

Auditor General's Report on the Accounts of the Ministry of Co-operatives and Internal Trade and the Departments under the Ministry – Year 2010.

This report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments under the Ministry

Part 2 - Detailed Reports on each Appropriation Head

Part I

Summary report on the Accounts of the Ministry of Co-operatives and Internal Trade and the Departments under the Ministry

1. Departments under the Ministry

Head of Expenditure	Name of Department
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298	Department of Measurement Units, Standards and Services
300	Department of Food Commissioner
301	Department of Co-operative Development
302	Co-operative Employees Commission

2. Annual Action Plan

The Ministry and the 04 Departments under the Ministry had prepared the Annual Action Plans at the beginning of the year of accounts.

- (b) A sum of Rs.3 million relating to the establishment of Mini-Co-ops which could not be reimbursed to the Peoples' Bank in the year 2009, had been transferred to the Deposit Account on 31 December 2009 for reimbursement in the year 2010. The balance Rs.385,989 remaining out of that had been retained in the Deposit Account No.6000/0/0/11/421 up to now.
- (c) A sum of Rs.38.1 million transferred to the Deposit Account No. 6000/0/0/11/495 on 31 December 2009 for payment to the Institute of Co-operatives Development continued to be retained in the Deposit Account even up to 31 October 2012.

(d) Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No.11601, the balances that remained outstanding as at 31 December 2010 totalled Rs.1,041,428 and the follow up action on the recovery of those outstanding balances had been at a weak level.

1:4 Assets Management

(a) Conduct of Annual Boards of Survey

Even though the audit was informed that physical survey of the motor vehicles of the Ministry had been conducted, that was not established according to the Board of Survey Reports furnished for the years 2008 to 2010.

(b) Unsettled Liabilities

The unsettled liabilities of the Ministry less than 01 year old as at 31 December 2010 amounted to Rs.462,127.

1:5 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc.

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

In terms of Financial Regulation 371, any advance obtained should be settled immediately after the completion of the purpose. Nevertheless, the settlement of advances granted by the Ministry had been delayed for 01 month to 06 months. Instances of grant of further advances to officers who had not settled the previous advance and instances of advances granted to external institutions without approval were also observed.

1:6 Performance

The observations on the progress of the Ministry according to the Action Plan for the year 2010 are given below.

(a) Key Functions not executed Adequately

The Ministry had not executed certain key functions adequately and several such instances observed are given below.

- (i) A stock of 1,500 Metric Tons of White rice valued at Rs.103,887,950 as a remedy for the rice scarcity occurred with in the period December 2009 and January 2010, had been subject to quality deterioration and discolouration due to retaining in store for more than one year without being issued during the relevant period. As such the rice had been issued at Rs.50 to Rs.45 per kilo grams instead of the selling price fixed at Rs.56. According to the letter No.TO/Gov/03/GE/121/2010 of 29 August 2011 of the Acting Director General of the Treasury Operation any loss incurred on the sale of rice should be written off in terms of Financial Regulations 102 to 108. Nevertheless, the loss of Rs.31,810,997 representing the difference between the computed receipts and the cost had not been written off.
- (ii) According to the Strategic Plan for the Storage of Rice in the years 2010/2011 prepared concurrently with the Programmes for the Purchase of Paddy Production of the Yala Season 2010, stocks of 50,000 metric tons of rice in 15 stores had been commenced in January 2011. But the Ministry had

not taken action to give instructions and orders relating to issues. The rice kept in long storage had been infested with worm weevils and worms and had to be fumigated several times. It was observed that the Department of Food Commissioner had spent a sum of Rs.2,449,786 on chemicals for that purpose.

- (iii) The difference between the income from the Mahapola Trade Exhibition held from 14 to 18 October 2009 and the expenditure amounted to Rs.3,270,082 and the money had been retained in the Bank Account without being utilised for improvement of schools. Even though a decision had been taken to launch those exhibitions throughout the Island, that had not been implemented up to April 2012.
- (iv) The “Specialized Economic Centres Management Fund” had been established with Rs.90 million in accordance with the decision of the Cabinet of Ministers dated 23 July 2008 with the objective of improving the infrastructure facilities and marketing promotional facilities as well as to meet the expenditure incurred on maintenance and repair of the Economic Centres. Out of that money, a sum of Rs.65 million had been spent contrary to the above objectives for the import of sugar from Myanmar and a sum of Rs.50 million out of that remained to be recovered. The balance of the fund at present amounted to Rs.134,410. Action had not been taken to achieve any of the objectives connections with the establishment of the Fund.

1:7 Transactions of Contentious Nature

Certain transactions entered into by the Ministry had been of contentious nature. The particulars of several such transactions revealed during the course of test checks are given below.

- (a) Even though the full amount of US\$2,800,000 for the import of 7,000 metric tons of white rice from the Government of Myanmar in the year 2008 had been paid, out of that stock, 111 metric tons valued at US\$ 48,159 had not been received up to date. Out of the rice imported, a stock valued at Rs.4,660,590 had been damaged. The expenditure of Rs.98,571 spent due to the delays in the import had been recovered from the Co-opFed institution. A sum of Rs.5,991,508 still remains irrecoverable on the credit sale of that stock of rice to the local institutions. A sum of Rs.480 million inclusive of the sum of Rs.360

million, obtained temporarily from the Revolving Fund for the import of the rice had been received from the General Treasury. It was observed that a further sum of Rs.66.4 million has to be settled in this connection.

- (b) An agreement had been entered into on 23 December 2009 for the import of 3,000 metric tons of white sugar from Myanmar and a sum of Rs.65 million out of the “Specialized Economic Centres Maintenance Fund” had been paid in that connection. Nevertheless, out of the stock of 3,000 metric tons of sugar ordered, 223 metric tons of sugar valued at Rs.15.8 million only had been received. Accordingly, the overpayment of U.S.\$ 443,665 or Rs.49.2 million made in that connection had not been received up to date. Out of the stock of sugar received, 30 metric tons valued at Rs.2,122,800 had been unfit for consumption and that stock had been issued to the market at Rs.58 per kilograms.
- (c) An agreement had been entered into on 29 December 2009 for the import of 1,500 metric tons of white rice from Vietnam and a sum of Rs.103,887,950 had been paid for that. Out of that money, a sum of Rs.100 million had been spent by the Ministry of External Affairs and that amount had not been settled up to date. Action had not been taken even up to 04 October 2011 to issue 755 metric tons out of that stock to the market.

1:8 Irregular Transactions

Certain transactions entered into by the Ministry were devoid of regularity. Several such instances observed is given below.

(a) Deviation from the Procedure of the Procurement Guidelines

- (i) The provision made in the year 2009 for the establishment of a Building Materials Trading Zone had not been utilized for that purpose and a sum of Rs.25 million out of that had been given to the Building Materials Corporation. According to the Letter No.BD/356/432/4 dated 25 September 2009 of the Director General of National Budget, the Ministry had been informed to an agreement should be entered into between the two institutions, and study the Business Plan and grant the loan on the recovery basis. Nevertheless, the Ministry had paid the money without taking action accordingly. In this connection, the Secretary to the Ministry had informed

the Treasury that action for the recovery of the loan will be taken when the financial position of the institution improves. Even though the Chief Accountant of the Ministry informed the audit by his letter No.2-8/108/2010/22 of 18 August 2011, that the position of the institution had improved from January 2011, that money had not been recovered up to date.

- (ii) Despite the availability of 08 photocopy machines in the Ministry, another photocopy machine had been procured on hire basis for a period of 03 years from 15 December 2008. A sums of Rs.183,577 had been paid in that connection. The Ministry had paid an additional sum of Rs.27,408 as the Ministry had failed to make payments according to the conditions agreed between the Ministry and the Company. The Ministry had also analyzed that an annual loss of Rs.29,964 would be incurred by hiring a machine instead of purchasing and the Ministry had incurred a loss of Rs.87,336 in the years 2008 and 2009 due to the hire of the machine.

(b) Transactions without Authority

The following observations are made.

- (i) According to the Cabinet decision dated 11 March 2009 approval had been granted to handover the planning and construction of the Economic Centre at Ratmalana for a sum not exceeding Rs.75 million to the Central Engineering Consultancy Bureau and for the payments for work done on an independent engineering report. The above Bureau had submitted two estimates totalling Rs.88,451,130 for this work and those estimates had been submitted after the commencement of the work to the Standing Technical Committee of the Ministry of Construction and Engineering Services for approval. That Committee informed on 05 May 2009 that the estimates cannot be approved as those exceeded the limit approved by the Cabinet of Ministers. The approval for a sum of Rs.74,057,087 only had been granted on 03 March 2011.
- (ii) Even though 16 Economic Centers had been established by September 2010, four of those were not functioning. Out of the functioning Centers, 03 Centers only had prepared the accounts. Even though Management Trusts should be established for the administration of the Centers, two Centers had

(a) Presentation of Accounts

The following observations are made.

- (i) The Appropriation Account for the year 2010 in Sinhala and English had been presented on 31 March 2011. The Tamil copy had been presented only on 27 April 2011. That account was returned on 05 May 2011 as it was not certified and contained several errors in formats that was furnished to audit only on 28 September 2011, that is after a delay of 05 months.
- (ii) Eighteen transactions amounting to Rs.1,230,770,749 could not be satisfactorily vouched in audit, due to lack of failure to furnish the required evidence such as detailed schedules, confirmations, age analysis and journal vouchers.

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provisions amounting to Rs.20,000 made for 02 Objects of Head 300 had been saved.
- (ii) Excess provisions had been made for 11 Objects and as such the savings thereunder after the utilization of the provision ranged between 26 per cent to 80 per cent of the net provisions.

(c) Imprest Account

Even though balance of the Imprest Account No.7002/000/00/0107/0010/000 as at 31 December 2010 according to the Treasury books amounting to Rs.82,664,571 had been shown in Note iii to the Appropriation Account, according to the Treasury Computer Printouts the unsettled balance as at that date amounted to Rs.82,464,571. Thus a difference of Rs.200,000 was observed.

(d) General Deposit Account

The following observations are made.

- (i) Action in terms of Financial Regulation 571 had not been taken in connection with 02 deposit balances amounting to Rs.28,876,507 older than 02 years.
- (ii) A debit of Rs.5,000 made to the Account No.6000/0000/00/0002/0005/000 according to the Departmental register, that had not been recorded in the Appropriation Account. As such, according to the Register of Deposits the balance as at 31 December 2010 amounted to Rs.609,000. That balance according to the Department books and the Treasury books appearing in the Appropriation Account amounted to Rs.614,000.
- (iii) The Credits to the Account No.6000/0000/00/0003/0030/000 during the year according to the Department books amounted to Rs.3,553,698 whereas according to the Treasury Computer Printouts for December 2010, there were no credits.
- (iv) The debits to the above Deposit Account during the year according to the Departmental books amounted to Rs.3,914,557 whereas according to the Treasury computer printouts a sum of Rs.3,553,698 had been shown as the debits. As such a difference of Rs.360,859 existed.
- (v) The Register of Deposits No.6000/0000/00/0011/0540/000 had not been furnished to audit. The debits and credits according to the Departmental books shown in Note ii to the Appropriation Accounts had been recorded contrariwise. As such, debits amounting to Rs.320,000 had been shown as credits and credits amounting to Rs.22,670,000 had been shown of debits. As such the balance of this account as at 31 December 2010 according to the Departmental books represented a negative value of Rs.22,350,000. Nevertheless, according to the Appropriation Account, that balance as at 31 December 2010 according to the Treasury books and the Departmental books represented a positive value of Rs.22,350,000.

- (vi) Even in the Account No.6000/0000/00/0015/0155/000 debits amounting to Rs.20,297,877 had been shown as credits and credits amounting to Rs.24,950,798 had been shown as debits erroneously in the Appropriation Accounts.
 - (vii) As Register of General Deposits of the Account No. 6000/0000/00/0015/0155/000 had not been maintained in an updated manner, and the differences in the total of deposits for the year between the Deposit Ledger and the Monthly Summaries of Accounts amounted to Rs.20,326,713 and Rs.22,052,524 respectively.
 - (viii) The Monthly Statements of Deposits prepared in Form General 71 for the General Deposit Account in terms of Financial Regulation 565(5) had not been furnished to the Auditor General before the end of the month following.
 - (ix) A sum of Rs.2,088,575 that should have been remitted to the Commissioner General of Inland Revenue for the years 2007 and 2008 had been retained in the General Deposit Account up to 03 March 2011.
 - (x) A difference of Rs.14,900 was observed between the opening balance of the Departmental General Deposit Account as at 01 January 2010 and the schedules furnished with the Appropriation Account for the year 2010.
- (e) Reconciliation Statement of the Advances to Public Officers Account
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The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No.30001, the balances that remained outstanding as at 31 December 2010 totalled Rs.6,807,216 and the follow up action on the recovery of those outstanding balances had been at a weak level.
- (ii) The differences between the Departmental books and the Treasury books relating to the opening balance of the year, debits during the year,

the credits during the year and the closing balance of the year amounted Rs.299,336, Rs.173,582, Rs.182,242 and Rs.307,996 respectively.

- (f) Advance Accounts under Liquidation - Food Purchase and Distribution Advance Account (7000/0/0/0300/0003)

Balances recoverable amounting to Rs.348,612,017, the balances for settlement amounting to Rs.609,342,974 and assets not finalized valued at Rs.169,285,130 existed older than 19 months relating to 01 Advance Account under liquidation.

Except for the following other major audit observations, it was observed that the accounts had been satisfactory prepared.

- (i) The difference between the sum of Rs.600,000 received on 05 June 2009 for a motor vehicle given to the Ministry of Co-operatives as surplus basis and the sum of Rs.2,340,000, the cost of that motor vehicle amounting to Rs.1,740,000 had been adjusted to the Profit and Loss Account in the year 2010 without adjusting the depreciation thereon.
- (ii) It was pointed out in my report on the financial statement for the year ended 31 December 2007 that action had not been taken to identify the cost of the stores complex at Boossa transferred at the assessed value of Rs.4,000,000 to the Sri Lanka Navy and the cost of the furniture credited to the Furniture Disposal Account at Rs.174,445 and eliminate them from the respective accounts. Even though it was stated in the letter No.IA/0408/14/Food dated 17 February 2009 that action will be taken on the matter by informing the Treasury, action as stated had not been taken up to date.
- (iii) The cost and the accumulated depreciation relating to the credit balances totalling Rs.25,463,535 of 03 Assets Disposal Accounts shown in the Statement of Assets and Liabilities of the Financial statements had not been identified and adjusted.
- (iv) The arrears of rent of 69 stores given on rent to external parties by the Department of Food Commissioner as at 31 December 2010 amounted to Rs.81,504,027.

- (v) Even though 03 motor vehicles valued at Rs.1,072,198 had been handed over to the Ministry of Agricultural Development and the Ministry of Co-operatives in the years 2002 and 2003 the transfer value of those motor vehicles had not been recovered from those Ministries.
- (vi) The loans recoverable as at 01 January 2010 from 184 Multipurpose Co-operative Sureties on account of the issue of rice, flour, sugar, food stamps and kerosene stamps on credit basis amounted to Rs.202,599,099. A sum of Rs.2,212,962 only had been recovered in the year under review and as such the loan balance recoverable as at 31 December 2010 amounted to Rs.200,386,138. The recovery of loan is not at a satisfactory level. The loan recovery as a percentage of the total debtors balance represented 1 per cent.
- (vii) Out of the Stock shortages debtors as at 01 January 2010 amounting to Rs.54,320,469, a sum of Rs.2,409,015 only had been recovered in the year under review, the further sums recoverable as at 31 December 2010 amounting to Rs.51,911,454. As such, the loan recoveries as a percentage of the total stock shortages outstanding balance represented 4 per cent.
- (viii) The differences between the financial statements and the schedules relating to Stock Shortages Surcharges, Co-operatives Loan balances and the receipts of Co-operative loans amounted to Rs.1,968,778, Rs.890,254 and Rs.952,381 respectively.
- (ix) Even though discrepancies totalling Rs.1,066,667 existed between the actual loan balance arrived at by deducting the receipts during the year under review from the balances of each district as at 31 December 2009 as appearing in the Schedules of Co-operative Loans furnished to audit and the loan balance appearing in the schedule furnished with the accounts for the year 2010. The reasons for that discrepancy had not been furnished to audit.
- (x) A difference of Rs.5,904,116 existed between the trial balance relating to the balance of the Food Distribution Advance Account and the Statement of Settlement of Liabilities.

- (xi) Differences amounting to Rs.1,429,364 and Rs.983,581 between the receipts during the year according to the summarized schedule of Co-operative loans furnished to audit and the balances as at 31 December 2010.

3:4 Assets Management

(a) Idle and Underutilized Assets

The following observations are made.

- (i) Even though the liquidation of the Kitchen and Bakery Advance Account had been finalized, 24 items of goods relating to that Account remained idle in the stores up to 31 March 2011.
- (ii) A sum of Rs.352,021 had been paid to a contractor on 31 December 2010 for carrying out repairs to the carpentry room of the Department. The need for carrying out repairs had not arisen at that time.

(b) Conduct of Annual Board of Survey

Even though the Board of Survey should have been appointed before 15 December 2010 in terms of Financial Regulations 756(1) the Board of Survey for the year 2010 had not been appointed even by 31 March 2011.

(c) Assets given to External Parties

The following observations are made.

- (i) Renting of the stores of the Department had been done without obtaining the assessment reports based on the current market values. Stores No.01 and 02 of the Department at Hingurakgoda had been given to the Co-operative Wholesale Establishment on an irregular agreement for Rs.11,000 per month. Even though that agreement expired on 31 December 1992 action had not been taken to revalidate that agreement or to enter into a fresh agreement. As such those were remained in the

custody of the Co-operative Wholesale Establishment up to date without any rent being recovered.

- (ii) Even though a clause prohibiting the construction of any buildings of the premises had been included in that agreement, the Co-operative Wholesale Establishment had constructed a Rice Mill Complex on that premises at a cost of Rs.78,978,504. The Co-operative Wholesale Establishment had, by letter dated 20 August 2005, informed the Department that the stores cannot be handed back due to the Construction of the Rice Mill Complex.

3:5 Non-compliances with Laws, Rules, Regulations, etc.

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, etc.	Value	Non-compliance
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(i) <u>Establishments Code</u>		
Section 1.4 of Chapter xxxiii	-	The rent agreements of the stores of the Department had been amended through the Department of Attorney General as directed by the Committee on Public Accounts on 05 February 2008. Whenever the drafts of lease agreements are forwarded to the Attorney General for approval, a statement of the terms and conditions approved by the authorized officer concerned should be forwarded. Nevertheless, such approval had not been obtained for the draft agreement forwarded. Nevertheless, differences

were observed between the agreement formerly used by the Department and the revised agreement, between the revised agreement and the subsequent agreements entered into by the Food Commissioner and in the proposed conditions forwarded to the Secretary to the Ministry as rectification of deficiencies in the revised agreement and in the old agreement were observed. It was observed that a problematic situation had arisen in connection with the stores due to entering into agreements without including the required terms and conditions.

(ii) Financial Regulations

Financial Regulations 373	24,992,879	According to the Treasury books there was no balance of the Imprest Account for settlement as at 31 December 2010. Nevertheless, the liquidation Account had an imprest balance of Rs.24,992,879 as at that date. That balance existed since the commencement of the liquidation and action had not been taken up to date to identify that balance.
Financial Regulations 396(d)	737,626	The Department had not taken action on cash deposited but not realized in one Bank Account during a period from 06 to 78 months.
Financial Regulations 518(7)(b)	-	Even though the date on which the finalization of activities and

Financial Regulation 1646 - Even though the Daily Running Charts and the Monthly Performance Summaries should be furnished to the Auditor General before the 15th day of the month following it had not been so done in respect of 04 Motor Vehicles.

4.5 Losses and Damage

According to the decision of a case filed in the Civil High Court of Appeal, Colombo in connection with an accident of a Jeep belonging to the Department on 11 January 2000, the driver of the Department had been convicted as the party responsible and the sum of Rs.1,184,000 payable to the Plaintiff of the case had been paid from the Co-operative Development Fund. Nevertheless, the Department had not conducted a disciplinary inquiry against the driver.

4:6 Operating Inefficiencies

A summary of the operating inefficiencies observed at test checks is given below.

- (i) A physical inspection of a sample of 07 out of the 12 school milk stalls established in the year 2007 revealed that 03 milk stalls had been closed down while the activities of 05 stalls had been impaired. The milk stalls equipment provided by the Department at a cost of Rs.2 million had been under utilized.
- (ii) The sum of Rs.183,750,000 provided by the Treasury Revolving Fund on 06 January 2010 for the purchase and distribution of imported raw rice had been given without entering into an agreement, to the Sri Lanka Consumer Co-operative Society and a sum of Rs.171,463,497 out of that only had been reimbursed to the Treasury Revolving Fund even after the elapse of one year. As such a balance of Rs.12,286,503 remained outstanding as at 30 April 2012.
- (iii) The fixed deposits of Rs.80 million of the Co-operative Surplus Fund had been placed as security for a loan of Rs.80 million obtained by the Sri Lanka Consumer Co-operative Society and Sri Lanka Co-operative Marketing Society

from the People's Bank. Out of that, the loan obtained by the Sri Lanka Consumer Co-operative Society had not been paid and the People's Bank had recovered the unpaid loan of Rs. 16.4 million from the fixed deposits of the Surplus Fund. That amount had not been paid by the society to the Department even by 30 April 2012.

- (iv) In addition to the above loan, 02 fixed deposits for Rs.50 million of the Co-operative Surplus Fund had been placed as security for obtaining a letter of credit for the Sri Lanka Consumer Co-operative Society from the People's Bank in the year 2008. Out of that a further sum of Rs.35.8 million remained for settlement as at 30 April 2012.
- (v) Fourteen Apex Level Co-operative Societies Associations are under the control of the Department. Out of that 03 Associations had not maintained books and prepared accounts while the supervision of 03 other Associations had been commenced only in the year 2010. In addition there were Associations of which were not supervision whatsoever had been exercised. There were delays in the audit of 05 Associations. As such the Department had not implemented a follow up action with regard to the auditing of accounts and supervision of those Associations.

4.7 Human Resources Management

 Approved Cadre and Vacancies

The position of the Cadre as at 31 December 2010 had been as shown below.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	06	03	03
(ii)	Tertiary Level	07	05	02
(iii)	Secondary Level	92	62	30
(iv)	Primary Level	20	16	04
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	Total	125	86	39
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4.8 Internal Controls

Internal Audit

Even though there is an Internal Audit Unit, the Internal Audit Reports as evidence of internal audits done had not been furnished to the Auditor General.

5. Appropriation Head 302 - Co-operative Employees Commission

The Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Co-operative Employees Commission for the year ended 31 December 2010 were audited in pursuance of provisions of 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 of the Commission on 31 January 2012. 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.

5:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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 of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial 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.

5:3 Audit Observations on the Accounts and Reconciliation Statement

According to the Financial Records and Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major observations appearing in paragraphs 5.4 and 5.5 herein, the Appropriation Account and the Reconciliation Statement of the Co-operative Employees Commission have been prepared satisfactorily.

(a) Budgetary Variance

Out of the net provisions of 02 Objects totalling Rs.280,000 a sum of Rs.279,800 or 99 per cent remained without being utilized while the savings out of the net provisions of 06 Objects ranged between 31 per cent and 58 per cents.

(b) Imprest Account

According to the Departmental books there was no balance of the Imprest Account as at 31 December 2010. Nevertheless the balance as at that date according to Treasury books amounted to Rs.56,318. That balance remained without being settled even by 04 March 2011.

(c) Reconciliation Statement of the Advances to Public Officers Account

(i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No30201, the balances that remained outstanding as at 31 December 2010 totalled Rs.131,833 and the follow up action on the recovery of those outstanding balances had been at a weak level.

(ii) The deficiencies' of the opening and closing balances according to the Departmental books and the Treasury books amounted to Rs.14,668 each.

(iii) Action had not been taken up to date for the settlement of loans and advances amounting to Rs.124,718 due from the officer transferred out on 23 March 2009.

5.4 Performance

The observations on the progress of the Commission according to the Action Plan for the year 2010 are given below.

(a) Key Functions not executed Adequately

The key functions of the Commission had not either been executed at all or not executed adequately. Several such instances observed are given below.

- (i) The amendment of the Co-operative Employees Commission Act which was a targeted activity of the year 2008 had not been completed by the Commission even by 31 December 2010.
- (ii) The Co-operative Employees Pension Scheme planned in the year 2009 had not been implemented even by 31 December 2010.
- (iii) Even though the Action Plan included the conduct of 03 Workshops and Seminars for the employees of the national level Co-operative Societies in the year 2010, only one workshop had been conducted as at 31 December 2010.

5:5 Human Resources Management

(a) Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excesses
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Senior Level	01	-	01	-
Tertiary Level	02	01	01	-
Secondary Level	24	06	18	-
Primary Level	10	03	07	-
Others (Casual/Temporary/ Contract Basis)	-	02	-	02
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	37	12	27	02
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The following observations are also made.

- (i) The vacant post of the Commission as at 31 December 2010 had been 27 or 72.9 per cent of the approved cadre. As such it was observed in audit that the proper implementation of the activities of the Commission would be problematic. It was also observed that the Commission had not taken action for revising the approved cadre.

- (ii) The actual cadre shown above included one acting appointment and 02 posts of casual Driver an Office Aide. Even though an Additional Secretary of the Ministry of Co-operatives and Internal Trade had been appointed with the approval of the Public Service Commission to act in the vacant post of Secretary of the Commission from 12 February 2008 to 11 May 2008 and for the same officer to cover the duties of that post from 12 May 2008 to 31 December 2008, that officer continuous to cover the duties of that vacant post up to date. There was no evidence of approval obtained in that connection.