

Head 426- State Ministry of Production and Supply of Fertilizer and Regulation of Chemical Fertilizer and Insecticide Use

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the State Ministry of Production and Supply of Fertilizer and Regulation of Chemical Fertilizer and Insecticide Use 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 Production and Supply of Fertilizer and Regulation of Chemical Fertilizer and Insecticide Use was issued to the Accounting Officer on 03 September 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Accounting Officer on 26 November 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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, the financial statements give a true and fair view of the financial position of the State Ministry of Production and Supply of Fertilizer and Regulation of Chemical Fertilizer and Insecticide Use 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 Opinion

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 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

The Accounting Officer are 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 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 State Ministry Secretariat 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 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 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.

There is no financial statements have been prepared for the previous year due to being a new State Ministry established during the year under review.

1.6 Comments on Financial Statements

1.6.1 Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) A discrepancy of Rs.126, 000 had been observed between the balance of property plant and equipment in the statement of financial position and the balance of property plant and equipment reserve account.	The Value of the engineering certified bills for the rehabilitation and improvement of the official residence of the Hon. Minister is Rs. 1,050, 000 which had been debited to the property plant and equipment expenditure account. Out of that amount, retention money of Rs. 126,000 had been credited to the retention money account for contracts (6000-0-0-16-0-148) and the remaining Rs. 924,000 is the paid cash value to the contractor. Accordingly, the value of retention money account for contracts is not included in the property plant and equipment reserve account.	Necessary action should be taken to make adjustments in the financial statements.
(ii) Even though the value of non-current assets as per the fixed assets register was Rs. 2,518,660 it had been recorded as Rs. 3,732,662 in the financial statements, due to that the difference of Rs. 1,214,002 had been observed.	Rehabilitation and improvement of the official residence is not included in the fixed asset register as it belongs to the Hon.Minister and also the value of the mobile phone given to the Minister could not be include in the fixed assets register due to omission. As a result of these two things the difference had been shown. However, the mobile phone had been included in the ministry's inventory book.	Necessary action should be taken to make adjustments in the financial statements.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The net provision of Rs. 38,209,600,000 was allocated for the Ministry during the year under review and out of that Rs. 1,372,082,993 had been saved.	Comments had not been given	Accurate estimation should be done.
(b) The total provision of Rs. 1,650,000 was allocated for 06 expenditure objects had been entirely saved.	After publish in the Extraordinary Gazette by the President on 09 August 2020, the State Ministry of Production and Supply of Fertilizer and Regulation of Chemical Fertilizer and Insecticide Use was commenced under Head of expenditure No.426. As it is a newly established Ministry, there had been savings in certain expenditure objects due to the lack of information regarding the expenditure of the previous years in the budget forecasting.	-do-
(c) Allocation of Rs. 2,614,191 for 09 expenditure objects which are in the range of 30 to 98 per cent had been saved.		-do-

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
As the F.R. 94, the liabilities should not be exceeded its provisions. Nevertheless it had been entered in to liabilities amounting to Rs. 1,112,692,349 by exceeding net provisions that were made available under 12 expenditure objects of the ministry during the year under review.	Payments up to December 2020 were made by the Ministry of Agriculture. The accounts of this Ministry were commenced in December and the amount of bills and vouchers that are payable for the year 2021 were included in the liabilities. This is a situation where in practice the net allocation for the year 2020 will not be equal to the remaining net provision.	Liabilities should not be exceeded its provisions.

2.3 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
Financial Regulation 1646 of the Democratic Socialist Republic of Sri Lanka.	Even though the daily running charts of vehicles with the original copies of the monthly summary should be forwarded to the Auditor General before the 15 th day of the following month, the action had not been done so for the 28 vehicles belonging to the Ministry.	These shortcomings were happened due to the fact that the summoning of officers was restricted due to the prevailing Covid 19 situation. An action will be taken to prevent further shortcomings.	Action should be taken in compliance with the instructions of F.R.1646.