

## **Report of the Auditor General on Head 293 – Department of Rubber Development - Year 2015**

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The audit of the Appropriation Account and the Reconciliation statements including the financial records, books, registers and other records of the Head 293- Department of Rubber Development for the year ended 31 December 2015 was carried out in pursuance of provisions of 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 Director General of the Department on 29 June 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 and the Accounting Officer for the Accounts and Reconciliation Statements**

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation 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**

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### **2.1 Appropriation Account**

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#### **Total Provision and Expenditure**

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The total net provision made for the Department amounted to Rs. 3,691.35 million and out of that Rs. 3,194.57 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Department amounted to Rs. 496.78 million or 13.46 of the net provision. Details are given below.

Expenditure	As at 31 December 2015			Savings as a percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	2,589.35	2,302.46	286.89	11.08
Capital	1,102.00	892.11	209.89	19.05
<b>Total</b>	<b>3,691.35</b>	<b>3,194.57</b>	<b>496.78</b>	<b>13.46</b>

## 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 Item No.29301 of the Department and actual amounts are shown 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
19.06	18.82	12.06	18.75	50.00	36.88

## 2.3 Imprest Account

Balance of the Imprest Account No.7002/0000/00/0300/0015/000 of the Department as at 31 December 2015 amounted to Rs.79.47 million.

## 2.4 General Deposit Accounts

The balances of 06 General Deposit Accounts of the Department as at 31 December 2015 totalled Rs. 7.55 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.million
6000/0000/00/0001/0105/000	0.33
6000/0000/00/0002/0145/000	0.35
6000/0000/00/0013/0100/000	1.67
6000/0000/00/0016/0091/000	5.00
6000/0000/00/0018/0095/000	0.20
<b>Total</b>	<b>7.55</b>

## 2.5 Audit Observation

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The Appropriation Account and the Reconciliation Statements of the Department of Rubber Development 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 Report appear in paragraph 3.

## 3. Material and Significant Audit Observations

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### 3.1 Non-maintenance of Registers and Books

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It was observed during audit test checks that the Department 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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(i)	Security Register	Financial Regulation 891(i)	Not maintained
(ii)	Records of Liabilities	Financial Regulation 214	Not maintained
(iii)	Attendance Register of the Procurement Committee and the Technical Evaluation Committees	Guideline 2.11.2 of the Government Procurement Guidelines	Not maintained
(iv)	Register of Fixed Assets for Computers, Accessories and Software.	Treasury Circular No.IAI/2002/02 of 28 November 2002.	Not Updated
(v)	Register of Official Telephones	Financial Regulation 845(I)	Not Updated
(vi)	Leave Register	Section 1.7 of Chapter XII of the Establishments Code	Not Updated

### 3.2 Reconciliation Statement on the Advances to Public Officers Account.

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The following deficiencies were observed during the course of test check of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 29301.

- (a) According to the Reconciliation Statement presented to Audit the balances that remained outstanding as at 31 December 2015 totalled Rs2,189,542 .Even though those outstanding balances remained over periods ranging from 06 months to 06 years, the Department had failed to recover the outstanding balances even by 31 December 2015.
- (b) The Department had failed even by 31 December 2015 to recover the loan balances of Rs. 115,103 recoverable that remained due over a period of 05 years in respect of 12 officers who had been transferred out of the Department.
- (c) The loan balances of Rs107,010 recoverable from the 02 officers deceased and retired had been brought forward over a period of 5 years .

### 3.3 Assets Management

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

#### (a) Idle and Underutilized Assets

It was observed during the course of audit test checks that certain assets categorized below had been either idle or underutilized.

	Category of Assets	Number of Units	Value	Idle/Underutilized period
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			Rs.	
(i)	Lorries	01	550,000	3 years
(ii)	Jeeps	01	400,000	08 Months
(iii)	Three Wheelers	01	299,975	10 Months

#### (b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) Action had not been taken in terms of Financial Regulations with regard to excess and shortages pointed out and other recommendations made in the Boards of Survey Reports relating to 2 Regional Offices for the year 2015 .
- (ii) According to the Boards of Survey Reports ,action had not been taken to enter in the Inventory Register 12 fans ,08 regulators and 02 water tanks (500 L) fixed at the official quarters at Nagoda,Ingiriya and Bulathsinhala.
- (iii) Repairs had been carried out to 04 official quarters of the Rubber Development Officers in Dehiowita Division .Nevertheless, it had been reported that the goods removed during repairs had been piled up in the relevant premises at the time of carrying out the Boards of Surveys relevant to the year 2015.
- (iv) According to the Boards of Survey Reports ,it had been revealed that 04 tables,04 arm chairs ,06 plastic chairs ,normal chairs ,04 cushioned chairs and 01 filing cupboard with two drawers in the Rubber Development Offices at Kamburupitiya and Elpitiya had not been entered in the Inventory Register .
- (v) The Boards of Survey had reported that valued door-frames and lumber removed from old buildings at the Nursery at Egaloya had been piled up and those were subjected to decay .
- (vi) The Boards of Survey had reported that a double cab motor vehicle and the water pipe system at the Rubber Seedlings Nursery at Gurugoda had not been entered in the Inventory Register.

(c) **Unsettled Liabilities**

Unsettled liabilities of less than one year of the Department as at 31 December 2015 amounted to Rs. 76,838,381 .

**3.4 Performance**  
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Observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2015 are as follows.

- (a) Even though plans had been made to produce 1,850,000 rubber seedlings in the year under review from 7 Rubber Seeding Nurseries belonging to the Department, only 1,386,593 rubber seedlings had been produced at the end of the year under review. Accordingly, the production of rubber seedlings had been less than the target by 25 per cent.
- (b) Provision of Rs.8.4 million had been made for 03 Projects planned to be implemented in the year under review .Implementation of those projects had been postponed to the year 2016 due to failure to implement those Projects completely.
- (c) Even though ,plans had been made for the new cultivation of rubber in 11015 hectares in the year under review , rubber had been cultivated in 1160 hectares or 10 per cent at the end of the year under review.

**3.5 Deficiencies in Operation of Bank Accounts**  
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**Balances for Adjustment**  
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According to the Bank Reconciliation Statement prepared for December 2015 by the Department of Rubber Development the value of cheques issued but not presented to the Bank and lapsed amounted to Rs.1,731,388. Action on those cheques in terms of Financial Regulations 396(d) had not been taken even by 31 December 2015.

**3.6 Transactions of Contentious Nature**  
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Certain transactions entered into by the Department had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) Rubber guaranteed price subsidy of Rs.329 million had been paid to a private institution for the purchase of rubber. A Committee had recommended to recover a sum of Rs.11.5 million out of that money as it was an erroneous payment . Action had not been taken even by 31 December 2015 to recover that money.
- (b) Even though the cultivators who own only less than 50 acres of rubber lands are entitled for this in terms of the Circular No.2015/01 of 30 January 2015 on the methodology for the payment of guaranteed price in 06 instances the owners of rubber lands exceeding 50 acres had been paid Rs. 2,031,252 as the guaranteed price.

- (c) Even though according to the RC 14 reports presented by the sales agents of the Department of Rubber Development , payments had been made for the supply of 856.5 kilograms in 04 instances , it was observed that such supply had not been made actually.
- (d) Rubber subsidy amounting to Rs.75,786 had been obtained by submitting counterfeit bills under Title Certificate No.RPS/1/32/12.

### **3.7 Irregular Transactions**

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

- (a) Two agents had obtained rubber subsidy of Rs.3,253,122 in excess stating that more than the quantity purchased by themselves had been supplied to other Institutions during the period December 2014 and January 2015.
- (b) RC 14 Reports relevant to 79529 kilograms of rubber supplied by 17 rubber cultivators had not been received to the Regional Office at Kegalle and guaranteed price of Rs.7,555,302 had been paid without establishing the rubber cultivators from whom the purchases were made.
- (c) According to the RC 14 Report of the rubber agent, 2463 kilograms of rubber had been sold by a rubber supplier. According to the RC Report of the supplier, he had purchased only 576 kilograms after 20 December 2014. Accordingly, a sum of Rs.179,265 of rubber subsidy had been paid in excess for 1887 kilograms of rubber which were purchased before the relevant period.
- (d) Three vouchers for the payment of Rs.136,237,660 in January 2015 had not been certified by a proper authority.
- (e) An audit test check carried out on the payment of rubber subsidy in Kalutara District revealed that a sum of Rs.291,000 had been obtained as guaranteed price for 970 kilograms of rubber, more than the maximum kilograms which a rubber cultivator could claim under the third methodology. A sum of Rs.731,272 had been paid in excess in 08 instances due to payment of guaranteed price for the quantity more than the maximum quantity of rubber which could be claimed for the guaranteed price under the second methodology.
- (f) Even though it had been specified in the instruction manuals that the meters of the lorries used for the transportation of seedlings should be in working order , a sum of Rs.1,054,593 had been paid for 03 lorries of which the meters had not been in working condition.
- (g) It was observed in audit test check that a sum of Rs.97,707 had been paid as guaranteed price for 1028.5 kilograms of rubber purchased from 16 cultivators who were not having title certificates.

- (h) It was observed in audit test checks that 07 cultivators who supplied rubber had supplied rubber exceeding their maximum claims and a sum of Rs.58,757 had been paid in excess in that connection.
- (i) The following observations are made in respect of deviation from the Government Procurement Procedure.
  - (i) According to the letter No.RDD/3/2/Poly/2014-2 dated 17 December of the Director General of the Department of Rubber Development, 440,000 polythene bags purchased for 05 Seedling Nurseries at Rs.20,383,000. However, a second sample test check of those polythene bags had not been carried out afterwards.
  - (ii) There were delays of 2 months to 3 months exceeding the specified period for the supply of 3,025,000 polythene bags valued at Rs.10,375,750 purchased for to 04 Seedling Nurseries.

### **3.8 Management Weaknesses**

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The following weaknesses were observed at the sample audit test checks .

- (a) A sum of Rs.205,551 revealed as an excess payment in the examination with the help of computer programmes at Regional Office at Kegalle , had not been recovered.
- (b) Sums totaling Rs.7,443,769 had been paid in excess for 03 Institutions without certifying the relevant information by RC 14 Reports in the payments of guaranteed price relevant to the year 2015.
- (c) A sum of Rs.2,051,745 had been spent in excess for the transportation of 190,598 rubber seedlings according to the Decision of the Procurement Committee for the rubber transportation.
- (d) A sum of Rs.321,090 had been paid for 2310 kilometers more than the standard distance informed by the Department.

### **3.9 Human Resources Management**

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#### **Approved and Actual Cadre**

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

	Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies
(i)	Senior Level	30	25	05
(ii)	Tertiary Level	16	03	13
(iii)	Secondary Level	364	310	54
(iv)	Primary Level	72	69	03
(v)	Other(Casual/Temporary/Contract Basis)	15	15	-
	Total	497	422	75

The following observation is made.

Even though 75 vacancies had existed by the end of the year under review, as the provisions provided according to the Appropriation Account prepared for the year 2015 had been saved without being utilized, existence of the vacancies of the staff had not affected such savings. Accordingly, it was observed at audit that an over estimation of the approved cadre had been made.