

Report of the Auditor General on Head 118 – Ministry of Agriculture – Year 2015

Head – 118 The audit of the Appropriation Accounts and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Agriculture for the year ended 31 December 2015 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 08 July 2016. 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 Accounts 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. 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 Provisions and Expenditure

The total net provisions made for the Ministry amounted to Rs. 55,007.73 million and out of that, Rs. 53,730.88 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions made for the Ministry, amounted to Rs. 1,276.85 million, representing 2.32 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of the Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	53,819.67	53,017.92	801.75	1.49
Capital	1,188.06	712.96	475.10	39.99
Total	55,007.73	53,730.88	1,276.85	2.32

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under the Item No. 11801 of the Ministry, and the actual amounts are given below.

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
35.50	27.53	20.58	24.68	117.00	45.36

2.3 Imprest Account

The balance of the imprest account bearing No. 7002/0000/00/0325/0015/000 under the Ministry as at 31 December 2015 amounted to Rs. 35.98 million.

2.4 General Deposit Account

The total of the balances of 04 deposit accounts under the Ministry totaled Rs. 6.29 million as at 31 December 2015. Particulars are given below.

Deposit Account N0	Balance as at 31 December 2015
	Rs. Million
6000/0000/00/0002/0109/000	0.10
6000/0000/00/0013/0030/000	3.22
6000/0000/00/0016/0056/000	1.30
6000/0000/00/0018/0068/000	1.67
Total	6.29

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of Ministry of Agriculture for the year ended 31 December 2015 had been satisfactorily prepared subject to the Audit Observations included in the Management Audit Report referred to in paragraph 1.1 above. The material and important audit observations included in that Management Audit Report appear in paragraph 3.

3. Material and Important Audit Observations

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a.) The net provision of Rs. 1,070,000 made for 07 Objects had been entirely saved.
- (b.) As over provision for 62 Objects had been made the saving after utilization ranged from 5 to 99 per cent of the net provisions made those Objects.

3.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account bearing Item No.11801 as at 31 December 2015, the total of the balances that remained outstanding as at that date, belonging to the officers deceased, retired, interdicted, or vacated the service, amounted to Rs. 1,445,939. Although those loan balances had remained outstanding for a period of 1 to 5 years, the Ministry had failed to recover them.

3.3 Accountability and Good Governance

3.3.1 Action Plan

Eight activities costing Rs. 5,393,870 not included in the Action Plan prepared for the agricultural development projects specified for the year under review, had been included in the amended Action Plan after being implemented, and approval had been obtained on 17 November 2015 thereon.

3.3.2 Annual Procurement Plan

According to the National Budget Circular, No. 128, dated 24 March 2006, the annual Procurement Plan should be prepared prior to the commencement of the year of accounts. However, the Procurement Plan had been prepared in June, 2015. As such, the objectives expected therefrom could not be achieved.

3.3.3 Annual Performance Report

According to the Public Finance Circular, No. 402, dated 12 September 2002, the Ministry should table the Performance Report in Parliament within 150 days from the close of the financial year. However, the Report had not been tabled in Parliament even up to 30 August 2016.

3.4 Assets Management

The following deficiencies were observed in the audit test check conducted on the assets of the Ministry.

(a.) Assets Released to External Parties

It was observed that 66 vehicles belonging to the Ministry, had been released to 17 external institutions. Particulars are as follows.

Nature of the Institution, to which Assets had been Released	No. of Institutions	No. of Vehicles Released.
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Ministries	01	05
Departments	03	07
Boards	03	14
Authorities	03	18
Provincial Councils	01	01
Companies	02	15
Provincial Agriculture Development Centres	02	02
	04	
Total	17	48
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(b.) Utilization of Assets belonging to Other Institutions

The Ministry had utilized 25 vehicles belonging to 16 other institutions without taking over properly. Particulars are as follows.

Nature of the Institution, by which Assets had been Released	No. of Institutions	No. of Vehicles Obtained.
Ministries	09	16
Agricultural Organization	02	03
Projects	02	03
Agrarian Services	01	01
Construction Institution	01	01
District Secretary	01	01
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Total	16	20
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(c.) Control of Vehicles

The following observations are made.

- (i) A vehicle of the Ministry had met with an accident on 21 February 2015 causing a damage of Rs. 1,782,680. It had been recommended only to warn the driver at the preliminary investigation, but he had been further assigned to another vehicle.
- (ii) A vehicle belonging to the Ministry had met with an accident on 24 December 2014, and the value of the damage assessed by the relevant agency, amounted to Rs. 4,322,087. It was informed by the insurance company that indemnity could not be paid as the driver had drunk at the time of the accident. Disciplinary action had not been taken by the Ministry against the parties responsible.

3.5 Non-compliances

Non-compliances with Laws, Rules, and Regulations.

The instances of non-compliances observed during the audit test checks are analyzed below.

Reference to Laws, Rules, and Regulations

Non-compliance

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) Financial Regulation 104(1)(a) | A vehicle of the Ministry had met with an accident on 21 February 2015. In the aftermath, a preliminary |
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inquiry report had been presented on 10 August 2015. The vehicle had become unusable after meeting with an accident once again in April, 2016. The preliminary inquiry report had not been presented even up to 08 June 2016 in connection with that accident.

- (ii) Financial Regulation 104(1)(b) In the case of a damage assessed at over Rs. 500,000, a Board of Inquiry chaired by a staff grade officer of an all island wide service should be appointed. However, an acting Administrative Officer had been appointed to conduct inquiries into a damage of Rs. 1,782,680 caused by an accident involving a vehicle of the Ministry. Once the said vehicle had met with an accident once again, an Assistant Director had been appointed to conduct inquiries in that connection.
- (iii) Financial Regulation 757(2)(a) Action had not been taken in connection with the shortages and excesses revealed in the Board of Survey for the year 2014.

(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

- (i) Section 5.1 of Chapter XV Two officers participated in the training programme on “Food Cultivation Techniques for Developing Countries” held in China for 45 days from 13 June to 27 July 2015, and 02 officers participated in the training program on rural development held in Egypt for 2 ½ months from 10 July 2015 to 25 September 2015, had not entered into agreements stating that they would serve for the Government after the training by indicating the specific periods.
- (ii) Section 10.7 of Chapter XV The appropriate authority in charge of the service which the officer belongs to, should be informed as soon as the approval is granted by the President / Prime Minister for proceeding abroad. However, it had not been so done in respect of the officers who had proceeded abroad in the year 2015.

- (c) Circulars of the Presidential Secretariat Circular, No. SB/2/1, dated 29 June 2015
- Although the vehicles assigned to the former ministers and deputy ministers should be taken over, a vehicle assigned to a deputy minister had not been handed over to the Ministry.
- (i) Paragraph 03 of the Circular, No. CA/1/17/1, dated 14 May 2010.
- Although the maximum number of official vehicles assigned to the ministers and deputy ministers should be 03, the minister and the state minister had been assigned with 02 vehicles each in addition to that.
- (d) Public Administration Circulars**
- Paragraph 5.1 of the Circular, No. 16/2014, dated 14 June 2014.
- A vehicle of the Ministry had been driven by an officer without obtaining the approval of the Secretary to the Ministry.

3.6 Performance

Several main functions that had not been adequately performed, were revealed during the audit test checks conducted on the performance of the Ministry.

- (a.) Financial provisions amounting to Rs. 34.3 million had been released to the Department of Agriculture in July, 2014 in order to mechanize seed production and establish a seed bank at the farm in Mahailuppallama. Of that, a sum of Rs. 11.1 million had been spent by the end of the year under review. Contracts had been awarded for activities not included in the Action Plan of this project, such as digging an agricultural water well, and laying gravel along a road of 700 meters in length. According to the agreement, laying of gravel should have been completed within 02 months, but the constructions had not been completed even after a lapse of more than 2 years since the award of the contract.
- (b.) Twelve seed distributor machines purchased under the subsidiary Food Crops Production Program, had been issued to the Inter Provincial Office of the Deputy Director of Agriculture, Anuradhapura on 15 June 2015. It was revealed in the physical verification conducted on 21 October 2015 that although 09 seed distributor machines had been issued to Agriculture Instructor's Offices, 04 machines had been returned due to defects. Defects such as, uneven distribution of seeds, damaging the seeds, and mismatches between the slots of the tractors and bolts had been observed. A sum of Rs. 2,562,560 had been incurred by the Ministry for purchasing 44 such distributor machines.
- (c.) Provisions amounting to Rs. 300 million had been made in the year under review for a programme to encourage the production and use of organic fertilizer in cultivation through the popularization of organic fertilizer thereby alleviating the use of chemical fertilizer. Of that sum, Rs. 251.6 million had been allocated for the Department of Agrarian Development. The following observations are made in that connection.

- I. A provision of Rs. 229 million had been made for developing 558 Agrarian Services Centres as agricultural parks. This programme had not been implemented at 18 of the said Agrarian Services Centres due to lack of space and dearth of water. Although this work had been implemented at the other Agrarian Services Centres, the progress had been as low as 29 per cent.
 - II. Provisions amounting to Rs. 10 million had been made for cultivating 850 acres of abandoned paddy lands by using organic fertilizer. Despite being stated that this programme had been implemented at 684.7 acres of land in 06 districts under that project, the targets had not been achieved.
- (d.) A vegetable cultivation project had been implemented with a view to harvesting in the months May, June, and July considered to be off-season. As the said project had been implemented as an expedited programme, farmer families had not been chosen by preparing specific criteria. Despite being decided to distribute 566,650 plants among 11,333 Agriculture Research Production Assistant zones in 25 districts, only 360,014 plants had been distributed as the farmer families had disliked buying them, and the excessive plants had been sold at the market at lower prices. Information on the quantities of harvest reaped after cultivating the plants, had not been made available, and a sum of Rs. 18,489,073 had remained payable to the nursery owners by November, 2015.
- (e.) Farmers already in the commercial level, and earning income higher than Rs. 50,000 had been selected by deviating from the relevant criteria in the years 2014, and 2015 under the Commercial Farm Development Programme. Owing to inefficient follow-up action, weaknesses, such as failure to supply plants to the farmers on time, and failure to construct safe houses in a timely manner, were observed. The audit test check revealed that benefits valued at Rs. 1,105,000 had not been granted to 03 farmers selected from the Colombo district even up to the end of the year.
- (f.) A sum of Rs. 1.360 million had been granted to the District Secretary, Matale, in July 2015 in order to make payments for the agricultural water wells, and water sprinkler systems in the Divisional Secretariat, Galewala in Matale district. Although materials required for constructing wells had been supplied, works of 3 agricultural water wells had not been completed. Although the said assistance had been provided for promoting the cultivation of chilies, no farmer in the sample examined physically, had not cultivated chilies. Water had been supplied for the cultivations of paddy, vegetable, and fruit.
- (g.) Provisions amounting to Rs. 6.00 million had been granted to the District Secretary, Mannar, in September 2015 for purchasing green gram in the district of Mannar. Approval had not been obtained for the methodologies suitable for storing and selling the

harvest after being purchased. Although Rs. 1.25 million had been spent out of a sum of Rs. 6.00 million, information on the purchase of green gram had not been made available.

- (h.) Provisions amounting to Rs. 500 million had been made for the Sustainable Food Programme under the Object 118-2-3-20-2502. A sum of Rs. 305 million had been spent in the year under review, and a sum of Rs. 14,878,500 representing 4.88 per cent had been incurred therefrom on the activities not relevant to the Object.

3.7 Transactions of Contentious Nature.

A sum of Rs. 500,000 had been granted to a beneficiary in the Dambulla division under a contribution of 50 per cent in order to purchase a 4 wheel tractor for the Youth Entrepreneurship in Agriculture Programme. This tractor had been registered in the name of the beneficiary. When examining the certificate of registration on the date of physical inspection, it was observed, that money had been obtained by transferring the tractor to a leasing company.

3.8 Irregular Transactions

Cabinet approval had been granted on 21 September 2015 for reforming the Parliamentary Working Committee, taking over the *Govijana Mandiraya* building for additional office space, and establishing the Ministry of Agriculture at the *Sethsiripaya* new building. After stating that the space of the building at *Sethsiripaya* had been insufficient, an agreement had been entered into without prudence by agreeing to pay rentals amounting to Rs 958 million for 5 years without obtaining competitive bids and deciding prices through a committee.

3.9 Uneconomic Expenditures

The following observations are made.

- (a.) An uneconomic expenditure of Rs. 347,700 had been incurred on 02 ceremonies for granting permanent appointments to the employees, and assumption of duties by the Ministers.
- (b.) Contrary to the Guidelines of the Government Procurement Guidelines, bids had been obtained from 03 institutions, named by the Chairman of the Food Promotion Board for the supply of canopy, huts and chairs for the inauguration ceremony held in *Iranamadu* with the participation of about 2,000 farmers and officers. The contract had been awarded to an institution somewhere in Wadduwa, that had furnished the lowest bid. A sum of Rs. 2,433,455 had been incurred including Rs. 360,000 on transport expenses, without considering the possibility of obtaining the said service from an institution nearby the Eastern Province. An assistance had not been taken from a Technical Officer before making payments.

3.10 Management Inefficiencies

The contract for the renovation of the fire extinguisher system of the building of the Ministry, had been awarded to the contractor who had furnished the bid of Rs. 5,942,150. As the value estimated by the consultancy firm amounted to Rs. 7,689,500, the value for which the contract had been awarded, was less than the assessed value by a sum of Rs. 1,747,250. A mobilization advance of Rs. 1,188,430 had been paid for commencing the works after entering into agreement with this contractor as well. The contract had been abandoned by the contractor without completion.

3.11 Human Resource Management

----- Approved Cadre and Actual Cadre -----

The position of cadre as at 31 December 2015, had been as follows.

	Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies	Cadre in Excess
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(i)	Senior Level	138	105	33	-
(ii)	Tertiary Level	11	06	05	-
(iii)	Secondary Level	1,359	1,079	280	-
(iv)	Primary Level	195	127	68	-
(v)	On Casual / Temporary / Contract Basis	-	09	-	09
	Total	1,703	1,326	386	09
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The following observations are made.

- (a.) The salaries of the Assistant Directors assigned to the National Fertilizer Secretariat, had been converted after 01 January 2003 in accordance with the salary scale authorized by the Director General of Management Services. Although it had been informed that the salary scale SL-1-2006 should be granted thereafter, they had been placed on the salary scale SL-1-2006 without verifying the accuracy of the previous salary conversion.
- (b.) The Cabinet had decided that the Assistant Directors should be placed on the salary scale SL-1-2006 with effect from 01 January 2015. Contrary to that, 02 officers had been paid a sum of Rs. 1,296,384 as arrears of salaries.

- (c.) Although most of those officers had been appointed in the years 1997 and 1998 on temporary basis, permanent appointments had been granted on 01 August 2000. However, permanent appointments had been granted by antedating to the date of appointment that had been made on temporary basis, but the possibility of antedating in that manner, had not been ascertained in audit.