

Report of the Auditor General on Head 135 -Ministry of Plantation Industries - Year 2015

The audit of the Appropriation Account, Revenue Account, and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Plantation Industries - Head 135 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 12 July 2016. 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.

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, 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

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs. 12,588.85 million and out of that Rs. 11,821.17 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry amounted to Rs. 767.68 million represented 6.10 per cent of the net provisions. Details are given below.

Expenditure	As at 31 December 2015			Savings as a percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	9,465.50	9,403.84	61.66	0.65
Capital	3,123.35	2,417.33	706.02	22.60
Total	12,588.85	11,821.17	767.68	6.10

2.2 Revenue Account

Estimated and Actual Revenue

The Ministry had prepared Revenue Estimates totalling Rs1,000.00 million in respect of 20-02-01-04 Revenue Code for the year 2015 and Revenue totalling Rs. 645.46 million had been collected in the year under review. It represented 64.55 per cent of the estimated revenue. Details appear below.

Revenue Code	As at 31 December 2015			Shortfall as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Shortfall	
	Rs. Millions	Rs. Millions	Rs. Millions	
20-02-01-04	1,000	645.46	355.54	35.45

2.3 Advance Account

2.3.1 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament and the actual values relating to the Advances to Public Officers' Account item No.13501 in relation to the Ministry are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
<u>Limit</u>					
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
15.00	20.55	0.60	19.37	50.00	25.01

A sum of Rs.8,563,593 had been noted under the debits and credits of the year under 8493/0/0/135011 by mistake in taking over the loan balances in the amalgamation of 3 Ministries as a result actual expenditure had been over stated by the same amount. It was observed that the limit had not been exceeded after the actual expenditure adjusted to rectify the same error.

2.4 Imprest Account

The balance remained as at 31 December 2015 in the Imprest Account No.7002/0000/00/0331/0015/000 of the Ministry was amounted to Rs. 0.1 million.

2.5 General Deposit Account

The balances of the 05 Deposit Accounts of the Ministry as at 31 December 2015 totalled Rs. 2.23 million. Particulars are as follows.

<u>Deposit Account No.</u>	<u>Balance as at 31 December 2015</u>
	Rs. Million
6000/0000/00/0015/0047/000	0.27
6000/0000/00/0019/0016/000	0.90
6000/0000/00/0015/0200/000	0.02
6000/0000/00/0018/0067/000	0.89
6000/0000/00/0002/0108/000	0.15

Total	2.23
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2.6 Audit Observation

The Appropriation Account ,Revenue Account and the Reconciliation Statements of the Ministry of Plantation Industries for the year ended 31 December 2015, have been prepared satisfactorily subject to the audit observations, appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant audit observations out of the audit observations included in the Management Audit Reports appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

	Type of Register	Relevant Regulation	Observations
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(a)	Register of Liabilities	Financial Regulation 214	Not maintained
(b)	Attendance Registers of the Procurement Committee and the Technical Evaluation Committees .	Guideline 2.11.2 of the Government Procurement Guideline.	Not maintained
(c)	Leave Register	Section 1.7 of Chapter XII of the Establishments Code.	Not updated
(d)	Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not updated

3.2 Imprest Account

Even though the ad hoc sub-impressts obtained should be settled within 10 days after the completion of the purpose in terms of provisions in Financial Regulation 371(5) amended by the State Financial Circular No.03/2015 of 14 July 2015 , the ad hoc sub-impressts totaling Rs.112,000 issued in 11 instances had been settled after a delays ranging from 01 months to 03 months from the completion of purposes .

3.3 Revenue Account

The Secretary to the Ministry, being the Revenue Accounting Officer, had been assigned the activity of preparation of revenue estimates, collection of revenue, accounting and presentation of accounts in respect to Revenue Code 20.02.01.04. The following deficiencies were observed at 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 in respect to the Revenue Code. Whereas a sum of Rs. 645 million of that had been collected by the end of year under review representing 65 per cent of the estimated revenue.
- (b) According to the Revenue Account presented to Audit, Revenue totalling Rs.439,756,841 had been in arrears and the arrears of Revenue brought forwarded since periods ranging from 01 year to 06 years. Even though it was estimated in the year under review to recover a sum of Rs.148,969,546 ,out of that 33.8 per cent of the total revenue in arrears , amounting to Rs.126,114,550 had been collected.

- (c) The actual revenue in the year under review had been decreased by Rs.88 million than the actual revenue of the preceding year.
- (d) Twenty three Regional Plantation Companies had been established under the Conversion of Public Corporations or Government owned Business undertakings into Public Companies Act, No.23 of 1987. Accordingly, 571 estates belonging to the Janatha Estate Development Board and Sri Lanka Plantations Corporation had been handed over to the Plantation Companies on lease basis for the period of 53 years. According to the formula used for the calculation of the lease rent, lease rents had not been charged since the year 1992 on behalf of 45 estates belonging to the 3 Companies named Agarapathana, Udupussallawa and Elkaduwa due to the net assets of the Companies less than Rs.200 million. The Ministry had stated as the reasons for that “ a lease rent revision could be done after the revision of the conditions stated in the lease agreement and such revisions in lease agreement could be done with an agreement of the relevant Company “. The Secretary to the Ministry had informed that the Ministry had made aware the General Treasury about the revisions should be made about the conditions mentioned in the lease agreements signed with all Plantation Companies as a whole. It was observed that the lease income recoverable to the Government had been lost due to the inability to recover those lease rents from those Companies had not been reconsidered.
- (e) According to the information presented by the Ministry, there had been 535 estates in extent of 249,892 hectares belonging to the Plantation Companies. Any evidences relating to the delimitation to identify the accurate area of lands in which the lands handed over had not been available. Lands had been granted to common amenities like develop infrastructure facilities such as 22 housing schemes, 10 schools, 7 estate hospitals, 45 religious places, 25 cemeteries, play grounds and other welfare activities industrial zones, water supply by 31 December 2015. It was observed that definite information on the extent of hectares granted for that purpose had not been properly available in the Plantations Management Supervision Division. The legal ownership of the government lands had not been confirmed by paying special attention in this connection. According to the Cabinet of Ministers Programme named “Leasing of Government Lands” dated 13 October 2006, provisions made by annual budget estimates and recommended to survey all lands within 03 years from the year 2006. Nevertheless, the Secretary to the Ministry had informed to audit that failure to complete those activities due to the dearth of the officers in the Survey Department and the problems existed relating to the payments for surveys.
- (f) One hundred and seventeen cases are being pending in respect of unauthorized land use relating to 565 unauthorized residents and encroaches in the estates under the administration of 23 Companies as at end of the year 2015. Accordingly, in the leasing of relevant estates to the Plantation Company a Power of Attorney had been given therewith to the lessee Estate Companies by the lesser (Sri Lanka State Plantations Corporation/Janatha Estate Development Board). According to the provisions of that Power of Attorney, the authority of appearance in each Court had been given to the lessee party for the protection of lesser party. Accordingly it was observed that there is no

possibility of intervention of the Government on the Court cases relating to the lands which were handed over.

- (g) The approval of the Cabinet of Ministers had not been obtained for the amendment made in the year 2003 after the Agreement entered into in the year 1995 with the Plantation Companies .

3.4 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed at the audit checks conducted on the reconciliation statement of the Item No. 13501, Advances to Public Officers Account as at 31 December 2015

- (a) The loan balances of Rs.99,212 that remained due over a period of 21 years recoverable from 07 officers who had been transferred out had not been recovered.
- (b) Loan balances totalling Rs. 534,928 that remained due over a period ranging from 2 to 5 years in respect of 06 employees interdicted and the service terminated had not been recovered.
- (c) Recovery of loan balances totalling Rs. 183,952 that had been remaining due over a period of 02 to 5 years in respect to 2 officers who had vacated the service, had not recovered.

3.5 Assets Management

The following deficiencies were observed at the sample audit checks carried out in respect of the assets of the Ministry.

(a.) Idle and Underutilized Assets

Three motor vehicles valued at Rs.9,550,000 belonging to the Ministry had been idle or underutilized over a period ranging from 01 month to 03 years was observed at audit test checks.

(b) Conducting Annual Board of Survey

Even though in terms of the Public Finance Circular No.02/2014 dated 17 October 2014, the Board of Survey for the year 2015 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2016, the reports had been furnished to the Auditor General on 27 July 2016 after a delay of 04 months.

3.6 Performance

A Programme for alleviation of Withering and Rotten of coconut leaves Disease at Weligama had been implemented since the year 2012. The following deficiencies were revealed at the audit test checks carried out relating to this Programme.

- (a) Even though coconut plants called “Kundira “had been distributed among the land owners spending Rs.1.11 million in the year 2012 for the areas which the Withering and Rotten of coconut leaves Disease at Weligama, the introduction had been failed due to the thickness of the kernel of that coconut variety was not up to standard.
- (b) Even though provisions of Rs.33.70 million had been made in the year under review for the purchase of a land for the maintaining a field examination house, a land had not been purchased even 31 December 2015.
- (c) Even though provisions of Rs.1.58 million had been made for the supply of 1 kg of YMP and Dolomite manure with hybrid coconut plants for the coconut cultivators under this Programme ,action had not been taken to supply manure even by the end of the year 2015.
- (d) Even though according to the Annual Budget Estimate, provisions of Rs.100 million had been made for this Programme, out of that, the utilization was in a lower position about 51 per cent at the end of the year under review. The Ministry had informed to audit that the provisions saved due to the amount of compensation decreased as a result of failure to purchase the land necessary for produce the coconut plants which are resistant to diseases and decrease in the provision thereof and the quantity of diseased trees found.
- (e) Even though a sum of Rs.394 million had spent during the period from the year 2012 to the year 2015 for this Project ,failure to find out a permanent solution for that disease even as at the end of the year under review.

3.7 Losses and Damage

The observations on the losses and damage revealed at the audit test checks are given below.

- (a) It had been failure to further covered the losses of Rs.7.84 million occurred to 15 vehicles of the Ministry even by 31 December 2015.The Ministry had not taken proper action to recover or write off those losses from the relevant parties.
- (b) Losses amounting to Rs.232,500 and Rs.188,900 had occurred due to loss of goods and computers at the stores respectively in the year 2012 had not been recovered from the parties responsible.

3.8 Uneconomic Transactions

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

- (a) Even though a sum of Rs.500,055 had spent for the carpeting and curtaining the office of the Minister of Plantation Industries in February in the year 2015 , a sum of . Rs.507,620 had spent again and new carpeting and curtaining had been done by removing previous curtains and carpets in November 2015 after appointing new Ministers in the same year.

- (b) The Ministry had been established at a space of 16712 square Feet in extent in the Janawasama Building up to January 2015 on a monthly rental of Rs.824,567. The same Ministry had been established at Sethsiripaya Stage II Building in a space of 31,504 Square Feet in extent from February 2015 paying a monthly rental of Rs.6,830,631.

3.9 Management Weaknesses

A sum of Rs. 3.81 million had been estimated for a damage following an accident that had occurred to a vehicle on 28 September 2014 and repairs for the said vehicle had not been carried out even by 31 August 2015. The Internal Auditor had been informed on 15 October 2014 that the final report after carrying out examination in that connection be presented within 3 weeks. 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

Approved Cadre and Actual Cadre

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

	<u>Category of Employee</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>No. of Vacancies</u>	<u>Excess</u>
(i)	Senior Level	29	24	05	-
(ii)	Tertiary Level	04	03	01	-
(iii)	Secondary Level	580	541	39	-
(iv)	Primary Level	65	71	-	06
(v)	Other(Casual/Temporary/Contract Basis)	<u>04</u>	<u>01</u>	<u>03</u>	-
	Total	<u>682</u>	<u>640</u>	<u>48</u>	<u>06</u>