

Auditor General's Report on the Accounts of the Ministry of Industry and Commerce and the Departments under the Ministry - 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 Report on each Appropriation Head

Part I

Summary report on the Accounts of the Ministry of Industry and Commerce and the Departments under the Ministry

1. Departments under the Ministry

Head of Expenditure	Name of Department
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295	Department of Commerce
297	Department of Registrar of Companies
299	National Intellectual Property Office of Sri Lanka
303	Department of Textile Industries

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.

Detailed Report relating to each Appropriation Head

1 Appropriation Head 149 Ministry of Industry and Commerce

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Industry and Commerce for the year ended 31 December 2010 was carried out 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 to the Secretary to the Ministry on 10 September 2011. 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 test 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 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 of Article 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.

1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and the Books for the year ended 31 December 2010, it was observed that the Appropriation Account and the Reconciliation Statement of the Ministry of Industry of Commerce had been prepared satisfactorily.

1:4 Human Resources Management

Approved Cadre and Vacancies

year ended 31 December 2010 was carried out 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 to the Head of Department on 21 November 2011. 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 test 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.

2:2 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 Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the 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.

2:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and the Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (b) and other major observations appearing in paragraphs 2:4 to 2:7 herein, the Appropriation Account and the Reconciliation Statement of the Department of Commerce had been prepared satisfactorily.

(a) Presentation of Accounts

- (i) The Department of Commerce had not presented the following account to audit by 31 March 2011.

charge of the custody of Government cash and the officers who certify vouchers and sign cheques relating to the Government Account should deposit security in terms of the Public Officers Security Ordinance that they performs their duties honestly, the officers entrusted with the custody of cash had not deposited security.

(ii) Public Administration Circulars

Circular No.41/90 of 10 October
1990

Even though the fuel consumption of motor vehicles should be tested once in every 06 months the fuel consumption of the motor vehicles used by the Department had not been tested.

(iii) Treasury Circulars

Circular No. IAI/2002/02 of 28
November 2002

Even though a separate Register of Fixed Assets on Computers, Accessories and Software should be maintained, it had not been so done.

2:6 Human Resources Management

Approved Cadre and Vacancies

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

Category of Employees	Approved	Actual	Number of
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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records Department of Registrar of Companies for the year ended 31 December 2010 was carried out 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 to the Head of Department on 21 November 2011. 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 test 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.

3:2 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, the Revenue Accounts and the Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the 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.

3:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Accounts and the Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit observations appearing in paragraphs 3:4 to 3:6 herein, the Appropriation Account, the Revenue Accounts and the Reconciliation Statement of the Department of Registrar of Companies had been prepared satisfactorily.

(a) Presentation of Accounts

The Department had not presented the Reconciliation Statement of the Advances to Public Officers Account to audit by 31 March 2011.

(b) Revenue Accounts

The following observations are made.

- (i) According to the Departmental books, the actual revenue collected under the Revenue Code 20.03.20.10 during the year 2010 amounted to Rs.56,404,280 whereas according to the Treasury Computer Printouts, that revenue amounted to Rs.56,504,525. Thus, it was observed that the Departmental books had not been reconciled with the Treasury books.
- (ii) Action in terms of Financial Regulations 83 and 128 (2)(d) had not been taken to identify the arrears of revenue under the Revenue Code 20-03-20-10.
- (iii) The fees recoverable under the Public Contract Agreements Act had been determined by the Notification published in terms of provisions in the Public Contract Agreements Act, No. 3 of 1987, in the Gazette No. 508/7 of 02 June 1988. Such fees had not been revised from the date of determination in the year 1988 up to 31 December 2010, that is a period of about 22 years.

(c) Reconciliation Statement of Advances to Public Officers Account

The following observations are made.

- (i) The balance of the Advances to Public Officers Account as at 31 December 2010 according to the Departmental books amounted to Rs.14,043,914 whereas according to the Treasury Computer Printouts that balance amounted to Rs.13,535,765. Even though the differences of

01 February 2010. The services of that company had been stopped on 30 September 2010 due to the failure to fulfil the service conditions specified by the Department and the security services had been entrusted to another private institution. Payments amounting to Rs.2,954,435 had been made to the two companies in that year without entering into formal agreements with the two companies.

3:6 Human Resources Management

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	Excess
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(i) Senior Level				
(ii) Tertiary Level				
(iii) Secondary Level	■		16	
(iv) Primary Level				
(v) Others (Casual/ Temporary and Contract Basis)		■		■
Total	94 =====	=====	■ =====	■ =====

The following matters were observed in this connection.

- (a) In addition to the approved cadre, 15 employees had been recruited on contract basis from time to time since 02 June 2008 for the additional work involved in the implementation of the Companies Act, No. 07 of 2007. The approval of the Department of Management Services in terms of the Management Services Circular No. 28 of 10 April 2006 had not been obtained for the recruitment of 15 officers on contract basis. In addition, in terms of Paragraph 4.3 of the Management Services Circular No. 18 of 05 May 2003, the employees on casual, temporary, contract or daily paid basis should in terms of provisions in the Public Service Provident Fund Act, pay contributions to the Public Service Provident Fund from the monthly salaries or from the total amount received as daily pay for

	Hectares	
(i) Lands	0.6915	} A Private Company 7 years
(ii) Buildings	05	

5:5 Performance

The observations on the progress of the Department according to the Action Plan are given below.

(a) Key Functions not Adequately Executed

The following activities of the Department according to the Action Plan for the year 2010 had not been executed.

- (i) Formulation of Policies relating to the development of the hand loom industry.
- (ii) Formulation of programmes based on the development of productions
 - Entrepreneurial Development Programmes
 - Design Production Programmes

(b) Activities contrary to the Key Activities (Deviations from Objectives)

The Department of Textile Industries had spent a sum of Rs.53,580 for the publication of a newspaper advertisement for the procurement of a building for the Textile Division of the Ministry of Industrial Development which does not fall under the functions and scope of the Department of Textile Industries.

5:6 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

The value of 06 cheques issued but not presented for payment for over 06 months as appearing in the Bank Reconciliation Statement prepared as at 31 December 2010 amounted to Rs.15,095.

5:7 Irregular Transactions

Irregular Use of Government Property

According to the Cabinet Memorandum No.99/1260/13/037 dated 30 July 1999 of the Ministry of Industrial Development, the Commissioner General of Lands had, by his letter dated 14 March 2001, authorized the Divisional Secretary, Moratuwa to utilize a portion of land, 0.6915 hectares in extent together with 05 buildings out of the Katubedda Complex owned by the Department of Textile Industries on a Project called Centre for Creation of New Entrepreneurs (Nava Bima) on long term lease basis.

The following matters were observed in this connection.

- (a) According to the letter No. 1/7/2/65 dated 05 February 2008 of the Divisional Secretary, Moratuwa, it was established that the private company established for the implementation of this Project had not paid any lease rent to the Government and that it had not commenced any of the activities of the Project.
- (b) According to paragraph 04 of the letter of the Divisional Secretary, Moratuwa referred to at (a) above, a private company is enjoying the tenure of 05 buildings on the land without authority since 01 July 2003.
- (c) The land, 0.6195 hectares in extent and the buildings owned by the Department of Textile Industries which could have been used for the purposes of the Department of Textile Industries had been transferred to cater to the needs of external individuals. As such it was observed that there is a difficulty in the recovery of the land and buildings by the Government and that the Government properties are being misused over a number of years due to the influence exerted by various parties.
- (d) The Industrial Development Board of Ceylon situated in the adjoining land, dumps all its obsolete materials on the boundary of this land thereby blocking the drainage systems of this land. This had resulted in the creation of mosquito breeding grounds. A student following courses at the Textile Training School had become a victim of dengue fever due to this situation. This situation had developed to a social calamity.

(c) Repair and Maintenance of Motor Vehicles

- (I) Conditions had not been included in the estimates furnished for repairs.
- (II) A register or stock records had not been maintained for taking over of spare parts discarded during repairs and tyres removed for changing tyres. As such it was not possible to be satisfied in audit as to whether that had been attended to properly.

5.:10 Human Resources Management

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	Excess
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(i) Senior Level	11	03	08	-
(ii) Tertiary Level	02	01	01	-
(iii) Secondary Level	206	103	103	-
(iv) Primary Level	33	30	03	-
(v) Others (Casual/ Temporary and Contract Basis)	-	09	-	09
Total	-----	-----	-----	-----
	252	146	115	09
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