

Head 199 – Ministry of Social Welfare and Primary Industries

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Social Welfare and Primary Industries for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Social Welfare and Primary Industries was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Ministry of Social Welfare and Primary Industries as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit

Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) As there was no need to prepare financial statements for the previous year, it was impossible to declare the financial statements for the year under review were consistent with those of the previous year.

- (b) As there was no need for the Ministry of Social Welfare and Primary Industries to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

1.6 Comments on Financial Statements

1.6.1 Financial Statements not complied with Circulars

Even though the financial statements should have been prepared in accordance with the State Accounts Circular No. 267/2018 of 21 November 2018, an instance of exception to those requirements is as follows.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<p>Although an Imprest Adjustment Account should be prepared to show the difference between the value receivable from the Treasury and the value payable to the Treasury as per the cash book in terms of State Accounts Circular No. 267/2018 dated 21 November 2018, an Imprest Adjustment Account had not been prepared to show the net difference of Rs.873,980 in between those two balances.</p>	<p>Actions should be taken in terms of the State Accounts Circular No. 267/2018 of 21 November 2018.</p>	<p>An Imprest Adjustment Account is not prepared separately and settlement adjustments are made in the CIGAS computer programme.</p>

1.6.2 Commitments and Liabilities

The following observations are made in this regard.

Audi Observation	Recommendation	Comments given by the Chief Accounting Officer
<p>(i) The liabilities relating to the year under review totalled to Rs. 269,944, had not been brought to the financial statements.</p>	<p>Actions should be taken as per the State Accounts Circular No. 267/2018 of 21 November 2018.</p>	<p>A training programme has been commenced in December 2018 and that programme will run for 16 week end days.</p> <p>That course has been consisted in the Action Plan to carry out from the provisions of the year 2018 and the provisions of the year 2019.</p> <p>Accordingly, since that programme continues for 16 days in the years 2018 and 2019, the payment will be applicable to the year 2019.</p>
<p>(ii) Although the statement of commitment and liabilities consists under Note No. (iii) in compliance with Paragraph 3.4 of the State Accounts Circular No. 267/2018 dated 21 November 2018 should agree with the statement of commitments and liabilities issued in respect of each of the Expenditure Heads, the liabilities appeared in Note (iii) regarding 13 Expenditure Objects amounted to Rs. 2,885,673 had not been stated in the statement of commitments and liabilities issued by the Treasury.</p>	<p>Actions should be taken in terms of the State Accounts Circular No. 267/2018 of 21 November 2018.</p>	<p>Because it is shown the commitments and liabilities that have arisen due to not obtaining imprests despite the provisions available as at 31 December 2018 in the Treasury Computer Printouts 2018, there is no such a contrary to the Circulars.</p>

1.6.3 Deposits

The following observation is made.

Audit Observations	Recommendation	Comments given by the Chief Accounting Officer
----- Although the actions should be taken to refund the deposits over due as soon as possible in terms of Financial Regulations, arrangements had not been made to settle the deposit balance amounted to Rs. 6,657,705 for more than one year .	----- It should act in compliance with Financial Regulation 571 (3) .	----- Although the approval of the Treasury had received for the refund, due to lack of adequate imprests it has not been possible to settle. Arrangements will be made to settle after receiving the imprests.

1.6.4 Property Plant & Equipment

The following observations are made in this regard.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
----- (i) Even though a sum of Rs. 12,602,306 had been shown as opening balance of property, plant and equipment in the Statement of Financial Position for the year under review, that figure was Rs. 106,634,548 according to the ACA 6 .	----- It should be taken in to accounts making adjustments properly ensuring the accuracy of the opening balances.	----- Even though it was established as a new Ministry in 2018 and accordingly, the property and plant under the former Ministry have been taken over by the new Ministry and since it was not assessed and taken in to accounts in the year 2017 those adjustments were made. Accordingly, the balance of the ACA 6 as at 01 January 2018 has been understated.
(ii) Although the money received from the sale of fixed assets during the year under review was	The money received from the sale of fixed assets should be stated under Investment Activities.	The income received from the sale of fixed assets is recorded as non-income receipts in the cash flow statement.

Rs.595,032, it was not included in the Cash Flow Statement under Investment Activities for the year under review.

1.6.5 Over Expenditure

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
<p>-----</p> <p>Although it should not be entered in to commitments and liabilities beyond allocation limits, it had been entered in to liabilities amounted to Rs. 1,664,470 exceeding the savings remained as at 31 December for the year under review for 05 Expenditure Objects.</p>	<p>-----</p> <p>It should act in compliance with State Accounts Circular No. 267/2018 of 21 November 2018.</p>	<p>-----</p> <p>As a result of lack of adequate imprest to spend within the provisions set out by the Annual Appropriation Act during the year ended 31 December 2017 under the Expenditure Head 199 of the Ministry of Primary Industries, the commitments and liabilities amounted to Rs. 2.518 million has been incurred. The Department of National Budget and the Department of Treasury Operations had taken actions to provide the necessary additional provisions and imprests for that and as it was failure to perform properly the relevant commitments and liabilities had to be incurred within the provisions made available for the year 2018.</p> <p>Accordingly, as a result of a similar situation happend in the year 2018 liabilities and commitments of Expenditure Objects had occurred due to lack of imprests. Therefore, commitments had occurred exceeding the allocation limit of the year 2018. This situation has become an unavoidable circumstance in financial management due to commitments caused by essential expenses.</p>

1.6.6 Non-maintenance of Documents and Books

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
----- The Register of Security had not been maintained in accordance with Financial Security Regulation 891 (1).	----- Actions should be taken to maintain the Register of Security in accordance with the Financial Regulations 891 (1).	----- Arrangements have been made to obtain the membership in the Public Service Mutual Guarantee Association. After obtaining the membership thereon, the Register of Security Deposits will be maintained.

1.6.7 Non-compliance with Laws, Rules and Regulations

Instances of non - compliances with provisions in Laws, Rules and Regulations observed during the course of audit test checks are analyzed below.

Observation	Recommendation	Comments given by the Chief Accounting Officer
<p>Reference to Non-compliance Laws, Rules and Regulations</p> <p>-----</p> <p>(i) Section 4.2.3 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka</p>	<p>-----</p> <p>Although the officer should sign a promissory document to authorize him to recover the loan balance from his converted pension as to repay the entire loan before retirement or at the time of retirement if he has a loan balance to be paid back,, it had not been so acted .</p>	<p>-----</p> <p>Taking actions in terms of Section 4.2.3 of Chapter XXIV of the Establishments Code.</p> <p>Since the most of the officers working in this Ministry are new officers, their promissory notes have not been received when granting loan advances. Promissory notes have been obtained from officers who had about to get their retirement.</p>

(ii) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

Financial Regulations 1646

Although the officer in charge for the vehicle was required to send the daily running records to the Auditor General with the original monthly summaries before the 15th day of the following month, actions had not been so taken in respect of 15 vehicles.

Actions should be taken in compliance with Financial Regulations 1646

Submission of the daily running records has been delayed and that status has been updated by now.

(iii) Circulars of the Presidential Secretariat

Section 2.2.2 of the Circular No. CSA / 2/3/4 dated 21 February 2006

Although the number of foreign trips a Minister can travel in a year is 05 official trips and 05 private trips, the Minister had engaged in 12 foreign tours during the year 2018.

It should act according to the Circulars.

Although the foreign travel applications has been forwarded consisting the details of the number of foreign trips possible within a year, without considering that number it has been approved by the Presidential Secretariat.

(iv) Public Accounts Circulars

Paragraph 3.4 of the Circular No. 276/2018 dated 28 November 2018

Although any liability that had not been reported to the Treasury should not be settled in the year 2019, the liabilities valued at Rs. 2,885,673 that had reported so in the year under review had been settled in the year 2019 in contrary to that.

It should act according to the Circulars.

Approval has been given by the Department of State Accounts. Nevertheless, because it is shown the commitments and liabilities that have arisen due to not obtaining imprests despite the provisions available as at 31

December 2018 in the Treasury Computer Printouts 2018 , there is no such a contrary to the Circulars.

2. Financial Review

2.1 Expenditure Management

The following observations are made in this regard.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(i) The total of 03 Recurrent Expenditure Objects amounted to Rs. 1.2 million and the provision of a Capital Expenditure Object amounting Rs. 200,000 had been totally saved.	Annual estimates should be prepared in terms of Financial Regulation 50.	Due to inability to obtain office space for the Deputy Minister's Office at Battaramulla, it had to be established in the Suhurupaya building itself.
(ii) The savings of net provision totalling to Rs. 991.27 million comprising 08 Recurrent Expenditure Objects and 07 Capital Expenditure Objects as well had ranged between 10 per cent and 99 per cent.	-do-	On the lack of sufficient requests for water, electricity, postal and telephone charges, building and vehicle maintenance and for purchasing equipment.
(iii) The entire additional provision obtained by Supplementary Estimates for 05 expenditure Objects totalled to Rs. 2.45 million had been saved.	Annual Estimates should be prepared in terms of Financial Regulations 50 and making provisions from the Supplementary Estimate with the proper study regarding the cash requirement.	Due to the limitation of incurring the provisions made available for the implementation of the Development Project and General Administration of the Ministry and the activities of the Institution.

2.2 Issuance and Settlement of Advances

The following observations are made in this regard.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(i) Although the rendering of sub imprests shall only to be limited to the Staff Officers as specified in the Financial Regulations 371 (c) , a total of advances amounting to Rs. 209,514 had been rendered to non-staff officers at 18 occasions.	Actions should be taken in terms of Financial Regulation 371 (c).	There are only four staff officers available and advances has been issued to non-staff officers as well on priority basis to maintain the performance of projects and the programmes properly .
(ii) Even if the ad hoc sub - imprests obtained has to be settled within 10 days of the completion of the work in accordance with Financial Regulation 371 (5) , the ad hoc sub-imprests obtained by the Ministry Officials in 62 instances amounted to Rs. 2.54 million had been settled in a period of 11 days to 282 days, beyond the period mentioned above.	Actions should be taken in compliance with Financial Regulation 371 (5).	Delays have occurred in terms of Section 371 (5) of the Financial Regulations in settling the sub-imprests issued to the officers for field inspections of various programmes and projects of this Ministry. It will be planned and to implement the settlement of the sub-imprests as per the instructions in future.

3. Operating I Review

3.1 Planning

The deficiencies appeared in adjustment of performance as per Public Finance Circular No. 2014/01 of 17 February 2014 are shown below.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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Even though an Action Plan had been prepared for the year 2018 as per the Public Finance Circular No. 17/01/2017 of 17		

February 2014, the following details had not been consisted in the Plan.

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| <p>(i) Details in respect of approved cadre and actual cadre of the Ministry .</p> | <p>Action should be taken as per the Circular.</p> | <p>The report on approved cadre and the actual cadre for the current year has been prepared and handed over to the Treasury.</p> |
| <p>(ii) Monetary requirements for the annual activities of the Ministry.</p> | <p>-do-</p> | <p>The approved imprest plan has been prepared and made available to the Department of Treasury Operations within the budgetary provisions allocated for this Ministry.</p> |
| <p>(iii) Annual Procurement Plan for major development programmes planned by the Ministry.</p> | <p>-do-</p> | <p>The Annual Procurement Plan has been prepared and submitted to the Department of National Budget and the National Procurement Commission.</p> |

3.2 Projects that have Released Funds but Lack of Progress

The following observations are made in this regard.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<p>Even though the allocation of Rs. 38 million had been released to the Ampara District Secretary for the construction of Bridges across Agricultural Roads (Damana), the provision amounted to Rs. 37.6 million had been returned.</p>	<p>Measures should be taken as per the Action Plan.</p>	<p>A sum of Rs. 38 million has been provided for the Project on construction of Bridges across the Agricultural Roads on November 2018 . As these Projects are medium sized projects and since it takes 3-6 months time period to commence the Projects and it was impossible implementation of these Projects and enter in to agreements considering the potential implications of obtaining imprests at the end of the</p>

year.

3.3 Modernization of Agriculture Sector Project

The following observations were made on the Agricultural Modernization Project which is being implemented under the Ministry.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
(a) Payment of Allowances to Members of the Project Control Committee		
According to Chapter 9.4 of the Management Services Circular, despite it was mentioned that the allowance payable for members of the Steering Committee to attend the meeting was Rs. 3,000 per occasion, a sum of Rs. 15,000 per meeting for the post of Chairman of the Board of Directors of the Project and the allowance of Rs. 10,000 for a meeting of a member of the Board of Directors had been paid as allowances.	Actions should be taken as per the Circulars.	Forwarded for approval, checked and reminders have been made to the Director General of Management Services. A proper answer was not received and the payments have been made with the approval of the Secretary to the Ministry of Primary Industries. Actions are being taken to obtain the approval.
(b) Purchase of G.S.I Software Package		
The G.S.I Software Package purchased on 22 December 2017 at a cost of Rs. 4.25 million to facilitate project activities and maintain the data as a G.S.I. store kept in store without being used until 08 January 2019. five officers of the Agriculture Sector Modernization Project had been trained by the Institution where that package was purchased to make activate this package. However, the top management of the Project did not delegate responsibilities and conduct supervision activities on trained personnel to obtain benefits of this package.	Action should be taken to obtain maximum productivity out of the money spent.	Although the actions were taken at 02 occasions to hire a consultant, it was hard to find a suitable person because of the monthly allowance proposed to be paid is Rs. 150,000. Currently a consultant has appeared and actions will be taken to recruit in the near future.

- (c) The duration of the Agricultural Sector Modernization Project is five years from 2017 to 2021 and accordingly, the cost estimate of the Project in the years 2017 and 2018 was Rs. 1459 million and 1824 million respectively, the actual expenditure in those years amounted to Rs. 293 million and Rs. 340 million only. Similarly, the details of the incurring of the USD 44.10 million to be spent Investors who receives capital adjustment awards equal to this cost were not available and , it had not considered details of the way of that money spent when preparing the Action Plan of the project.

Action should be taken to achieve the objectives of the Project according to the plans .

The figures presented are accurate. However, all the allocations have been provided for the components 1 and 2 of the Project.

3.4 Procurements

The following observation is made.

Audit Observation

Recommendation

Comments given by the Chief Accounting Officer

The Technical Evaluation Committee shall consist of a subject matter expert / experts and at least one member with adequate knowledge of the procurement procedure in accordance with Paragraph 2.8 (b) of the Government Procurement Guidelines. Nevertheless, it had not been so executed at the procurement for the INCO (The Institution of Incorporated Engineers) exhibition held on 2018 and with the objective of building a stall to be used for future exhibitions.

Actions should be taken as per the Procurement Guidelines.

It has been advised to appoint officers with subject matter knowledge for such projects in future.

3.5 Uneconomic Transactions

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
<p>-----</p> <p>Despite the 16th floor of the Suhurupaya Building in Battaramulla has been obtained to run the Ministry offices, a 4,850 square feet on the 18th floor of the World Trade Center was obtained on rent basis from April 2017 to April 2019 for carrying out the Export Agriculture Division and the Foreign Trade Relations Division. Accordingly , even though a sum of Rs. 18,941,635 and Rs. 21,539,290 had been incurred respectively for rent, electricity and telephone facilities for the years 2017 and 2018 , there were three local conferences and three foreign conferences had been held from April to August 2018. Similarly, although this premises was not used for any purpose except for only carrying out the Export Agriculture Division, the expenditure made in the dissolution of the activities of the division after 30 April 2019 was uneconomic.</p>	<p>-----</p> <p>Public funds should be spent with maximum performance, efficiently and productively.</p>	<p>-----</p> <p>It was decided to obtain a building for rent as there is no sufficient space to maintain the Export Agriculture and Foreign Trade Relations Division at the Suhurupaya Building under the purview of this Ministry.</p> <p>It had been entered in to agreements from 2017/2018 till 30 April 2018/2019 obtaining this building on rent basis in April 2017.</p> <p>All operations were carried out under the supervision of a senior officer of the Sri Lanka Administrative Service and due to the revision of the Ministry in the year 2018 the office was brought to Sethsiripaya Stage II. Actions were taken to dissolve the activities of the Division from 30 April 2019 .</p>

4. Achieving Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<p>Even though each public institution is bound to identify the Sustainable Development Goals and targets which should have to be achieved during the period of 2015-2030 in accordance with the Sustainable Development Act No 19 of 2017 of the United Nations Sustainable Development Agenda, the Sustainable Development goals and objectives had not been specified by the Ministry. The Functions such as identifying indicators, identifying underlying data and preparing Annual Action Plans and preparation of its Action Plan for measuring and regulating those goals and targets had not been performed.</p>	<p>Actions should be taken in accordance with the Sustainable Development Act No. 19 of 2017 .</p>	<p>The Ministry of Primary Industries was established in the year 2016 to achieve the Sustainable Development Goals and Objectives. Accordingly, plans have already been prepared and implemented for the increase of the diversification of Export Crops in Sri Lanka and to uplift the place of the export agriculture by 30 per cent in the National Income through the development of earnings of export crops and spices sector of the persons and institutions occupied in the Export Agriculture Sector.</p>

5. Good Governance

5.1 Audit and Management Committee

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<p>Although the 04 Audit and Management Committee Meetings should be held quarterly within an year in terms of the Management Audit Circular DMA / 2009 (1) (i) dated 28 January 2016, only two meetings had been held during the year under review.</p>	<p>It should be acted as per the Circular.</p>	<p>A Chief Internal Auditor had been appointed to the Ministry of Primary Industries and due to administrative difficulties that have arisen because of the occasional Ministry amendments in the year 2018, Audit and Management Committee Meetings were held at the Ministry of Agriculture. The Chief Accountant and other officials had also</p>

participated for that.

6. Human Resource Management

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
----- Although there were 23 senior, tertiary, secondary and primary level vacancies in the Ministry at the end of the year under review, actions had not been taken to recruit to fill those vacancies.	----- Actions should be taken to recruit the approved staff or to amend the number of staff if there are excess posts available.	----- Steps have been taken to recruit 06 Development Officers and 10 Management Assistants for the year 2018 by informing and making discussions with the Ministry of Public Administration for this. Activities are also being carried out for the recruitment of officers to the senior level.