

Head 429 – State Ministry of Tanks, Reservoirs and Irrigation Development of Related Rural Paddy Fields

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Tanks, Reservoirs and Irrigation Development of Related Rural Paddy Fields 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 containing my comments and observations on the financial statements of the State Ministry of Tanks, Reservoirs and Irrigation Development of Related Rural Paddy Fields was issued to the Accounting Officer on 21 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Accounting Officer on 30 July 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the State Ministry of Tanks, Reservoirs and Irrigation Development of Related Rural Paddy Fields 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

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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

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 judgment and maintain professional skepticism 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 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 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 terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

Due to the establishment of the State Ministry of Development of Rural Paddy Fields and Associated Tanks, Reservoirs and Irrigation Development by the Extraordinary Gazette Notification No. 2187/27 of the Democratic Socialist Republic of Sri Lanka dated 09 August 2020, there was no financial statement for the preceding year.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>Details of furniture, office equipment, machinery purchased during the year under review cost at Rs. 1,022,573 had not been included in the statement of non-financial assets .</p>	<p>As a result of failure to activate a Capital Asset Reserved Account under the CIGAS Programme in the year 2020 for the State Ministry of Rural Paddy and Allied Tanks, Reservoirs and Irrigation Development, a balance of that account does not show</p>	<p>Arrangements should be made to check and to get confirmed whether the accurate information is included in preparing financial statements .</p>

in the Treasury Printouts . Due to that, the value of furniture, office equipment, machinery acquired for the year 2020 in the financial statements 2020 were not included in the statement of non-financial assets. It is informed that the Capital Assets Reserve Account has been activated in February 2021 and the relevant assets have been accounted for under the CIGAS Program.

1.6.2 Cash Flow Statement

Audit Observation

Even though the other receipts were Rs. 191,184 as per the statement of financial performance, it had been shown as Rs. 429,333 in the cash flow statement. Accordingly, a sum of Rs. 238,149 had been overstated in the cash flow statement.

Comments of the Accounting Officer

The total of the receipts has been stated under the Revenue Heads as other receipts according to the classification of non-revenue receipts in the financial performance statement for the year ended 31 December 2020. (Rs. 191,184) It is stated that since the expenditure is mentioned in the statement of financial performance with the net effect of the surcharge values added to the Expenditure Heads, the surcharge receipts have been deducted from non-revenue receipts and

Recommendation

The cash flow statement should be prepared in accordance with the generally accepted accounting policies.

recorded in the statement of financial performance. However, because of the calculations have been made based on the balances of the Ministry's consolidated trial balance in preparing the cash flow statement, the total of all credits have been included as non-revenue receipts in the cash flow statement.

1.6.3 Failure to Maintain Documents and Books

It was observed at the audit test checks carried out that the certain registers had not been maintained by the Ministry and the certain documents had not been maintained in a proper and updated manner.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Register of Fixed Assets		
A Register of Fixed Assets had not been maintained in terms of Appendix 11 of the Treasury Circular No. 842 dated 19 December 1978/ Financial Regulation 502 (2) .	It is kindly informed that due to the shortage of institutional and financial staff in the State Ministry and also not being formally established in the year 2020, certain registers and certain documents have not been maintained. However, the documents will be maintained from the year 2021 .	The Register of Fixed Assets should be maintained in accordance with the circular provisions.

(b) Inventory Book

An inventory book had not been maintained in accordance with Financial Regulation 454 (1) . -do-

An inventory book needs to be updated and maintained in accordance with General Form 44 as per the provisions of 454 (1) of the Financial Regulations .

(c) Register of Securities

A Register of Securities had not been maintained including information contained of the officers and employees who had to keep securities in terms of Financial Regulation 891(1) . -do-

A Register of Securities should be maintained of the officers who has to keep securities including information contained in Financial Regulation 891 (1) .

(d) Register of Liabilities

A Register of Liabilities had not been maintained in accordance with Financial Regulation 214 . -do-

Liabilities should be recorded in a Register of liabilities so that liabilities can be regularly checked in terms of Financial Regulation 214.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though an imprest amount of Rs. 27,605,000 has been requested for the work planned to be done by the State Ministry during the year under review, the Treasury had released Rs. 10,400,000. Accordingly, 62 per cent of the imprest requested had not been received.	The imprests have been planned based on the Annual Estimate approved after the establishment of the State Ministry of Rural Paddy and Allied Tanks, Reservoirs and Irrigation Development as per the Extraordinary Gazette Notification No. 2187/27 dated 09 August 2020 . It is accepted that the amount received by requesting from the Treasury through monthly imprest applications was Rs. 10,400,000 .	The forecasting should be carried out so that the variances on Budgetary Control is minimized.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total net provision made for 05 Expenditure Heads amounting to Rs. 3,675,000 had entirely saved without being utilized.	The essential payments were made through the Ministry of Irrigation as it was difficult to carry out the institutional affairs of the Ministry as divisions even by the December	The Budget should be formulated in a way that minimizes variances.

2020 due to the existing vacancies in the approved cadre. An Accountant has been appointed since December 2020 . The Accounts Division was established with a limited staff. The institutional affairs were also properly formalized after the arrival of the Permanent Additional Secretary in January 2021 . In such a situation, due to the failure to take the necessary actions to utilize the budget 2020 in a planned manner, the utilization of provisions in some Expenditure Heads had entirely saved and it is accepted that the savings in some Expenditure Heads had ranged 20-97 per cent. Further, due to the vacancies remained for officers and non-implementation of a development project being active during the year 2020 and as the limitation of field duties, travelling expenses were also not incurred as expected.

(b) As a result of making allocations without identifying requirements in the preparation of estimates and failure to carry out work as planned, out of the total net provision of Rs.109,900,000 made

State Ministry of Rural Paddy and Allied Tanks, Reservoirs and Irrigation Development was established on 09 August 2020 . Due to existing vacancies in the approved staff, the institutional affairs of the Ministry

The Budget should be done in a way that minimizes variances as much as possible.

for the 11 expenditure objects, a total of Rs. 36,728,183 or 33 per cent had been saved. The savings on each expenditure object had ranged from 20 per cent to 97 per cent.

could not be formed as Divisions. Therefore, the provisions made for the of Expenditure Heads had saved. Further, due to the vacancies remained for officers and non-implementation of a development project being active during the year 2020 and as the limitation of field duties, travelling expenses were also not incurred as expected.

2.3 Entered into Commitments and Liabilities

Audit Observation

Comments of the Accounting Officer

Recommendation

 The liabilities for the year under review in the statement of commitments and liabilities of the financial statements had been stated as Rs. 4,832,702. The liabilities amounting to Rs. 5,136,845 for the year 2020 had been settled during the period from January to 31 March 2021 . Accordingly, the liabilities had been understated by Rs. 304,143 in the financial statements.

All the liabilities and commitments identified as at 28/02/2021 which is the date of submission of financial statements 2020 have been stated in the financial statements and the value of it is Rs.4,832,702. Thereafter, some of overtime and travelling expenses of the Ministerial Staff revealed as essential and a few telephone bill payments had to be settled in between January – 31 March 2021 . It is further informed you that such reporting errors have occurred due to the institutional affairs and financial affairs of the Ministry were not being properly organized in the year 2020, and also failure to

 Actions should be taken to identify all the liabilities and commitments accounted for.

submit all the vouchers for settling the accounts of the staff of the Hon. Minister and the staff of the Ministry. I made a note not to occur such errors in future.

2.4 Non-compliance with Laws, Rules and Regulations

The instances of non – compliance with the provisions of the Laws, Rules and Regulations are analyzed below.

Observation

Reference to Laws, Rules and Regulations -----	Non - compliance	Comments of the Accounting Officer -----	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka (a) Financial Regulation 756	Actions had not been taken to submit the Board of Survey Reports.	Due to the fact that the Ministry of Irrigation and the State Ministry of Rural Paddy and Allied Tanks Reservoirs and Irrigation Development are located in one place in the Jawatte premises, the goods belonging to the inventories of the Ministry of Irrigation were exchanged during the establishment of the new Division of the State Ministry. Therefore, it was not possible to conduct a separate Board of Survey in the year 2020 for the State Ministry and existing reports on goods	Actions should be taken to submit Board of Survey Reports in accordance with F.R 756 .

under the Ministry of Irrigation have been submitted for all the goods available in the Jawatte premises. It is informed that it would be included in the books of the Ministry in the year 2021 .

<p>(b) Financial Regulation 103 (1) (a)</p>	<p>Although the accidents should be reported to the authorities at the time of the accident, it had not reported regarding a vehicle that was involved in an accident.</p>	<p>This was a vehicle given to the State Minister and a driver who has been attached to the personal staff of the State Minister was being driven at the time of the accident. Due to the unawareness about the use of government property, it has not complied with Financial Regulation 103 and all drivers have been made aware on how to act in a situation like this in future.</p>	<p>Actions should be taken in terms of Financial Regulations.</p>
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3. Operating Review

3.1 Management Weaknesses

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>The Ministry had not implemented any development projects in the year 2020 . A sum of Rs.79.65 Mn. had been allocated for the Sirisara Pivisuma Project under the expenditure object No. 2509. Even though</p>	<p>A sum of Rs. 79.65 Million had been allocated under expenditure object No. 2509 to settle the liabilities for the year 2019 under the Sirisara Pivisuma Trincomalee District Development Programme.</p>	<p>Necessary controls need to be introduced to ensure compliance with the provisions laid down in the Financial Regulations by re-reviewing the relevant internal control system,</p>

Rs.60,809,765 had been released to the District Secretary, Trincomalee for the liabilities in 2019 in the above Project implemented under the Expenditure Head of the Presidential Secretariat, the details on it had not been obtained. Under this, an expenditure of Rs. 59,933,248 had been incurred during the year. There was no scrutiny on the expenditure for what work was being done, the progress of each work, the unfinished work and the cost to be paid for it furthermore in accordance with Financial Regulation 146 .

Since the construction works of the Project had been completed by then and only the payments had to be made, advices were received from the Presidential Secretariat and the Department of Budget that the bills in hand should be settled expeditiously and the expenditure incurred on several Expenditure Heads of 2020 should be made accurately before the closing of accounts of the year 2020. Therefore, the provisions had to be released immediately at the request of the District Secretary , Trincomalee and the Chief Financial Officer of the Presidential Secretariat . Further, this Project was implemented under the supervision of District Secretary, Trincomalee. The details of liabilities obtained from the District Secretariat, Trincomalee is submitted.

with regard to the transactions being done among Accounting Officers.

3.2 Utilization of Assets Belonging to External Parties

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The State Ministry was using 13 motor vehicles belonging to external parties at a cost of Rs. 137,900,000 by the end of the year under review and arrangements had not been made to take them over.	Arrangements are being made to take over the ownership to the Ministry and actions will be taken to account for during the year 2021.	Arrangements should be made to take over the assets belonging to the external parties.

4. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The approved staff of the Ministry during the year under review was 70 and the actual staff was 31 . Accordingly, the number of vacancies were 39 .	The approval for a staff consisted of 70 officers was received for this Ministry by the Department of Management Services. Even though the requests from the Ministry of Public Services, Provincial Councils and Local Government had been made regarding the approved staff, officers were not attached even by the end of the year. Officers have been appointed on acting basis of the Ministry of Irrigation. Requests have been made several times from the Ministry of Public Service, Provincial Councils and Local Government to fill the existing vacancies. The total number of officers employed was 31 and there were 39 vacancies.	Actions should be taken to fill the required staff vacancies by reviewing cadre requirements .

(b) Although there were Measures have been taken to make aware of the Ministry of Public Service, Provincial Councils and Local Government, Department of Multipurpose Development Task Force and Department of Agriculture etc. regarding the vacancies in posts.

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