

Appropriation Head 178 – Ministry of Coconut Development and Janatha Estates Development

Report of the Auditor General – Year 2012

1:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Coconut Development and Janatha Estates Development for the year ended 31 December 2012 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 14 June 2013. 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 Appropriation Account and the Reconciliation Statements in accordance with the provisions of 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 Observations on the Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major observations appearing in paragraphs 1:4 to 1.7 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Coconut Development and Janatha Estates Development had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed in audit that the Ministry had not maintained the following registers in the proper and updated manner.

Type of Register	Relevant Regulation
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Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.
Register of Fixed Assets on Computer Accessories and Software	Treasury Circular No. 1A1/2002/02 of 28 November 2002.

(b) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs.1,785,791,900 and a sum of Rs.1,090,965,626 had been utilized as at the end of the year. Accordingly, the net savings amounted to Rs.694,826,274 and that represented 39 per cent of the total net provision. Details appear below.

Expenditure	Estimated Provision as at 31 December 2012	Net Provision as at 31 December 2012	Savings as at 31 December 2012	Savings as a Percentage of the Net Provision
	Rs.	Rs.	Rs.	%
Recurrent	563,690,000	567,606,000	31,144,893	5
Capital	1,200,100,000	1,218,185,900	663,681,381	54
Total	1,763,790,000	1,785,791,900	694,826,274	

(ii) Budgetary Variance

Excess provisions had been made under 09 Objects and as such the savings after the utilization of the provisions amounted to Rs.10,977,113 and represented 44 per cent to 99 per cent of the net provisions relating to those Objects.

(c) Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by the Parliament and the actual amounts of the Advances to Public Officers Account Item No. 17801 are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,500,000	1,456,400	300,000	1,103,810	3,800,000	3,735,803

(d) General Deposit Account

The balance of the deposits of the General Deposit Account less than one year old as at 31 December 2012 amounted to Rs.925,404.

1:4 Good Governance and Accountability

1:4:1 Annual Performance Report

Even though the Annual Performance Report which should be prepared by the Ministry within 150 days after the close of the financial year in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, should table in Parliament with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 21 June 2013.

1:4:2 Internal Audit

Even though an Internal Audit Unit should be established in terms of Financial Regulation 133 in order to ensure the performance of the duties and responsibilities spelt out in the Financial Regulation 128 in connection with the 03 Statutory Boards and two State Companies namely, Coconut Cultivation Board, Coconut Development Authority, Coconut Research Institute, Chilaw Plantation Company and Kurunegala Plantation Company, Ministry Office and the Office of the Minister, an Internal Audit Unit had not been established even by 30 June 2013.

1:5 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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(a) Financial Regulations		
-----	Rs.	
i. Financial Regulation 104	285,357	Even though investigations should be held in connection with losses and damage and determine the parties responsible, investigations had not been held and the parties responsible had not been determined in connection with accidents caused to 04 motor vehicles in the year 2012.
ii. Financial Regulation 104(2)	258,456	Even though a copy of the report on losses and damage exceeding Rs.50,000 should be sent to the Treasury, it had not been so done in connection with accidents to motor vehicles.
iii. Financial Regulation 1645(a)	606,565	Expenditure on repairs had not been recorded in the Motor Vehicle Log Books.
iv. Financial Regulation 1646	--	The original of the Monthly Performance Summary together with the Daily Running Charts for each month had not been furnished to the Auditor General before fifteenth day of the month following.
v. Financial Regulation 1647(b)	--	A survey of the motor vehicles and the connected equipment had not been conducted.

iii. Network Information System established for the supervision of the progress of Coconut Estates.

* According to letter No. Re-Gov/MISC 2012 dated 30 April 2012 of the Information Communication Technology Agency of Sri Lanka, after the completion of the Network Information System an audit of the security system installed in the system should be carried out through the Sri Lanka Computer Emergency Team. But such audit had not been done even by 30 June 2013.

iv. Weligama Leaf Wilt and Leaf Rot Disease

* The Ministry allocated provision amounting to Rs. 170 million to the District Secretary, Matara and a detailed report on the expenditure incurred from that should be furnished with copies of vouchers to the Ministry. But those reports had not been furnished to the Ministry.

1.7 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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Senior Level	06	05	01
Tertiary Level	09	03	06
Secondary Level	768	230	538
Primary Level	21	18	03
Total	804	256	548
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The following observation is made.

The Ministry had failed to fill 548 vacancies by the end of the year under review.