

**Report of the Auditor General on Head 135 Ministry of Plantation Industries and the Department under the Ministry – Year 2014**

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Department under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

**1. Department under the Purview of the Ministry**

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

**1.1 Scope of Audit**

The audit of the Appropriation Account,, Revenue Account, and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Ministry of Plantation Industries and the Department, there under appearing in paragraph 1 above for the year ended 31 December 2014 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 Chief Accounting Officer and the Accounting Officer of the Ministry on the undermentioned dates. The audit observations, comments and findings on the accounts and 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.

<u>Head</u>	<u>Department / Ministry</u>	<u>Date of Issue of Management Audit Report</u>
135	Ministry of Plantation Industries	16 October 2015
293	Rubber Development Department	14 October 2015

**1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account, 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. The responsibility includes; designing, implementing, 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. Accounts

### 2.1 Appropriation Account

#### (a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs. 4,277 million and out of that Rs. 3,915 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry and the Department amounted to Rs. 335 million and Rs. 27 million and represented 10.5 per cent to 2.5 per cent of the net provisions.

Head	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
135	3,178.02	2,843.01	335.01	10.5
293	<u>1,098.80</u>	<u>1,071.66</u>	<u>27.14</u>	2.5
<b>Total</b>	<b><u>4,276.82</u></b>	<b><u>3,914.67</u></b>	<b><u>362.15</u></b>	<b><u>8.47</u></b>

#### (b) Utilization of Provisions Made Available by Other Ministries and Departments

Provisions totalling Rs. 72.7 million had been made available by the Ministry of Economic Development for various activities. Of that, a sum of Rs. 71.49 million had been utilized. Accordingly, a sum of Rs. 1.21 million representing 1.7 per cent of the provision made available, had been saved.

### 2.2 Revenue Account

#### Estimated and Actual Revenue

The Ministry had prepared Revenue Estimate totalling Rs. 1,000 million in respect of 20.02.01.04. Revenue Code for the year 2014 and Revenue totalling Rs. 733 million or 73 per cent of the estimated revenue had been collected. Details appear below.

<u>Revenue Code</u>	<u>As at 31 December 2014</u>			<u>Shortfall as a Percentage of Estimate Revenue</u>
	<u>Estimated Revenue</u>	<u>Actual Revenue</u>	<u>Shortfall</u>	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.02.01.04	1,000	733	267	26

## 2.3 Advance Account

### 2.3.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

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

<u>Item No</u>	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
	<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
13501	5.50	3.88	3.00	3.89	30.00	15.4
29301	18.00	14.77	10.00	11.20	55.00	36.81

## 2.4 Imprest Account

The balance remained at the Imprest Account of the Ministry amounted to Rs. 456,451 as at 31 December 2014.

## 2.5 General Deposit Account

The balances of the Deposit Accounts of the Ministry and the Department thereunder, totalled Rs. 26.03 million as at 31 December 2014. Particulars are as follows.

<u>Ministry / Department</u>	<u>Deposit Account No.</u>	<u>Balance as at</u> <u>31 December 2014</u>
		Rs. Million
Ministry of Plantation Industries	6000/0000/000/0015/0047	3.63
Rubber Development Department	6000/0000/000/0015/0148	<u>22.40</u>
Total		<u>26.03</u>

## 2.6 **Audit Observation**

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1, the Appropriation Account, Revenue Account and the Reconciliation Statements of the Ministry of Plantation Industries and the Rubber Development Department have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 to 4 herein.

## 3. **Head 135 – Ministry of Plantation Industries**

### 3.1 **Budgetary Variance**

The following observations are made.

- (a.) The entire net provision of Rs. 2 million made for an Object had been saved.
- (b.) As provisions had been made in excess for 06 Objects, the saving after utilization had been in the range of 50 per cent to 80 per cent of the net provisions, relating to those objects.
- (c.) Provisions totalling Rs. 37.47 million had been obtained from other Objects in compliance with Financial Regulation 66 without a proper forecast in connection with 03 Objects. Those provisions had been saved even by the end of the year under review without being utilized.

### 3.2 **Imprest Account**

The following observations are made.

- (a.) Contrary to the provisions of the Financial Regulation 371, ad-hoc sub imprests totalling Rs. 430,500 had been issued to 10 non- staff grade officers in 46 instances.
- (b.) Although the ad-hoc sub imprest obtained should be settled immediately after the completion of the intended purpose as per Financial Regulation 371, ad-hoc sub imprests totalling Rs. 118,319 granted in 13 instances, had been settled after a delay of ranging between 1 to 2 months since the completion of the intended purpose.
- (c.) Action had not been taken as per the Treasury Operations Circular, No. 04/2004 of 20 November 2014 relating to the closing of the Cash Books as at 31 December 2014. Details are given below.
  - (i) The Secretary to the Ministry had not appointed an authorized staff grade officer for the closing of accounts in terms of Paragraph 2.1 of the said Circular.
  - (ii) The authorized officer appointed by the Secretary to the Ministry in terms of Paragraph 2.1 of the said Circular, had not made entries in a manner preventing entering any transactions in the Cash Books after 31 December 2014.

### **3.3 Revenue Code - 20.02.01.04 Lease Income Account of the Regional Plantation Companies**

The Secretary to the Ministry, being the Revenue Accounting Officer, had been assigned with preparation of revenue estimates, collection of revenue, accounting and presentation of accounts with respect to Revenue Code 20.02.01.04. The following deficiencies were observed in the sample audit conducted in connection with those revenue codes.

- (a.) According to the annual budget estimate, it was estimated to collect a revenue of Rs. 1,000 million with respect to the Revenue Code, whereas a sum of Rs. 733 million of that had been collected by the end of year under review representing 73 per cent of the estimated revenue. The Ministry had not prepared amended revenue estimates and presented them to the Department of Fiscal Policies.
- (b.) According to the Revenue Account presented to the audit, revenue totalling Rs. 362 million had remained outstanding. Although the revenue remained due over a period ranging from 1 to 5 years, the follow up action on the recovery of the outstanding revenue was at a weak level.
- (c.) The half-yearly reports on outstanding revenue, had not been prepared as per Financial Regulation 128(2).
- (d.) Although the lease rents receivable from companies, *Kotagala*, *Agalawatta*, and *Kahawatta*, in the year under review had been estimated, those companies had not paid any lease rent whatsoever.

Further, out of the lease rents receivable from 8 out of 20 regional plantation companies, ranging from 22 per cent to 77 per cent of the lease rents remained outstanding .

- (e.) Although a lease rent totalling Rs. 362,226,312 had remained outstanding relating to a period of 5 preceding years, it was estimated in the year under review to recover only a sum of Rs. 144,911,867 representing 40 per cent of that. Nevertheless, a sum of Rs. 183,295,709 had been collected in the year under review by exceeding the estimate for the revenue in arrears and it amounted to Rs. 173,348,264 with respect only to the year 2013. Accordingly , it was observed that forecasting the recoverable revenue in arrears, was impractical and irrational.
- (f.) Lease rents in arrears totalling Rs. 439,456,846 with respect to 06 preceding years from 2009 to 2014 had not been recovered as at 31 December 2014. Conditions, relating to charging on late payments in that connection, had not been included in the lease agreements.

#### **3.4 Reconciliation Statement on the Advances to Public Officers Account**

The following deficiencies were observed in the sample test conducted on the reconciliation statement of the Item No. 13501, Advances to Public Officers Account as at 31 December 2014.

- (a.) According to the reconciliation statement presented to audit, the total of the outstanding balances amounted to Rs. 1,230,388 as at that date. The Ministry had failed to recover those outstanding balances.
- (b.) The Ministry had failed even by the end of the year under review to recover loan balances of Rs. 99,212 that remained due over a period of ranging from 20 to 30 years in respect of 07 officers who had been transferred out of the Ministry.
- (c.) Although a loan balance of Rs. 29,190 remained outstanding from an officer who had retired in 2013, the Ministry had failed even by the end of the year under review to recover that loan balance.
- (d.) Loan balances totalling Rs. 382,461 that remained due over a period ranging from 5 to 17 years in respect of 04 employees interdicted and ,the service terminated, had not been recovered even by the end of the year under review.
- (e.) Recovery of loan balances totalling Rs. 203,952 that had been remaining due over a period of 1to 5 years with respect to 2 officers who had vacated the service, had failed even by the end of the year under review.

### **3.5 Assets Management**

It was observed in sample audit checks that certain assets remained either idle or underutilized as categorized below.

(a.) Idle or Underutilized Assets

Action had not been taken even as at 31 December 2014 as per Public Finance Circular, No. PA/RS/V.Vehi/2009 of 14 July 2010 in connection with 6 vehicles that should have either been repaired or disposed otherwise over a period of 1 to 2 years.

(b.) Conducting Annual Boards of Survey

Action had not been taken even as at 30 June 2015 in accordance with Financial Regulations on the excesses, shortages and other recommendations pointed out by the Board of Survey reports for the year 2014

### **3.6 Non-compliance**

#### **Non-compliances with Laws, Rules, and Regulations**

As estates belonging to the regional plantation companies had been sub- leased, the Ministry had been directed by the Cabinet decision No. 09/25641/306/145 to prepare a methodology for the settlement of those issues. However, action had not been taken in that connection even by 31 August 2015.

### **3.7 Irregular Transactions**

#### **Deviation from the Government Procurement Guidelines**

The following observations are made.

- (a.) A sum of Rs. 424,468 had been spent on the renovation of the office of the Private Secretary to the Minister without properly following the Procurement Guidelines.
- (b.) The Coordinating Secretary to the Ministerial Secretary had been paid a sum of Rs. 203,475 as salaries and allowances for the period from 02 June to 14 August 2014. During the said period, she had not signed the register of attendance. Furthermore, she had been paid fuel and transport allowances amounting to Rs. 50,000. The daily running charts confirmed that she had also used a vehicle from the pool of the Ministry.

### **3.8 Losses and Damages**

Observations relating to the losses and damages revealed in the sample audit checks, are given below.

- (a.) Accidents had caused losses and damages amounting to Rs. 7,736,238 in connection with 11 vehicles. However, action had not properly been taken to recover those losses and damages.
- (b.) A loss of Rs. 232,500 had incurred due to loss of goods at the stores in 2012. The loss had not been recorded in the Register of Losses and Damages and action had not been taken to recover the loss from the parties responsible.

### 3.9 Management Weaknesses

The following deficiencies were observed in the sample audit checks.

- (a.) Action had been taken in the year 2012 to dispose a vehicle of which the value had been assessed on Rs. 1,400,000. The maximum bid received amounted to Rs. 1,032,000. As the maximum bid was lower than the assessed value, the Ministry had decided to call for bids once again. The vehicle had been assessed once again in the year 2013, and the value amounted to Rs. 900,000. The maximum bid received in calling for bids again amounted to Rs. 756,700, and the vehicle had been given to that bidder. If the bid had been accepted in the first Procurement in terms of Public Finance Circular, No. 353(5) dated 31 August 2004, the loss of income of Rs. 275,300 to the Government could have been deprived.
- (b.) A damage of Rs. 3,810,756 had been estimated following an accident that had occurred on the expressway on 28 September 2014 involving a vehicle owned by the Ministry. The repairs on the said vehicle had not been carried out even by 31 August 2015. The Internal Auditor had been informed that a detailed report in that connection after taking action in terms of Financial Regulation 104, be presented by 15 October 2014. Nevertheless, the said report had not been presented to the Ministry by the Internal Auditor even as at 31 August 2015.

### 3.10 Human Resources Management

- (a.) Approved and Actual Cadre

The position of cadre as at 31 December 2014 had been as follows.

	<u>Category of Employee</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>No. of Vacancies</u>
(i)	Senior Level	19	16	03
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	88	55	33
(iv)	Primary Level	43	42	01
	<b>Total</b>	<u>153</u>	<u>115</u>	<u>38</u>



#### **4. Head 293 – Rubber Development Department**

##### **4.1 Budgetary Variance**

Excess provision had been made for 06 Capital Objects and as such the savings after the utilization of provisions, ranged between 14 per cent to 46 per cent of the net provisions relating to those Objects.

##### **4.2 General Deposit Account.**

The following observations are made.

- (a.) Acton had not been taken as per Financial Regulation 571 in connection with 102 deposits older than 2 years and totalling Rs. 2,319,390.
- (b.) The Department had been given a sum of Rs. 300,000 by a plantation company for purchasing budded rubber saplings in the year 2011. Those monies had been retained in the Deposit Account without being utilized for the intended purpose.

##### **4.3 Reconciliation statement on the Advances to Government Officers Account**

The following deficiencies were observed in the sample test conducted on the reconciliation statement of the Item No. 29301, Advances to Public Officers Account as at 31 December 2014.

- (a.) According to the reconciliation statement presented to audit, the total of the balances that remained outstanding as at that date amounted to Rs. 2,346,505. Although those balances had been remaining outstanding over a period ranging from 01 to 07 years, the Department had failed to recover those outstanding balances.
- (b.) A num of Rs. 242,940 of total balances recoverable from officers interdicted or vacated their services had been remained due over a period ranging from 01 to 05 years. The Department had failed even as at 31 December 2014 to recover loan balances of Rs. 92,029 that remained due over a period ranging between 2 to 3 years recoverable from the officers who had been dismissed.
- (c.) Although loan balances of Rs. 212,810 recoverable from the officers retired and deceased, had been brought forward over a period ranging from 2 to 15 years, , the Department had failed to recover those loan balances even by the end of the year under review.
- (d.) The Department had failed to recover loan balances of Rs. 117,621 recoverable from officers transferred out of the Department, and brought forward over a period ranging from 02 to 07 years even by the end of the year under review.

#### **4.4 Good Governance and Accountability**

##### Internal Audit

Although the Internal Audit Division had planned to conduct audits on 27 activities for the year 2014, only 15 audit activities had been conducted.

#### **4.5 Assets Management**

The following observations are made.

(a.) Idle and Utilized Assets

A three wheeler owned by the Department had remained idle over a period of more than one year.

(b.) Un-settled Liabilities

The value of the liabilities that had not been settled by the Department as at 31 December 2014 ,and brought forward over a period of less than one year amounted to Rs. 55,816,073.

#### **4.6 Weaknesses in Operating Bank Accounts**

Action had not been taken in terms of Financial Regulation 396 (d) in connection with outdated cheques valued at Rs. 217,306 issued but not presented to the bank even by September 2015.

#### **4.7 Losses and Damages**

As a vehicle of the Department had met with an accident and a loss of Rs. 1,069,227 had occurred, and an indemnity of Rs. 1,041,982 had been received from the insurance company. Action had not been taken accordingly either to recover the loss from the parties responsible, or write off from the Books in connection with the loss of Rs. 27,245 incurred to the Department.

#### **4.8 Human Resources Management**

##### Approved Cadre and Actual Cadre

Position of cadre as at 31 December 2014 had been as follows.

	<u>Category of Employee</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>No. of Vacancies</u>
(i)	Senior Level	29	23	06
(ii)	Tertiary Level	16	03	13
(iii)	Secondary Level	362	245	117
(iv)	Primary Level	72	69	03
(v)	Other (Casual/Temporary/contract basis)*	17	17	-
	<b>Total</b>	<b><u>496</u></b>	<b><u>357</u></b>	<b><u>139</u></b>

- Officers affiliated from the Rubber Consultancy Services Department, and Rubber Control Department in a manner private to the current post.