

## **Report of the Auditor General on Head 292 – Department of Animal Production and Health - Year 2016**

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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 292 – Department of Animal Production and Health for the year ended 31 December 2016 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 Director General of the Department on 03 July 2017. 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. 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**

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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.1,072.78 million and out of that, a sum of Rs.1,008.63 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.64.15 million or 5.98 per cent. Details appear below.

Expenditure	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	501.78	498.15	3.63	0.72
Capital	571.00	510.48	60.52	10.62
Total	1,072.78	1,008.63	64.15	5.98

## 2.2 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.29201 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
26.50	26.49	18.50	22.94	120.00	75.87

## 2.3 General Deposit Accounts

The balances of the 04 Deposit Accounts of the Department as at 31 December 2016 totalled to Rs.22.2 million. Details appear below.

<b>Deposit Account Number</b>	<b>Balance as at 31 December 2016</b>
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	Rs.Millions
6000/0000/00/0001/0110/000	0.32
6000/0000/00/0013/0106/000	7.61
6000/0000/00/0002/0153/000	0.21
6000/0000/00/0016/0098/000	14.06
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Total	22.20
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## 2.4 Audit Observation

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The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Department of Animal Production and Health had been satisfactorily prepared 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 one register had not been maintained in the proper and updated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observations</b>
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(i) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002	Not maintained.
(ii) Register of Liabilities	Financial Regulation 214	Not maintained.

(iii)	Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained.
(iv)	Register of Official Telephones	Financial Regulation 845(1)	Not maintained.
(v)	Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not updated.

### **3.2 Appropriation Account**

#### **Budgetary Variance**

Net provisions totalling Rs.117 million had been made in the Annual Budget Estimates for 06 Objects. As the imprests applied had not been issued by the Department of Treasury Operations, the provisions of Rs.15.93 million had not been utilized.

### **3.3. General Deposit Account**

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on 16 deposits older than 02 years totalling Rs.1,105,077.
- (b) Money made available by other Ministries and Departments for various activities amounting to Rs.2,224,402 had been retained in the General Deposit Account without executing the intended activities.
- (c) Money made available by 02 Foreign institutions and Veterinary Medical Association amounting to Rs.2,894,933 and Rs.200,000 respectively had been retained in the General Deposit Account without executing the intended activities.

### 3.4 Reconciliation Statement of the Advances to Public Officers Account

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The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.29201.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.818,425. Even though, those outstanding loan balances remained over periods ranging from 01 years to 19 years, the Department had failed to recover those outstanding loan balances.
- (b) The interest amounting to Rs.3,106,806 relating to the salary loan advances granted, had not been included in the Members Loan Register and had not been updated in terms of paragraph 8 of the Public Enterprises Circular No.96 of 10 August 1994.
- (c) As the balance of the Control Account as at the end of each month had not been reconciled with the balances of the Members Loan Register in terms of the paragraph 6.1 of the National Budget Circular No.118 dated 11 October 2004 a difference of Rs.98,125 was remained in loan balance as at 31 December 2016.

### 3.5 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 Underutilised Assets

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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	Idle or Underutilized Period
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(i) Lands (Hectares)	34.41	-
(ii) Buildings	25	01 year to 15 years
(iii) Motor Vehicles	14	01 year to 10 years
(iv) Machineries	54	01 year to 10 years
(v) Other Assets	310	Since 01 year

**(b) Conduct of Annual Boards of Survey**  
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Four equipment which remained inoperative for a period of ranging from 03 to 05 years and identified to be disposed in the Boards of Surveys conducted in the years 2013 and 2015 had not been disposed even by 27 January 2017.

**(c) Assets given to External Parties**  
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Two buildings had been released irregularly by the Department to an external party for over a period of 16 years. Similarly, one section of the upper floor of the Department of Animal Production and Health had been given to external parties for a foreign project since the year 2014.

**(d) Irregular use of Assets belonging to other Institutions**  
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The Department had used 16 blocks of lands belonging to the other institutions without causing proper vesting of the lands during the period ranging from 02 years to 06 years.

**3.6 Non – compliances**  
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**Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

<b>Reference to Laws, Rules and Regulations</b> -----	<b>Value</b> -----	<b>Non-compliance</b> -----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka. -----		
(i) Chapter XV Section 4.3	8,000,000	The eligibility of the sureties who signed bonds in respect of 04 officers who proceeded abroad had not been checked.

- (ii) Chapter XV Section 4.4 - An agreement for a compulsory service period in respect of a veterinary Research Officer who proceeded abroad had not been signed.
- (iii) Chapter XXI Section 7.1 - The Head of the Department had not taken action for vesting the possession of the Government quarters from an officer who transferred on 05 July 2016.
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
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- |                             |            |  |
|-----------------------------|------------|--|
| Financial Regulation 94 (1) | 14,243,978 | The liabilities had been incurred exceeding the savings after utilization of the provisions made for 15 Capital Objects. |
|-----------------------------|------------|--|
- (c) Government Procurement Guidelines Code
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- |                         |         |  |
|-------------------------|---------|--|
| (i) Guideline 5.4.8 (a) | 164,069 | A Performance Security amounting to Rs.649,400 had been obtained instead of Performance Security valued at Rs.813,469 which is 5 per cent of the estimated contract sum. |
|-------------------------|---------|--|

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|-------|------------------|-----------|---|
| (ii)  | Guideline 7.10   | 2,357,784 | One contract had been awarded without being done a Post Qualification to determine by the procurement entity that the bidder has the required capacity and resources to carry out the contract effectively. |
| (iii) | Guideline 8.14.1 | 269,966   | The delay charges had not been recovered for one contract as mentioned in the agreement.  |

### **3.7 Implementation of Projects under Domestic Financing**

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Instances of projects without adequate progress, projects abandoned without completing and delays in the execution of projects revealed during the course of audit test checks are given below.

#### **(a) Projects without Adequate Progress**

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The following observations are made.

- (i) In consideration of Artificial Insemination Calving from the Artificial Inseminations carried out during the years 2014 and 2015 had remained at a very low level ranged from 18 per cent to 38 per cent.

#### **(ii) Imported Sexed Semen**

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The Ministry had provided the amount of 14582 Sexed Semen to the Artificial Insemination Centre, Kundasale in the year 2013 and out of that, 13911 Sexed Semen had been issued for the artificial inseminations. In comparing Artificial Inseminations (AI) carried out from that with the amount of issues at provincial level and to a private institution, it was observed that a progress of 60 per cent had remained in the Artificial Inseminations in one province while the progress of



other provinces and in the private institution had remained at a low level ranged from 7 per cent to 54 per cent.

(iii) In view of the Artificial Inseminations carried out by using imported Sexed Semen and the Calving of the Artificial Inseminations, no success whatsoever had been achieved in two provinces and in a private institution. It was observed, that it had been a low level of 4 per cent, out of the total amount.

(b) **Projects Abandoned without completing**  
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The activities of constructions of a poultry house in respect of Ranicut Injections Quality Control of the Livestock Research Institute which estimated cost Rs.3.94 million had been commenced on 07 August 2016. A sum of Rs.1.12 million had been incurred by 31 December 2016. As the constructions had not been carried out in terms of the agreement, an expenditure estimate amounting to Rs.3.21 million had been prepared again and presented for the recommendation on 27 March 2017.

(c) **Delays of Execution of Projects**  
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The activities of constructions of Cages of Goats in the Goats Breeding Centre which estimated cost amounting to Rs.3.60 million should have been completed on 28 November 2016 in terms of the agreement. The activities of the project could not be executed even by the end of the year under review due to poor weather condition prevailed in the area. A sum of Rs.1.19 million incurred for the project by the end of the year under review and the project had been completed only on 10 February 2017.

**3.8 Losses and Damages**  
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The total loss of a vehicle met with accidents on 26 February 1998 and 16 March 2000 amounted to Rs.123,950. The vehicle had been sold for a sum of Rs.462,999 in the year 2013, without being taking action to recover the loss caused to the vehicle from the responsible parties.

### 3.9 Unresolved Audit Paragraphs

Reference to the paragraphs on which the Department had not rectified the short comings out of those pointed out in the paragraphs included the report of the Auditor General on the Department is given below.

<b>Reference to the report of the Auditor General</b>		<b>Subject under reference</b>
<b>Year</b>	<b>Paragraph Number</b>	
2015	3.8 (a)	Even though the upper floor of a building belonging to the Department had been given to a private party, action had not been taken to recover arrears of rental amounting to Rs.690,000 in respect of the period from December 2006 to May 2016.
2015	3.8 (b)	Action had not been taken to identify the respective responsible parties and to recover the excess payment amounting to Rs.304,566 paid to the Municipal Council, Kandy when payment of water bills.

### 3.10 Management Weaknesses

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

- (a) Action had not been taken to recover the penalty amounting to Rs.9,008,323 recoverable to the Government due to breach of the agreements by 09 officers who proceeded abroad during the period from 08 November 1986 to 21 June 2012.

- (b) A portion of the upper floor of the building on which the Livestock Knowledge Centre, Gatambe, Peradeniya is situated belonging to the Department had been given to maintain a Regional Office of the National Livestock Development Board from 01 June 2004, but action had not been taken to recover the arrears rental of Rs.846,000 recoverable for the period from December 2006 to June 2017.

### 3.11 Human Resources Management

#### (a) Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess Cadre</b>
(i)	Senior Level	193	146	49	02
(ii)	Tertiary Level	21	20	02	01
(iii)	Secondary Level	338	293	45	-
(iv)	Primary Level	395	303	92	-
	<b>Total</b>	<b>947</b>	<b>762</b>	<b>188</b>	<b>03</b>

The following observation is made.

Action had not been taken by the Department to obtain a proper approval in respect of 03 excess cadre recruited.

#### (b) Release of Human Resources to other Parties

A Veterinary Medical Officer who released to the Ministry of Economic Development for the period of 22 May 2008 to 30 June 2012 should have been reported back to the service of the Department from 01 July 2012. It was observed that, the officer who reported for work on 14 December 2016 is serving in the Ministry of Rural Economy at present. A net salary totalling Rs.1,665,006 had been paid for the period from January 2016 to May 2017 while action had not been taken to reimburse those salaries.