regional farmers problems. 2.1.1(b) |
| 128(1)(b) | The organization of finance control and accounting in his Department is effective and provides adequately for the correct ascertainment, where necessary of dues to Government, the systematic, complete and prompt collection of dues and bringing to account of moneys received the authorisation of commitments on behalf of the Government, the supervision and examination of services and supplies rendered and the prompt and correct payment therefore from public funds. | <ol style="list-style-type: none"> 1. Exceeding the limits of commitments and liabilities 2.5 2. Expressed qualified audit opinion in respect of Commercial Advance Accounts. 2.12(a) 3. Action not taken to write off the working losses of the Winding-up Advance Accounts. 2.13(a) |

| | | |
|------------|---|--|
| 128 (1)(c) | The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary. | <ol style="list-style-type: none"> 1. Action not taken on lapsed deposits. 2.15 2. Non-maintenance of Registers and Books. 2.16 3. Non-compliance with Laws, Rules and Regulations. 2.17 4. Failure to conduct training programmes for officers adequately. 2.18 |
| 128(1)(d) | An adequate system of internal check for receipts payments and issues is maintained and tested from time to time. | Management Deficiencies. 2.6 |
| 128(1)(e) | Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of such disposal is according to prescribed Regulations and instructions. | <ol style="list-style-type: none"> 1. Non-utilization of assets belonging to the Government with maximum efficiency. 2.4(a) 2. Failure to ensure the security of assets. 2.4(b) 3. Disposal of assets without cost and efficiency. 2.4(c) 4. Idle and Under-utilized assets. 2.4(d) 5. Assets given to external parties irregularly. 2.4(e) 6. Irregular use of assets belonging to other institutions. 2.4(f) |

| | | |
|-----------|--|--|
| 128(1)(h) | Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quater or as otherwise directed regarding arrears and action pursued to expedite their money. | <ol style="list-style-type: none"> 1. Non-recovery of outstanding loan balances of the Public Officers Advance Account. 2.11 2. Non-recovery of outstanding loan balances of the Commercial Advance Account. 2.12(b) 3. Non-recovery of outstanding loan balances of the Winding-up Advance Accounts. 2.13(b) |
| 128(1)(i) | The activities of his Department are under taken with due regard to economy, efficiency propriety and intergrity expected in the transaction of public business. | <ol style="list-style-type: none"> 1. Non-execution of activities included in the Action Plan. 2.1.2 2. Failure to achieve expected benefits. 2.1.3 3. Deficiencies in implementation of foreign aid projects. 2.2 4. Deficiencies in construction of auditorium for Agriculture Vidyalaya Angunakola pelassa 2.3.1 5. Deficiencies in construction of Office of the Deputy Director of Agriculture, Kundasale. 2.3.2 |

| | | | |
|-----------|--|---|------|
| 128(1)(m) | An appropriation Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Programme of a Head of Expenditure for which he is responsible as Accounting Officer. | Excess provisions made. | 2.9 |
| 128(2)(d) | Returns are obtained from other Departments and offices in which any portions of the revenue for which he is responsible are collected and are incorporated in the Estimates of Revenue, the Revenue Accounts and the Returns prepared by him in terms of (a), (b) and (c) above respectively. | Failure to take action to increase the revenue in terms of the provisions stated in the Acts. | 2.10 |

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The following observations are made.

(a) **Annual Action Plan**

The following deficiencies were revealed in the Action Plan prepared for the year under review.

- (i) The time frame and the results expected to implement the activities had not been included in the Action Plan prepared.
- (ii) The details relating to the organisational structure of the Department updated for the year under review and the staff employed at present had not been stated in the Action Plan.

- (iii) Even though, the annual action plan had been revised in several instances, the procurement plan had not been revised in accordance with.
- (iv) The Technological Action Plan of the Service Revision Training Institute had been prepared without considering the training programmes expected to be implemented annually.

(b) **Research Plan to Identify Regional Farmers Problems**

One of the main activity to be executed by the Bandarawela Regional Agriculture Research Centre was to identify the problems of the farmer community in the Uva and Sabaragamuwa Provinces and to pay special attention of the researches in respect of the areas to be prioritized out of that. Nevertheless, a research plan to study the farmer problems of the region to identify the areas to be prioritized and to take remedial actions thereon had not been prepared. Instead of that, the research programmes based on the consent of the each researcher had been prepared.

2.1.2 Non-execution of activities included in the Action Plan

The following observations are made.

- (a) In a comparison of the progress of the technological activities executed by the Seeds and Plant Material Development Centre relating to the year 2017 with the annual targets, the progress of 07 activities out of 12 activities had ranged from 30 per cent to 53 per cent.
- (b) Seven activities out of 13 activities of the action plan for the year under review had not been commenced even by August 2017 on the Project of Development of better Agri Procedures for Qualitative and Healthy agri Products which started in the year 2015.

2.1.3 Failure to achieve expected Benefits

The following observations are made.

- (a) The requirement of local vegetable seeds relating to 05 varieties of main vegetable cultivation had remained entirely on the imports while the amount supplied by the Department for the local seeds requirement of another 12 varieties of vegetables of multiple cropping had remained at a low level of less than 6.03 per cent.
- (b) A Pineapple and Banana cultivation had been commenced by incurring expenditure totalling Rs.912,085 in the years 2016 and 2017 in a land in extent about 1.5 hectares belonging to the Office of the Deputy Director of Agriculture, Kundasale. Any Pineapple plant in a successful position had not shown there as at 11 August 2017, the date of audit while 350 Banana plants had remained only.
- (c) Production of hybrid seeds relating to 6 varieties of vegetables had been carried out in the farms of the Government from the year 2013 to 31 July 2017. The production of seeds in the varieties of Egg Plant, Okra and Capsicum had been totally suspended in

the year 2017 and the amount of seeds production of other 3 vegetable varieties had ranged from 3.4 kg to 78.1 kg. Accordingly, paying less attention in respect of the production of seeds with high quality was a hindrance to achieve the goals and objectives of the Department.

- (d) Achieving of the targets of national annual seeds requirement of the other field crops (except kurakkan crop) by 31 July 2017 had remained in a low level ranging from 2.9 per cent to 20.63 per cent.
- (e) The project of promotion of local potatoe seeds production had been commenced in the year 2014 and the provisions of Rs.195.5 million had been made during the period of past 04 years while a sum of Rs.169.7 million out of that had been utilized. Five farms of the Department of Agriculture had made contributions for the potatoe seeds production process. Implementation of that project had been commenced in the year 2014 and the seeds production had increased in the years 2015 and 2016 as 1.4 per cent and 10 per cent respectively as compared with the year 2014.
- (f) As mother plants of mangoes of TOM-EJC variety were not made available adequately in the Aluththarama Farm the required planting materials for the activity of the bud of the mango plants had been obtained from the mango cultivation belonging to the Mahaweli Farm. The crops of Mahaweli Farm had not been selected, by the Seeds Certification service as mother plants. Therefore, without certifying plants by the Department for the bud plants produced, the plants of the farm had been issued with the Departmental emblem.
- (g) The Botanical Science Research Farm, Pasyala had been established with the objective of providing contribution for the research and development activities in respect of sustainable and effective technology relating to the botanical crops. Nevertheless, only one research relating to the Rambutan cultivation had been carried out during the period of last 07 years.
- (h) A sum of Rs.4.5 million had been incurred to the Rahangala Agricultural Research Centre with the objective to increase G-O Seed Potatoe Production under seed Potatoe Production Project in the year 2012. But no Seed Potatoe Production had been carried out by that centre by the end of the year under review. Action had not been taken even by the end of the year under review to rectify the damages occurred to that potatoe huts due to bad weather conditions in the year 2014.
- (i) The contribution for the activity of breeding seeds by the Bandarawela Agriculture Research Centre had remained in a very low position during the period of last 10 years. Three varieties of crops only had been released and the distribution of that varieties had also remained in a very low position. Nevertheless, action had not been taken to enquire the reasons for the decrease of the distribution and to develop and maintain those researches.
- (j) A large amount of vegetable seeds imported by Sri Lanka had been as the varieties that changed periodically to match the farmers expectations. Therefore, the vegetable

varieties locally produced and distributed had not come up to the expectations of farmers. Therefore, it was observed that the attention of the Department had not been paid in respect of the risk that has to be faced to depend on imported seeds varieties in the future.

- (k) The requirement of hybrid of maize had been identified and entered into that in the 1990 decade and one variety out of that had been introduced in the year 2004. Nevertheless, 169 kilograms of that variety had been released to the field in the year 2016 while that was a low amount of 0.01 per cent of the local seeds requirement.
- (l) The activity assigned to the Field Crops Research and Development Institute, Maha Illuppalama was the prime responsibility to increase the onion production locally by introducing new seeds varieties for big onions and to carry out researches on diseases and pests for onions. Even though, the Department had introduced 03 varieties of big onions in the years 1997, 2009 and 2014, the distribution of those for last 03 years had remained ranging from 0.01 per cent to 33 per cent out of the local requirement of seeds.
- (m) The authority of the registration and monitoring of the pesticides had been assigned to the Office of the Registered Pesticides. The laboratory quality tests had not been conducted in respect of 186 varieties or 93 per cent out of the 200 varieties of pesticides registered in Sri Lanka.
- (n) In terms of the pesticides Control (Amendment) Act No.06 of 1994, all sales outlets of pesticides situated throughout the island should be obtained a valid licence compulsorily. The licence issued in terms of Section 21(4)(a) of above Act was valid and operated for a period of 12 months. There were 1,461 registered pesticides sales outlets in the year 2016. Out of that, 440 sales outlets of which the valid period had elapsed had not renewed their licences even by 31 December 2017.
- (o) Out of the provisions received in the years 2015 and 2016 to the Field Crop Research Institute Maha Illuppalama under the Project of Seeds Production through New hybrid and Open Pollination and Increase of Primary Seeds Production, sums of Rs.1.43 million and Rs.4.91 million had been utilized respectively. Even though, those provisions should have been utilized for the production of seeds in respect of chillies, maize and onions, contrary to that, those provisions had been utilized for the activities such as improvement of irrigation water system, make a net fence, laying tiles in the office and make net houses.
- (p) Even though, 11 research officers had been attached to the Agunakolapelassa, Cereal crops and Oil Research and Development Centre, 06 varieties of seeds relating to 03 varieties of crops had only been released during the period of last 08 years. The Department had released to the field an amount of 2 Kgs and 459 Kgs of 02 varieties respectively out of those varieties during the period from the year 2014 to 2017. That represented 0.0003 per cent and 0.09 per cent of the national seeds requirement.

- (q) A project had been commenced in the year 2013 with an objective to conduct researches successfully to create new varieties and produce seeds in the crop categories such as onion, maize and chillies and the provisions of Rs.50 million had been made thereon. The provisions totalling Rs.46 million had not been utilized by the end of the year 2017. Out of 10 activities carried out in the preceding years in respect of the crops such as onion, maize and chillies, 02 activities relating to the prime objective expected from the project had only been executed.
- (r) In the year 2017, 483 samples relating to the vegetables and fruits had been tested by the laboratories of the external institutions and Office of the Registered Pesticides of the Department of Agriculture. Out of that samples, 294 samples had exceeded the limits of residuals of the due Pesticides. Accordingly, the monitoring of utilizing Pesticides which was a main activity of the Office of the Registered Pesticides had not been carried out optimizngly.

2.2 Implementation of Foreign Aid Projects

The following observations are made in this connection.

- (a) The fruit processing centres had been constructed by incurring US Dollars 644,693 under the Post-harvest project of Fruits in the year 2017. In construction of those centres, preliminary surveys and a proper feasibility study had not been carried out. Therefore, those fruit processing centres constructed had remained idle even by 10 May 2018.
- (b) Provisions of Rs.427,500 had been received for the project of production of an organic fertilizer utilizing the wild plant named “Anyigonon Leplopus”. That project had been abandoned even in the initial stage.

2.3 Deficiencies in the Procurement Plan

2.3.1 Construction of Auditorium for Angunakolapelassa Agriculture College

The contract had been awarded on the estimated value amounting to Rs.11.21 million for the above construction. The following observations are made in this connection.

- (a) In terms of the Guideline 2.14.1 of the Government Procurement Guidelines, the procurements more than Rs.10 million and less than Rs.100 million should have been executed under the Procurement Committee of the Department. Nevertheless, this procurement had been executed by the Regional Procurement Committee without being carried out under the Procurement Committee of the Department.
- (b) A sum of Rs.977,040 had been paid on 29 January 2018 for the third bill submitted by the contractor for this contract. The activity of the supply and fixing of roofing sheets with the thickness of 4.3 mm to 0.47 mm in the above bill had not been executed, but a sum of Rs.849,600 had been paid contravening to the provisions of Financial Regulations 137, 138 and 139.

- (c) According to the bill submitted by the contractor on 31 December 2017 a sum of Rs.480,410 had been paid for concreting and formation of the ground under work item No.05. Nevertheless, that activity had not been executed even by 20 May 2018, but the payments had been made contrary to the provisions of the Financial Regulations 137 and 138.
- (d) The sand utilized for this construction was not in a proper standard.

2.3.2 Construction of Office of the Deputy Director, Kundasale

A sum of Rs.126,225 had been paid for 135 cement bags for above constructions during the month of December 2016. The evidence was not made available for audit to ensure that those cement bags were received to the stores even by 21 July 2017 the date of audit.

2.4 Assets Management

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

(a) Non-utilization of Assets of the Government with maximum Efficiency

The following observations are made in this connection.

- (i) The activities of Creation Genetic Variation through mutation of genes had been commenced by Gamma Radiation Unit established in the Horticultural Crops Research and Development Centre. A sum of Rs.15.05 million had been incurred to purchase equipment thereon during the period from the year 2015 to 2017. Nevertheless, the respective activities had not been commenced by that unit even by October 2017.
- (ii) The building of the Service Revision Training Institute had been constructed by incurring Rs.6.50 million in the year 2016 to conduct training courses of NVQ level 3 and 4. Only one training course of NVQ level 3 had been conducted after constructing that building and no training course whatsoever had been conducted during the year under review.
- (iii) Under Seeds Potatoes Production Project, the equipment had been purchased by incurring Rs.973,100 in the year 2016 for Tissue culture Section of the Bandarawela Regional Agriculture Research and Development Centre. Those equipment had remained idle without being utilized even by December 2017.
- (iv) The paddy lands of 29 hectares belonging to the Agriculture Research and Development Centres, Girandurukotte and Aralaganwila had been leased out without being utilized for research activities or cultivation.

(b) Failure to ensure the Security of Assets

Out of the lands in extent of 2,864.65 hectares belonging to the Department of Agriculture, the ownership of 18 blocks of lands only had been transferred and that represented 22 per cent of the total extent of lands.

(c) Disposal of Assets without Cost and Efficiency

Ninety seven motor vehicles belonging to regional offices had been parked in the premises of the offices identified as to be disposed of without being taking action to dispose in terms of Public Administration Circular No.02/2015 dated 10 July 2015.

(d) Idle and Underutilized Assets

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

| Category of Assets | Number of Units | Idle or Underutilized Period |
|---------------------------|------------------------|-------------------------------------|
| ----- | ----- | ----- |
| (i) Lands (Hectares) | 0.56 | Over 3 years |
| (ii) Buildings | 12 | Over 3 Years |
| (iii) Buildings | 1 | Over 1 year less than 3 years |
| (iv) Motor Vehicles | 97 | Over 3 Years. |
| (v) Machinery | 108 | Over 3 years. |
| (vi) Other Assets | 71 | Over 1 year less than 3 years. |
| (vii) Other Assets | 4,410 | Over 3 years. |

(e) Assets given to External Parties

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

| Category of Assets | Institute which assets given to | Value | Period |
|---------------------------|--|--------------|---------------|
| ----- | ----- | ----- | ----- |
| | | Rs. | |
| (i) Lands – Hectares (10) | Department of Rubber Development | 247,692 | 11 Years |
| (ii) Other Assets | Police Station – Middeniya | 3,975 | 21 years |

(f) Irregular use of Assets belonging to other Institutions

The Department had utilized the land in extent of 0.75 acres belonging to the Provincial Department of Agriculture since the period about 18 years.

2.5 Commitments and Liabilities

The following observations are made.

(a) Commitments entered into exceeding the Annual Budget Limit

The commitments had been entered exceeding the savings by Rs.25.4 million after utilization of provisions totalling Rs.274 million made for 16 Objects contrary to the paragraph 02(a) of the Public Accounts Circular No.255/2017 dated 27 April 2017.

- (b) Even though, a sum of Rs.24.84 million had been paid in 57 instances in the year 2018 on behalf of the year under review, those payments had not been included in the Appropriation Account as liabilities of the year under review.

2.6 Management Weaknesses

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

- (a) The services of the vehicles had been done from the external institutions without being done by the mechanical engineering workshops belonging to the Department. As such the Engineering Section of the Department had estimated about Rs.8 million annually to be paid to the external institutions for service of the 350 motor vehicles in the Head Office and the Divisions around there.
- (b) The mildew disease had caught the citrus crops (Oranges, lime) dispersed in 02 acre land of the Rahangala Agriculture Research Centre. Fungicides had been used continuously to control that disease. The respective researches had not been implemented to avoid those situations even by the end of the year under review.
- (c) A variety of a nut named Macadamia which was a high priced nut in the world distributed in the Rahangala Agriculture Research Centre had been a speciality crop in the Region. Even though, it could have been implemented to strengthen the farming life in the area through increasing the farmers attention in respect of that crop, the attention of the management had not been paid to implement researches thereon and to increase the plant production and utilization.
- (d) Thirty seven years had elapsed approximately by 30 September 2017 after being passed the Pesticide Control Act No. 33 of 1980. According to the provisions of said Act, the limit of pre-harvesting period and the limit of the maximum remainder amount had not been imposed for 47 Pesticides out of 107 active Pesticides utilized for the agricultural activities in Sri Lanka.

2.7 Execution of Services for Public

In terms of the provisions of the Sri Lanka Act of Right to Information No.12 of 2016, sixteen officers had been nominated by the Department to execute the activities of the said Act. The Department had not implemented a methodology in the year under review for the overall supervision of the activities executed by the officers so nominated and to measure and control the performance. Further, instances of arising problems were existed as no limits

relating to requesting past information while in some instances the information had not been provided during the period stated in the Act.

2.8 Implementation of Sustainable Development Act

The Department had identified the necessity of compliance with the United Nations Sustainable Development Agenda and the Sri Lanka Sustainable Development Act. Nevertheless, the activities such as identification of the objectives and goals thereon participation of all divisions, activities to be arranged in line with the targets, share knowledge and utilization, accountability to be arranged in line with the activities and the maintenance of updated information system had not been conducted successfully during the year under review.

2.9 Utilization of Provisions made by Parliament for Execution of Activities

The particulars relating to the provisions made for the Department during 5 years ended 31 December 2017, utilization and savings are given below.

As at 31 December

| Year | Expenditure | Net Provision | Utilization | Savings | Savings as a Percentage of Net Provision |
|-------|--------------|------------------|-----------------|---------------|---|
| ----- | ----- | ----- | ----- | ----- | ----- |
| | | Rs.Millions | Rs.Millions | Rs.Millions | |
| 2013 | Recurrent | 2,267.70 | 2,266.18 | 1.52 | 0.06 |
| | Capital | 1,532.56 | 1,143.48 | 389.08 | 25.39 |
| | Total | 3,800.26 | 3,409.66 | 390.60 | 10.27 |
| 2014 | Recurrent | 2,757.71 | 2,751.83 | 5.88 | 0.21 |
| | Capital | 1,516.95 | 1,428.07 | 88.88 | 5.85 |
| | Total | 4,274.66 | 4,179.90 | 94.76 | 2.21 |
| 2015 | Recurrent | 4,057.90 | 3,978.91 | 78.99 | 1.95 |
| | Capital | 2,080.35 | 1,806.80 | 273.55 | 13.15 |
| | Total | 6,138.25 | 5,785.71 | 352.55 | 5.74 |
| 2016 | Recurrent | 4,299.26 | 4,184.22 | 115.03 | 2.68 |
| | Capital | 1,541.00 | 1,365.31 | 175.69 | 11.40 |
| | Total | 5,840.26 | 5,549.53 | 290.72 | 4.98 |
| 2017 | Recurrent | 4,572.61 | 4,249.66 | 322.95 | 7.06 |
| | Capital | 1,790.09 | 1,428.08 | 362.01 | 20.22 |
| | Total | 6,362.70 | 5,677.74 | 684.96 | 10.76 |

The following observation is made in respect of the provisions made for the year under review and the utilization.

Excess Provisions Made

Excess provisions had been made for 61 Objects and as such the savings after the utilization of provisions ranged between 11 per cent to 75 per cent of the net provisions relating to the respective objectives.

2.10 Estimated and Actual Revenue

The Department had prepared the Revenue Estimates totalling Rs.280 million in respect of the Revenue Code No.20.03.02.18 for the year 2017 and Revenue totalling Rs.290.7 million had been collected in the year under review. That represented 103.8 per cent of the revenue estimated. The following observations are made in this connection.

- (a) The Department had not implemented the Soil Conservation (Amendment) Act No.24 of 1996 and the Plant Conservation Act No.35 of 1999 authoritatively to execute the expected objectives effectively. As such the certain charges and fines that could have been earned by the Government had been deprived.
- (b) Even though, the various fees collected by the Department brought forward for a period ranging from 06 years to 20 years, those fees had not been revised as suitable to the present conditions in terms of the paragraph 05 of the Public Finance Circular No.01/2015 dated 20 July 2015.

2.11 Advances to Public Officers Account

Limits Authorized by Parliament

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

| Expenditure | | Receipts | | Debit Balance | |
|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| Maximum Limit | Actual | Mimumum Limit | Actual | Maximum Limit | Actual |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions |
| 300.00 | 299.56 | 180.00 | 188.02 | 1,000.00 | 588.00 |

The following observation is made in this connection.

Non-recovery of outstanding Loan Balances

According to the Reconciliation Statement presented to audit the outstanding loan balances as at 31 December 2017 totalled Rs.4.21 million. Even though, those outstanding loan balance remained over a period ranging from 01 year to 24 years, the Department had failed to recover those balances.

2.12 Commercial Advance Account

The Department had operated the Commercial Advance Account Activity of the Maintenance of Agriculture Farms and Selling Seeds, Item No.28502. According to the financial statements presented for that Advance Account Activity, the financial results of the Advance Account Activity as compared with the preceding year are given below.

| Advance Account Activity | Financial Results | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2017 | | 2016 | |
| | Profit excluding Hypothetical Charges | Profit including Hypothetical Charges | Profit excluding Hypothetical Charges | Profit including Hypothetical Charges |
| | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions |
| Maintenance of Agriculture Farms and Selling Seeds | 190.91 | 159.38 | 104.44 | 61.67 |

The following observations are made in this connection.

- A qualified opinion had been expressed in respect of the Commercial Advance Accounts for the year under review and for the preceding year.
- Even though, the outstanding balances of the Advance Account totalled Rs.43.29 million, the Department had failed to recover those outstanding balances even by the end of the year under review.

2.13 Winding up activities of the Advance Accounts

According to the decision of the Cabinet of Ministers, the winding- up activities of 05 Advance Account Activities had been assigned to the Department. That winding- up activities should have been completed within the period from 23 December 1991 up to 01 January 2004. Even though a time delay was shown ranging from 13 years to 26 years by 31 December 2017 those winding- up activities had not been completed. The following observations are made in this connection.

- Even though, the unauthorized accumulated working losses relating to 4 winding- up advance accounts totalled Rs.65.84 million, the Department had failed to complete the activities properly to write off that working losses even by the end of the year under review.
- The period to be completed for a said winding- up advance account activity had elapsed by 26 years. The recoverable balances totalled Rs.1.30 million and the balances to be settled totalled Rs.76,157 had remained in the above advance account.

The Department had failed either to recover or to settle those balances even by 31 December 2017.

2.14 Issuing Ad-hoc Sub-impressts

Even though, the ad-hoc sub-impressts granted should be settled immediately, after completion of the purpose in terms of Financial Regulation 371, the ad-hoc sub-impressts totalling Rs.1.5 million issued in 26 instances by the Department had been settled with a delay of a period ranging from 3 months to 11 months.

2.15 General Deposit Account

The balances of 6 General Deposit Accounts under the Department as at 31 December 2017 totalled Rs.161.5 million. Action in terms of Financial Regulation 571 had not been taken on 81 Deposits included in above deposits older than 2 years totalling Rs.3 million.

2.16 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following registers in the proper and updated manner.

| | Type of Register ----- | Relevant Regulation ----- | Observation ----- |
|-------|---|--|-----------------------------|
| (i) | Register of Fixed Assets | Treasury Circular No.842 dated 19 December 1978 and Appendix II of Financial Regulation 502(2) | Not updated. |
| (ii) | Register of Fixed Assets on Computers, Accessories and Software | Treasury Circular No.IAI/2002/02 of 28 November 2002 | Not updated. |
| (iii) | Register of Security. | Financial Regulation 891 (1) | Not updated. |
| (iv) | Register of Electrical Equipment | Financial Regulation 454 (2) | Not updated. |
| (v) | Register of Listing of Motor Vehicles | Financial Regulation 1647 (e) | Not updated. |
| (vi) | Register of Researches | Paragraph 04 of the Circular No.08/2010 of the Director General of Agriculture dated 23 September 2010 | Not prepared. |
| (vii) | Register of Plant Production | Circular No.08/2010 of the Director General of Agriculture dated 23 September 2010. | Not prepared properly. |

| | | |
|-------------------------------------|---|--------------|
| (viii) Register of Fuel Consumption | Guideline on Utilization of Machinery Record books of Department of Agriculture No.අවු/03/12/2017/02 dated 13 October 2017. | Not updated. |
|-------------------------------------|---|--------------|

2.17 Non-compliances

----- 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

Non-compliance

(a) Statutory Provisions

| | |
|---|--|
| (i) Section 3.1 (d) of Soil Conservation (amendment) Act No.24 of 1996. | Even though, 20 years had elapsed after the Act passed, a Soil Conservation Fund had not been established. |
|---|--|

| | |
|--|---|
| (ii) Plant Protection Act No.35 of 1999. | Even though, 18 years had elapsed after the Act passed, the necessary Regulations had not been prepared for the implementation of the activities of the Act properly. |
|--|---|

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

| | |
|---|--|
| (i) Financial Regulations 504(1)(a), (b), (c) and (d) | The statements on trade debtors, trade creditors, raw materials, stores articles, supplies and finished goods had not been prepared at the end of each quarter and had not been forwarded to the Chief Accounting Officer with a copy to the Auditor General before the 15 th of the month following the quarter. |
|---|--|

| | |
|--------------------------------|--|
| (ii) Financial Regulations 505 | A complete physical verification of a few items of stocks and stores with the balance in the stock ledgers should be made once in every month. The result of such verification and whether action has been taken under the |
|--------------------------------|--|

relevant Regulations regarding any discrepancies also be reported to the Chief Accounting Officer with copies to the Auditor General, but action had not been taken accordingly.

2.18 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure for Personal Emoluments

The particulars relating to the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 are given below. The Department had incurred a sum of Rs.2,730.6 million for Personal Emoluments Expenditure Category for the year under review. Accordingly, the expenditure per person had been Rs.272,134.

| | Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-------|------------------------------|-----------------------|---------------------|----------------------------|
| (i) | Senior Level | 985 | 446 | 539 |
| (ii) | Tertiary Level | 208 | 81 | 127 |
| (iii) | Secondary Level | 3,757 | 2,771 | 986 |
| (iv) | Primary Level | 6,132 | 5,391 | 741 |
| (v) | Casual/ Contract Basis | 1,505 | 1,345 | 160 |
| | Total | 12,587 | 10,034 | 2,553 |

The following observations are made in this connection.

- (a) Due to deploying the officers and the employees exceeding the approved posts of the cadre in certain divisions of the Department the vacancies had arisen mostly in other several divisions. As such the labourers recruited for the special duties had been deployed to cover other duties in those divisions of the vacancies existed.
- (b) Five Assistant Directors of Agriculture in the Services Revision Training Institute had been attached for training programmes in the year 2016. In consideration of overall position the annual training hours ranging from 39 hours to 100 hours had only been conducted by one officer.