

Head 118 - Ministry of Agriculture

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ministry of Agriculture 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 these financial statements of the Ministry was issued to the Chief Accounting on 09 July 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 Chief 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 of the Ministry of Agriculture give a true and fair view of the financial position of the Ministry of Agriculture as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 for the Financial Statements

The Chief 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 Chief 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 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 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 Chief 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.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the estimated revenue to be collected under the Paddy Purchasing Programme of the Government which is under Revenue Code No.2003.07.00 during the year under review is Rs.1,500,000,000, the revenue that could not be collected from the estimated revenue was Rs.264,087,495 or 18 per cent of the estimated amount due to collected revenue being Rs.1, 235,912,505.	This arrears has been shown due to rice was sold through the Sathosa and arrears of payments to District Secretaries by Sathosa. The District Secretaries had been informed about the collection of this money and they have informed the Sathosa and they are being taken further action.	Actions should be taken to recover the arrears of revenue relevant to the year under review.

2.2 Arrears of Revenue

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The amount of arrears of revenue under the Paddy Purchasing Programme of the Government under Revenue Code No 2003.07.00 at the end of the previous year had not been included in the financial	Since the Secretary to the Ministry of Agriculture was appointed as the Accounting Officer for the Paddy Purchasing Programme of the Government and the	Actions should be taken to compute the arrears of revenue and included in to the financial statements.

statements. However, Rs.1,675,035,730 had been identified as the opening balance of arrears of revenue for the year under review and included in the financial statements. Out of that Rs.330,465,660 which is a 19 per cent of the total initial arrears had not been recovered during the year under review. A sum of Rs.108,657,565 which was recovered from arrears had been misclassified and accounted under other income receipts with Revenue Code No. 2003.99.00.

revenue Code of 2003.07.00 was introduced on 17 December 2019, the arrears revenue was unable to identify under the relevant Revenue Code for that year. Therefore, the values were not included in the financial statements for the year 2019. However, when 2020, the relevant values had been duly identified and included in the financial statements of year 2020. The figures arise on crediting to other income heading had also been corrected by taking into account the figure of 26% and the revenue to be collected further is Rs.301, 450,022.16.

2.3 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The provisions totaled to Rs.5,400,000 of 02 capital expenditure objects and the provision totaled to Rs.1,300,000 of 02 recurrent expenditure objects had been totally remained save due to non-identification and non-provision of essential expenditure objects.	Savings on not making the expected foreign trips due to the situation of Covid 19 pandemic, savings on non-removal of estimated figures of the Ministry of Primary Industries from the Ministry of Agriculture by the Department of National Budget and savings on suspension of Microfinance on the recommendation of IFAD.	Annual estimates should be prepared in accordance with Financial Regulations 50.

- | | | |
|--|---|-------------|
| <p>(b) More than 10 per cent of net provision in 15 capital expenditure objects and 21 recurrent expenditure objects had been remained save due to not making accurate forecasts when preparing estimates. The net provision made available for those capital and recurrent expenditure objects was Rs.1,641,700,000 and out of this, a sum of Rs.532, 446, 866 i.e. 32 per cent had been remained save.</p> | <p>Provisions had been made for the estimates based on the staff of the former Ministers and State Ministers at the time of preparing the Budget Estimates in the year 2019 for the year 2020. The remained savings were occurred due to that the payment has eventually been done for on only per one staff.</p> | <p>-do-</p> |
| <p>(c) Out of the allocation of Rs.546,220,000 for 06 expenditure objects, the provision of 18 per cent or Rs.97,600,000 had been transferred from F.R. 66 and F.R.69 to other expenditure objects. Even after the transfer of provisions, provisions of Rs.35,275,997 related to that 06 expenditure objects were still remained save.</p> | <p>Since savings had been arisen on not making the expected foreign trips due to the Covid 19 pandemic situation, the allocations had been utilized by transferring provisions to other expenditure objects where provisions are required.</p> <p>Savings on non-removal of estimated figures of the Ministry of Primary Industries from the Ministry of Agriculture by the Department of National Budget Savings, savings on the fact that the work expected to be completed in the year 2020 was not completed on time. It is a casual savings.</p> | <p>-do-</p> |
| <p>(d) A totaled of Rs.97,600,000 had been obtained from other expenditure objects under F.R.66 and F.R.69 for 12 expenditure objects. Out of that, the allocations which were transferred to 10 expenditure objects were</p> | <p>Increases in corporate allowances and make additional payments to the staff of the Ministry as per Public Administration Circular 20/2018.</p> <p>Causes such as, increased</p> | <p>-do-</p> |

ranged from 10 per cent to 800 per cent as the basic of estimated provision for those expenditure objects.

requirements, increased in prices of stationary and office equipment, transportation had to be provide to the officers of the Ministry due to Covid 19 pandemic situation and inadequate estimated provisions for the relevant repairs due to the establishment of the Ministry of Agriculture in the “Govijana Mandiraya” Building were affected.

2.4 Advance Account Balance

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) In the financial year 2019, The total balance of the list of individual balance was more than the advance control account balance of the Ministry of Agriculture by Rs.22,677. Any explanation had not been provided with the accounts regarding the correction of aforesaid over-recorded value and also the balance of list of individual balance was presented less than the control account by Rs.1,598 in the year under review.</p>	<p>The unreconciled control account contained a number of adjustments to be made in the year 2021 on the consolidation and withdrawal of balances of several Ministries and this difference will be looked into and rectified in the future.</p>	<p>Advanced control account balances and total of individual balances should be the same. Therefore, adjustments should be made after finding the causes of the deference.</p>

- | | | |
|--|---|---|
| <p>(b) The opening loan balance of Acting Director of Agriculture of Badulla District for the year is Rs.46,510. Nevertheless, the salary had been paid during the year without recovering the loan installments.</p> | <p>The amount Rs.7,240.35 had been recovered from the balance belonging to the Mrs. S.M.A.M.A. Gunawardene who is Acting Director of Agriculture of Badulla District. The Uva Provincial Director of Agriculture had been asked about not deducting properly and action will be taken to settle the above balance in the year 2021.</p> | <p>The loan installments should be recovered properly.</p> |
| <p>(c) The arrangements had not been made to take necessary legal actions in terms of Paragraph 4.6 of Chapter xxiv of the Establishment Code to recover the festival advance balance of Rs.2,500 due from a deceased officer had elapsed for more than one year.</p> | <p>This officer who was employed as office assistant grade III officer attached to the Monaragala District Secretariat under the Ministry of Agriculture has been dead. His pension or death gratuity had not been paid so far and actions are being taken to recover the loan amount from the death gratuity.</p> | <p>Actions should be taken in terms of Paragraph 4.6 of Chapter xxiv of the Establishment Code.</p> |
| <p>(d) Receivable loan balance totaled to Rs.85,704 of 03 officers who had vacated on their posts had elapsed for more than 05 years, arrangements had not been made to take necessary legal actions in terms of Paragraph 4.3 of Chapter xxiv of the Establishment Code to recover those debt balances.</p> | <p>Out of these balances, actions are being taken to write off the loan balance of Rs.44,596 belonging to Mr. D.H.Ranchagoda and Mr. U.G.Piyasena as per the Circulars. And actions are being taken to take legal action regarding the loan balance of Rs.41, 108 belonging to Mr.Siripala Perera.</p> | <p>Actions should be taken in terms of Paragraph 4.3 of Chapter xxiv of the Establishment Code.</p> |

- | | | |
|--|--|---|
| <p>(e) A person who worked as a driver of a Minister who was not included to permanent staff of the Ministry had vacated on his post without any install payments of festival advance amount of Rs.5,000 which was given in year 2018. The arrangements had not been made to take necessary legal actions in terms of Paragraph 4.3 of the Establishment Code to recover those debt balances come from more than 02 years.</p> | <p>This amount was paid in the year 2018 to Mr. A.G.Gamage who worked as driver in the Ministry staff of our Ministry. Out of that balance, a balance of Rs.5,000 is still due and the relevant settlement had been default. Letter No. 519/14 dated 30 September 2020 had been sent to the foreign address of his guarantor named Mr. U.I. Vitharana who is currently abroad. Further actions will be taken to recover.</p> | <p>Actions should be taken in terms of Paragraph 4.3 of Chapter xxiv of the Establishment Code.</p> |
| <p>(f) The total debt balance of Rs.7,549 of the three officers who have to be settled to the Department and Ministries had not been settled during the year under review.</p> | <p>Actions will be taken to settle in year 2021.</p> | <p>The balances to be settled to the Departments and Ministries should be settled properly.</p> |
| <p>(g) Receivable loan balances totaled to Rs.793,931 of 29 officers who had worked in the Divisions such as Agriculture, Rural Economic Affairs, Irrigation, Fisheries and Aquatic Resources Development under the Ministry and vacated on their posts had elapsed for more than 05 years, arrangements had not been made to take necessary legal actions to recover those debt balances.</p> | <p>Actions will be taken to recover.</p> | <p>Actions should be taken in terms of Paragraph 4.6 of Chapter xxiv of the Establishment Code.</p> |

2.5 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The Statement of commitments and liabilities [note (iii)] stated that the total liabilities for recurrent expenditure and capital expenditure which had not been allocated under the Appropriation Act for the year under review were Rs.57,432,289.</p>	<p>The provision had been made for the year 2020 through 04 votes on account and the initial provision had been made by considering only the expenditure incurred for those periods in adjusting the final main budget. The provisions initially provided by the vote on accounts were abolished and only estimated were made for expenditure incurred at that time. However, liabilities had been incurred for expenditures to be paid and there was no possibility for those payments in this situation.</p>	<p>Should be incurred into liabilities formally.</p>
<p>(b) Saving after utilizing of Rs.3,614,071,270 during the year out of the net provision of Rs.3,623,245,000 made available under 13 expenditure objects of the ministry during the year under review was Rs.9,173,730. Nevertheless, it had entered in to commitments and liabilities amounted to Rs.2,289,402,972 exceeding that savings.</p>	<p>The provision had been made for the year 2020 through 04 votes on account and the initial provision had been made by considering only the expenditure incurred for those periods in adjusting the final main budget. The provisions initially provided by the vote on accounts were abolished and only estimated were made for expenditure incurred at that time.</p>	<p>It should not enter into liabilities and commitments exceeding the provisions with the F.R 94.</p>

However, liabilities had been incurred for expenditures to be paid and there was no possibility for those payments in this situation.

2.6 Imprest Balance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Even the balance of imprest account was paid to the Treasury on the last day of the financial year, the accounts were not updated. As well as although the imprest balance of Rs.4,134,769 which was not updated should have been shown as the transit money in current assets and as amount to be paid to the Treasury in current liabilities in the statement of financial position, this had not been shown.</p>	<p>Final accounts are prepared based on the financial data maintained by the Ministry. Imprest balance updated in the Treasury account will be made after the payments made by debiting the Ministry's cash book had been duly credited to the Treasury account. For example, Although not cleared cheques even issued in the preparation of bank reconciliation statement are adjusted to reduce the balance in the cash book, these are taken in to account to indicate that the bank's balance is decreased after proper clearance from the bank. This point is made for your convenience as it is.</p>	<p>These balances should be included as the transit money in current assets and the current liabilities in the statement of financial position.</p>
	<p>Accordingly, the Ministry had been settled Imprest account properly on the due date, the way it is shown in the accounts is correct. This is the reason to submit with reasons for the difference relating to the ACA 3 form.</p>	

2.7 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Observation	Comments of the Chief Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non-compliance		
(a)	Financial Regulation of Democratic Socialist Republic of Sri Lanka	Final inquiry report on 08 vehicle accidents had been failed to be submitted to the General Treasury. An action will be taken to send the final report to the Treasury as soon as possible.	It should act in accordance with the Financial Regulation.
(i)	F.R. 104(2)	If the loss or damage is over Rs.50,000 in value, a copy of final report on such loss or damages should be sent to the Treasury. However, the final inquiry report of 08 vehicle accidents with losses over Rs.50,000 amounting Rs.6,285,211 should not be sent to the Treasury.	
(ii)	F.R. 104(4)	A full report should be submitted within 03 months from the date of loss after the preliminary inquiry. However, it had been taken a period of 06 months to 33 months to submit the full report to the Secretary of the Ministry regarding 09 vehicle accidents with a total of written value of Rs.6,302,461 by books during the financial year.	Agree. Staff officers of the ministry are appointed for the inquiry of F.R.104(1) and F.R.104(4) and this is an additional task to be performed in addition to their regular duties. Due to the busy schedule of these officers, delays in receiving police reports and delays in reporting accidents, the preparation of full report had been delayed. Actions will be taken to inform the relevant officers not to do so in future.

-do-

3. Operating Review

3.1 Unsolved Audit Paragraph

Reference to the Paragraph	Audit Observation	Recommendation
2.2	An estimated provision of Rs.3,118,000,000 had been made to the Rural Development Division for the purchase of paddy under expenditure object No.118-1-10-1-1409 of the Ministry of Agriculture during the year under review and out of that a sum of Rs.1,959,912,319 had been spent for the purchase of paddy for 20 District Secretariats. Nevertheless, only the amount of Rs.299,814,540 pertaining to that had been remitted to the General Treasury by 08 District Secretariats under the Revenue Code No.118-2003-07-00. Accordingly, it was observed that the arrangements had not been made to compute and recover considerable arrears of revenue receivable to Government from the sale of paddy.	Actions should be taken to compute and recover the arrears of revenue relevant to the year under review.

3.2 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The Ministry was established at Govijana Mandiraya on 31 January 2020 as per the Cabinet decision. Even the lease period of the building in Rajagiriya which was leased by the Ministry on 08 April 2016 is valid up to 07 April 2021. Agreement was made to	The questionable lease agreement had been entered into for the period from 08 April 2016 is up to 07 April 2021. It had been agreed to pay the rent, electricity and water bills for the agreement period. And also, these leases and service charges as well as water and electricity bills had to be paid due to the fact that the	It should be complied with existing Laws, Rules and Financial Regulations

increase the monthly rent by 15 per cent at the end of the 03 years. Accordingly, payment of Rs.44,239,137 was done as the increases in rent and service charges for the period from January 2020 to 31 March 2021.

agreement did not contain any clause that would have to allow the agreement to be terminated or terminated without breach of agreement prior to the agreement.