

Appropriation Head - 128
Ministry of Traditional Industries & Small Enterprise Development - 2012

1.1 Scope of Audit

The Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Traditional Industries & Small Enterprise Development for the year ended 31 December 2012 were audited 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 15 August 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 the Public Financial 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

According to the Financial Reports and the 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 the other major audit observations appearing in paragraphs 1.4 to 1.10 herein, the Appropriation Account of the Ministry of Traditional Industries & Small Enterprise Development had been prepared satisfactorily.

(a) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry in respect of the year under review amounted to Rs.949,865,039 and an amount of Rs.834,707,471 had been utilized by the end of the year. Accordingly, the net savings amounted to

Rs.115,157,568 and that represented 12.12 per cent of the total net provision. Details are given 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 Net provision
	Rs.	Rs.	Rs.	%
Recurrent	522,447,000	526,490,039	19,000,194	3.60
Capital	300,475,000	423,375,000	96,157,374	22.71
Total	822,922,000	949,865,039	115,157,568	

(b) Budgetary Variance

- (i) The entire net provision amounted to Rs.522,000 made for 03 objects had been saved.
- (ii) Due to excess provision made for 20 objects, savings after utilization of those provisions was in the range of 5 per cent to 99 per cent.

(c) Government Expenditure Management

As per National Budgetary Circular No. 155 dated 30 December 2011, 2 per cent and 9 per cent should be saved respectively from recurrent and capital provision approved by the Parliament through Annual Estimates for the year 2012. Accordingly, an amount of Rs.405,000 should be saved from capital vote of the Ministry. However, a sum of Rs. 350,000 had only been saved.

(d) Advances to Public Officers Account

The limits had been laid down by the Parliament

The limits authorized by the Parliament for the Advances to Public Officers Account Item No: 12801 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
7,500,000	5,035,378	2,500,000	5,171,587	25,000,000	12,758,317

Following observations are made.

- (i) When granting a loan to an officer, a loss of Rs.39,538 had been made to the government due to the negligence and delay of the officer/officers responsible and actions had not been taken as per sections 3.7.3, 3.7.4, 3.17.3 and 3.17.5 of paragraph XXIV of the Establishments Code.
- (ii) Due to not implementing the recommendation of the Public Service Commission regarding the recovery of a loan balance amounted to Rs.139,808 which should be recovered from an officer, the loan amount and its interest had been remained as irrecoverable even by 31 December 2012.

1.4 Good Governance and Accountability

1.4.1 Annual Procurement Plan

The Annual Procurement Plan which had been prepared by the Ministry , had not been prepared as per the National Budgetary Circular No: 128 dated 24 March 2006.

1.4.2 Internal Audit

Although an internal audit section had been established in the Ministry, internal audit had not been performed perfectly.

1.5 Assets Management

Idle and Under Utilized Assets

The building of Common Facilities Centre constructed at a cost of Rs.1,406,060 in the year 2010 for Gurupokuna carpentry related production village in Kurunegala, had been remained idled for more than 02 years.

1.6 Non-Compliances

Non -compliances with Laws, Rules and Regulations

Non Compliances with Laws, Rules and Regulations observed in sample audit examinations are described below.

Reference to Laws, Rules and Regulations	Non – Compliance
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(a) Financial Regulations 756 & 507(1)	Although all assets should be taken into Board of Survey annually, inventory in 02 sections of the Ministry had not been

taken into Board of survey in the year 2012 and those reports had not been submitted to the Auditor General.

- (b) Treasury Circular No:842 dated 19 December 1978 30 No. of Vehicles belong to the Ministry had not been entered into the Fixed Assets Register.

1.7 Losses and Damages

Observations on losses and damages revealed in sample audit examinations are given below.

- (a) Action had not been taken to recover the delay charges amounted to Rs.68,856, due to the delay in construction of Galaniha white pepper production village.
- (b) 05 No of white pepper production machines which were obtained from Lanka Industrial Development Board in the year 2008 for the Common Facilities Center at Galaniha white pepper production village, could not be performed even by the audited date due to the lack of capacity in electricity for the performance of the machines.

1.8 Uneconomical Transactions

- (a) An expenditure of Rs.12,774,295 had been incurred in the year 2009 for the construction of Common Facilities Center, purchasing capital instruments, construction of entering roads and obtaining electricity for coir related production village Marawita. Although it was left more than 03 years as at 20 February 2013 which was the audited date, action had not been taken to open and hand over this center for public ownership.

1.9 Management Efficiencies

Under mentioned deficiencies were observed.

- (a) As per the Sentence 6.2.2 in Procurement Guidelines 2006, it should be given a sufficient time for advertising in a newspaper to obtain any good or service. However, this purpose had not been fulfilled in the newspaper advertisement made for the security services in the year 2012.
- (b) Without taking over lands legally, Common facilities center at Galaniha white pepper production village had been constructed on a private land incurring a cost of Rs.925,000 and Kotawehera, Gurupokuna common facilities center had been constructed on a land of Ministry of Education incurring a cost of Rs.1,406,060.

1.10 Human Resources Management

 Approved Cadre and Actual Cadre

The position of the cadre of employees as at 31 December 2012 is given below.

Type of Employee -----	Approved Cadre -----	Actual Cadre -----	No. of Vacancies -----	No. of Excess Cadre -----
Senior Level	18	11	07	-
Territory Level	03	01	02	-
Secondary Level	396	58	338	-
Primary Level	31	28	03	-
Other (Casual/Temporary/ Contract Basis)	05	06	-	01
	----- 453 =====	----- 104 =====	----- 350 =====	----- 01 =====

Action had not been taken to fill 350 vacancies as at the end of the year under review.