

Report of the Auditor General on Head 283 – Department of Forests -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 Head 283 - Department of Forests 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 Conservator General of Forest of the Department on 30 June 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 and the Accounting Officer for the Accounts and the Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue 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 Provision and Expenditure

The total net provision made for the Department amounted to Rs.2,046.34 million and out of that Rs.2,032.02 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.14.32 million or 0.70 per cent. 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	1,198.59	1,188.99	9.60	0.80
Capital	847.75	843.03	4.72	0.56
Total	2,046.34	2,032.02	14.32	0.70

2:2 Revenue Accounts**Estimated and Actual Revenue**

The Departments had prepared Revenue Estimates totalling Rs.1,180 million in respect of two Revenue Codes for the year 2015 and Revenue totalling Rs.1,406.2 million had been collected during the year under review. Revenue amounting to 119 per cent of the estimated Revenue had been collected. Details appear below.

As at 31 December 2015				
Revenue Code	Estimated Revenue	Actual Revenue	Excess	Excess as a Percentage of Estimate
	Rs. Millions	Rs. Millions	Rs. Millions	
10:03:07:03	80.00	87.65	7.65	9.56
20:02:01:02	1,100.00	1,318.52	218.52	19.87
Total	1,180.00	1,406.17	226.17	19.17

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 Account, Item No.28301 of the Department and the actual values are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
72.50	63.67	58.50	65.91	274.00	215.96

2.3.2 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0045/0015/000 of the Department as at 31 December 2015 totalled Rs.228.77 million.

2.3.3 General Deposit Accounts

The balances of 06 Deposit Accounts under the Department as at 31 December 2015 totalled Rs.311.65 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
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	Rs. Millions
6000/0000/00/0001/0020/000	164.12
6000/0000/00/0002/0103/000	0.19
6000/0000/00/0006/0021/000	132.28
6000/0000/00/0013/0069/000	18.17
6000/0000/00/0015/0138/000	(3.21)
6000/0000/00/0016/051/000	0.10

	311.65
	=====

2.4 Audit Observation

The Appropriation Account, Revenue Accounts and the Reconciliation Statements of the Department of Forests for the year ended 31 December 2015, had 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 Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Department had not maintained the following registers.

<u>Type of Register</u>	<u>Relevant Regulation</u>
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002

3.2 Appropriation Account

3.2.1 Budgetary Variance

Excess provisions had been made for 07 Objects and as such the savings, after the utilization of provisions, ranged from 10 per cent to 24 per cent of the net provisions relating to the respective Objects.

3.3 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 59 deposits older than 2 years totalling Rs.8,350,620.

3.4 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to 02 Revenue Codes had been assigned to the Head of Department as the Revenue Accounting Officer. The following deficiencies were observed during the course of the audit test checks of those Revenue Codes.

(a) Revenue Code 20:02:01:02 - Revenue from Government Forests

The following observations are made.

- (i) According to the Annual Budget Estimates, the collection of Revenue amounting to Rs.1,100 million had been estimated under the Revenue Code. A sum of Rs.1,318.5 million had been collected as at the end of the year under review and that amounted to 119.86 per cent of the estimated Revenue.
- (ii) According to the Revenue Account presented to Audit, revenue amounting to Rs.2,028 million had been in arrears and the arrears of revenue related to periods ranging from 01 year to 05 years. The follow-up action on the recovery of arrears of revenue had been at a weak level.
- (iii) The Half Yearly Reports on Arrears of Revenue relating to the Revenue Code had not been prepared in terms of Financial Regulation 128(2).
- (iv) The difference of Rs.878, 986,751 existed between the Royalties receivable to the Department of Forest from the State Timber Corporation and the Royalties payable to the Department by the State Timber Corporation.

(b) Revenue Code 10:03:07:03 - Private Timber Transport

The following observations are made.

- (i) According to the Annual Budget Estimates, the collection of revenue amounting to Rs.80 million had been estimated under the Revenue Code. A sum of Rs.87.7 million had been collected as at the end of the year under review and that amounted to 109.63 per cent of the estimated revenue.
- (ii) According to the Revenue Account presented to Audit, revenue amounting to Rs.918,067 had been in arrears and the arrears of revenue related to periods ranging from 01 year to 04 years. The follow-up action on the recovery of arrears of revenue had been at a weak level.
- (iii) The Half Yearly Reports on Arrears of Revenue relating to the Revenue Code had not been prepared in terms of Financial Regulation 128(2).

3.5 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No.28301.

- (a) The balances that remained outstanding as at 31 December 2015 totalled Rs.9,202,251. Even though those outstanding balances remained over periods ranging from 01 month to 10 years, the follow-up action on the recovery of the outstanding balances had been at a weak level.

(b) Out of the loan balances that remained outstanding as at the end of the year under review, a sum of Rs.2,149,378 had been outstanding for over 05 years due from the officers deceased, retired and transferred to other Government Institutions.

3.6 Good Governance and Accountability

3.6.1 Annual Action Plan

Even though the Department should prepare an Annual Action Plan in terms of the Public Finance Circular No. 01/2014 of 17 of February 2014, the Action Plan for the year under review had been prepared only on 27 November 2015.

3.6.2 Annual Procurement Plan

Provisions totalling Rs.2,046.34 million had been approved by Parliament according to the Annual Budget Estimates for the procurement of goods and services in accordance with the Government Procurement Guidelines. Annual Procurement Plan for the year under review in terms of National Budget Circular No. 128 of 24 March 2006 for the utilization of provisions made had been prepared on 18 December 2015.

3.7 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

Conduct of Annual Boards of Survey

According to the Public Finance Circular No. 02/2014 of 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. Nevertheless, the Department had not furnished those reports even by 31 May 2016. The last Board of Survey conducted had been for the year 2014.

3.8 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

References to Laws, Rules and Regulations -----	Value -----	Non-compliance -----
	Rs.	
(a) <u>Statutory Provisions</u> Forest Order No.05 of 1979 made under Section 64 Forest Ordinance (Chapter 451) amended by Forests (Amendment) Act No.15 of 2009	409,569	Employee allowances totalling Rs.409,569 had been paid to three employees of the Department of Forests from the Fund contrary to the provisions of the Forest Fund.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 94	5,568,969	Commitments had been incurred by the Department with external parties exceeding the provisions made as at 31 December 2015.
(ii) Financial Regulation 104	-	The reports on certain damage which should have been prepared in terms of the provisions of Financial Regulations had been submitted after long delays.

3.9 Foreign Aid Projects -----

The Department had executed 02 Projects under foreign financing during the year under review. The estimated cost thereof according to the Project Agreements totalled Rs.747.33 million and a sum of Rs.170.23 million had been utilized on such Projects during the year under review. The following observations are made in connection with these Foreign Aid Projects.

- (a) Even though 86 per cent of the period of the Project of United Nations Sri Lanka Programme on Reducing Emissions of Greenhouse Gases from Deforestation and Forest Degradation had elapsed by the end of the year under review, only 56 per cent of the total provision made for the Project had been utilized.
- (b) Three forest cultivation areas of the Kurunegala District had been examined as samples with regard to the Community Forest Management Programme Project, and two cultivations of those were perished.

3.10 Performance -----

The observations on the progress of the Department according to the Annual Budget Estimate and Action Plan for the year 2015 are given below.

(a) Key functions not Executed Adequately

The Department had not adequately executed key functions and several instances so observed are given below.

- (i) Provisions amounting to Rs.10 million had been made for the conservation of hill tops in the Central Hills of Sri Lanka. Even though maintenance work of 484.3 hectares should be carried out from those provisions, only 377 hectares had been maintained according to the Performance Report.
- (ii) Provisions amounting to Rs.93.31 million had been made for the maintenance work of nurseries. Even though it had been planned to complete the work of 3,988.9 hectares, out of that, only 2,422 hectares had been maintained according to the Performance Report.
- (iii) Provisions amounting to Rs.10 million had been made for the expansion and maintenance of Pinus cultivation in a wide range. Even though work of 321 hectares had been planned to be carried out, work of 177.2 hectares only had been carried out.

3.11 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

According to the Bank Reconciliation Statement prepared as at 31 December 2015 by the Department of Forests, the cheques issued but not presented to Bank amounted to Rs.957, 222. Action in terms of the Financial Regulation 396(d) had not been taken even by 31 March 2016 with regard to those lapsed cheques.

3.12 Losses and Damage

The observations on losses and damage observed during the course of audit test checks are given below.

- (a) Damage totalling Rs.224,989 pertaining to 33 instances where the losses were less than Rs.25,000 and damage amounting to Rs.11,346,303 pertaining to 63 instances where the losses were over Rs.25,000 had not been settled even by 31 December 2015.
- (b) Ten years had elapsed since the occurrence of losses amounting to Rs.4,662,938 pertaining to 68 instances of losses/damage stated in Paragraph (a) above.

3.13 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Losses amounting to Rs.102,424 and Rs.466,832 had been sustained due to the accidents caused to a double cab motor vehicle of the Kurunegala Range on 05 January 2013 and 19 November 2013 respectively. Even though Rs.284,628 or 50 per cent of that loss should be recovered from the driver of motor vehicle, action had not been taken to recover that amount even by 31 December 2015.
- (b) Unauthorized occupants had cultivated the lands belonging to the Department of Forests in the Kurunegala Range and the extent of such lands had been identified as 209 acres. Nevertheless, action had not been taken to evict those unauthorized occupants.
- (c) A sum of Rs.152,305 given for the Third Stage of “Divi Neguma” on 08 June 2012 had not been utilized for the relevant purpose. That provision had been utilized for air conditioning the building of Kurunegala Range Forest Office by the Department contrary to the objective.
- (d) Quarters of the Watcher at Piduruthalagala had been assigned temporarily to the Civil Aviation Authority and a request by the letter No.PM/19/26/98 Nuwara Eliya had been made to return it to the Department. Nevertheless, it had not been returned even by 31 December 2015.
- (e) Court fines receivable for the year under review had been understated by Rs.1,130,600 in the Forest Department Fund while accounting for arrears of revenue amounting to Rs.36,335 receivable from Nuwara Eliya High Court had been duplicated.

3.14 Human Resources Management

The position on the approved cadre and the actual cadre as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	85	63	22
(ii) Tertiary Level	42	20	22
(iii) Secondary Level	1,383	1,088	295
(iv) Primary Level	1,609	1,293	316
Total	3,119	2,464	655