
1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Agriculture for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Department of Agriculture was issued to the Accounting Officer on 31 May 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 Department was issued to the Accounting Officer on 24 May 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Agriculture 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 Qualified Opinion

My opinion is qualified based on the matters described 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 is 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 Department 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 Department 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 Department'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.

- (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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) Although as per the statement of non-financial assets presented along with the financial statements, format ACA-6, as at 1 January of the year under review, the opening balance of non-financial assets was Rs.26,383,858,018 and as at 31 December of the previous year in the subject of property plant and equipment and the related reserve balance was Rs.24,525,447,790, the information relating to adjustments of Rs.1,858,410,228 was not disclosed in the financial statements.</p>	<p>It has been informed that, due to an omission in the file, the balance before making the adjustments on 31 December 2020 has been stated as the opening balance on 01 January 2021 and financial statement (ACA-6) format with corrected values are attached herewith.</p>	<p>Action should be taken to carry forward the balances correctly and, if any, to disclose the corresponding adjustments in the financial statements.</p>
<p>(ii) Although according to the financial statements of non-financial assets, property, plant and equipment as at 31 December of the previous year was Rs.24,525,447,790, as per treasury Printout format SA82 the balance as at 1 January of the year under review was Rs.24,528,396,296 and there was a difference of Rs.2,948,506.</p>	<p>It has been informed that, a transfer order has been sent in the year 2021 to correct the change and the change has been corrected so far.</p>	<p>Action should be taken to carry forward the balances correctly and, if any, to disclose the corresponding adjustments in the financial statements.</p>
<p>(iii) According to the statement of non-financial assets ACA-6 format presented with the financial statements of the year under review, and as per treasury printout SA82 format there were differences in each balance relating to other machinery and equipment items.</p>	<p>Due to an omission in the file, the balance before making adjustments as on 31 December 2020 has been stated as the opening balance on 1 January 2021 and it has been informed that the financial statement with corrected values ACA-6 format is attached herewith.</p>	<p>Should be checked and corrected with Treasury Printouts.</p>

- (iv) Although the balance of transport and equipment as on 31 December of the year under review was Rs.1,439,705,548, according to the statement of non-financial assets ACA-6 format presented with the financial statements that balance was Rs.1,192,187,538 and transport and equipment balance understated by Rs.247,518,010. Also, the value of 184 vehicles belonging to the Department was not calculated or included in the financial statements.
- Necessary steps have been taken to account for the existing difference under the opening balance to the computer program as of 30 June of this year. It has been informed that the 184 vehicles whose value has not been identified will be assessed and included in the CIGAS computer program.
- Values should be assessed and brought to account.
- (v) Although the balance of the building and work in progress as on 31 December of the year under review was Rs.6,491,554,294, according to the statement of non-financial assets ACA-6 format presented with the financial statements that balance was Rs.1,908,156,606 and building and work in progress balance understated by Rs.4,583,397,688. Also, 148 buildings belonging to the Department had been submitted for valuation but were not assessed and 1388 buildings had not been assessed for value identification.
- The values of the CIGAS computer program show a higher value because of some sub-units send information without entering values. Further it has been informed that, other assets to be assessed will be assessed and brought to account.
- Action should be taken to assess asset and take into account for values.
- (vi) Although the asset management division had not presented the value related to the land balance as of 31 December of the year under review, according to the statement of non-financial assets ACA-6 format presented with the financial statements that balance was Rs.17,813,491,318. Also, the values had not been calculated in relation to 517 land units and the land areas in relation to 103 land units were not identified and the value was not calculated and accounted.
- It has been informed that, as a new format has been introduced to provide information about the land, we are already getting the information from the sub-units and we will inform you as soon as the information is completed.
- The assets owned by the Department should be identified and the values of those assets should be assessed and brought to account.

- (vii) Although the balance of furniture, other machinery and equipment as of 31 December of the year under review was Rs.2,410,236,758, according to the statement of non-financial assets ACA-6 format presented with the financial statements that balance was Rs.995,223,344 and furniture, other machinery and equipment balance understated by Rs.1,415,013,414. Also, the value of the assets received as donations had not identified and accounted.
- At the beginning of the computer program, assets with a value of more than Rs.5000 have been included as opening balances and the total machines and equipment belongs to all sub-units have not been included. Therefore there is a practical difficulty in identifying the assets included in the computer program and the existing assets in the asset register. But it has been informed that efforts will be made to minimize the discrepancies in the computer program and the fixed asset register as much as possible.
- Asset values should be identified and brought to account.

(b) cash flow statement

The following observations are made.

Audit Observation

Comment of the Accounting Officer

Recommendation

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| (i) | Although the cash outflow relating to salary and wages and operational expenditure was Rs.6,055,095,662 of the year under review, it had been stated as Rs.4,641,593,129 under cash flow generated from operational activities, cash outflow understated by Rs.1,413,502,533. | As the expenses of vote 1001 to 1102 were included under personnel emoluments and operating expenses while preparing the cash flow statement in previous years, the cash flow statement of 2021 has also been prepared accordingly. The information stated by you has been noted for inclusion in future financial statements. | Operating activities should be accurately identified and brought to account. |
| (ii) | Although cash flow generated from construction or purchase of physical asset and acquisition of other investment activities was Rs.111,606,276, it had been stated as Rs.1,525,108,809, overstating by Rs.1,413,502,533 in the cash flow statement. | The information indicated by the audit was noted for inclusion in future financial statements. | Investing activities should be accurately identified and brought to account. |

(c) **Balances of the Advance Accounts**

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
According to the statement of advance accounts ACA5 format presented with the financial statements of the year under review, Although in the year 2021 the debits and credits should be stated as Rs.801,737,314 and Rs.935,890,785 respectively in the farm maintenance and seed sales advance account, that values in that format had been stated as Rs.198,325,389 and Rs.184,302,639.	Noted for making corrections.	Formats related to financial statements should be prepared correctly according to treasury prints.

(d) **Commercial Advance Accounts**

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) Although the warehouses of Rs.60,132,527 related to 05 offices of Deputy Director of Agriculture and Assistant Director of Agriculture contributing to the advance work had been directly used for farm activities, the value of those buildings had not been depreciated in the year under review.	It has been informed that, action will be taken to identify and depreciated all the assets to be related to the advance account.	The asset should be accurately identified, assessed and depreciated.
(ii) According to the stock valuation report of the Palwehera Deputy Director of Agriculture (Seeds) office as of 31 December of the year under review, due to the non-inclusion of the consumer paddy stock of Rs.353,304 in the final stock, the profit in the trade account was understated by that figure.	It has been informed that action will be taken to correct when the preparation of accounts for the year 2022.	Stocks should be accurately identified and accounted.

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| (iii) | Although the value of planting material should be accounted as Rs.148,318 according to the stock valuation report of the Horana Fruit Crops Research Institute for the year under review, due to accounted it as Rs.1,107,318, the stock of planting material and gross profit overstated by Rs.959,000. | It has been informed that action will be taken to correct when the preparation of accounts for the year 2022. | Stocks should be accurately identified and accounted. |
| (iv) | 09 assets totaling Rs.1,539,738 purchased under the local potato seed promotion program has not been accounted as fixed assets in the respective Farm/Deputy Director office of Agriculture during the year under review and due to this the related asset depreciation has not been accounted. | It has been informed that, Rs.1,539,738 values related to 9 items purchased in the year 2021 have been entered in the fixed asset register of respective farms. | The asset should be accurately identified, assessed and accounted. |
| (v) | 6 assets totaling Rs.8,502,400 purchased under Farm Development Project had not been accounted as fixed assets in respective farms in the year under review and due to that machinery depreciation during the year was understated by Rs.212,560 in the financial statements. | By now these assets have been included in the fixed asset register. | The asset should be accurately identified, assessed and accounted. |
| (vi) | The accrued expenses of Rs.2,630,538 have not been accounted as of 31 December of the year under review and due to that the expenses and creditors of the year under review are understated by that amount. | Such contradictions have arisen due to the delay in approving relevant bills, vouchers, expenses and not being able to confirm the proper expenditure, It has been informed that the necessary steps and instructions have been given to prevent such defects from occurring in the future. | Accrued expenses should be accurately identified and accounted. |
| (vii) | As shown in paragraph 1.6.1 (a) of the previous year Auditor General's summary report, in correcting the understated amounts of the stock of fertilizer raw materials in the Kandapola seed potato warehouse by Rs.1,760,000 and the finished stock | It has been informed that the effect of this in accordance with Financial Regulation 515 has been noted to be corrected in the preparation of the accounts for the year 2022. | Stocks should be accurately identified and accounted. |

of the Seethaeliya seed potato warehouse by Rs.7,606,473, it had been erroneously accounted to opening raw materials as Rs.7,606,473, overstated by Rs.5,846,473 and opening finished stock as Rs.1,760,000, understated by Rs.5,846,473.

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| (viii) | Due to the over calculated debtor balance by Rs.5,311,803 of the Polonnaruwa seed outlet as of 31 December of the year under review, the debtor balance in the financial statement is overstated by that amount. | As by mistake the balance of the contract seed producers has been added to the balance of the advance account and it has been informed that, the debtor balance should be reduced by Rs.5,311,803. | Debtors should be accurately identified and accounted. |
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2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although Rs.7,220,490,000 had been provisioned under programs 01 and 02 for recurrent and capital expenditure of the Department in the year under review, Rs.984,145,341 has been remained from that and which was 13.63 percent of the total net provision. Also 61 percent of the remaining are capital expenditure remaining and which was Rs.597,248,492 or 28 percent of the net capital provision.	Instability in the country due to the corona pandemic situation, the projects could not be completed within the scheduled time.	The provisions should be utilized efficiently and effectively during the year under review.
(b) Although a provision of Rs.1,000,000 in the year under review and Rs.3,000,000 in the previous year had been reserved for the small-scale agricultural research project, the intended objectives of	Since all the expenses of the related projects in the year 2021 have been borne by the JICA project office, no vouchers have been submitted to bear the expenses under this provision.	Allocated funds should be used efficiently and effectively for the related activities.

the project were not fulfilled due to that the provisions was completely remain.

- (c) According to paragraph 3.5 of the Public Accounts Circular No. 271/2019 dated 03 December 2019, Although the balance should be limited to 5 percent of the net provision related to each vote in the ACA (II) format of program-wise summary of expenditure, Out of the net provision of Rs.3,868,116,234 in 81 votes of the Department, Rs.877,810,325 which is 23 percent were remaining. That remaining ranged from 7 percent to 96 percent of the each vote.
- Provision was remained due to reasons such as periodic closure of offices due to the Corona pandemic situation, limited number of officers working, officers covering their duties from home, limiting domestic and foreign travel and reducing the costs of maintenance activities.
- Financial provisions should be utilized optimally.

2.2 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 Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations.	Value Rs.	Non-compliance	
(a) Section 21(4) (a) of the Control of pesticide act no 33 of 1980	-	As of 23 December of the year under review, the Pesticides Registrar's Office had not issued licenses to 232 pesticide outlets.	Action should be taken to issue licenses in due time.
(b) Section 6.1 of chapter xix of the Establishments code of the democratic socialist republic of Sri Lanka	-	Although the lease period of all the houses except the one reserved for a particular post is 05 years, during the sampling examination 17 officers of 02 institutions had been continuously residing in Quarters for a period of 02 to 10 years exceeding 05 years.	Action should be taken in according to the Establishments code.

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| (c) | Rule 193 of chapter XVIII of Procedural rules volume 1 of the Public Service Commission of the Democratic Socialist Republic of Sri Lanka. | - | 237 officers belonging to 9 institutions had been working in the same institution for more than 5 years. | Some officers have been included in the list of officers with more than 5 years of service to be transferred subject to transfer procedures. | Action should be taken in according to the Procedural Rules and Regulations. |
| (d) | Public Administration Circular No. 30/2016 dated 29 December 2016 | - | The fuel consumption test of 215 running vehicles belonging to 13 directorate divisions of the Department had not been done in relation to the year under review. | It has been informed that fuel consumption tests will be carried out in the future. | Action should be taken as per circular provisions. |
| (e) | Pension Circular No. 03/2015 dated 24 April 2015 | 2,440,247 | Although arrangements should be made to provide pension benefits on the day of retirement, due to the non-completion of the personal file related to 33 officers who retired during the year under review, the debt balance remained unable to be recovered from the retirement gratuity. | It has been informed that action has been taken to recover the loan balances of the 33 officers. | Action should be taken as per circular provisions. |

2.3 Issuance and Settlement of Advance

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) The total of unapproved cumulative losses incurred in respect of 05 transaction liquidation advance accounts which elapsed in the period of 18 to 29 years was Rs.67,146,096.	It has been informed that after taking this matter into the discussion in a Public Accounts Committee, the liquidated advance accounts will be fully settled.	Liquidation should be done in accordance with the provisions of the Financial Regulations 518.

- (b) The outstanding balance of Rs.76,157, which was over 29 years related to the liquidation advance account of the certified seeds and planting material advance account number 285-05 was not settled. It has been informed that these advance accounts will be fully liquidated. Liquidation should be done in accordance with the provisions of the Financial Regulations 518.

2.4 Deposit Balances

Audit Observation

Comment of the Accounting Officer

Recommendation

Regarding 7 deposit balances amounting to Rs.4,495,882 exceeding 2 years from the date of deposit had not been dealt with in accordance with Financial Regulation 571.

It has been informed that the amount payable to an external audit firm and the amount payable to a construction firm have thus been retained.

Action should be taken in accordance with Financial Regulations.

3. Operating Review

3.1 Planning

Audit Observation

Comment of the Accounting Officer

Recommendation

Although a financial provision of Rs.1,000,000 was made in the year under review under the other capital expenditure vote 285-2-2-7-2507 for the renovation of Gannoruwa lake belonging to the Department, a plan including activities on how to utilize the relevant amount was not prepared or the lake had not been renovated.

For the renovation of Gannoruwa lake Rs.1,000,000 had been provisioned under the expenditure head 285-2-2-7-2507 and an action plan had been prepared for it.

Allocated provisions should be utilized optimally.

3.2 Non-achievement of expected Output Level

Audit Observation

Comment of the Accounting Officer

Recommendation

The expected target for basic and standard seed production of Rahangala Seed Production Farm for the last 7 seasons was a total of

Due to the prevailing dry weather condition, damping-off disease, being in storage for a long time, planting of low

Action should be taken to achieve the desired goals.

12390 kilograms of beans, tomato and radish, although for that cost of Rs.11,518,086 has been utilized, but the actual basic seed production of 4654 kilograms which was minimum level of 37 percent of expected goal.

quality seeds, growth of these crops was weak, so the yield of those crops was very low. It has been informed that there are cases where some crops were not planted and the amounts of seeds were returned due to the non-receipt of the expected rainfall.

3.3 Non-achievement of expected Outcome

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) From the Department of Management Services had obtained the necessary approval for the recruitment of 50 officers of secondary level information technical assistant to carry out related computerization activities in networking institutions under the Department of Agriculture with the Agrarian Service Centers and 23 officers had been recruited. Although the basic requirements to start networking such as recruitment of staff, establishment of buildings have been met, the networking activities have not started as planned.	The responsibility for this work has been borne by the Ministry of Agriculture, and since there was no networking, the twenty three recruited information technical assistants have been assigned as per approved staff positions in various institutions of the Department.	The focus should be given on effective utilization of employees to achieve desired objectives.
(b) A cost of Rs.9,535,700 has been born for the Korean foreign aid project for improving and popularizing agricultural product processing technology, 27 items worth of Rs.1,577,011 had been purchased to give to the farmers groups through that project. But in the inspection conducted on 18 February 2022, it was observed that only 11 items had been given to the farmers and the relevant equipment remained idle and underutilized due	It has been informed that materials have been issued to the offices of the District Deputy Director of Agriculture for the release of materials to the relevant farmer groups, the necessary equipment has been purchased under this project, to correct the deficiencies in the laboratory, to coordinate the project under the online system and to carry out the office activities properly.	Allocated provisions should be used effectively to achieve the desired objectives of the project.

to the lack of a suitable building and electricity. Also, the objective of raising the income level of cassava farmers and processors with low income levels expected from this project was not fulfilled and the expenses of Rs.1,483,846 had not directly applied to the project.

3.4 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although 40 poly tunnels were targeted to be constructed under the Entrepreneurship Cluster Village Development and Value Chain Program project, which was targeted to be implemented and completed in the year 2020 under the Ministry of Agriculture's provision, but 16 poly tunnels had not been constructed by 12 October 2021. 28 percent of the total allocations which was an amount of Rs.2,635,924 had remained without spending as on 01 January 2022.	Not commented.	Projects should be completed on time and provisions should be utilized optimally.
(b) Although grow bags had been purchased spending of Rs.795,000 for planting under Entrepreneurship Cluster Village Development and Value Chain Program, 20 farmers had not been used that. Rs.200,000 had been allocated to buy a refrigerator to store chili seeds, but it had not been purchased by 12 October 2021. Number of 40, 500 liter water tanks had been purchased by Rs.174,468 to apply liquid fertilizer for chili plants but they were not utilized. Also, payments of Rs.987,705 had been made for other activities which were not related to the project from the allocated provisions for this project.	Although it was decided to provide fertilizer tanks to automatically dispense water and fertilizer, later the farmers refused to take Dialog's automated software.	Provisions allocated for projects should be utilized effectively.

- (c) Bids had been invited to buy raw materials worth Rs.3,959,200 to construct the internal road system using concrete under direct labor in Meepilimana, Udardella, Seethaeliya and Piduruthalagala seed potato production farms. But no rough plan and Bill of Quantities (BOQ) was prepared as to how much of which internal road would be done in each farm and only material lists had prepared. An amount of Rs.1,587,000 was paid to the supplier for the purchase of 36 sand cubes and 72 metal cubes on 24 November 2021 and the works had not been started due to non-purchase of cement, nets and wood as of 02 December 2021.
- It is advantageous to concrete only the parts that are most likely to be washed away. Therefore, it is difficult to determine the length of the road under construction in advance. Therefore, materials were issued in a formal manner and quantity bills were prepared to construct the maximum possible section under the full supervision of the farm manager. It has been informed that cement and other materials will be procured and construction of roads will be done in this year.
- Plans related to the construction should be prepared and the construction should be completed within the due time.
- (d) Although Rs.37.19 million had been allocated for 8 capital activities such as purchase of seed dryer and harvesting machines, construction of rain shelter houses, construction of a sprinkler irrigation system for Ambepussa Seed Production Farm under the Accelerated Seed Farm Development Program, that works had not been completed as of 16 November 2021.
- It has been informed that the information regarding this will be submitted after obtaining answers from the relevant director.
- The works expected to be completed during the year under review should be duly completed.
- (e) Although due to insufficient office space facilities, construction of a two-storied building was approved at a cost of Rs.4,967,502 for the purpose of establishing a meeting room and record room near the pesticide registrar's office, towers were built using its base and only the roof was built. In the year under review, a record room was constructed on the ground floor of that building at a cost of Rs.496,003, but about 30 percent of the work in that room was not completed as of 24
- Although a provision of Rs.6 million was requested in the year 2021 to complete this building only an amount of Rs.500,000 was received. Although a provision of Rs.7 million was requested for the year 2022 only an amount of Rs.1,000,000 was provisioned.
- Other works of this constructed building should be completed promptly and the building should be utilized effectively.

December 2021. Thus, due to non-completion of other works in the building, the building has remained idle since the year 2019 when the building was constructed.

3.5 Projects without Progress despite the release of Money

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although in the years 2018, 2019 and 2020, materials worth Rs.508,924 had been purchased for 5 construction works by Gannoruwa Agricultural Technology Park, that works had not been completed as of 29 October 2021.	It has been informed that the action will be taken to complete related works promptly.	The construction work should be completed within the due time.
(b) Although equipment has been purchased at a cost of Rs.5,166,127 in the year 2018 to construct a drip irrigation system in an area of 2 hectares in the Ambepussa seed production farm for the purpose of providing water to pineapple, banana and underutilized fruit crops, Out of which Rs.2,398,957 worth of the devices was used in the field of vegetable seed production. Also, equipment worth Rs.2,767,169 remained underutilized due to without utilized as of 16 November 2021.	Arrangements have been made to transfer that drip irrigation system to the vegetable seed production field.	Purchased resources should be utilized effectively and efficiently.

3.6 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
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Materials had been purchased for the construction of two guardhouses worth of Rs.653,072 in Gannoruwa Agriculture Technology Park Unit,	Excess plywood 06 was used to making structures to place exhibits in the museum. It has been informed that the action	The purchased materials should be used and the related tasks should be completed

although materials worth Rs.116,114 will be taken to painting and have been purchased and all the lighting installation done soon. materials were released from the warehouse for painting the two guardhouses, installing the ceiling and installing 20 watt bulbs but those tasks had not been completed by 26 November 2021. Also, ½ inch, 12 plywood boards worth of Rs.25,470 had been purchased and issued but they were not used either.

3.7 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although action should have been taken to survey and formally take over the lands belonging to government Departments in accordance with Section 224 of the Code of Conduct on Government Lands, 2935.35 hectares out of the total land area of 3901.82 hectares pertaining to 10 divisions belonging to the Department had not been taken over.</p>	<p>The takeover activities are currently being carried out in coordination with many institutions.</p>	<p>Action should be taken to settle all the lands enjoyed by the Department and take over the ownership.</p>

3.8 Security of Public Officers

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to Financial Regulations 880 and Chapter 612 of the Public Officers Security Ordinance, 28 officers who are required to deposit securities in 05 institutions had not deposited relevant securities as of 31 December 2021.</p>	<p>The deposit securities process is in progress for all the positions that had not been deposited securities.</p>	<p>Securities should be deposited by the relevant officers in accordance with the Financial Regulations.</p>

3.9 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Only an amount of Rs.1,759,167 had been recovered in relation to the financial fraud of Rs.2,278,890 discovered during the inspection conducted by the internal audit division at the Seethaeliya seed potato warehouse as of 24 March 2021. The balance of Rs.519,723 had not been recovered. Also, the preliminary investigation related to this financial fraud was not completed by 01 December 2021.	A formal disciplinary investigation will be conducted in the future and arrangements will be made to recover the relevant money.	Actions should be taken to recover the losses and disciplinary action should be taken against the concerned officers.
(b) Damages and losses remained to be recovered or amortized or waived had been presented as per the statement of losses and disclaimers (note i) along with the financial statements. Related action had not been taken relating to 436 cases in respect of damages or losses amounting to Rs.101,404,491 in accordance with the financial regulations.	There have 239 investigations in progress and completed the Financial Regulation 104(4) and; 46 investigations, investigation boards have been appointed & not received the reports and; 29 files for appointment of investigation boards.	Action should be taken in according to the Financial Regulations.

3.10 Failure to reply Audit Queries

Replies to following Audit queries issued to the Department had not been furnished even by 31 May 2021.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Financial and performance audit of Seethaeliya Seed Potato Warehouse – 2021 Reference:- KDA/B/AD/2/21/B/47 2022.03.09	Necessary arrangements have been made to take information from the relevant units, and it has been informed that when the information has been received answers will be submitted immediately.	Audit queries must be answered within the relevant time.

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| (b) | Investigation of vehicles in the Department of Agriculture
Reference:-KDA/B/AD/2/21/T/69
2022.04.08 | It has been informed that the answers will be submitted immediately when the information received. | Audit queries must be answered within the relevant time. |
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3.11 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) As a result of lack of space in Rahangala Seed Production Farm, lack of adequate spacing between stocks, difficulty in easy access to warehouses, non-systematic cleaning of warehouses and failure to release stocks before they lose their viability, total of 3926 kilograms of maize and other grain seeds worth of Rs.780,420 had been rejected due to insect damage On 18 and 20 August 2020.	This situation has arisen due to the slight increase in grain stocks and lack of space. It has been informed that, as the construction work of a new warehouse is currently being completed and this problem can be solved after the construction work.	A formal inventory management system should be maintained.
(b) 1591 kilograms of hybrid maize seeds valued at Rs.1,272,800 were rejected due to low germination as a result of kept in storage for a period of 10 months.	Due to competition with foreign seeds, this new type of seed was difficult to popularize among the farmers and it had been kept in storage due to low sales.	Produced seeds should be released to the required division without delay.
(c) The debtor balance of Rs.14,399,028 a period of time from 01 to 08 years had passed related to the farm advance account had not been recovered in terms of Financial Regulation 175(2) as of 31 December of the year under review.	Action will be made to recover these debts without delay in the future.	Loan arrears should be recovered.
(d) Although the provision of Rs.12,175,459 given by the Ministry of Agriculture for the activities of the Department of Agriculture in the year 2017 was accounted as a creditor balance in the farm advance account, it was not settled at the end of the year under review.	It has been informed that, it is a provision given to us by the Ministry of Agriculture and not a loan balance.	The answer is not acceptable. This balance should be settled as it relates to the farm advance account.

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| (e) | The assets of 13 institutions had not been revalued out of the assets of 27 institutions related to Farm Advance Account as of 31 December of the year under review. Due to this reason, it was not possible to identify the accurate value of the assets held by the institution, and it was observed that the depreciation expense related to the year was not accurate. | It has been informed that these activities are planned to be completed in this year. | Relevant revaluation should be carried out and accurate values of assets should be recorded. |
| (f) | Debt balances amounting to Rs.6,772,208 in respect of 127 officers who have died, retired, retired without pension due to insufficient service period, suspended, left the service due to abroad and transferred by various divisions under centralization had not been recovered according to Paragraphs 4 and 6 of Chapter XXIV of the Establishments Code as of 31 December of the year under review. | It has been informed that actions had been taken to recover the relevant outstanding loan balances. | The loan arrears should be recovered as per the provisions of the Establishments Code. |
| (g) | In accordance with paragraph 5.2 of the National Budget Circular 118 dated 11 October 2004, If the debtor who has obtained a property loan does not pay the loan instalments, action should be taken to auction the relevant property on the instructions of the Attorney General and recover the loan balance, against the total loan of Rs.681,033 in respect of 07 officers worked in the Department had not been dealt with. | It has been informed that property auctions, legal actions and written notifications have been made to recover certain outstanding debts. | Action should be taken to recover outstanding loans as per the circulars. |

4. Achievement of Sustainable Development Goals

Audit Observation

Comments of the Accounting Officer

Recommendation

In relation to the Sustainable Development Goals, by the year 2030, the Department of Agriculture had not prepared plans, milestones expected to be achieved and should be achieved and on the level of progress of the objectives expected to be achieved. Also, baseline data had not been collected to measure current progress on indicators related to these objectives.

Plans for achieving the Sustainable Development Goals from the year 2022 to year 2025 have now been prepared. Accordingly, Based on the production plan of the department taking 2019 as the base year, the departmental goals to be achieved up to the year 2025 have been identified and prepared.

A measurement system and baseline data must be collected to measure the progress of each objective and target.

5. Human Resource Management

The following observations are made.

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) There were 07 vacancies for the post of Assistant Director of Agriculture (Agricultural Research) and a post of Registrar Pesticide Control in the Pesticides Registrar's Office.

Applications have been called separately for recruitment on open and limited basis. It has been informed that after conducting the said competitive examination and interview, the officers can be recruited and then the vacancies can be filled.

Action should be taken to fill the vacancies immediately.

(b) The following are the staff vacancies in the Department as of 31 December of the year under review.

It has been informed that recruitment for certain positions has been started and recruitment for certain positions has been temporarily suspended as per National Budget Circular 3/2022.

Action should be taken to fill the vacancies immediately.

	Approved Carder	Actual Carder	Vacancies
Senior level	1050	414	63
Tertiary level	208	72	13
Secondary level	3638	2945	69
Primary level	6150	4778	137
Total	11046	8209	283