

**Head 128 – Ministry of Traditional Industries and Small Enterprise Development**  
**Audit Generals Report – Year 2013**

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**1.1 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 Ministry of Traditional Industries and Small Enterprise Development for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) 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 03 October 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**

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 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**

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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing (a) and (b) and major audit findings appearing in paragraphs 1.4 to 1.10 herein, the Appropriation Account, and the reconciliation statements of the Ministry of Traditional Industries and Small Enterprise Development had been prepared satisfactorily.

**(a) Appropriation Account**

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**(i) Total Provision and Expenditure**

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The total net provision made for the Ministry amounted to Rs.1,094,579,000, and a sum of Rs.947,760,639 had been utilized as at the end of the year under review. Accordingly, a saving of Rs.146,818,361 or 13 per cent of the net provision was observed. Details are shown below.

Expenditure	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
Recurrent	574,579,000	569,738,669	4,840,331	0.8
Capital	520,000,000	378,021,970	141,978,030	27.3
<b>Total</b>	<b>1,094,579,000</b>	<b>947,760,639</b>	<b>146,818,361</b>	<b>13.4</b>

(ii) **Budgetary Variance**

Following observations are made.

- The entire net provision of Rs. 5,550,000 made under 02 Expenditure Items had been saved.
- Due to excessive provisions made for 19 Items of Expenditure, savings after utilization was in a range between 10 per cent and 99 per cent of the net provision.

(b) **Advances to Public Officers Account**

**Limits Authorized by the Parliament**

Limits authorized by the Parliament on Advances to Public Officers account relating to the Ministry and actual values are shown below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12801	6,500,000	5,067,815	2,500,000	5,211,090	23,000,000	12,790,305

Following observations are made in this regard.

- (i) According to the reconciliation statement as at 31 December 2013 relating to Item No. 12801 Advance Account, total of balances in arrears amounted to Rs.223,053. The Ministry had failed to recover those balances in arrears although more than 05 years had lapsed.

- (ii) Loans amounting to Rs. 15,000 had been paid by the Ministry without following the laid down procedures.

#### **1.4 Good Governance and Accountability**

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##### **Internal Audit**

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Although an Internal Audit Unit had been established in the Ministry the following short comings were observed.

- (a) The post of Chief Internal Auditor had been vacant for more than 03 years commencing from 08 May 2011 to 31 May 2014, the date of audit. Although requests had been made by the Ministry, an officer had not been appointed to that post up to 31 May 2014.
- (b) While copies of the internal audit reports had not been forwarded to the Auditor General in terms of Financial Regulation 134(3), internal audit had not been performed in accordance with the Management Audit Circular No. DMA/2009(1) dated 09 June 2009.

#### **1.5 Assets Management**

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At a sample audit checks carried out with regard to the assets of the Ministry, following observations are made.

##### **(a) Assets given to Outside Parties**

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Two motor vehicles valued at Rs. 3.5 Million had been improperly given to a State Company on 17 June 2012 and 13 September 2012 respectively, by the Ministry.

##### **(b) Improper use of Assets owned by other Institutions**

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A motor vehicle valued at Rs. 2 Million belongs to the Ministry of Women Affairs had been used by the Ministry from 01 May 2010 without a proper approval.

#### **1.6 Non-compliance**

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##### **Non-compliance with Laws, Rules and Regulations etc.**

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Action in terms of Financial Regulation 109 had not been taken by the Ministry up to 31 March 2014, either to recover from the parties responsible or to write-off losses and damages estimated to Rs. 107,787, occurred during the year under review.

## 1.7 Weaknesses in Implementing Projects

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Instances of abandonment of Projects without commencement and delays in implementation of Projects revealed in audit sample checks are shown below.

### (a) Abandonment of Projects without Commencing

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Although it had been planned to develop Beliaththa, Pansalgoda, Production Village, under the Project for Development of Earthenware Products Villages included in the Annual Action Plan, that Project had not been implemented and completely abandoned.

### (b) Delays in Implementation of Projects

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Achchuveli Industrial Colony Restoration Project had been commenced during the year 2012 by providing Rs. 220 Million Indian financial assistance and Rs. 50 Million local funds. According to Annual Action Plan for 2013, it had been planned to complete that Project in August 2013. However, that project work had been completed and Industrial Colony had been opened on 27 August 2014, after one year's delay.

## 1.8 Transactions of Connection Nature

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Most of the inventory items purchased by the Ministry and provided to Kurunegala Zonal Office, had been used by an another Ministry without any legal handing over. Due to that problems had arisen with regard to the ownership and safety of the inventory items, own by the Ministry.

## 1.9 Loss and Damage

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Out of the total expenditure that had to be incurred due to an accident took place to a motor vehicle on 21 August 2012; the Insurer had refused to pay a sum of Rs. 156,832. While the driver attached to this vehicle relating to the accident had been an officer of the Industrial Development Board and action had been taken to recover in instalments only 50 per cent of the loss.

### 1.10 Human Resources Management

#### (a) Approved and Actual Cadre

Carder position as at 31 December 2013 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	16	11	05
(ii) Tertiary Level	03	01	02
(iii) Secondary Level	396	310	86
(iv) Preliminary Level	31	24	07
(v) others (casual,/ Temporary/contract basis)	05	05	-
<b>Total</b>	<b>451</b>	<b>351</b>	<b>100</b>

Action had not been taken by the Ministry to fill 100 vacant posts as at the end of the year under review.

#### (b) Human Resources Improperly Released to other Parties

Particulars relating to Human Resources improperly released to other parties by the Ministry is shown below.

Category of Employees	Number	Other Party	Period Released
Development Assistant	01	Presidential Work Force	From 27.05.2009
Development Assistant	01	District Secretariat Kegalle	From 29.07.2013

#### (c) Human Resources obtained from other parties

An employee of a Corporation had been improperly developed in service by the Ministry for a period of more than 03 years from April 2011 to 31 May 2014, the date of audit.