

Head 432 State Ministry of Development of Minor crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and statement of financial performance and cash flow statements 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 Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion was issued to the Chief Accounting Officer on 17 June 2022 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 October 2022 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 Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel related industries and export promotion as at 31 December 2021, 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 responsibility, for the financial statements are further described in 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 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 State Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the State Ministry.

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 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 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 the 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 regarding the observations in the paragraph 3.2. of this report had not been implemented.

2. Financial Review

2.1 Expenditure management

The following observations are made.

Audit observation	Comment of the Chief Accounting Officer	Recommendation
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(a) In the reviewed year, out of a total of Rs. 48,579,000 allocated for 10 recurrent expenditure subjects, a total of Rs. 17,362,760 had not been utilized and the percentage range had been taken from 21 percent to 100 percent.	Observation is accepted.	Provisions should be fully utilized as provided.
(b) In the reviewed year, out of the total allocation of Rs.891,200,000 for 07 capital expenditure subjects, the total allocation of Rs.328,687,085 had not been utilized and the percentage range had been taken from 29 percent to 100 percent.	Observation is accepted.	The provisions made for capital expenditure subjects should be fully utilized.
(c) In the reviewed year Rs.177,357,357 out of the Rs.275,000,000 supplementary allocations or in between 84 percent and 40 percent amount had been remained, which were made for 02 development sub-	Observation is accepted. For the 02 development sub-projects related to the Department of Export Agriculture Rs. 275 million in supplementary provision, but due to insufficient funds to pay for the related	For the utilization of the provisions made for the supplementary budget subjects, the action plan should be followed from the beginning of the year.

projects, namely, the special physical activities, program for the development sufficient financial progress of minor crops and Drip could not be made as irrigation for export indicated in the audit agricultural villages. enquiry. Accordingly, the related works could not be completed within the year as planned.

3. Operational Review

3.1 Projects without progress despite the release of money

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) To promote cultivation of turmeric and ginger under the Special Program for Development of minor Crops, Rs. 50,000,000 from the annual budget and Rs.125,000,000 in the form of a supplementary estimate the total of Rs.175,000,000 were received by the State Ministry on 29 February 2021. From this amount, allocation of Rs.168,000,000 was given to the Department of Export Agriculture to distribute 11,500,000 turmeric pot plants, grow 30 hectares of turmeric seed gardens and distribute 1,000,000 ginger plants. Accordingly, only 4,847,763 turmeric pot plants and 114,574 ginger plants were distributed during the year under review, and 8.9 hectares (22 acres) of turmeric plants were cultivated in 04 turmeric seed gardens and only Rs.74,395,155 were spent.	Observation is accepted. The Department of Export Agriculture has informed us that Regional Development Committees, District Development Committee Chairmen and Members of Parliament and Ministers were involved in the distribution of turmeric and ginger plants. Due to delays in the distribution of plants in the coordination of public representatives, the distribution of plants was done in a slow manner and therefore a part of the produced plants were destroyed due to overgrowth and the remaining plants were sold by the nursery owners, therefore That the distribution of turmeric plants had to be limited to 4,847,763 plants and the distribution of ginger plants to 114,574 plants.	Projects should be designed with practical implementation in mind.

- (b) Rs. 150,000,000 for drip irrigation in 100 export agriculture village turmeric plants nurseries was received by the Ministry of State through a supplementary estimate on 29 March 2021. Rs.30,000,000 was allocated to the Department of Export Agriculture from this supplementary estimate provision and the department had paid Rs. 10,773,487 for drip irrigation for 03 plant nurseries in Matale district and plant nurseries belonging to the department and the Ministry had given Rs. 12,474,000 for water supply to 02 farms of the Sri Lanka Army namely Katunayake and Niraviya. Accordingly, Rs. 150,000,000 was targeted to provide irrigation water to 100 turmeric plant nurseries, but as 31 December of the year under review, Rs. 126,752,512 or 84 percent could not be utilized.
- Observation is accepted. Projects should be designed with practical implementation in mind.
- I further inform that along with the methods adopted by the government to suppress the epidemic situation of COVID-19, government officials were called to their offices, meetings and workshops were held, transport activities were restricted and bidders did not submit prices etc. also affected the non-utilization of funds.
- (c) Processing and value addition in the export agriculture sector, for the establishment of the Galle Elpitiya Agricultural Export Production and Processing Zone, the State Ministry received Rs. 265,000,000 from the budget estimate of Rs. 65,000,000 and Rs. 200,000,000 in the supplementary estimate on 23 March 2021. 14 agri-entrepreneurs were selected for this zone and approved to provide 64 acres of land and plots. As 31 December 2021, contracts had not been signed with those entrepreneurs and the provision of plots to those entrepreneurs had not started. Rs. 262,578,115 had been spent for the provision of internal road system, electricity, water facilities and telephone facilities to facilitate the construction activities of the investors and the construction of this road was supposed to be completed on 10 May 2022, but the work on this road was not completed until 08 September 2022. Also, the 14 approved agricultural entrepreneurs had been reduced to 06 by 30 September 2022.
- The comment is accepted. Projects should be designed with practical implementation in mind.
- The 64 acre land belonging to the Land Reform Commission in Elpitiya Mahahinthenna area has been surveyed and the boundaries have been marked for 14 investors. The Ministry has asked the investors in writing about their willingness to invest in this region and the future work program and currently 07 investors have expressed their interest for this. Due to the fuel supply crisis in the country and the difficulty in obtaining raw materials, the contractor has agreed to complete the construction of the internal road.

3.2 Losses and Damages

Audit Observation

The KC 5500 car, which was received on 13 June 2018 from the Ministry of Provincial Council, Local Government and Sports, met with an accident on 24 August 2018. This vehicle had not been handed over to the Ministry and although there was a loss of Rs.6,783,254 due to the accident, it was not yet recovered from the responsible party. As this car was driven with an expired insurance license, the loss caused by the accident could not cover from insurance company.

Comments of the Chief Accounting Officer

Since the insurance was canceled at the time of the accident, it was not possible to get insurance compensation, so the concerned officer will take care to get the compensation.

Recommendation

Actions should be taken to recover the losses from the responsible officials.

3.3 Management Weaknesses

Audit Observation

The State Ministry had purchased 14 sweepers worth Rs.532,000 in the year under review to increase the effectiveness of pepper cultivation, a training workshop was planned to distribute the equipment, but the distribution was delayed until 30 September 2022.

Comments of the Chief Accounting Officer

The training could not be held due to the fuel crisis.

Recommendation

Purchased equipment should be delivered without delay.