

## **Head 410- State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion**

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### **1 Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year 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 including my comments and observations on the financial statements of the State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion was issued to the Accounting Officer on 07 July 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relating to the Ministry was issued to the Accounting Officer on 29 June 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 10 of the National Audit Act, No. 19 Of 2018 will be tabled in parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.6 of the report, the financial statements give a true and fair view of the financial statements of the State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion as at 31 December 2020, 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**

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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The 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

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 review to maintain the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

### **1.3 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in the financial statements whether due to fraud or error in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieve 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

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I express the following matters in terms of Section 6(1)(d) of the National Audit Act, No.19 of 2018.

There was no requirement of preparing financial statements of the preceding year on the State Ministry of Company Estate Reforms, Tea and Rubber Estates Related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion being established on 06 October 2020 by the Gazette Notification No.2196/27 of 06 October 2020.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Position

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#### Property, Plant and Equipment

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| Audit Observation   | Comment of the Accounting Officer  | Recommendation   |
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| Even though the opening balance of the Statement of Non-financial Assets (SA 82) had been stated as a sum of Rs.6,431,852, an opening balance had not been stated in the Statement in Non-financial Assets (ACA- 6) of the financial statements. It had not been disclosed in the financial statements by identifying the reason for this difference. | A sum of Rs.6,431,852 is stated as the opening balance of the Non-financial Assets, SA 82 of the Treasury Printout. It had been stated as Acquisitions in the Statement of Non-financial Assets (ACA 6) 2(1), in the financial statements. | The difference between the opening balance of the Non-financial Assets in terms of SA 82 of the financial statements and the opening balance in the Non-financial Assets in the Statement of Non-financial Assets (ACA-6) of the financial statements should be rectified. |

## 1.6.2 Non- maintenance of Registers and Books

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>                            | <b>Recommendation</b>   |
|---|---|---|
| Even though a Security Register on the officers who should deposit securities should be maintained in a manner that the information mentioned in the Financial Regulation 891(i) is included, it had not been maintained accordingly. | It is being noted to take action in this connection, in the future. | A Security Register should be maintained on the officers who should deposit securities. |

## 2. Financial Review

### 2.1 Management of Expenditure

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>  |
|---|---|--|
| (a) Savings ranging from 7 per cent to 81 per cent or a sum of Rs.516,150,956 of the money provisioned for 14 Objects was observed. | The savings of these provisions were made due to the problems arisen in the implementation of the programmes in the field on the covid- 19 pandemic prevailed in the country in the year 2020.  | The provisions made available should be utilized.  |
| (b) The total sum of Rs.880,000 provisioned for 04 Capital and Recurrent Objects had been saved.                                    | The provisions were saved on not having a necessity of this expenditure due to reasons such as not having sufficient office premises for the Ministry, not having sufficient office equipment, computers and accessories necessary to perform duties. | The Financial Estimates necessary for each Objects should be prepared as accurately as possible. |

## 2.2 Incurring of Liabilities and Commitments

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>  |
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| Liabilities amounting to Rs.28,421 that had not been stated in the Statement of Commitments and Liabilities (Note- iii) of the Financial Statements of the year 2020 had been settled in the months of January and February of the year 2021. | These payments could not be included into the Statement of Liabilities in the receipt of the bills payable to the Sri Lanka Telecom PLC relating to the year 2020 being delayed. | Action should be taken to enter all the liabilities relating to the year under review in preparing the Statement of Commitments and Liabilities in the Financial Statements. |

## 2.3 Certifications of the Accounting Officer

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>  |
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| (a) The Accounting Officer should certify that an effective system of internal control is prepared and maintained for the financial control of the Ministry in terms of Section 38 of the National Audit Act, No.19 of 2018. Even though the Accounting Officer should review the effectiveness of that system from time to time and should make the alterations necessary for effectively carrying out the systems and, those reviews should be made in writing and, a copy should be forwarded to the Auditor General, Statements that such reviews had been made, had not been submitted to the audit. | Action is being taken to maintain the activities of the Ministry by utilizing the prevailing human resource at a maximum level on not filling the approved cadre of the Ministry and action is taken to maintain a method of internal control in an appropriate manner by discussing on maintaining internal controls in the Meetings of the Staff Officers that are held monthly. I would take action to report by making a review on financial control in the future, as you have indicated. | Action should be taken in terms of the provisions of the National Audit Act. |

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| <p>(b) Even though the Accounting Officer should certify that effective methods prevail for the proper implementation of the internal audit function, an Internal Audit Unit had not been established, adhering to those requirements.</p> | <p>Action is being taken to establish an Internal Audit Unit.</p> | <p>Action should be taken in terms of the provisions of the National Audit Act.</p> |
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### 3. Good Governance

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#### 3.1 Audit and Management Committee

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| Audit Observation   | Comment of the Accounting Officer   | Recommendation  |
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| <p>Audit and Management Committees had not been held by the Ministry.</p> | <p>It has been planned to commence Audit and Management Committees in the next month.</p> | <p>Audit and Management Committees should be held</p> |

### 4. Human Resource Management

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| Audit Observation   | Comment of the Accounting Officer  | Recommendation  |
|---|--|---|
| <p>Even though the approved cadre had been 91, it was observed in the audit that the actual cadre had been 47 and the number of vacancies had been 44. Action had not been taken to fill these vacancies even by the date of audit.</p> | <p>It has been requested to the Ministry of Public Services and Provincial Councils and Local Government and from the Public Service Commission to fill the vacancies of the posts of which the vacancies prevail.</p> | <p>Action should be taken to fill the relevant vacancies for the essential posts.</p> |