

Head 124 – Ministry of Primary Industries and Social Empowerment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Primary Industries and Social Empowerment for the year ended 31 December 2019 comprising the statements of financial position as at 31 December 2019 and statements 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. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Primary Industries and Social Empowerment was issued to the Accounting Officer on 31 July 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the ministry was issued on 30 December 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry of Primary Industries and Social Empowerment as at 31 December 2019, and of its financial performance and cash flows 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 qualified opinion.

1.3 Responsibility of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control determination is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per the 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.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the ministry and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carry out.

1.4 Auditor's Responsibility for the 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 summary 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6 (1) (d) of the National Audit Act, No. 19 of 2018, I state the followings.

- (a) That the financial statements correspond to the previous year,
- (b) My recommendations regarding the financial statements for the previous year were implemented in the presentation of the financial statements for the year under review.

1.6 Comments on Financial Statements

Non-compliance with the provisions of Financial Statements Circulars

Although the financial statements were required to be prepared in accordance with the Public Accounts Circular No. 271/2019 dated 03 December 2019, the following instances have been deviated from those requirements.

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) The balance as at 31 December 2018 in the statement of non-financial assets was revised from Rs. 982,563,593 to Rs.1,102,609,470 at the beginning of the year under review and as the result of that, the opening balance of the assets had been increased by Rs. 120,045,877.	Action should be taken to act in accordance with the provisions mentioned in the State Accounts Department Circular No. 271/2019 dated 03 December 2019.	This change was made due to considering about the fixed assets register of the primary industries division in addition to the fixed assets register of this ministry in preparation of the statement of non-financial assets.

(b) The property and plant worth of Rs. 1,023,038,293 under the net assets / equity should be stated as property, plant and equipment reserve in the statement of financial position, but that reserve was not included.

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The equal value to value of property, plant and equipment should be stated as the property, plant and equipment reserves, but by mistake that value is included under the net assets.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
(a) ----- Non-revenue receipts in the statement of financial performance were understated by Rs. 349,513.	----- Act in accordance with the provisions of State Accounts Department Circular No.271/2019 dated 03 December 2019.	----- This error has occurred due to the Ministry having to consolidate in the accounting activities due to changes in the composition of the institutions in several times during the year under review and there was a difficulty to collecting information and insufficient time to compare the relevant information.
(b) The capital expenditure included in the statement of financial performance was overstated by Rs. 488,240,943 in the capital expenditure as treasury printout.	Do	It is reported that a mistake was made when bringing the sum of the back page values to the front page and the notes shown in the audit query are correct.

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| (c) The ministry's deposit account balance for 2019 which was included in the statement of Financial Performance was Rs.58,304,655 and such balance as per in treasury printout was Rs. 58,254,934. Therefore, it was observed a difference of Rs.49,731 between those accounts. | Do | There was a difference of Rs. 49,731.07 between department books and treasury accounts due to the receipts from the General Deposit account of the Primary Industries Section in May 2019 amounted to Rs. 49,731.07 was entered into the opening balance of the CIGAS program without being accounted as the relevant monthly receipts. Based on the transactions that occurred in the year 2019, the imprest account has been prepared and submitted as a copy. |
| (d) Imprest adjustment account had not been prepared as per 7(vi) of State Accounts Circular No.271/2019 dated 03 December 2019 | Do | |

1.6.3 Cash flow statement

The following observation is made.

Audit Observation	Recommendation	Comments of Accounting Officer
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When preparing the cash flow statement, the figures of cash expenditures spent by the ministry during the year were not mentioned in the trial balance and had not included expenditure incurred by other departments as per the treasury statements.	Action should be taken to act in accordance with the provisions set out in the Department of State Accounts Circular No. 271/2019 dated 03 December 2019.	In first 04 months of the year 2019, this ministry reported accounts details directly to the treasury under the Expenditure Head 193 through the Ministry of Labor, trade union relations and social empowerment. Thereafter, from May to December, with involvement of the Ministry of Primary Industries and this ministry, Expenditure Head 124 was reported to the treasury. Later, all the errors in accounts were

rectified at the end of the year and some mistakes were made in preparing the cash flow statement on the adjustment notes.

2. Financial Review

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of Accounting Officer -----
(a) Provisions of Rs. 1,778,926,657 provided by Parliament could not be utilized due to non-issuance of imprest by the treasury for 04 expenditure subjects as planned during the year.	Expenditure subjects should be made in accordance with plans.	Agreed.
(b) Although it is the responsibility of Chief Accounting Officer to prepare the annual estimates as completely and accurately in accordance with Financial Regulation 50(b), out of the Rs. 6,319,672,000 allocated by the ministry for 93 expenditure items, the savings ranged from 10 percent to 100 percent amounting to Rs. 2,278,724,285 and it was 36 percent of the estimated provision.	Action should be complied with Financial Regulations.	Although it was planned for a State Accounts year, the public administration mechanism was amended on 03 occasions by 03 gazette notifications (01/2019, 03/2019, 09/2019) and accordingly, expenditure management could not be sustained. It was also stated that the issuance of Circulars (04/2016 (ii), 07/2019) on 02 occasions to limit expenditure by the treasury affected to remained provisions.
(c) In addition to the allocations made during the year under review, transfers were made under the Financial Regulation 66 for 06 recurrent expenditure	Transferred money should be spent for the relevant purposes.	In the approved budget estimates of the year 2019, the objectives of the ministry were revised and when implementing the ministry it was revised on

subjects and 03 capital expenditure subjects. There was a savings of 100 percent or Rs. 63,265,670 from that money transfers in nine occasions.

three occasions with other ministries. When the allocations were not sufficient to cover the expenditure in revised allocations, the provisions in the unutilized heads were transferred but provisions were saved due to repeated changes in the objectives of the ministry and there was no opportunity to incurred expenditures. Also, a circular issued by the treasury to limit the expenses and non-received imprest were affected to the remaining provisions.

3. Operational Review

3.1 Project Abandoned without Completing

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
<p>(a) The Ministry of Primary Industries have been spent Rs. 1,398,448 for the visiting of a scientist from the Institute of weather meteorology in China and a specialist from the Haikan meteorological renovation center to Sri Lanka in 2018 to explore the possibility of increasing rainfall in the Eastern Province of Sri Lanka and the relevant report was submitted to the Cabinet by the ministry. The cabinet had instructed the secretary to hold a discussion with the Ministry of Power and Renewable Energy in this</p>	<p>Should be act in accordance with the decisions of the cabinet.</p>	<p>There were no comments.</p>

regard, but no action had been taken to discussion. Meanwhile, 07 Chinese officers were invited to Sri Lanka at a worth Rs. 2,113,560 in the year under review. However, the project was halted.

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| <p>(b) A special project to develop the Boralanda animal farm under the provisions of the ministry has been allocated Rs. 2,025,900,000 for the next 03 years from 2016 to 2019. By the year under review, Rs. 55,484,214 had been spent on purchasing dairy cattle, growing grass and establishing a plumbing system for grass growing in 10 acres and testing the soil of the farm land. The project could not be implemented due to the poor soil condition of the farm.</p> | <p>Action should be taken to achieve the objectives expected from the project.</p> | <p>Some of the problems in transportation and impurity conditions in the farm caused the death of animals due to absorption germs into animals' bodies. It was also stated that action would be taken to provide high quality calves to farmers in the area.</p> |
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3.2 Project without Progress despite the Release of Money

The following observation is made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>The Ministry of Primary Industries had paid Rs. 108,780,000 to acquire 64 acres of land at Maha heentenna in Benthota estate for the establishment of Agriculture Super Zones in 2016 and it was submitted to the ministry for acquisition in</p>	<p>Should be act to achieve the objectives expected from the project.</p>	<p>There were no comments.</p>

the year 2018. However, no transfer had been made and the ministry had been given permission to develop under the transfer basis in future. During the land test conducted on 26 February 2020, the total area of 64 acres was fully overgrown with weeds. Accordingly, the project had not been implemented and the money spent on it had become an unutilized expense.

3.3 Losses and Damages

The following observation is made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>A vehicle which is insurance cover expired on 01 August 2018 was involved in an accident on 24 August 2018 and the damage caused to the vehicle by the accident was estimated at Rs. 6,783,254 by the inspection report of the ministry. According to report of the investigation conducted by the ministry in accordance with FR104(1)(a) regarding this accident, it was decided that the loss of the vehicle should be recovered from the officer who used that vehicle and driver. That report also stated legal action should be taken against the officers for misusing public property and that the officer in charge of the</p>	<p>Action should be taken in accordance with FR 104 to recover the loss.</p>	<p>There were no comments.</p>

transport had been negligent in handing over the vehicle. However, no action was taken to recover the loss until 31 December 2020.

3.4 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
(a) The hostel of the main training institute of the Rural Development Research and Training Institute in Borella is completely underutilized and a sum of Rs. 6,789,461 was granted to the Colombo Divisional Secretary in October of last year for the renovation of the hostel, lecture hall no. 02 and premises of the institute. But, the repairs had not been made. Also, Rs. 7,200,000 had been allocated for this purpose during the year under review but the activity had not been done until 31 November 2020.	Action should be taken to carrying out repairs and using the hostel within stipulated time.	As there are no engineering officers in the ministry, arrangements have been made to carryout building repairs through the Divisional secretariat offices.
(b) Equipment worth Rs. 3,385,762 purchased for needs of hostel and kitchen had been kept in storage for around 03 years due to delays in repairing hostels. It was also observed that the warranty period given for the purchased electrical equipment had expired due to non-use of the relevant equipment.	Should be purchased and delivered in timely as required.	The equipment will be placed in the kitchen as soon as the repairs are completed.

3.5 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) It was estimated that Rs. 10,000,000,000 would be given to 416,667 low-income adults over 70 years in 25 districts for a monthly allowance of Rs. 2000 in the year under review. The worth Rs. 9,855,532,716 had been paid to 410,647 adults during the year under review. Accordingly, 6020 approved persons had not been paid allowances.	Action should be taken to provide allowances to the maximum number of eligible adults.	This was due to non-receipt of money by certain beneficiaries during the relevant months, change of residence of the beneficiaries and death of the beneficiaries.
(b) After the payment of elders' allowance, each Divisional secretariat should send a summary expense report after the end of each month to the District Secretariat before the 15 th day of the following month. Also, the District Secretariat should prepare a summary report from the reports provided by all Divisional secretariats and send it to the National Secretariat for Elders before 30 th of the next month. Although the ministry has informed about this through the circular No. NSE/EL/01/2018 dated 15 October 2018; it was observed that the relevant reports are	Action should be taken to provide relief to the elders from using maximum usage of the provisions.	District Secretariat officers who have not submitted the summary expenditure reports have been informed and action will be taken to obtain the expenditure summary reports in due course.

delay to send. Accordingly, summary reports had not been obtained from 11 out of the 25 districts regarding the persons who were entitled to the elders allowance but did not receive the allowance. Meanwhile, the registered persons waiting to receive allowances were 157,720.

- (c) Although it was estimated that Rs. 4,320,000,000 would be paid as disability allowance of Rs. 5,000 to 72,000 persons with disabilities during the year under review, no action had been taken to pay that amount since January. Rs. 3,000 for 32,000 persons with disabilities during the first 04 months of the year, Rs. 5,000 for the next 02 months and Rs. 5,000 for 72,000 persons with disabilities for the last 06 months at a cost of Rs. 2,810,301,645 had been paid out of the provision, amounting to Rs.2,864,000,000 as disability allowances for 25 districts. Accordingly, Rs. 53,698,355 was saved due to not paying attention to the waiting lists.
- Action should be taken to provide disability relief allowances from the maximum utilization of provisions.
- From the vote on account of January to April 2019 had received Rs. 1,440 million for those 04 months. National secretariat for Persons with Disabilities has been notified that this allowance has been increased from Rs. 3,000 to Rs. 5,000 and allocations have been received for 72,000 including 40,000 on the waiting list after 04 months. Therefore, this saving was due to Rs. 5,000 being paid to only 32,000 disabled persons from the month of May. The Deputy Secretary to the Treasury had approved the payment of Rs. 5,000 to 72,000 beneficiaries from 01 July by letter dated 11 July 2019.
- (d) The worth Rs. 1,509,698,355 or 35 percent out of the total disability allowance have been saved as at 31 December due to failure to pay Rs. 5,000 for 32,000 disabled persons during the first 04 months of the year under review and although the allowance has been estimated
- Action should be taken to provide relief to the disabled persons from the maximum utilization of provisions.
- Attempts were made to pay the arrears from the remaining provisions (From January to April 2019) but there were not approved. Provisions were saved due to lack of prior notice of the allocation of funds and action will be taken to inform the relevant

for 72,000 persons with disabilities since the month of January., not beginning to pay the allowance of Rs. 5,000 each.

authorities to avoid such problems in future.

- (e) The worth Rs. 1,479,985,000 was provided for 24,666 persons to provide allowances to kidney patients during the year under review and Rs. 1,451,305,400 was given to 24,188 persons. Although Rs. 28,679,600 was remained as at 31 December of the year under review, 6,179 people with kidney disabilities were on the waiting list in those 11 districts.
- Action should be taken to provide relief to the patients from the maximum utilization of provisions.
- In addition to 24,666 in 11 districts that was submitted provisions during the year under review, some persons in the waiting list also expected to receive benefits at the Divisional secretariat level. Rs. 1,479,985,000 were released for 24,666 already paid from earlier to the District Secretariats.
- (f) A waiting list was prepared in accordance to the number of kidney patients identified in 25 districts was 13,863 but no action had been taken to provide this allowance to kidney patients in other districts in addition to the 11 districts that receive the allowance annually. Accordingly, 7,684 kidney patients in 14 districts were completely deprived from the allowance.
- Action should be taken to provide relief to the patients covering all the districts.
- It was stated that approval has been granted from September 2020 to pay a cost of living allowance of Rs. 5,000 covering all districts.
- (g) Although 03 vehicles belonging to the ministry have been handed over to the agencies for repairs for the period of 01 to 05 years, no action had been taken to repair those vehicles and obtain them to the ministry. In addition, 05 vehicles that were not in usage condition belonging to the ministry had been parked at the ministry
- Vehicles should be repaired in a timely manner and disposable vehicles should be disposed immediately.
- There were no comments.

premises from nearly 02 years without any action being taken to dispose.

4. **Human Resource Management**

The following observation is made.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) The post of Director of the Borella Rural Development Research and Training Institute has been vacant since August 2018. In addition, there were 02 long term vacancies for Deputy / Assistant Director posts in the company and a Deputy Director was employed contrary to the approved recruitment procedure. Due to this, the role of the institution was problematic.	Action should be taken to appoint officers for essential posts including a permanent Director to carry out the functions of the Institution.	The Ministry of Public Services, Provincial Councils and the Local Government have been informed to take necessary action to fill the vacancies.