

Head 154 - Report of the Auditor General on the Ministry of Rural Economic Affairs – Year 2017

The Appropriation Account, and Reconciliation Statement relating to Head and Item stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Rural Economic Affairs. The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Ministry of Rural Economic Affairs– Head 154 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 29 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 **Audit Observation**

The audit observations of the Ministry of Rural Economic Affairs for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.19 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 12 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

General responsibilities of the Accounting Officers in terms of Financial Regulation 127	Non-compliance of the Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
--	---	--

-----	-----	-----
<p>127 (1) (a)</p> <p>Financial work should be planned so that the business is transacted with correctness and financial propriety. (the business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business)</p>	<ol style="list-style-type: none"> 1. The Action Plan had not been prepared accurately. 2. Failure to adequately plan the procurement activities. 	<p>2.1.2 (b)</p> <p>2.2.2</p>
<p>127 (1) (b)</p> <p>A system should be evolved which provides adequate controls over expenditure and the collection of revenues.</p>	<ol style="list-style-type: none"> 1. Irregular Transactions 2. Management Inefficiencies 3. Unresolved Audit Paragraphs 4. Non-compliances 	<p>2.5</p> <p>2.8</p> <p>2.7</p> <p>2.13 / 2.15 (e)</p>

	5. Deficiencies in Human Resources Management	2.14
	6. Abandonment of projects without being completed	2.1.2 (c)
	7. Environmental impact caused by the implementation of projects	2.1.2 (d)
	8. Deficiencies in the implementation of procurement procedure	2.2.1
127 (3)	1. Deficiencies in the utilization of vehicles	2.3 (a)
All cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.	2. Assets released to external parties	2.3 (b)
	3. Deficiencies in providing services for the public	2.9
127 (4)	1. Failure to furnish annual performance reports	
Appropriation Accounts are dully rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.	2. Incurring commitments sans budgetary provision	
127 (5)	1. Non-utilization of provision allocated	2.10 (a) (i)
Important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	2. Allocation of overprovision	2.10 (a) (ii)
	3. Deficiencies in the utilization of	2.10 (a) (iii)

provision obtained
through
supplementary
estimates

127 (6)

Collection of Revenue and other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry. Deficiencies shown in the Advances to Public Officers Account 2.11

127 (7)

The procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on the part of officers / employees and surcharges are imposed on the officers/ employees responsible for such losses, in terms of F. R. 156 (1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.

1. Non-receipt of income receivable to the Government from the assets 2.15 (d)

2. Losses and Damages 2.6

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The Action Plan for the year 2017 had been prepared in terms of Public Finance Circular, No. 01/2014, dated 17 February 2014. Accordingly, 19 main activities had been envisaged by the Ministry for the year under review. The following deficiencies were observed with the Action Plan prepared to obtain the results expected from 7 statutory institutions established under purview of the Ministry.

- (a) Information relating to the organizational structure, approved cadre, and the actual cadre updated to the year under review, had not been made available.
- (b) The Activity Plan, Time Line on implementation, and Output/Outcome expected from those activities prepared on the priorities based on the annual budget of the year under review, had not been estimated and shown.

2.1.2 Failure to Carry Out the Activities

The following observations are made.

- a) Failure to carry out the activities shown in the Action Plan
-

The Ministry should have carried out 19 main activities in accordance with the annual Action Plan, but only 16 had been carried out. Provision totalling Rs. 955 million had been made on 03 of those main activities not executed.

- b) Failure to Compare the Performance due to Flaws in the Action Plan
-

Although provision amounting to Rs. 145 million had been made for 08 activities under 02 programmes in the annual Action Plan, it could not be verified as to whether the performance of those activities had met the expectations as the targeted number of outputs had not been included at the time of preparing the Action Plan.

- c) Abandonment of Projects without being Completed
-

Provision amounting to Rs. 2,000 million and Rs. 500 million had been made in the years 2016 and 2017 respectively for the construction of 05 cold storages managed by the private sector in order to stabilize the market price and minimize the post-harvest damages. Although no amount whatsoever had been spent in the year 2016, preliminary activities of the project had been carried out in the year 2017 by incurring a sum of Rs. 53.4 million. However, the project had been abandoned halfway as a feasibility study had not been conducted properly, and due to lack of lands.

- d) Environmental Impact Caused by the Project
-

An evaluation report on the environmental impact had not been obtained prior to implementation of the project to import 20,000 milch cows. Furthermore, a proper and environmentally-friendly methodology to eliminate those animals from the farm when it became non-profitable after 5 years of producing milk, was not introduced up to then.

2.1.3 Annual Performance Report

In terms of Public Finance Circular, No. 402, dated 12 September 2002, the performance report for the year under review should have been tabled in Parliament by the Ministry within 150 days since the closure of the financial year. However, the report had been tabled in Parliament after a delay of 60 days on 07 August 2018.

2.2 Obtaining Supplies and Services through Procurement Process

2.2.1 Procurement Planning

Provision amounting to Rs. 56.45 million had been made for the Ministry to obtain supplies and services through procurement process during the year under review, and a sum of Rs. 51.41 million therefrom had been utilized. Observations on the Procurement Plan that should have been prepared with respect to the provision made, are as follows.

(a) Procurement Planning and Preliminary Stage

The following plans and documents had not been prepared under this stage.

- (i) The proposed Procurement Plan for the year.
- (ii) Summary of procurement package.
- (iii) Preliminary Procurement Plan
- (iv) Documents required for obtaining special approval relating to the procurement identified.
- (v) Development of specifications, plans, diagrams, and designs, etc.

(b) Pre-contract Stage

The following plans and documents had not been prepared under this stage.

- (i) Individual contract packages, and schedules for procurement timeline.
- (ii) Detailed Procurement Plan relating to works, goods, and services.
- (iii) Detailed Procurement Plan in regard to consultancy services.

(c) Post-contract Stage (Contract Administration)

The following plans and documents had not been prepared under this stage.

- (i) Plan for the administration of contracts.
- (ii) Cash flow plan linked to the contract administration plan.

2.2.2 Execution of the Procurement Process

- a) Estimates had not been prepared with respect to the procurement for obtaining a building for the Ministry on lease. In terms of Paragraph 2.14.1 of the Procurement Guidelines, a Cabinet approved Procurement Committee should have been appointed for the procurement with an agreed value of Rs. 197,017,920 relating to a period of 02 years. Nevertheless, it had not been so done.
- (i) A Technical Evaluation Committee had not been appointed in terms of Paragraph 2.8.2 of the Procurement Guidelines. Instead, recommendations had been obtained from a Committee appointed by the Secretary to the Ministry.
 - (ii) When quotations had been called in the year 2015, the period for obtaining the building on lease had not been mentioned. However, in 03 later instances, quotations had been obtained without calling for quotations in public. The area of the building expected to be obtained on lease had been 35,000 square feet, but the building with an area of 41,460 square feet had been obtained, thus making an overpayment of Rs. 30,697,920 for an area of 6,460 square feet. A period of about one year had been spent to obtain that building. Although low bids had been furnished by the two contractors in the year 2015, the building could not be obtained as the building had been given on lease by then. The supplier who had furnished the bid of Rs. 2,262,337, had agreed to obtain on lease from 08 August 2016 by calling for quotations again. However, having rejected that decision with no reasons given, the building had been obtained on lease for a monthly lease rent of Rs. 8,209,080 through a Committee, thus an overpayment of Rs. 142,721,833 had incurred.
 - (iii) There had been no information available that action had been taken on the observations of the Attorney General and the Director General of the Department of National Budget provided on the Cabinet Memorandum presented for obtaining the building on lease.
- b) The contractor selected through the procurement in the year 2007 had been entrusted to import 1994 dairy cattle in the year 2017 under the new project proposal to import 20,000 milch cows in the year 2014.

2.3 Assets Management

The following deficiencies were observed in the audit test checks carried out on the assets of the Ministry.

a) Utilization of Vehicles

(i) Failure to inspect the fuel consumption

Fuel consumption of 36 out of 47 vehicles used by the Ministry had not been inspected in the preceding year and the year under review in terms of Section 3.1 of the Public Administration Circular, No. 30/2016, dated 29 December 2016.

(ii) Misuse of Vehicles

Contrary to Paragraph 3 of the Letter, No. CA/1/17/1, dated 14 May 2010 on the management of Government expenses of the President's Secretariat, stating that only a maximum of 03 official vehicles should be allocated for the Ministers, Deputy Ministers and the security detail, 02 pool vehicles had been given in excess of that limit to the Minister and the Deputy Minister.

b) Assets Released to External Parties

The Ministry had taken action to release its regional office building in Kurunegala to the District Secretariat of Kurunegala with effect from 01 July 2017 through a letter. However, the building had not been vested properly even up to 15 August 2017.

2.4 Commitments and Liabilities

Incurring Commitments by Exceeding the Limits of the Annual Budget

Contrary to Paragraph 02 (a) of the Public Accounts Circular, No. 255/2017, dated 27 April 2017, the provision of Rs. 15.55 million made on 04 Items of Expenditure had been exceeded by Rs. 44 million thereby incurring commitments valued at Rs. 15.99 million.

2.5 Irregular Transactions

- i. Approval had been granted by the Cabinet in the year 2008 to pay sums of Rs. 90 million and the remaining amount of Rs. 92.74 million out of special economic centre deposits totalling Rs. 182.74 million deposited in the Rural Economic Regenerate Fund, to the Maintenance Fund and projects relating to 3 bridges respectively. Of the sum given to the said Maintenance Fund, a sum of Rs. 61,184,435 had been invested in Treasury Bonds whereas the interest on the amount invested, along with the balance of the fund totalling Rs. 75,050,025 had been utilized in other activities by deviating from the main objective of

establishing the Fund. Finally, by depositing a sum of Rs. 383,600 as at 10 December 2012, a current account had been opened under the name of the Fund.

- ii. A current account had been opened in the year 2012 by depositing a sum of Rs. 300,000. The monies collected as lease rents from the economic centres relating to the period 2012 – 2016 had been deposited therein in each year. Furthermore, sums of Rs. 29,008,620 and Rs. 500,000 out of that sum had been invested in 10 fixed deposits and call deposits respectively during the period 2012 – 2016. Action had not been taken to obtain interest on fixed deposits wherein investments had been made during 2012-2016. A balance of Rs. 2,434,744 had existed in the current account as at 31 December 2016. A sum of Rs. 5,199,885 from the balance of the current account, had been spent on miscellaneous payments.

2.6 Losses and Damages

In the wake of a vehicle accident occurred due to reckless driving of the driver, a sum of Rs. 736,625 had been spent on repairs, but the sum received as insurance indemnity amounted only to Rs. 608,420. Accordingly, a loss of Rs. 128,205 had occurred. After 1 year and 5 months, it had been decided in accordance with the final report of the Financial Regulation 104 (4) to recover a certain percentage of that amount. The percentage to be recovered had not been decided. The driver had been removed from service though, only a sum of Rs. 4,000 had been recovered.

2.7 Unresolved Audit Paragraphs

References to the Paragraphs that had not been rectified by the Ministry with respect to the matters pointed out in audit paragraphs included in the reports of the Auditor General relating to the Ministry, are given below.

Reference to the Report
of the Auditor General

Referenced Subject

Year Paragraph No.

----- -----

2016	3.4.2 (a), (b)	The land and office located in Kurunegala belonging to the Ministry had been given to other Government institution from April 2015 up to 31 December 2016 relating to the year 2017. A lease rent of Rs. 3,202,500 should have been recovered in accordance with the assessment reports, but
------	----------------	--

that lease rent income had not been recovered even up to October 2018. Furthermore, the sum of Rs. 345,301 spent by the Ministry on buildings in terms of electricity, water, security services, and assessment tax, had not been recovered.

2.8 Management Inefficiencies

The following inefficiencies were observed in audit test checks.

Project for Importing 20,000 Milch Cows (Stage 3)

- a) Approval had been granted for importing 20,000 milch cows under the conditions that the imported cattle should be quarantined in an isolated location for 30 days under veterinary supervision, once the imported cattle were taken care directly at the Government farm, the second generation should be distributed among farmers, the cattle with European genes should be properly managed so as to be adapted to the said second generation, and in case they were distributed to the farmers directly, they should be provided for large-scale farms with proper management thus maximizing profits. Nevertheless, without implementing the project in that manner, the cattle of the first generation had been given to small farms during the quarantine period itself.
- b) The following matters were observed in the field inspection carried out on the distribution of milch cows imported under the project.
 - (i) Of the 21 farmers producing milk who had been selected, milch cows had been provided for 2 farms who had not possessed prior experience, and 3 farmers with prior experience. The Ministry had not drawn attention on issues such as payment of loan instalments of the farmers, and sale of milk. A farm to which cattle had been distributed, was not to be seen at the address provided. Thirty one out of 902 cattle distributed, had been ill at the time of being brought into the farms, and due to failure in examining before being brought into the country, there existed the risk for other cattle to be infected with the disease.
 - (ii) Under the project for importing 20,000 milch cows, 3024 milch cows had been imported into the country on 27 December 2017. According to the quarantine report on the said cattle furnished by the Chief Animal Quarantine Officer and Director of Veterinary Research, the Director General of Department of Animal Production and Health had informed the Secretary to the Ministry of Rural Economic Affairs in writing on 28 February 2018 that there had been a risk for the humans and local cattle

to be infected by the pathogens of the imported cattle. Furthermore, the said report had determined the action to be taken promptly whilst revealing the risk of destroying some of the cattle. However, action had been taken to import the rest of the 15,000 milch cows promptly out of the 20,000 milch cows without drawing attention on the said report and the relevant recommendations.

- (iii) An advance of US \$ 11,093,108 or Rs. 1,749,672,697 equivalent to 20 per cent of the sum amounting to US \$ 55,465,541 payable with respect to the import of 2,500, seven thousand and five hundred, and 5000 cattle in the years 2018, 2019, and 2020 respectively, had been paid to the contractor on 08 May 2018 without having provision in the appropriation act to incur the said expenditure. A foreign bank had provided loans for the that project.
 - (iv) Six cattle that had not produced milk had been given to a farm in Galewela. Having been informed by the farmer, the Wellard Company had given a sum of Rs. 2,000,000 being the value of 10 cattle, to the farmer. However, the sum of Rs. 3,215,510 that had been spent by the Ministry, had become a loss to the Government.
 - (v) Due to distribution of 11 cattle stated in the examination not to have been impregnated or would not be impregnated, a loss totalling Rs. 7,256,260 had occurred comprising a loss of Rs. 1,650,000 to the farmers and a loss of Rs. 5,606,260 to the Ministry.
 - (vi) Even after a period of 06 months since the distribution of 13 cattle, there had been 13 cattle that had not become pregnant or aborted. A sum of Rs. 50,000 had been paid for each animal.
 - (vii) The maize cultivation project, and **Allufa and Alpha** projects commenced in parallel to the milch cow project, had become unsuccessful. Hence, it had become difficult to feed the imported cattle, and heavy expenses had to be incurred on the food given. Thus, the farmers who had become debtors, had to eliminate the foreign cattle.
- c) The Rural Regenerate Fund, Rural Economic Regenerate Fund (Financial), and Janadiriya Fund (Gramodaya Mandala Fund) under the scope of the Ministry in terms of Gazette Extraordinary, No. 1933/13, dated 21 September 2015 had remained non-functional from the year 2015 up to the year 2018.
- d) Six vehicles costing Rs. 16,300,000 had been withdrawn from use since the year 2015. Despite being recommended to make use of after being repaired, or hand over to other institution, it had not been so done even up to 31 December 2017.
- e) In the wake of a vehicle accident taken place on 15 November 2014, the vehicle had been sent to a garage on the same day on the instructions of the Deputy Minister without informing the Secretary to the Ministry or Staff Officer, and a

sum of Rs. 551,285 had been spent on repairs. Insurance indemnity amounting to Rs. 200,000 had been received in that connection, but no inquiry had been conducted even after 37 months as at 01 May 2018 since the date of the accident. As the Driver had terminated his service, it was informed that the sum of Rs. 351,285 could not be recovered.

2.9 Rendering Services to the Public

Despite the import of milch cows, instances were observed in which fresh milk had not been consumed due to reasons such as, failure to renovate the milk collecting centres, failure of the milk collecting centres to function under proper supervision, failure to modify the centres making it possible to be supervised, lack of suitable price on fresh milk for the farmers producing milk, failure to minimize the close of milk bars, and failure to take action to improve the industries associated with milk.

2.10 Utilization of Provision Made by the Parliament for Execution of Activities

Information relating to the utilization, and saving of provision made for the Ministry for 05 years ended as at 31 December 2017, and the audit observations thereon, are as follows.

<u>Year</u>	<u>Type of Expenditure</u>	<u>Net Provision</u> Rs. Million	<u>Utilization</u> Rs. Million	<u>Saving</u> Rs. Million	<u>Saving as a Percentage of the Net Provision</u>
2015	Recurrent	7,788.42	7,696.15	92.27	1.18
	Capital	10,575.75	4,235.36	6,340.39	59.95
	Total	18,364.17	11,931.51	6,432.66	35.03
2016	Recurrent	942.47	937.73	4.74	.5
	Capital	9,427.96	7,365.25	2,062.72	22
	Total	10,370.43	8,322.98	2,067.46	20
2017	Recurrent	896.29	610.08	286.21	32
	Capital	9,477.31	7,274.00	2,203.31	23
	Total	10,373.60	7,884.08	2,489.52	24

The following observations are made in this connection.

(a) Appropriation Account

(i.) Failure to Utilize the Provision Made

No utilization whatsoever had been made from the total net provision of Rs. 601.5 million made for 09 Items of Expenditure, thus saving the entire provision.

(ii.) Overprovisioning

Overprovision totalling Rs. 1,443.37 million had been made on 23 Items of Expenditure, and only a sum totalling Rs. 1,294.87 million had been utilized therefrom. Thus, the saving ranged from 14 per cent to 99.9 per cent of the net provision made.

(iii.) Obtaining Provision through Supplementary Estimates

Even though a sum of Rs. 400,000,000 had been provisioned through the supplementary estimate on 31 March 2017 for a Head of Expenditure, the entire provision had remained unutilized.

2.11 Advances to Public Officers Account

Limits Authorized by Parliament

The limits and actual values authorized by Parliament on the Advances to Public Officers Account under Item Code 15401 of the Ministry, are as follows.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
25.00	24.97	9.5	11.92	80.00	43.20

The following observations are made in this connection.

Failure to Recover the Loan Balances in Arrears

According to the reconciliation statement made available to Audit, the outstanding balances totalled Rs. 249,224 as at that date except for the loan balances of the officers transferred. Although those outstanding balances had continued to exist over periods of 01-15 years, the follow-up action on the recovery of those outstanding balances remained weak.

2.12 Failure to Maintain Books and Registers

Name of Register -----	Relevant Regulation -----	Observation -----
Register of Fixed Assets	Treasury Circular, No. 842, dated 10 December 1978.	Register of fixed Assets had not been updated.
Register of Surety Deposits	Financial Regulation 880	A Register of Surety Deposits had not been maintained.
Register of Liabilities	Financial Regulation 214	An incomplete Register of Liabilities was being maintained.

2.13 Non-compliances with Laws, and Rules

Reference to Laws, Rules, and Regulations, etc. -----	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 104 (4)	A sum of Rs. 140,000 had been spent on repairs following a vehicle accident occurred on 08 January 2015. No report had been presented relating to an accident taken place in the year under review in accordance with Financial Regulation 104 (4).

(b) Treasury Circulars.

Circular, No. PED 25, dated 29 July 2004. Approval had not been obtained as per Circular for investing a sum of Rs. 29,508,620 from the amount deposited in the current account.

(c) Public Finance Circular.

i. Section 07 of the Public Finance Circular, No. 07/2016, dated 29 July 2016. Information relating to the sum totalling Rs. 508,090,680 deposited in 15 Economic Centre Management Trusts, 15 fixed deposits, 17 current accounts, and 04 savings accounts, had not been reported to the Director General of Public Finance in terms of the Circular.

ii. Section 4.2 (c) of the Public Finance Circular, No. PS/423, dated 22 December 2006. Accounts of the Economic Centre Maintenance Fund should be compared daily, and the reports for each quarter relating to the progress should be presented to the director General of Public Finance. However, it had not been so done.

Section 4.3

Financial statements of the Fund along with a performance report should be presented to the Auditor General with a copy to the Director General of Public Finance. However, it had not been so done.

(d) Public Accounts Circular.

Public Accounts Circular, No. 255/2017, dated 27 April 2017. Agreements entered into with external parties relating to goods, services, supplies, and works valued at Rs. 5,402,721,363, and orders had not been made available to Audit even by 01 May 2018.

2.14 Human Resources Management

2.14.1 Attached Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Information relating to the approved, actual, vacant and excess cadre of the Ministry as at 31 December 2017 is as follows. For the year under review, the Ministry had spent a sum of Rs. 324.96 million on personnel emoluments. As such, the expenditure per person amounted to Rs. 496,877.

Category of Employee	Approved No.	Actual No.	No. of Vacancies	Excess No. of Employees
-----	-----	-----	-----	-----
(i) Senior Level	35	26	09	-
(ii) Tertiary Level	03	02	01	-
(iii) Secondary Level	696	567	129	-
(iv) Primary Level	51	55	-	04
(v) Casual / Contract	04	04	-	-
Total	<u>789</u>	<u>654</u>	<u>139</u>	<u>04</u>

The following observations are made in this connection.

a) Human Resources Released to Other Parties.

A description on the human resources released by the Ministry to other parties in the year under review, is given below.

Category of Employee	Number	Other Party	Period of Release
-----	-----	-----	-----
(i) Development Assistant	02	District office of the Industrial Development Board of Ceylon.	
(ii) Development Officer	27	Paddy Marketing Board.	09 Months.
(iii) Driver	01	Paddy Marketing Board.	05 Years.
	01	Ministry of Parliamentary Reforms and Mass Media.	From 2016.02.01

Sums of Rs. 12,460,650 and Rs. 11,842,219 had been paid by the Ministry as salaries and overtime respectively for 27 employees released to the Paddy Marketing Board. Action had not been taken to reimburse those monies.

b) Training for the Staff

-
- I. The number of officers who had not received any form of training as at 31 December 2017, had been 39.
 - II. Comparing the provision made in the 3 preceding years on training and the amount utilized, a saving ranging from 35 per cent to 45 percent of the provision was observed.

2.15 Observations on the Supervision and Establishment of the Economic Centres under Scope of the Ministry.

a) Taking Action contrary to the Main Activities

The main objective of establishing the special Economic Centres was to enable the farmers to directly market their agricultural products and provide infrastructure facilities for the stock traders and consumers involved therein. However, no evaluations had been made as to whether the said objective had been fulfilled, and it was observed that other activities had been carried out at 05 centres.

b) Presentation of the Final Accounts of the Economic Centres to the Auditor General

As for 07 Economic Centres in the districts of Colombo, Gampaha, Kandy, and Nuwara Eliya, financial statements of seven, two, and one centres for the years 2017, 2016, and 2015 respectively had not been presented to Audit even as at 15 July 2018.

c) Recovery of Lease Rents on Trade Stalls in the Economic Centres

-
- I. Due to failure in properly recovering lease rents on the trade stalls in the economic centre in Nuwara Eliya, the Government had sustained a loss of Rs. 228,000 in the year 2017.
 - II. With respect to the Economic Centres in Nuwara Eliya, Meegoda, and Ratmalana, agreements had not been entered into with 134, five and 128 lessees respectively. As such, legal action could not be taken on the failure of the economic centre in Nuwara Eliya to repay the outstanding interest on deposits totalling Rs. 2,252,991 since the year 2012.

d) Failure to Maintain Books and Registers

A Register of Fixed Assets had not been properly maintained on fixed assets valued at Rs. 4,591,048 and Rs. 107,264,848 pertaining to the Economic Centres in Nuwara Eliya, and Meegoda respectively.

e) Non-compliance with Laws, and Rules

Reference to Laws, Rules, and Regulations, etc.	Non-compliance
<p>a. Section 10 (b) of the Nuwara Eliya Economic Centre Management Trust Fund Deed, dated 21 July 2006.</p>	<p>Benefits of the Trust, or any funds received by the Trust, should be credited to the bank account of the Trust. However, action had not been taken to credit the deposits amounting to Rs. 73,925,000 charged (by the Ministry of Rural Economic Affairs) on 89 business premises, to the income of the Trust.</p>
<p>b. Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p style="padding-left: 40px;">Financial Regulation 751</p>	<p>Annual Boards of Survey had not been conducted at the Economic Centre in Kurunduwatta.</p>

f) Failure to Conclude the Taking Over of Lands where Economic Centres had been Established

Out of 07 lands where Economic Centres had been established in the districts of Colombo, Kandy, and Nuwara Eliya, taking over of 05 lands had not been completed. Particulars are given below.

Economic Centre	Ownership of the Land	Date of Establishing the Centre on the Land	Value of Construction Made at the Economic Centre sans Ownership
Ratmalana	Department of Railways	2009	98,624,600
	Department of Railways Pradeshiya Sabha, Homagama	2003	98,935,403

Nuwara Eliya	Department of Railways Nuwara Eliya Municipal Council	2006.04.08	136,000,000
Kandahandiya	Ministry of Rural Economic Affairs	2016.01.27	21,700,000
Kurunduwatta	Land Reforms Commission	2008.02.17	38,400,000

- g) As Economic Centres had been established without conducting feasibility studies, 04 Economic Centres constructed by incurring a sum of Rs. 126.5 million had been given to other institutions and Local Authorities by 31 December 2017.
- h) Thirty seven and 20 business premises at the Economic Centres in Kilinochchi, and Ampara respectively of which constructions had been completed in the years 2013 and 2014, had not been given on lease.

2.16 Achievement of Sustainable Development Goals

The United Nations had introduced the Sustainable Development Agenda in view of achieving economic and social development, and environmental protection for all the countries belonging to their organisation by the year 2030. However, the expected objectives, targets, and indicators had not been identified in line therewith, and methodologies for collecting accurate data and managing physical resources, had not been identified as well.