

Head 425- State Ministry of Paddy and Grains, Organic Food, Vegetables, Fruits, chilies, Onion and Potato cultivation Promotion, Seed Production and Advance Technology Agriculture

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the State Ministry of Paddy and Grains, Organic Food, Vegetables, Fruits, chilies, Onion and Potato cultivation Promotion, Seed Production and Advance Technology 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 which was included my views and observations on the financial statements of the State Ministry of paddy and Grains, Organic Food, Vegetables, Fruits, chilies, Onion and Potato cultivation Promotion, Seed Production and Advance Technology Agriculture was issued to the Accounting Officer on 02 August 2021 in terms of Section 11 (1) of the National Audit Act. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 26 November 2021 in terms of Section 11 (2) of the National Audit Act. 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 of the State Ministry of Paddy and Grains, Organic Food, Vegetables, Fruits, chilies, Onion and Potato cultivation Promotion, Seed Production and Advance Technology Agriculture give a true and fair view of the financial position 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 responsibilities, 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 and 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 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, 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) and Section 38 of the National Audit Act, No. 19 of 2018.

As the State Ministry of paddy and Grains, Organic Food, Vegetables, Fruits, chilies, Onion and Potato cultivation Promotion, Seed Production and Advance Technology Agriculture is a new Ministry; there was no need of prepare financial statements for the previous year.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Allocation of Rs.610,000 for a total of 06 capital expenditure subjects and allocation of Rs.475,000 for a 02 recurrent expenditure subjects had been totally remained.	Reasons were given such as; no requirements were occurred due to Covid 19 pandemic situation, savings on cost control, no need for buildings and machinery to be rehabilitated as a new ministry, not enough time to make purchases on the Covid pandemic and equipment could not be purchased due to increases in prices.	Annual estimates should be prepared in accordance with the F.R. 50.
(b) More than 25% of net allocation for 05 capital expenditure subjects and more than 10% of the net allocation for 27 recurrent expenditure subjects had been remained. The net allocation for that capital and recurrent expenditure subjects was Rs.540,639,500 and out of that, Rs.316,990,917 had been remained.	Limitation of expenditure and non-implementation of projects/inability to do due to Covid-19 pandemic situation.	-do-

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| (c) | The budgetary allocation for the establishment of Economic Centers under expenditure subject No: 425-2-3-8-2506 was Rs.343,000,000 and out of that, Rs.1,310,500 had been transferred to another expenditure subject under F.R. 66. Even after that, the balance of this expenditure subject was Rs.266,498,342 or 77%. | Inability to execute the planned programs under the Covid-19 pandemic situation. | -do- |
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2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Liabilities of Rs.309,238 for the year had not been included in the statement of liabilities and commitments (notes No:iii) in the financial statements.	It was not included in the statement of liabilities by mistake and noted to record correctly in the future.	The value of liabilities should be calculated and included in the financial statements.
(b) The balance was Rs.105,777 from the net allocation of Rs.2000,000 provided under 03 expenditure subjects of the Ministry during the year under review after utilizing Rs.1,894,223 during the year. It had been liable for liabilities of Rs.2,913,777 by exceeding that balance.	(i) 425-02-3-003-2201 Action will be taken to inform officers to not so in future. (ii) 425-01-01-10-2001 Incurring of commitments for essential activities upon establishment as the new Ministry. (iii) 425-01-01-0-1409 According to the F.R. 94, Commitments can be reached on average not more than 50% of the provision of the last 3 years.	Liabilities and Commitments should not be exceeded beyond the provisions against the F.R. 94.

2.3 Issuance and Settlement of Imprests

Audit Observation

According to F.R. 371(5), even action should be taken to settle the received “ad hoc” sub imprests within 10 days of completion of work, the duration ranged from 12 days to 26 days had been taken for the settlement of “ad hoc” sub imprests of Rs.185,887 obtained on 08 occasions by 03 Officers of the Ministry.

Comments of the Accounting Officer

The settlement of “ad hoc” sub imprests which was provided to the Officers during the Covi-19 pandemic was delayed due to public holidays. Relevant Officers will be informed about this.

Recommendation

It should be act in accordance with the F.R. 371(5).

2.4 Deposit Balances

Audit Observation

As shown in Form ACS-3 of the financial statements, the balance which was remitted on 31 December 2020 but invisible in the books of the Treasury was Rs.56,218,580. Even though the balance should have been stated as cash online under the financial assets of the statement of financial position, it had not been so by the Ministry.

Comments of the Accounting Officer

The way that was shown in the financial statements is correct. The Treasury accounts have been settled at 31 December 2020 through cash book and will be reported according to computer prints of Treasury in the following month. Since the financial statements prepares in accordance with the books of Ministry, the manner which has been done is correct. There is a difference between the departmental books of ACA-03 and this value is shown accordingly that.

Recommendation

It should be stated under the financial assets in the financial statements.

2.5 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation	Comment of the Accounting Officer	Recommendation
Record of Liabilities A Record of liabilities had not been maintained in terms of Financial Regulation 214.	The steps will be taken to maintain the Record of liabilities up to date.	In terms of Financial Regulation 214, liabilities should be recorded in a Record of Liabilities to ensure regular examination of such liabilities.

2.6 Reconciliation Statements on Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the final computer print of the Treasury, even the payments from the Rs.1,881,271 of advance of government officials and the payments by cross notes of Rs.1,755,756 had been accounted, those values were not included in the books of department.	Accounts were done by the Ministry of Agriculture from August to December 2020 and due to accounts to be made to the Advance B Account of that Ministry have been accounted for under the Advance B account of this Ministry, it was not included in the books of this Ministry.	Action should be taken to correct.
(b) According to the final computer print of the Treasury, even the receipt from the advance of government officials during the year were Rs.1,898,461 and the receipts by cross notes were Rs.1,266,421, those	-do-	-do-

receipt had not been included in the books of department.

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| (c) | The documents such as transfer notes, account summaries related to the accounting balances mentioned in the above (a) and (b) had not been submitted for the audit. | It will be presented in the future as most of the officers do not come for duty due to the Covid pandemic situation at present. | Relevant document should be submitted to audit. |
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2.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
Financial Regulations of the Democratic Socialists Republic of Sri Lanka a) F.R. 427	Although the State accounts of Treasury should be submitted to the Director General monthly after comparing the Departments Accounts with the Treasury accounts, the monthly reports had not been submitted by comparing the books of accounts with the books of Treasury by the Ministry.	It will be taken actions to submit proper comparison reports in the future.	Actions should be taken in accordance with the Financial Regulations.

b) F.R. 1646	Even the monthly Running Charts of 14 vehicles belongs to the Ministry should be sent to the Auditor General with the original copies of summary report before the 15 th day of the following month, the running charts related to the vehicles of Ministry had not been submitted to the audit.	The action will be taken to submit the relevant Running Charts to the audit in the future.	The daily Running Charts should be submitted to the audit in accordance with the Financial Regulations.
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2.8 Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
The certified bank reconciliations related to the months of, October, November and December in 2020 had not been submitted to the audit.	The action should be taken to submit the certified bank reconciliations related to the months of September, October, November and December in 2020 without delay.	The certified bank reconciliation should be submitted to the audit.

3. Operating Review

3.1 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
A pilot project was launched during the year under review with the intention of cultivating the 10,000 acres using Hela Suwaya methodology and obtaining a yield of 18,000,000 Kilograms of conventional paddy. Provisions of Rs.82.6	The average yield per hectare obtained by this project was 1,546 Kilograms. However this figure shows that the value of these project was relatively low compared to the average value of the national paddy harvest in 2018 at 4,443 kg/ha.	In implementing a test or pilot project, its objectives should be practical and there should be no legal impediments. A definite decision regarding the success or failure of the project should be made on the basis of the conclusions drawn by the comparison of inputs and outputs.

had been provided to the Department of Agrarian Development to purchase the required seed paddy from the farmers and to purchase the medicinal liquids required for Hela Suwa farming. Only 3,153 acres had been cultivated at a cost of Rs.13 million from the provision and the yield obtained was 19,744,359 Kg.

3.2 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The non-current assets of Rs.4,577,267 that was purchased by the Ministry in the year under review had not been accounted under main ledger accounts (ACA form 06) and also had not included to the financial statements after categorizing and giving the relevant code.	The assets have not been accounted in December year 2020 by mistake and had been accounted in January 2021.	The value of non-financial assets should be calculated and included in the financial statements.