

Report of the Auditor General on Head 135 - Ministry of Plantation Industries and the Department under the Ministry – Year 2012

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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 I**

The Summary report on the Accounts of the Ministry of Plantation Industries and the Department under the Ministry

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1. Department under the Ministry

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Head	Name of Department
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293	Department of Rubber Development

2. Accounts

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2:1 Appropriation Account

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(a) Total Provision and Expenditure

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The total net provision made for the Ministry and the Department under the Ministry amounted to Rs. 3,094,117,000 and out of that a sum of Rs.2,262,862,413 had been utilized by the end of the year under review. Accordingly, the net savings of the Ministry and the Department amounted to Rs.411,424,598 and Rs.419,829,989 respectively or 20 per cent and 40 per cent of the total net provisions respectively. The details appear below.

Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
135	Ministry of Plantation Industries	955,731,893	1,086,555,107	906,653,919	724,208,483	49,077,974	362,346,624
293	Department of Rubber Development	931,530,000	120,300,000	579,915,422	52,084,589	351,614,578	68,215,411
	Total	1,887,261,893	1,206,855,107	1,486,569,341	776,293,072	400,692,552	430,562,035

## 2:2 Revenue Account

### (a) Estimated and Actual Revenue

The Ministry had prepared Revenue Estimates for Rs.927,824,851 under one Revenue Code for the year 2012 and Revenue amounting to Rs.771,317,447 had been collected during the year under review. Accordingly, 83 per cent of the estimated revenue had been collected. The details appear below.

Revenue Accounting Officer	Revenue Code	Estimated Amount	Actual Revenue	Under- Collection	Revenue Collected as a Percentage of Estimated Revenue
		Rs.	Rs.	Rs.	
Secretary to the Ministry of Plantation Industries	22.02.01.04	927,824,851	771,317,447	156,507,404	83

2:3 Advance Accounts

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2:3:1 Advances to Public Officers Accounts

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Limits Authorized by Parliament

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The following limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry of Plantation Industries and the Department of Rubber Development had been complied with. The details appear below.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
135	13501	6,000,000	4,497,549	3,000,000	3,066,358	31,000,000	16,603,096
293	29301	16,000,000	13,843,546	10,500,000	13,142,665	52,000,000	31,328,580

2.4 Imprest and General Deposit Account

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General Deposit Accounts

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The balances of the General Deposit Accounts of the Ministry of Plantation Industries and the Department of Rubber Development under the Ministry, as at 31 December 2012 totalled Rs.53,124,519. The details thereon are given below.

Ministry/ Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Plantation Industries	6000/0000/00/0015/0047	1,061,211
Department of Rubber Development	6000/0000/00/0015/0148	52,063,308
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		53,124,519
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## **Part 2**

### Detailed Report on each Head

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1 Head 135 – Ministry of Plantation Industries

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1:1 Scope of Audit

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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Plantation Industries for the year ended 31 December 2012 was carried out in pursuance of provisions in 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 24 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

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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 Observation

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According to the Financial Records and Books as at 31 December 2012, 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 1:4 to 1:8 herein, the Appropriation Account, the Revenue Account and the Reconciliation Statement of the Ministry of Plantation Industries had been prepared satisfactorily.

(a) Budgetary Variance  
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- (i) The entire net provision amounting to Rs.6,660,000 made for 08 Objects had been saved.
- (ii) Excess provisions had been made for 12 Objects and as such the savings after the utilization of provisions, amounted to Rs.10,606,155 and ranged between 53 per cent to 99 per cent of the net provisions relating to those Objects.

(b) Revenue Account  
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The following observations are made in connection with the Revenue Account.

- (i) According to the Account presented, revenue amounting to Rs.300,689,703 had been in arrears and the arrears of revenue related to periods ranging from 01 year to 04 years. The follow up action on the recovery of the arrears of revenue had been at a weak level.
- (ii) The Ministry had estimated revenue amounting to Rs.927,824,851 for the year 2012 and revenue amounting to Rs.771,317,447 had been collected. Out of that a sum of Rs.482,189,262 or 52 per cent of the estimated revenue for the year 2012 had been collected.
- (iii) The lease rent revenue relating to the years 2009, 2010 and 2011 that remained recoverable as at 31 December 2011 amounted to Rs.376,070,542. Out of that, a sum of Rs.231,888,243 or 62 per cent only had been collected in the year under review.
- (iv) Even though the recovery of rent revenue amounting to Rs.39,069,195 in the year under review from the Agalawatta Plantation Company had been estimated no installments whatsoever had been recovered out of that amount.
- (v) The lease rent revenue relating to the year 2009, 2010 and 2011 that remained recoverable as at 31 December 2012 amounted to Rs.6,974,343, Rs.35,251,757 and Rs.44,716,257 respectively and the recovery of the

arrears of lease rents had been at a weak level. In addition, the Ministry had not implemented a procedure for the recovery of a penalty for the delay in the payment of lease rent.

- (vi) As the value of net assets of 45 estates belonging to 03 companies that prevailed as at 31 December 1994 had decreased to Rs.200 million, lease rent had not been recovered in accordance with the agreement signed by the Government with 23 Plantation Companies in the year 1995. Even though the net assets of the Udupussellawa Plantation Company had improved by Rs. 454 million according to the financial statements for the year 2010 and by a sum of Rs.255 million in the year 2011 according to the financial statements, the possibility of recovering lease rent from that Company had not been reconsidered. As such potential lease rent that could have been collected by the Government had been deprived of.

(c) Reconciliation Statement of the Advances to Public Officers Account  
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- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 13501, the balances that remained outstanding as at that date totalled Rs.1,022,655 and the follow up action on the recovery of those outstanding balances had been at a weak level.
- (ii) The Ministry had failed to recover 07 loan balances amounting to Rs.99,212, included in the above total.

1:4 Good Governance and Accountability  
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1:4:1 Corporate Plan  
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According to the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities the Ministry should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 onwards. That Corporate Plan had not been prepared even by 31 December 2012.

1:4:2 Annual Procurement Plan  
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The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even by 31 December 2012.

1:5 Non-compliance  
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Non-compliance with Laws, Rules and Regulations  
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Instances of non-compliance with provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 103(1)(f)	4,602,000	A motor vehicle of the Small Plantations Entrepreneurship Development Programme had met with an accident on 18 November 2011 and according to the Inquiry Report, action had not been taken even by 31 December 2013 for the recovery of the loss from the relevant party.
(ii) Financial Regulation 103(1)	105,840	Action had not been taken even by 31 December 2013 for the recovery of the loss resulting from an accident caused to a motor vehicle on 29 August 2011.
(iii) Financial Regulation 104(2), (3), (4)	232,500	Reporting losses and damage as well as furnishing the preliminary reports and the full reports had not been done in connection with the loss of stocks on 06 July 2012.

## 1:6 Losses and Damages

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The observations on losses and damages revealed during the course of audit test checks are given below.

- (i) A loss of Rs.1,656,215 had resulted from 04 motor vehicles which had met with accidents in the year 2012.
- (ii) A loss of Rs.232,500 had resulted from the loss of goods from the stores.

## 1:7 Management Weaknesses

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Twenty three Regional Plantation Companies had been established under the Conversion of Public Corporation and Government Owned Business Undertakings to Public Companies Act, No. 23 of 1987 and the Companies Act, No. 17 of 1982 and 571 estates belonging to the Janatha Estates Development Board and the Sri Lanka State Plantations Corporation had been transferred to those Companies on lease basis for a period of 53 years under the Conversion of Public Corporations and Government Owned Business Undertaking to Public Companies Act, No. 23 of 1987. According to the information furnished by the Ministry, a difference of 36 estates between the number of estates transferred to 15 Companies and the number of estates appearing in the Gazette Notification relating to the transfer was observed.

## 1:8 Human Resources Management

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### Approved and Actual Cadre

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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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(i) Senior Level	18	14	04
(ii) Tertiary Level	03	02	01
(iii) Secondary Level	88	63	25
(iv) Primary Level	43	42	01
(v) Other (Casual/ Temporary/ Contract)	03	03	--
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Total	155	124	31
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The Ministry had not been taken action even by the end of the year under review to fill 31 vacancies.

2. Head 293 – Department of Rubber Development  
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2:1 Scope of Audit  
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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 2012 was carried out in pursuance of provisions in 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 Director General of the Department of Rubber Development on 24 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.

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

2:3 Audit Observations  
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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) and (b) and other major audit findings appearing in paragraphs 2:4 to 2:10 herein the

Appropriation Account, and the Reconciliation Statement of the Department of Rubber Development had been prepared satisfactorily.

(a) Budgetary Variance  
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The entire net provision of Rs.1,500,000 made for 02 Objects had been saved.

(b) Reconciliation Statement of the Advances to Public Officers Account  
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(i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 29301, the balances that remained outstanding as at that date totalled Rs.2,022,774. Out of those outstanding balances, loan balances amounting to Rs.103,558 had been settled in the year 2013 and the follow up on the recovery of the other balances had been at a weak level.

(ii) The balance according to Treasury computer printouts and the balance according to the Departmental books as at the end of the year 2012 had not been reconciled in terms of Financial Regulation 427 and a difference of Rs.2,533,476 was observed.

2:4 Good Governance and Accountability  
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2:4:1 Corporate Plan  
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Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, the Corporate Plan for the years 2012 to 2016 had been prepared only on 20 November 2012.

2:4:2 Annual Performance Report  
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Even though the Annual Performance Report that should be prepared by the Department in terms of Public Finance Circular No. 402 of 12 September 2002 and No. 402(i) of 20 February 2004 referred to in the letter referred to in paragraph 2.4.1 above should be tabled in Parliament within 150 days after the close of the financial year with copy to the

Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 05 November 2013.

#### 2:4:3 Annual Procurement Plan

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The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had been prepared on 24 January 2012.

#### 2:5 Assets Management

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##### Unsettled Liabilities

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The unsettled liabilities of the Department as at 31 December 2012 amounted to Rs.73,098,463.

#### 2:6 Performance

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The observations on the progress of the Department according to the Annual Action Plan for the year 2012 are given below.

##### Non-conformity of the Annual Action Plan with the Corporate Plan

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The Annual Action Plan prepared had not conformed to the Corporate Plan in the following instances.

- (i) Even though the replanting of rubber in 1,800 hectares in the year 2012 had been targeted, only 1,113 hectares or 62 per cent had been replanted by the end of the year.
- (ii) Even though the new planting of 3,000 hectares had been the target for the year under review, only 1,270 hectares of new plantings or 42 per cent of the target had been done.
- (iii) Even though 1,025 hectares should have been replanted with rubber in accordance with the Action Plan, only 181 hectares or 18 per cent of the target had been replanted with rubber.
- (iv) Even though targets had been set for the application of rain covers for 3,000 hectares of smallholder rubber lands during the year, rain covers had been applied only for 727 hectares or 24 per cent of the target.

## 2:7 Deficiencies in the Operation of Bank Accounts

### ----- Balances for Adjustment -----

Information revealed at an analysis of the adjustments shown in the Bank Reconciliations prepared for December 2012 by the Department of Rubber Development is given below.

Particulars	Over 06 Months less than 01 year	Over 01 year less than 03 years	Total
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	Rs.	Rs.	Rs.
(i) Unrealized Deposits	19,679	3,600	23,279
(ii) Cheques issued but not presented for payment	447,460	45,513	492,973

Action in terms of Financial Regulation 396(c) had not been taken on 147 lapsed cheques valued at Rs.492,973 issued but not presented to the Banks for payment.

## 2:8 Transactions of Contentious Nature

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According to the Internal Circular No. 2010/04 dated 24 February 2010 of the Department of Rubber Development, the maximum price payable for a grafted rubber seedling is Rs. 60. Nevertheless, payment at the rate of Rs.85 had been made for the purchase of grafted rubber seedlings in the year 2012. Accordingly, an overpayment of Rs.653,250 had been made in the purchase of rubber seedlings in the year 2012. The Department had not amended the circular. The Director General had, by his letter dated 02 November 2013, stated that action in terms of the instructions of the Ministry had not been taken in the purchase of rubber seedlings at the rate of Rs. 85 from the Wellassa Nursery and the private nurseries.

## 2:9 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
(i) Senior Level	26	20	06
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	337	256	81
(iv) Primary Level	68	54	14
(v) Others (Casual/ Temporary/ Contract Basis )	21	21	
Total	456	354	102

The Department had not taken action even by the end of the year under review to fill 102 vacancies.