

Report of the Auditor General on Head 135 – Ministry of Plantation Industries and the Department under the Ministry – Year 2013

This Report comprises two Parts.

- Part 1 - Summary Report on the Accounts of the Ministry and the Department under the Ministry
- Part 2 - Detailed Report on each Head

Part 1

Summary Report on the Accounts of the Ministry of Plantation Industries
and the Department under the Ministry

1. Departments under the Ministry

<u>Head</u>	<u>Name of Department</u>
293	Department of Rubber Development

2. Accounts

2:1 Appropriation Account

- (a) The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.2,854,148,050 and out of that a sum of Rs.2,724,020,277 had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Ministry and the Department amounted to Rs.81,384,648 and Rs.48,743,125 or percentages of the net provision amounting to 4 per cent and 5 per cent respectively. Details appear below.

Head	<u>As at 31 December 2013</u>			Savings as a Percentage of Net Provision
	Net Provision	Actual Expenditure	Savings	
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	Rs.	Rs.	Rs.	
135	2,004,298,050	1,922,913,402	81,384,648	4
293	849,850,000	801,106,875	48,743,125	6
Total	2,854,148,050	2,724,020,277	130,127,773	5
	=====	=====	=====	

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

The Ministry of Economic Development had made available provisions amounting to Rs.70,790,059 during the year under review for various activities and a sum of Rs.57,622,966 out of that had been utilized Accordingly, a sum of Rs.13,167,093 or 19 per cent of the provisions made available had been saved.

2:2 Revenue Accounts

Estimated and Actual Revenue

An estimate of revenue amounting to Rs.950,028,664 had been made for the year 2013 under the Revenue Code 20-02-01-04 Lease Rent from Regional Plantation Companies and out of that revenue amounting to Rs.694,530,337 or 73 per cent of the estimated revenue had been collected during the year under review. Accordingly, the Ministry had failed to reach the estimated revenue by a sum of Rs.255,498,327 or 27 per cent.

2:3 Advance Accounts

Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	<u>Maximum</u>	<u>Actual</u>	<u>Minimum</u>	<u>Actual</u>	<u>Maximum</u>	<u>Actual</u>
	<u>Limit</u>		<u>Limit</u>		<u>Limit</u>	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
13501	6,000,000	4,227,579	2,800,000	5,183,253	30,000,000	15,647,422
29301	18,000,000	11,487,763	10,200,000	10,699,071	54,000,000	32,117,272

2:4 Imprest and General Deposit Accounts

2:4:1 Imprest Accounts

The Imprest balances of the Ministry and the Department under the Ministry as at 31 December 2013 totalled to Rs.37,390,727. Details appear below.

Ministry/Department	Imprest Account Number	Balance as at 31 December 2013
		Rs.
Ministry of Plantation Industries	7002/0000/000/0331/0013	6,132,650
Department of Rubber Development	7002/0000/000/0300/0013	31,258,077
Total		37,390,727

2:4:2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 totalled Rs.59,939,516. Details appear below.

Ministry/Department	Deposit Account Number	Balance as at 31 December 2013
		Rs.
Ministry of Plantation Industries	6000/0000/00/0015/0047	4,322,832
Department of Rubber Development	6000/0000/00/0015/0148	55,616,684
Total		59,939,516

Part 2

----- Detailed Report on each Head -----

1. Head 135 – Ministry of Plantation Industries

1:1 Scope of Audit

The audit of the Appropriation Account and the Revenue Accounts including the financial records, reconciliation statements, books, registers and other records of the Ministry of Plantation Industries for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) of the Constitution in 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 24 December 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (e) and other major audit findings appearing in paragraphs 1:4 to 1:6 herein, the Appropriation Account, Revenue Account and the Reconciliation Statement of the Ministry of Plantation Industries had been prepared satisfactorily.

(a) Replies to Audit Queries

Replies to 05 Audit Queries issued to the Ministry during the year under review and one audit query issued in a preceding year had not been furnished even by 31 March 2014.

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.500,000 made for a Capital Object had been saved.
- (ii) Excess Provisions had been made for 08 Objects and the savings, after the utilization of the provisions, ranged between 50 per cent to 96 per cent of the net provisions relating to the respective Objects.

(c) Imprest Accounts

The following observations are made.

- (i) Ad hoc sub-imprests amounting to Rs.197,000 had been granted in 36 instances to 11 non-staff grade officers contrary to the provisions in Financial Regulation 371.
- (ii) Even though the ad hoc sub-imprests obtained should be settled immediately after the completion of the purpose in terms of Financial Regulation 371, the ad hoc sub-imprests referred to in (i) above had been settled 02 months after the completion of the purposes.
- (iii) According to Financial Regulation 371, the maximum ad hoc sub-imprests that can be granted at a time to a staff officer is Rs.20,000. But contrary to that regulation a staff officer had been granted an ad hoc sub-imprest of Rs.25,000 in one instance.
- (iv) Action on closing the cash book on 31 December 2013 had not been taken in terms of the Treasury Operations Circular No.04/2013 of 08 November 2013 in the following instances.
 - The Secretary to the Ministry had not taken action in terms of paragraph 1 of the above circular, to appoint a responsible officer for the closing of accounts of his office and sub-offices.
 - Even though the Ministry should have taken action in terms of paragraph 2.1 of the above circular to handover a note on the cash book balance on 31 December 2013 to the Bank, obtain a debit advice from the Bank and furnish such advice promptly to the Department of Treasury Operations, it had not been furnished even by 23 January 2014.

(d) Revenue Account

The following observations are made.

- (i) According to the account presented, revenue totalling Rs.362,266,312 had been in arrears and such arrears of revenue related to the period from the year 2010 to the year 2012. The follow-up action on the recovery of the revenue in arrears had been at a weak level.
- (ii) An estimate of revenue amounting to Rs.950,028,664 had been prepared for the year under review and out of that revenue amounting to Rs.694,530,337 had been collected. Out of the revenue collected, a sum of Rs.500,569,015 related to the year 2013 and represented 53 per cent of the estimated revenue.
- (iii) Out of the revised estimate of the Lease Rent Revenue for the year under review amounting to Rs.756,066,945 a sum of Rs.255,497,930 or 34 per cent could not be collected due to the failure to take action in terms of Financial Regulation 175(1)(a). Not even a single installment of the estimated revenue of Rs.42,444,852 expected to be collected during the year under review from the Agalawatta Plantation Company had not been recovered. Out of the 20 Plantation Companies, the arrears percentage of the recovery of lease rent revenue collection of 11 companies ranged from 25 per cent to 77 per cent.
- (iv) Out of the arrears of revenue as at 31 December of the preceding year amounting to Rs.300,689,704 a sum of Rs.193,961,322 only had been recovered during the year under review and a further sum of Rs.106,728,382 or 35 per cent had been in arrears. A system for recovery of penalty for delays had not been introduced.
- (v) Even though the Cabinet of Ministers had, by its decision No.09/2564/306/145, given an order to the Ministry to prepare a course of action to settle the problems that had arisen due to the sub-leasing of the lands of the Regional Plantation Companies action in that connection, had not been taken even by 31 December 2014.

(e) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No.13501 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs.15,647,422 and the Ministry had failed to recover those outstanding balances.
- (ii) A sum of Rs.99,212 relating to 09 officers transferred out of the Ministry remained without being recovered over periods ranging from 19 years to 29 years.

- (iii) A sum of Rs.413,221 recoverable from 05 employees who had been interdicted or terminated from service remained without being recovered over periods ranging from 04 years to 16 years.
- (iv) A sum of Rs.297,274 recoverable from two officers who had vacated posts remained outstanding over 02 years and 04 years.

1:4 Assets Management

The following deficiencies were observed during the course of an audit test check of the assets of the Ministry.

(a) Idle and Underutilized Assets

Three motor vehicles had been underutilized over a period exceeding 02 years.

(b) Conduct of Annual Boards of Survey

According to the Public Finance Circular No.441 of 09 December 2009 as amended by the letter No.PF/ Board of Survey/01 dated 07 December 2010 of the Director General of Public Finance, the Board of Survey for the year 2013 should have been conducted and the reports thereon should have been furnished to the Auditor General before 15 March 2014. Nevertheless, those reports had not been furnished to audit even by 31 May 2014. The last Board of Survey had been conducted for the year 2012.

1:5 Losses and Damage

Observations on the losses and damage revealed during the course of audit test checks are given below.

- (a) Losses and damage amounting to Rs.791,265 that had occurred in the year 2013 had not been shown in the Appropriation Account.
- (b) The loss caused by the loss of stores amounting to Rs.232,500 in the year 2012 had not been recorded in the Register of Losses.

1:6 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	18	14	04
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	88	60	28
(iv)	Primary Level	43	39	04
		-----	-----	-----
	Total	152	115	37
		=====	====	====

The Ministry had failed to fill 37 vacancies that existed as at the end of the year under review.

2. Head 293 – Department of Rubber Development

2:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Rubber Development for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) of the Constitution in the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review, audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit findings appearing in paragraphs 2.4 to 2.8 herein, the Appropriation Account, and the Reconciliation Statement of the Department of Rubber Development had been prepared satisfactorily.

(a) Budgetary Variance

The following observations are made.

- (i) The total net provision of Rs.2,200,000 made for one Object had been saved.
- (ii) Excess provisions had been made for 04 Objects and as such the savings, after the utilization of provisions, ranged between 30 per cent to 40 per cent of the net provisions relating to the respective Objects.
- (iii) Even though provisions totalling Rs.1,450,000 had been transferred to three Objects under Financial Regulation 66, the savings after the utilization of those provisions amounted to Rs.1,018,331 or 70 per cent of the transferred provisions.

(b) Imprest Account

Ad hoc sub-impressts totalling Rs.76,340 had been granted in 08 instances to three non-staff grade officers contrary to Financial Regulation 371.

(c) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No.29301 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs.1,604,014 and the Department had failed to recover those outstanding balances.
- (ii) Loan balances totalling Rs.245,382 relating to 13 officers transferred out of the Department remained outstanding over periods exceeding 05 years.
- (iii) Action had not been taken for the recovery of a sum of Rs.173,408 recoverable from three officers interdicted, dismissed and vacated post remaining over a period exceeding 05 years and loan balances totalling Rs.143,714 recoverable from two other officers remained without being recovered over periods of 01 year and 04 years.
- (iv) Action had not been taken for the recovery of a sum of Rs.894,950 older than 05 years recoverable from two retired officers and a sum of Rs.105,800 older than one year recoverable from two other officers.
- (v) Action had not been taken for the recovery of balances totaling Rs.29,260 relating to two deceased officers and loan balances amounting to Rs.6,740 due from an officer who had vacated post.

2:4 Good Governance and Accountability
-----2:4:1 Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No.128 of 24 March 2006 had been prepared only on 31 December 2013.

2:4:2 Internal Audit

The Internal Audit Unit had planned to carrying out internal audits of 20 activities in the year 2013 and the internal audits of 15 of those activities had been carried out and reports issued.

2:5 Assets Management

The following observations are made.

(a) Idle and Underutilized Assets

A three wheeler motor vehicle of the Department had been underutilized over a period of one year and three months.

(b) Unsettled Liabilities

The unsettled liabilities of the Department less than 01 year old as at 31 December 2013 amounted to Rs.75,086,407.

2:6 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

An analysis of the adjustments appearing in the Bank Reconciliation Statements prepared by the Department of Rubber Development for December 2013 revealed the following information.

Particulars of Adjustments	Age Analysis		Total
	Over 06 months less than 01 year	Over 01 year less than 03 years	
	Rs.	Rs.	Rs.
(i) Unrealised Deposits	--	3,600	3,600
(ii) Cheques issued but not presented for payment	722,155	711,044	1,433,199
(iii) Unidentified Debits	--	3,349	3,349

2:7 Management Weaknesses

According to the provisions in the Employees Trust Fund Act, No.46 of 1980 a surcharge should be paid if the contribution of each month is not remitted to the Fund before the last day of the following month. The Department had paid a surcharge of Rs.89,241 during the year under review due to the failure on the part of the Department to pay the contributions to the Employees Trust Fund for the staff of the Rubber Research Board attached to the Department on the due dates.

2:8 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)* Attached from another Department and attached personally to the present post.	29	18	11
(ii) Tertiary Level	16	03	13
(iii) Secondary Level	352	249	103
(iv) Primary Level	72	72	--
(v) Others (Casual)/ Temporary/ Contract Basis*)	18	18	--
Total	487	360	127

*Attached from another Department and attached personally to the present posts.

The Department had failed to fill 127 vacancies even by the end of the year under review.

(b) Human Resources obtained from Other Parties

The Department had obtained human resources from the parties referred to below.

Category of Employees	Number	Other Party	Period
Internal Auditor	01	Department of Rubber Advisory Services and Department of Rubber Control	From the year 1994
Audit Clerk	01		
Publicity Officer	01		
Clerk	14		
Watcher	01		

