

Report of the Auditor General on Head 175 - Ministry of State Resources and Enterprise Development – Year 2014

Paragraphs 1 and 2 of this report contain the general information on the Accounts of the Ministry and the audit observations of the Head appear in paragraph 3.

1:1 Scope of Audit

The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of State Resources and Enterprise Development for the year ended 31 December 2014 were audited 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 30 September 2015. 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 reconciliation statements in accordance with the provisions in Article 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.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs.1,419.21 million and out of that, a sum of Rs. 1,394.20 million had been utilized by the end of the year under review. Accordingly, the savings amounted to Rs.25.01 million or 1.76 per cent of the net provision. Details appear below.

Expenditure	As at 31 December 2014			Savings as a Percentage of the Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	93.18	81.41	11.77	12.63
Capital	1326.03	1312.79	13.24	1.00
Total	1419.21	1394.2	25.01	1.76

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account relating to the Ministry and the actual values are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
17501	4.50	2.86	1.50	2.59	20.00	9.78

2.3 General Deposit Account

The balance of the Deposit Account of the Ministry as at 31 December 2014 amounted to Rs.2.06 million.

2.4 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 at the Management Audit Report, referred to in Paragraph 1.1, the Appropriation Account and the Reconciliation Statements of the Ministry of State Resources and Enterprise Development had been prepared satisfactorily. The material and important observations included in that Management Audit Report appear in Paragraph 3 herein.

3. Head 175 - Ministry of State Resources and Enterprise Development

3.1 Appropriation Account

Budgetary Variance

Following observations are made.

- (a) The entire net provisions made for 02 Objects amounting to Rs. 900,000 had been saved.
- (b) Excess provision of Rq.4,436,858 had been made for 03 Objects and as such the savings thereunder after utilization of provisions ranged between 77 per cent to 87 per cent of the net provision relating to the respective Objects.

3.2 General Deposit Account

Action had not been taken in terms of Financial Regulation 571 with regard to 02 deposits (except land deposit) amounting to Rs.139,924 which had exceeded a period of 2 years.

3.3 Reconciliation Statement of Advances to Public Officers Account

Following deficiencies were observed at the sample test check conducted on the reconciliation statement of the Item No. 17501, Advances to Public Officers Account as at 31 December 2014.

- (a) According to the Reconciliation Statement furnished to audit the loan balances of the employees who had transferred out and vacated their posts amounted to Rs.739,594 had been remained outstanding from the period ranging 06 months to 03 years and the follow up action on the recovery at a weak level.
- (b) The Ministry had paid a sum of Rs.483,145 as Distress Loan without following the instructions for the payment of those loans.

3.4 Assets Management

During the course of audit test examination carried out in respect of assets of the Ministry the following deficiencies were observed.

(a) Use of Assets Belongs to External Institutions

A vehicle belongs to the Janatha Estate Development Board was used by the Ministry of Coconut Development and Janatha Estate Development and Ministry of State Resources and Enterprise Development without a formal approval from 08 of April 2009.

(b) Unsettled Liabilities

Liabilities remaining for a period of less than one year which had not been settled by the Ministry as at 31 December 2014 amounted to Rs.1,216,920.

3.5 Non – compliance

Non – compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(a) Financial Regulation 104 (1)	249,296	The investigation had been started after 03 to 09 months delay to ascertain the loss and identify the parties responsible in terms of the Financial Regulations with regard to 04 vehicle accidents caused.
(b) Financial Regulation 396(d)	52,224	Action in terms of the Financial Regulations had not been taken relating to cheques issued but not presented for more than 06 months.

3.6 Performance

Following observations are made in respect of the progress of the Ministry with the annual Budget Estimate and the Action Plan for the year 2014.

(a) Activities Contrary to Key Functions

Instances of action deviating from the objective taken by the Ministry were observed. Several such instances revealed during test checks are given below.

- (i) It had been failed to change 22 institutions under the Ministry, commercially effective.

- (ii) Recurrent nature expenses such as salaries of employees, arrears gratuity and provident Fund payments of the institutions under the Ministry had been incurred under Capital Expenditure.

3.7 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from Government Procurement Procedure

Even though quotations should be called at least from 3 institutions in terms of Guideline 3.4 of the Government Procurement Guidelines, only one quotation was called from an organization and purchased Furniture Fittings and Equipment for a value of Rs.619,103.

(b) Lease out of Centrifugal Factory

Following observations are made in this regard.

- (i) Even though aspirations had been called on 05 March 2011 for the lease of Centrifugal Rubber Factory at Mawanella, an analytical review had not been done on the financial statements of those institutions submitted quotations while evaluating the investment values for obtaining marks.
- (ii) An institution not mentioned its deposit value when marks are given for deposits. But marks had been given falsely showing Rs. 60 million in the evaluation sheets.

(c) Providing Official Quarters to the Minister

Two official bungalows had been used by the Minister of the State Resources and Enterprise Development for more than of 2 years.

3.8 Uneconomic Transactions

The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

- (a) A loss of Rs. 75,000 had been occurred, due to non-consideration the lowest price on purchase of books for school children while the exercise books were purchased from an institution under the Ministry which was not printing those books.
- (b) It had been received a lower quotation, than the Government Valuation on the lease of machinery which worth Rs. 66 million at the tyres and tubes factory at Mawanella and thus the machinery were sold on the basis of remove and sale them and received the valuation report again for a value of Rs. 22 Million on 14 March 2012.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Number
(i)	Senior Level	19	16	03	-
(ii)	Tertiary Level	03	02	01	-
(iii)	Secondary Level	56	32	24	-
(iv)	Primary Level	36	33	03	-
(v)	Other	-	01	-	01
	Total	114	84	31	01

The following observation is made.

Ministry had not taken action to get a proper approval in respect of excess cadre recruited.