

## **Report of the Auditor General on Head 195 – Ministry of Development Strategy and International Trade -Year 2015**

---

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 195 - Ministry of Development Strategy and International Trade for the year ended 31 December 2015 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 Secretary to the Ministry on 24 June 2016. 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 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 for the Accounts and the Reconciliation Statements**

---

The Chief Accounting Officer is 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**

---

### **2.1 Appropriation Account**

---

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

---

The total net provision made for the Ministry amounted to Rs.713.09 million and out of that Rs.539.77 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Ministry amounted to Rs.173.32 million or 24.31 per cent. Details are given below.

Expenditure	<u>As at 31 December 2015</u>			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	353.59	343.79	9.80	2.77
Capital	359.49	195.97	163.52	45.49
Total	713.08	539.76	173.32	24.31

## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.19501 of the Ministry 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
3.00	0.75	0.30	1.05	50.00	3.93

## 2.3 General Deposit Account

The balances of Deposit Account No. 6000/0000/00/0015/0198/000 under the Ministry as at 31 December 2015 totalled Rs.14.92 million.

## 2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Development Strategy and International Trade for the year ended 31 December 2015, 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 important 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 Appropriation Account**

-----

##### **3.1.1 Budgetary Variance**

-----

The following observations are made.

###### **(a) Savings of Entire Provisions**

The entire provisions amounting to Rs.4.48 million made for 15 Objects had been saved.

###### **(b) Making Overprovisions**

Excess provisions had been made for 24 Objects and as such the savings, after the utilization of provisions, ranged from 45 per cent to 99 per cent of the net provisions relating to the respective Objects.

#### **3.2 General Deposit Account**

-----

Action in terms of Financial Regulation 571 had not been taken on deposits older than 2 years amounting to Rs. 14,919,926 in the General Deposit Account as at 31 December 2015. Even though the General Deposit Account No.0015 should be closed in terms of the Public Accounts Circular No.243/2015 of 24 June 2015, action in terms of the said circular had not been taken by the Ministry.

#### **3.3 Reconciliation Statement of the Advances to Public Officers Account**

-----

According to the Reconciliation Statement of the Advances to Public Officers Account No.19501 as at 31 December 2015 presented to audit, the balances that remained outstanding as at that date totalled Rs.209,218. Even though loan balances amounting to Rs.174,000 out of the said balances remained over periods ranging from 1 year to 2 years, the follow-up action on the recovery of the outstanding balances had been at a weak level.

#### **3.4 Good Governance and Accountability**

-----

##### **Internal Audit**

-----

An Internal Audit Unit had not been established.

#### **3.5 Assets Management**

-----

The following deficiencies were observed during the course of audit test checks carried out relating to the Assets of the Ministry.

**(a) Conduct of Annual Boards of Survey**  
-----

According to the Public Finance Circular No. 02/2014 of 17 October 2014, the Board of Survey for the year 2015 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2016. Nevertheless, the Ministry had not furnished those reports to the audit even by 31 May 2016.

**(b) Assets given to External Parties**  
-----

Six motor vehicles had been released irregularly to the Department of Public Enterprises and the Ministry of Finance by the Ministry since September 2015.

**(c) Irregular use of Assets belonging to other Institutions**  
-----

Three motor vehicles belonging to the Office of the Prime Minister and the Ministry of Legal Affairs had been used by the Ministry without a proper approval.

**(d) Unsettled Liabilities**  
-----

The following observations are made.

- (i) The unsettled liabilities of the Ministry less than 1 year as at 31 December 2015 amounted to Rs.705,799.
  
- (ii) Commitments had been incurred exceeding the savings by a sum of Rs.110,360 after the utilization of net provision made for 06 Objects by the Ministry contrary to Financial Regulation 94(1).

**3.6 Human Resources Management**  
-----

**Approved Cadre and Actual Cadre**  
-----

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

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
	-----	-----	-----	-----
(i)	Senior Level	17	09	08
(ii)	Tertiary Level	01	-	01
(iii)	Secondary Level	19	12	07
(iv)	Primary Level	16	10	06
		----	----	----
	Total	53	31	22
		==	==	==