

Head 431- State Ministry of Coconut, Kithul and Palmyra Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Coconut, Kithul and Palmyra Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification 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 Coconut, Kithul and Palmyra Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 30 June 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 27 July 2021. This report is furnished to Parliament in terms of 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.

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 statements of the State Ministry of Coconut, Kithul and Palmyra Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification 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 described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements 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 the Chief Accounting Officer and the 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 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 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

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, misrepresentation, 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 financial statements, including the disclosures, and whether the financial statement 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 and Regulatory Requirements

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

There was no requirement of preparing financial statements relating to the preceding year on the State Ministry of Coconut, Kithul and Palmyra Cultivation Promotion and Related Industrial Product Manufacturing and Export Diversification and had been established in the year under review.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

(a) Non- Revenue Receipts

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) Even though the total of Other Receipts had been a sum of Rs.109,202 in terms of the Balance Check as at 31 December 2020 of the Ministry, any value whatsoever had not been mentioned under Other Receipts in the in the Statement of Financial performance presented as at 31 December 2020. As such, the Receipt Value had been deducted by that amount.	It had been missed to include that revenue to the Final Account in preparing the Final Account. However, I accept that Revenue Receipts amounting to Rs.109,202 remained with this Ministry for the year 2020.	Receipts should be accurately accounted in terms of the Public Accounts Circular.

<p>(ii) Even though the Public Officers' Advance Receipts Balance had been a sum of Rs.358,339 in terms of the Treasury Printout (S.A 52), it had been stated as a sum of Rs.87,960 in the Statement of Financial Performance, understating by a sum of Rs.270,379.</p>	<p>It is accurate that Public Officers' Advance Receipts Balance had been a sum of Rs.358,339 in the year 2020. I accept that the Total Advance Receipts amounting to Rs.358,339 should be noted under the Receipts in the Statement of Financial Performance, as indicated by the audit.</p>	<p>The Statement of Financial Performance should be prepared accurately in terms of the Public Accounts Circular.</p>
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(b) Capital Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Even though the Capital Assets Acquisition value had been a sum of Rs.1,773,130 in the Statement of Financial Performance, the Non-financial Assets Acquisition value had been stated in the Statement of Non-financial Assets (ACA 6) as a sum of Rs.1,564,299, being understated by a sum of Rs.208,831.</p>	<p>I accept that noting of the Non-financial Assets Acquisition value as a sum of Rs.1,564,299 in the Financial Statement (ACA 6) should be rectified as a sum of Rs.1,773,130.</p>	<p>Accurately identifying the acquisition of the Non-financial Assets should be made.</p>

(c) Imprest Balance

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the balance of the Statement of Financial Performance as at 31 December 2020 should be a sum of Rs.2,044,081,783, that balance had been erroneously stated as a sum of Rs.2,039,800,555, being overstated by a sum of Rs.4,281,288.	I agree that the Revenue Receipt Balance in the Statement of Financial Performance as at 31 December 2020 amounting to Rs.109,202, Public Officers' Advance Receipt Balance as a sum of Rs.358,339 instead of a sum of Rs.87,960, Public Officers' Advance Payment Balance as sum of Rs.5,367,507 instead of a sum of Rs.706,673 and the balance when entered should be rectified as a sum of Rs.2,044,081,783.	The Statement of Financial performance should be accurately prepared in terms of the Public Accounts Circular.

1.6.2 Statement of Financial Position

(a) Deposits

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the balance as at 31 December 2020 of the Statement on Deposit Accounts submitted along with the financial statements of the year under review had been noted as a sum of Rs.1,275, a Deposit Account Balance did not exist under the Current Liabilities in the Statement of Financial Position. As such, the Net Assets Balance had been overstated by a sum of Rs.1,275 in the Statement of Financial Position.	The balance as at 31/12/2020 of ACA-4 being noted as a sum of Rs.1,275 is accurate. However, it had not been included on noting the Deposit Account Balance as a sum of Rs.1,275 under the Current Liabilities in the Statement of Financial Position. Being dismissed.	The Statement of Financial Position should be prepared accurately.

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the Capital Assets Acquisition value in terms of the Expenditure Summary (SA 10) of December 2020 had been a sum of Rs.1,773,130, the Property, Plant and Equipment Value had been stated as a sum of Rs.1,564,299 in the Statement of Financial Position, it, being understated by a sum of Rs.208,831.	Even though the Property, Plant and Equipment value had been stated as a sum of Rs.1,564,299 in the Statement of Financial Position, I agree that it should be noted as a sum of Rs.1,773,130	The Statement on Capital Assets should be prepared accurately.

1.6.3 Non- maintenance of Registers and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
A Register of Security Deposits including the information of the Officers and of the employees, of which securities should be made, had not been prepared in terms of the Financial Regulation 891(i).	The awareness of the Officers had been raised to take the action necessary to initiate the recovery of the Security Deposits from the Officers who have made Security Deposits and to maintain a Register of Security Deposits.	A Register on Security Deposits should be maintained on the Officers who should deposit Securities in a manner that the information mentioned in the Financial Regulation 891(i) is included.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Only a total sum of Rs.261 million had been utilized of the provisions totalling Rs.288 million, provided for 12 Recurrent Objects and in the year under review and a sum of Rs.27 million had been saved. As such, it was observed that the attention of the Ministry had not been paid towards preparing the Expenditure Estimate in a realistic manner.	These provisions are the provisions allocated for the operating activities of the staff of the Minister of this Ministry. The Approved Cadre of the Ministry had not been filled by December 2020 on the Ministry remained at its stage of initiation. As such, the operating expenditure had been decreased.	The Estimates should be prepared in a realistic manner.
(b) Out of the provisions totaling Rs.193 million being made for 06 Capital Objects in the year under review, a total sum of Rs.128 million had been utilized and, a sum of Rs.65 million had been saved. As such, 34 per cent of the provisions remained under-utilized.	The expenditure for the development of machines, equipment, buildings, and motor vehicles had not been incurred on the Ministry being initiated as a new Institution. Moreover, the expenditure of those Objects had been decreased on the delay occurred in the implementation of the development activities due to the covid- 19 pandemic, remained in the year 2020.	Action should be taken in accordance with the Action Plan from the beginning of the year for the utilization of provisions made for Capital Objects.

<p>(c) An Unreconciled Difference of Rs.923,643 was observed between 10 Objects stated in the column of Total Expenditure (ACA -2 ii) in the Statement of Expenditure submitted along with the financial statements as at 31 December of the year under review and the value of the Objects included in the Ledger of Expenditure.</p>	<p>The expenses relating to this Ministry had been accounted by the Ministry of Plantation Industries up to November 2020. The Ledger of Expenditure had been maintained by that Ministry. The provisions for the expenses relating to this Ministry had been acquired and been accounted by the Ministry of Plantation Industries. There were differences between the amount mentioned in the Ledger of Expenditure and the amount being accounted by that Ministry under certain Objects. Hereby, I mention that the accurate Expenditure Details that were reported to the Treasury were related for preparing the financial statements despite the Ledger of Expenditure had not been properly recorded in the year under review.</p>	<p>The Ledger of Expenditure should be properly maintained in a manner that differences would not occur.</p>
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3. Operating Review

Security of Public Officers

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Security Deposits had not been obtained from 05 employees in the positions of Administrative Officer, Shroff, Stores Officer and Driver under the Financial Regulation 880(i) of the Ministry.</p>	<p>Hereby, I mention that action would be taken expeditiously to maintain the Register of Security Deposits by recovering Security Deposits from the Officers who should deposit securities, of the Ministry.</p>	<p>Action should be taken to deposit securities in terms of Financial Regulations.</p>

4. Human Resource Management

Audit Observation

Comment of the Accounting Officer

Recommendation

The approved cadre as at 31 December of the year under review had been 66 and, 38 of them remained vacant.

Vacancies in the staff remained as at 31/12/2020 on the Ministry being initiated as a new Institution. Hereby, I mention that action would be taken expeditiously to fill those vacancies.

Essential vacancies should be filled.