

Head 199- Ministry of Primary Industries -2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number 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 Primary Industries. The financial and physical performance reflected by those accounts and the 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 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 Audit Scope

The audit of Ministry of Primary Industries – Head 199 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 25 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 Primary Industries for the year ended 31 December 2017 revealed in audit appear in 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 2.13 of this report. It was observed that the accountability as the 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 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

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

Financial Regulations		

127 (1) (a)	Planning the financial work so that the business is transacted with correctness and financial propriety.	1. Failure to plan the procurement activities adequately 2.3 2. Delays in the settlement of ad-hoc imprests. 2.9 3. Non maintenance of books and registers. 2.10
127 (1) (b)	A system should be evolved providing adequate controls over expenditure and the collection of revenues	1. Management weaknesses. 2.6 2. Deficiencies in Human Resource Management. 2.12
127 (2)	Existing items of expenditure , as well as proposals for new or increased expenditure in the Department under his control, are closely examined in the Ministry from the point	1. Activities contrary to the key functions 2.1.2 (b) 2. Failure to achieve the expected level of output. 2.1.2 (c) 3. Failure to achieve

	of view of economy and efficiency.	performance of foreign funded projects	2.2
		4. Deficiencies in the implementation of procurement process.	2.3
		5. Deficiencies revealed in the value for money audit.	2.6
127 (3)	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.	1. Failure to test the fuel consumption	2.4 (a)
		2. Irregular use of assets belonging to other institutions.	2.4 (c)
		3. Weakness in rendering services to the public.	2.7
127 (5)	Important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	1. Failure to utilize the provision made.	2.8 (a)
		2. Making overprovisions	2.8 (b)

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The following deficiencies were observed with regard to the Action Plan prepared for the Ministry relating to the year 2017 in terms of Public Finance Circular No.01/2014 dated 17 February 2014.

- (a) The details on the organizational structure, approved cadre and the actual cadre of the Ministry and updated for the year under review had not been included in the Action Plan.
- (b) The Time Schedule prepared in order of priority based on the annual budget pertaining to the year under review and the expected output/outcome of those activities had not been estimated and indicated in the Action Plan.
- (c) The imprest requirement plan for the year under review had not been included in the Action Plan.

2.1.2 Failure to Discharge Functions

The following observations are made.

(a) Failure to Discharge Functions Included in the Action Plan

- (i) Although sums totalling Rs.115 million comprising Rs. 105 million relating to providing facilities for the industries and establishing agriculture processing zones for 03 agriculture zones at Matara, Galle and Ampara and 02 fisheries zones including Oluwil, Kalpitiya and Mannar and Rs.10 million for establishing model processing zones in the districts of Vaunia and Kilinochchi had been allocated under the development of primary industries sector, any activity had not been carried out during the year.
- (ii) Under the project for creating necessary environment for the development of primary industries sector, provisions of Rs.04 million had been allocated for the initial activities relating to ensuring sustainability of the limited resources. Nevertheless, those activities had not been carried out.

(b) Activities Contrary to the Key Functions

The Ministry had spent sums totalling Rs. 57.25 million for development activities of the roads damaged due to floods and landslides in Kegalle district and the construction of Galapamula anicut in Damana Divisional Secretary's Division in Ampara district deviating from the activities relevant to its objectives,.

(c) Failure to Achieve the Expected Level of Output

The following observations are made.

- (i) In order to establish fisheries export mega zones upon provisions of Rs.23 million during the year under review, plans had been drawn to purchase 20 sea boats, 750 nets and 125 canoes and create 03 oyster hatcheries. Although a sum of Rs.18.90 million had been spent during the year under review, 150 nets and 79 canoes had not been purchased and oyster hatchery project had not been implemented.
- (ii) Under the establishment of value added production processing zones which was a key function, a sum of Rs.19 million had been allocated for the establishment of a processing zone in Anuradhapura District and several preliminary activities including preparation of feasibility study reports, plans and the preparation of procurement documents only had been done by spending Rs.1.20 million by the end of the year under review.

2.1.3 Annual Performance Report

In terms of Public Finance Circular No.402 dated 12 September 2002, the Ministry should table the Performance Report of the year under review in Parliament within 150 days from the close of the financial year. Nevertheless, it had been tabled in Parliament on 06 September 2018, after 248 days from the close of the financial year.

2.2 Foreign Aid Projects Implemented

With the objective of encouraging small scale production institutes and agricultural entrepreneurs in value added productions of the agricultural and export agriculture production sector, and promoting commercial and export- oriented agriculture by increasing attraction towards the investments during the year under review, a foreign aid project had been implemented by the Ministry on 15 October 2016 and scheduled to be completed on 31 December 2021. Provisions amounting to Rs.750 million had been allocated for this purpose during the year under review and out of which Rs.335 million had been utilized. The following observations are made in this connection.

- (a) Although, it had been expected to provide assistance for 350 Agrarian Production Organizations in 7 poverty stricken districts, Jaffna, Batticaloa, Anuradhapura, Mulathive, Monaragala, Matale and Polonnaruwa under the Capital Adjustments Master Programme, this programme had been introduced only in Galle and Colombo districts at a cost of Rs.46.91 million.
- (b) Although a period of one year had elapsed from the commencement of the project, a sum of Rs.7.12 million allocated for the loan securities had not been used.

2.3 Obtaining Supplies and Services through Procurement Process

2.3.1 Planning of Procurements

In order to obtain supplies and services through the procurement process, provisions of Rs.864.80 million had been made during the year under review of which Rs.217.55 million only had been used. The observations on the procurement plan prepared relating to the provisions made are as follows.

- (a) Although provisions totaling Rs.160 million had been set out in the Procurement Plan relating to the purchase of pineapple plants, animal farm project and cinnamon research programme, these procurements had not been carried out.
- (b) Although 54 electric Potters wheel, equipment required for breeding fish in Rajawewa and computers and accessories had been purchased at a cost totaling Rs.6.14 million, provisions had not been made for this purpose in the Procurement Plan.

2.4 Assets Management

The following deficiencies were observed at the audit test check carried out relating to the assets of the Ministry.

(a) Failure to test the fuel consumption

Fuel consumption of 16 motor vehicles used by the Ministry had not been tested during the year under review and the preceding years as required by Paragraph 3.1 of the Public Administration Circular No.30/206 dated 29 December 2016.

(b) Conduct of Annual Board of Survey

Although the Annual Board of Survey for the year 2017 should be conducted and the report thereof should be furnished to the Auditor General before 17 March 2018 in terms of Public Finance Circular No.05/2016 dated 31 March 2016, that report had not been furnished even by 30 September 2018.

(c) Irregular use of assets belonging to the other institutions

Ten motor vehicles owned by another 08 institutions had been used by the Ministry and action had not been taken to get those vehicle transferred.

2.5 Management Weaknesses

The following observations are made.

(a) With the objective of establishing Agrarian Services Centres, the Ministry had purchased trimming machines, digging machines, high pressure sprinklers and weeding machines at 375 units in each category at a cost of Rs.30.84 million. The following observations are made thereon.

(i) Although the prime objective of this project was to assist the farmers engaged in the export agriculture sector by way of providing these machine, the set of machines inclusive of relevant four machines had been provided for one beneficiary. Accordingly, it had not been possible to obtain services from all the machines at the same time during a particular period and it had been an impediment for the achievement of the relevant objectives.

(ii) In the preparation of investment estimate for the relevant programme, a criteria had been set that the farmers should purchase 14 types of manual implements such as catty, hoes, crowbars required for the agricultural purposes and submit relevant receipts to be qualified to receive relevant four equipment. Nevertheless, 112 beneficiaries to whom the set of equipment had been granted up to date had not purchased such manual equipment and produced receipts.

- (iii) Out of the machines worth Rs.21.63 million purchased during the year under review, trimming machines, digging machines, high pressure sprinklers and weeding machines at 263 sets had been stored in district export agriculture offices even by 15 September 2018 without being taken action to distribute them among the relevant beneficiaries.
- (b) It had been planned to purchase 12000 beekeeping boxes and relevant equipment at a cost of Rs.19.46 million and distribute them under a honey production project. Nevertheless, more than a period of 05 months had been delayed to award the contract. The contractor had not supplied the stock of beekeeping boxes within 08 weeks as required by the agreement and 3753 beekeeping boxes only had been supplied by 31 May 2018. As a result, the Ministry had decided to quit from the agreement relating to the supply of beekeeping boxes on that day.

2.6 Value for Money Audit

The matters revealed at an audit test check carried out on the foreign tours of the Ministry in the year under review are given below.

- (b) It had been stated according to Sections 2.2.2 and 2.7.1 of the Presidential Secretariat Circular No.CLA/2/3/4 dated 21 February 2006 that official or non-official tours should not be arranged while maintaining direct relationship with the Sri Lanka Missions abroad or the ministries in foreign states, invitations received personally should be referred to the Ministry of External Affairs and the number of official tours shall not exceeded 05. Nevertheless, a sum of Rs. 9,848,379 had been spent in respect of foreign tours of the Minister and the officers engaged in 10 instances on personal invitations.
- (b) According to Section 4 of the above circular, the Ministers should submit a report to the Cabinet including the official activities , the possible benefits resulting from the tour and the observations thereon within 02 weeks from the arrival at the country on completion of a foreign tour. Nevertheless, action had not been taken accordingly regarding the foreign tours of the Minister.
- (c) For an officer of the agriculture sector modernization project who attended the organization activities of the trading fair and fish competition conducted at Guangzhou in China during the year under review, a sum of US\$ 600 had been paid for 8 days at US\$ 75 per day instead of making payments at 40 US\$ per day in terms of provisions in the Ministry of Finance Circular No.02/2015/01 dated 15 May 2015.
- (d) It had been stated according to the Circular No.CA/1/1/16/1 dated 09 July 2010 issued by the Presidential Secretariat that the report on the tour that should be furnished by the public officers as per the format appears in Annex (f) within 07 days from his returning to the country on completion of the foreign tour should be submitted to the officer who approved the foreign tour. Nevertheless, the officers who attended 09 foreign tours had not furnished those reports.

- (e) According to the Paragraph 07 (a) of the Public Finance Circular No.01/2015/01 dated 15 May 2015, the allowances paid at the time of officers are proceeding abroad should be accounted as an expenditure. Nevertheless, allowances of Rs.6.60 million paid to 15 officers in 27 instance at the time of they were proceeding abroad during the year under review had been brought to account as advances.

2.7 Services for the Public

Even though a web-site had been developed for the Ministry, a methodology had not been introduced relating to receiving the public complaints. A complaints box was not used in the Ministry to receive the public complaints. Although a register was maintained to receive complaints, adequate steps had not been take to exhibit the same.

2.8 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made to the Ministry and utilisation and savings for the 03 years period ended 31 December 2017 along with audit observations thereon are as follows.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the net provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2015	Recurrent	28.355	20.865	7.490	26.42
	Capital	13.050	11.257	1.793	13.74
	Total	41.405	32.122	9.283	22.42
2016	Recurrent	182.230	111.005	71.225	39.06
	Capital	205	176.264	28.736	14.02
	Total	387.230	287.269	99.961	25.81
2017	Recurrent	147.147	141.085	6.062	4.12
	Capital	1,763.800	471.566	1,292.234	73.26
	Total	1,910.947	612.651	1,298.296	67.94

(a) Failure to Utilize the Provisions Made

The net provisions of Rs.50.35 million made for 03 Capital Objects had been entirely saved without being used for any purpose.

(b) Making Overprovisions

Overprovisions totalling Rs.1,715.04 million had been made for 14 Objects of which provisions totalling Rs.471.27 million only had been used. Accordingly, savings had ranged from 10 per cent to 90 per cent.

2.9 Imprest Account

In terms of Financial Regulation 371(5) as amended by Public Finance Circular No.03/2015 dated 14 July 2015, the ad-hoc sub-imprest should be settled within 10 days from the completion of the relevant purpose. Nevertheless, ad-hoc sub-imprests totalling Rs.677,541 obtained by 14 officers had been settled after the delays from 10 days to 235 days in 36 instances.

2.10 Non-maintenance of Registers and Books

The Register of Official Telephones to be maintained according to Financial Regulation 845 (1) and the Security Register to be maintained according to Financial Regulation 891 (1) had not been maintained by the Ministry.

2.11 Non-compliances

Non-compliances with Laws, Rules, Regulations

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

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(a) Financial Regulations 104 (3)	307,393	The preliminary reports to be prepared and submitted relating to three accidents caused during the year under review, had not been submitted even by 15 October 2018 despite the lapse of period exceeding one year from causing accidents.

- (b) Financial Regulations 104 (4) 191,933 The full report to be prepared and furnished relating to the accidents caused to a van in two instances during the year under review had not been furnished even by 31 August 2018.
- (c) Financial Regulation 1646 - The running charts and monthly summaries relating to 07 vehicles run during the year under review had not been furnished to Audit.

2.12 Human Resource Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

Particulars on the approved cadre, actual cadre, vacancies for the execution of duties of the Ministry as at 31 December 2017 are given below. The Ministry had spent Rs. 44,267,230 in respect of personal emolument category for the year under review. Accordingly, per capita expenditure had been Rs. 790,486.

Category of Employees	Approved Cadre	Actual Cadre	No.of vacancies
(i) Senior Level	15	08	07
(ii) Tertiary Level	03	02	01
(iii) Secondary Level	39	25	14
(iv) Primary Level	19	18	01
(v) Casual/Contract/	<u>05</u>	<u>03</u>	<u>02</u>
Total	<u>81</u>	<u>56</u>	<u>25</u>

2.13 Security of the Public Officers

An officer who should give security in terms of Financial Regulation 880 had not given the securities.