

## **Head 432 State Ministry of Development of Minor crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statement of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of financial performance and cash flow statements 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 Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion in terms of section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 06 August 2021. The Annual Detailed Management Audit Report relating to the Ministry in terms of Section 11(2) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 21 September 2021. 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, the financial statements give a true and fair view of the financial position of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Unqualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, for the financial statements are further described in 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 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 State 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 of the State Ministry.

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 State Ministry 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 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 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 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 financial statements whether due to fraud or errors 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 State 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 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

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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.

here was no need to prepare financial statements for the last year as the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion is a new Ministry.

## 2. Financial Review

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### 2.1 Expenditure management

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<b>Audit observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Out of the allocation of Rs. 2,300,000 provided for 03 recurrent expenditure subjects during the year under review, a total of Rs. 1,652,041 had not been utilized.	The expenses have decreased under less occurrence of needs and the Covid-19 situation.	Provisions should be utilized as provided.
(b) Out of the total allocation of Rs. 4,600,000 provided for 04 subjects of capital expenditure during the year under review, Rs. 2,313,989 had not been utilized and the total provision of Rs. 500,000 had remained for the subject of Capital Expenditure No. 432-1-2-0-2106.	Since the Ministry was newly established, no expenditure was incurred on upgrading machinery, buildings, and vehicles. Also, due to the delay in the implementation of development activities due to Covid-19 disease in the year 2020, the expenditure on those subjects has come down.	From the beginning of the year, the action plan should be in line with the utilization of the provisions made for capital expenditure subjects.

### 2.2 Non-compliance with Laws, Rules, Regulations

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<b>Audit observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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(a) According to F.R. 1646, the officers in charge of the vehicles should send the daily driving records to the Auditor General through their Head of Department along with the original copy of the monthly summary written in Form 268 (a) before the 15th of the following month, but the driving records of 14 vehicles	Due to the inconvenience of bringing the officers to the offices under the present or existing Covid-19 situation, the duties could not be carried out up to date and the necessary arrangements will be made and the relevant information will be provided.	Vehicle driving records should be duly submitted to the Auditor General.

belonging to the ministry had not been submitted.

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| (b) | According to the provisions of Public Administration Circular No. 30/2016 dated 29 December 2016, vehicles should be inspected for fuel every six months, but no such inspection was carried out on 26 vehicles of the Ministry. | Due to the Covid-19 situation in the recent past, it has not been possible to carry out fuel inspections due to difficulties of bringing down officers. The work will be completed in the coming days and information will be reported. | Fuel inspection of vehicles should be done on time.  |
| (c) | As per F.R. 891 (i), a security register containing the details of the officers and employees to be secured had not been prepared.   | The action will be taken to maintain a security deposit register.   | A security register should be maintained of the officers to be secured.  |
| (d) | According to F.R. 110, the register of damages had not been updated after 17 August 2018.  | Since the new Ministry of State has been established, necessary arrangements have been made to update the books and documents.  | A document of damages should be maintained in accordance with the provisions of F.R. 110 of the Form under it. |

### 2.3 Certification of Chief Accounting Officer

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer should ensure that the Chief Accounting Officer develops and maintains an effective internal control system for the financial control of the Ministry and the effectiveness of the system should be reviewed from time to time and necessary changes should be made to ensure that the system operates effectively. Statements that such a review had been made had not been submitted to the audit.</p>	<p>Weekly, monthly, progress review meetings are held to review the financial and physical progress of the respective sectors and to revise the internal system and governance by revising the relevant plans from time to time. Reports of progress review meetings have been prepared and internal control has been continuously reviewed as responsibilities have been assigned to officers in all divisions. Confirmations will be available in the office files so that it can be submitted for audit.</p>	<p>Must comply with the provisions of Section 38 of the National Audit Act No. 19 of 2018.</p>

### 3 Operating Review

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#### 3.1 Security of Public Officers

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##### Audit Observation

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No action had been taken to identify the number of officers of ministry belonging to the categories mentioned under F.R.880 (i) and to post bail.

##### Comments of the Accounting Officer

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It is stated that the relevant steps will be taken expeditiously to recover the security deposit from the officers who are required to post security and to maintain the deposit list.

##### Recommendation

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In accordance with financial regulations actin should be taken to keep security.

#### 3.2 Losses and Damage

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##### Audit Observation

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The motor vehicle KC 5500, which was received on 13 June 2018 from the Ministry of Provincial Councils, Local Government and Sports, was involved in an accident on 24 August 2018. The vehicle had not yet been taken over by the Ministry and although a loss of Rs. 6,783,254 had been incurred due to the accident, no action had been taken to recover it from the responsible party. The insurance company was also unable to cover the loss caused by the accident as the car was driven with an expired insurance license.

##### Comments of the Accounting Officer

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Action will be taken to obtain the compensation from the relevant officer as it was not possible to obtain the insurance compensation as the insurance had been canceled at the time of the accident.

##### Recommendation

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Action should be taken to recover the loss.

### 4. Human Resource Management

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##### Audit Observation

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As on 31 December of the year under review, the approved number of employees was 66, of which 38 were vacant.

##### Comments of the Accounting Officer

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Staff vacancies existed as at 31/12/2020 as the Ministry was newly established. I would like to mention that action will be taken to fill those vacancies very soon.

##### Recommendation

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Vacancies should be filled considering the requirements.