

Head 407 - State Ministry of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation 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 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 including my comments and observations on the financial statements of the State Ministry of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation was issued to the Accounting Officer on 17 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the State Ministry was issued to the Accounting Officer on 08 August 2021. This report will be tabled in Parliament in pursuance of Provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with 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 accompanying financial statements give a true and fair view of the financial position of the State Ministry of Backward Rural Areas Development and Promotion of Domestic Animal Husbandry and Minor Economic Crop Cultivation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters set out in paragraph 1.6 of this report. 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 Responsibilities of Chief Accounting Officer for the Financial Statements

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 such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of 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 the summary report of the Auditor General 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 scepticism 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 the State Ministry's internal control in order to design audit procedures that are appropriate in the circumstances.
- 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

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

Since this was a new State Ministry established during the year under review, there was no need for the State Ministry to prepare financial statements for the preceding year.

1.6 Statement of Financial Position

1.6.1 Property, plant and equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
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A difference of Rs. 292,000 was observed between the balances of non-financial assets of the Treasury and the balances of the Ministry as at 31 December of the year under review.	I would like to inform you that the existing differences will be rectified as per the Treasury Monthly Accounting Statements (Printouts).	Action should be taken to reconcile and to rectify the differences.

1.6.2 Deposits

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>Although the debit balance of the General Deposit Account as per the Treasury Monthly Accounting Statements (Printouts) was Rs.4,497,317, that balance was Rs.4,781,575 as per the Ministry books and as a result, an amount of Rs.284,258 had been overstated in the Ministry books.</p>	<p>Although the amount of Rs. 284,258 payable to the Public Service Provident Fund within the month of December 2020 was recorded as a payment in the deposit ledger, it could not be paid in that year as sufficient imprest was not available. Since those payments had been made in the month of January 2021, the debit of the deposit payment in the departmental ledger had been overstated by an amount of Rs. 284,258. The amount that could not be paid in the year 2020 has been recorded in the ledger for the year 2021 and the deposit ledger has been rectified.</p>	<p>The balances of the treasury books should be compared with the balances of the deposit account.</p>

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Saving of Provision		
(a) Saving of the entire provision		
The total net provision amounting to Rs. 1,445,000 allocated for 03 Recurrent Objects and 02 Capital Objects had been fully saved.	The total net provision amounting to Rs.1,445,000 made for 03 Recurrent Objects and 02 Capital Objects had been saved due to the matters such as the Hon. Minister and his staff had not travelled abroad due to the CoViD-19 pandemic and there had been no need to incur certain expenses as the Hon. Minister assumed duties at the end of the year and the government had restricted the purchase of vehicles and the Treasury had made provision for certain Objects that had not been requested to borne.	Accurate estimates must be made in accordance with FR 50.
(b) After utilizing the provision allocated for 11 Recurrent Objects and 02 Capital Objects, the balance saved was Rs.3,568,782 and it was in the range of 30.4 percent to 97.37 percent.	The Office was closed for many days due to the Corvid pandemic that prevailed in the year 2020 and as a result, provision was saved.	-Do-

2.2 Entering in to Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
In contrary to paragraph 2 (d) of the Public Accounts Circular No. 255/2017 dated 27 April 2017, liabilities amounting to Rs.16,095,305 had been entered in to by exceeding the balance of the five Objects in the year under review.	<p>This situation has arisen as over provision had been allocated for certain Objects and under provision had been allocated for certain Objects in the allocation of provision by supplementary estimates from time to time in the year 2020.</p> <p>A sum of Rs. 15,612,244, which was 97 per cent of the total value amounting to Rs.16,095,304 after entering in to liabilities by exceeding the balance as pointed out in the audit query, is related to the Object 407-2-3-1503 of the Hadabima Authority. Such a situation has arisen as sufficient provision has not been allocated in the year 2020 for the expenditure of the Authority. Adequate additional provision has been obtained from the Treasury for this purpose in the year 2021 and those liabilities have been settled.</p>	Action should be taken in accordance with the Circular.

2.3 Reconciliation Statement on the Public Officers' Advance Account

Audit Observation	Comments of the Accounting Officer	Recommendation
The total balances of loans outstanding for over one year under the categories of interdicted, vacated the post and others as at 31 December 2020 was Rs.540,667.	(i) Due to non-acceptance of letters sent by the Ministry to the interdicted persons, letters have been sent to the Divisional Secretary of Colombo Central and the Commissioner of Elections by informing them to confirm the residences of the interdicted persons and further action will be taken to recover this loan amount.	Should be responsible in the recovery of loans as per the provisions of the Establishments Code and the Circulars and not to accumulate new loan balances.

(ii) Reminders have been sent to the Ministry of Foreign Affairs. The Divisional Secretary of Moratuwa has informed the Commissioner of Elections to confirm the residence of another officer, who had not accepted letters regarding the recovery of the loan of that officer, who had vacated the Post and I inform you that further action will be taken to recover this loan.

(iii) Arrangements are being made to settle the loan amount from one officer related to other categories from his pension gratuity through account summaries and another officer is repaying the loan in instalments.

3. Operational Review

3.1 Asset Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Arrangements had not been made to take over or to return to the Ministry the tablet computer worth Rs.106,990, issued to an Additional Secretary, who had transferred to a Ministry and it had been indicated as a shortage in the report of the verification of goods.	The laptop and pen drive, out of the computer accessories issued to the Additional Secretary, who had transferred to the Ministry of Public Services, Provincial Councils and Local Government, have already been duly handed over to the Ministry. The female officer was instructed to hand over the tablet computer.	A systematic methodology should be established to make the officers return the items in their custody when they are transferring.

3.2 Losses and Damages

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Losses amounting to Rs.110,094 belonging to 04 vehicles for the years 2018, 2019 and 2020 had not been recovered even by the end of the year under review and the losses had been stated in the statement of losses and waivers as receivables.	Although these losses have been recovered, the losses have been stated in the register of losses to be further recovered / written off / waived as writing off has not yet been carried out in terms of FR 109. I would like to inform you that the loss of the vehicle bearing number PG - 9885 has been written off from the books dated 07/04/2021.	Correct data should be included in the financial statements.
(b) According to the register of losses to be recovered further, written off or waived, appropriate action had not been taken in respect of warehouse stock damage amounting to Rs.464,097 and losses amounting to Rs.2,569,008 in relation to 17 vehicle accidents.	This value is 50% of the total warehouse stock damage and action has been taken to recover the remaining 50% from the officials who have been identified as responsible for the loss. These officers have now retired and action has been taken to fully recover the amount from one of the officers. Inquiries were made from the Divisional Secretariats, from which the other two officers receive their pensions, pertaining to the recovery of the losses from those two officers and it is scheduled to take a decision in relation to writing off the losses after receiving the information. Losses in relation to accidents occurred to vehicles bearing No. KY-5534, NB - 3015 and PG - 9885 out of the losses from vehicle accidents, have been written off dated 06.04.2021. I would like to inform you that action would be taken to write off and to finalize the losses within this year once the final reports are issued after conducting inspections on the remaining vehicle accidents in terms of the Financial Regulations.	Appropriate action should be taken expeditiously in relation to the losses.

4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>The post of Internal Auditor remained vacant by 31 December 2020 and an excess of 03 posts of Public Management Assistant in the secondary category had been reported.</p>	<p>The post of Internal Auditor remains vacant. The Ministry of Public Administration has not yet taken action to fill this vacancy.</p> <p>As per the transfer order dated 05.08.2020 issued by the Secretary of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, we had to release the Administrative Officer of the Ministry from the service to the Presidential Secretariat with immediate effect without a successor and as a result, the post remains vacant.</p> <p>Even though the Ministry of Public Administration has been informed to fill the vacancies in the Translation Service, the vacancy has not yet been filled.</p>	<p>Action should be taken to recruit within the approved cadre or to revise the approved cadre.</p>