

Report of the Auditor General on Head 283 – Department of Forests -Year 2016

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 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 Conservator General of Forest of the Department on 30 June 2017. 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 as 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. 2,182.85 million and out of that Rs. 2,135.02 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.47.83 million or 2.19 per cent. Details are given below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,351.05	1,304.16	46.89	3.47
Capital	831.80	830.86	0.94	0.11
Total	2,182.85	2,135.02	47.83	2.19

2.2 Revenue Accounts

Estimated and Actual Revenue

The Departments had prepared Revenue Estimates totalling Rs. 1,590.00 million in respect of two Revenue Codes for the year 2016 and Revenue totalling Rs. 2,287.50 million had been collected during the year under review. Revenue amounting to 143.987 per cent of the estimated Revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2016			Excess as a Percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Excess	
	Rs. Millions	Rs. Millions	Rs. Millions	
10:03:07:03	90.00	115.68	25.68	28.53
20:02:01:02	1,500.00	2,171.82	671.82	44.79
Total	1,590.00	2,287.50	697.50	43.87

2.3 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
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
69.00	68.04	50.00	67.87	281.00	213.56

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0045/0015/000 under the Department as at 31 December 2016 was Rs.119.85 million.

2.5 General Deposit Account

The balances of 07 Deposit Accounts under the Department as at 31 December 2016 totalled Rs.500.92 million. Details appear below.

Deposit Account Number -----	Balance as at 31 December 2016 -----
	Rs. Millions
6000/0000/00/0001/0020/000	311.67
6000/0000/00/0006/0021/000	149.93
6000/0000/00/0013/0069/000	39.04
6000/0000/00/0002/0103/000	0.15
6000/0000/00/0019/0028/000	0.07
6000/0000/00/0016/0051/000	0.04
6000/0000/00/0018/0064/000	0.02

Total	500.92 =====

2.6 Audit Observation

The Appropriation Account, Revenue Accounts and the Reconciliation Statements of the Department of Forests for the year ended 31 December 2016, 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.

Type of Register -----	Relevant Regulation -----
(i) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(ii) Register of liability	Financial Regulations 214

3.2 Appropriation Account

Budgetary Variance

Excess provisions had been made for 06 Objects and as such the savings, after the utilization of provisions, ranged from 06 per cent to 15 per cent of the net provisions relating to the respective Objects.

3.3 General Deposits Account

Action in terms of Financial Regulation 571 had not been taken on 99 deposits older than 2 years totalling Rs. 9,995,216.

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 Revenue Account presented to Audit, revenue amounting to Rs.538.70 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.
- (ii) The difference of Rs. 160,252,319 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

According to the Revenue Account presented to Audit, revenue amounting to Rs.935,240 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.

3.5 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.28301, the total balances that remained outstanding was Rs.10,758,777, and even though those outstanding balances remained over periods ranging from 01 month to 10 years, the follow-up action on the recovery of that outstanding loan balances had been at a weak level.

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 for the procurement of goods and services as per the Annual Budget Estimates. Annual Procurement Plan in terms of National Budget Circular No. 128 of 24 March 2006 for the utilization of provisions made on had been prepared by the end of the financial year i.e. 18 December 2016.

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. 05/2016 of 31 March 2016, the Board of Survey for the year 2016 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2017. Nevertheless, the Department had not furnished those reports even by 31 May 2017. The last Board of Survey conducted had been for the year 2015.

3.8 Non-compliances

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed

References to Laws, Rules and Regulations

Non-compliances

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- | | References to Laws, Rules and Regulations | Non-compliances |
|-----|---|---|
| (a) | Financial Regulations 104(1) | Investigations should be conducted to identify the amount and responsible parties, immediate after occurring of damage or loss. It had been taken more time to report with regard to 09 damages occurred in the Department. |
| (b) | Financial Regulations 104(3) | Primary reports should be sent before the issuing of comprehensive report with regarding the losses/ damages; it had been made long delays from 01 months to 06 years to present primary reports. |
| (c) | Financial Regulations 104(4) | Though, a comprehensive report should be prepared within three months from the date of the loss occurred, it had been made long delays from 01 months to 06 years to present comprehensive report with regard to the losses and damages occurred in the Department. |

during the course of audit test checks are analyzed below.

3.9 Performance

The observations on the progress of the Department according to the Annual Budget Estimate and Action Plan for the year 2016 are given below.

Key functions not Executed Adequately

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

- (i) It had been planned to complete the work of 4,060 hectares, with the provisions of Rs.80 million provided for the maintenance work of nurseries. The work performed, had been 2,180.2 hectares as per the Performance Report.
- (ii) Provisions amounting to Rs.20 million had been made for the expansion and maintenance of Pinus cultivation in a wide range. Even though work of 495 hectares had been planned to be carried out, work of 194.6 hectares only had been carried out.
- (iii) Provisions amounting to Rs.26 million had been made for the conservation of hill tops in the Central Hills of Sri Lanka. Even though maintenance work of 681 hectares should be carried out from those provisions, only 361.8 hectares had been maintained according to the Performance Report.

3.10 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

According to the Bank Reconciliation Statement with regard to 17 bank accounts prepared as at 31 December 2016 by the Department of Forests, actions in terms of the Financial Regulation 396(d) had not been taken even as at the end of the year under review with regard to 97 cheques aggregating Rs.294,993 issued but not presented to Bank for payments.

3.11 Losses and Damage

Actions had not been taken even as at 30 June 2017 to recover the losses, aggregating Rs. 11,905,543 with relating to 87 instances from responsible parties or write off from books.

3.12 Management Weaknesses

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

- (i) Breaking the rock at Olumadu forest in Chamankulama jungle in Mulathive region had been done by a private Company. A sum of Rs. 1,513,445 for 1374 excess cubes removed by that Company in the years 2014 and 2015 had not been charged by the Department.

- (ii) Six hundred ABC cubes had been removed by exceeding the approved license limit in two rock crusher plant workshops maintained by a Company at Maha Aluthgamaara in Mal Asnagala reservation in Hambantota region.
- (iii) Charges of Rs. 246,214 for excess removal of 2462.14 cubes of rubbles by Southern Group of Company in Hambantota region from the month of February to May 2008 and relevant arrears charges of Rs. 11,026,608 for the usage of the land area from the year 2010 to the year 2014 and for the land rehabilitation (1,205.36 perches) had not been recovered from the contractor.
- (iv) Damage occurred for the vehicle of the Department on 04 September 2014 had been valued as Rs. 474,300. Though, it had been lapsed 2 years 09 months from that accident, the loss had not been recovered from the relevant responsible parties.
- (v) Thirteen vehicles in Pannipitiya nursery, 20 vehicles with relating to 07 District forest offices, 03 vehicles in Nuwaraelliya forest institute as such 36 vehicles had been kept on condemned states without disposing as per the public Finance Circular No. 2/2015 of 10 July 2015.

3.13 Human Resources Management

Approved Cadre and Actual Cadre

The cadre position as at 31 December 2016 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	85	65	20
(ii) Tertiary Level	42	30	12
(iii) Secondary Level	1,385	1,070	315
(iv) Primary Level	1,634	1,453	181
(v) Other (Casual/ Temporary/ Contract Basis)	05	-	05
Total	3,151	2,618	533