

Head 289 - Department of Export Agriculture

1. Financial Statements

1.1 Qualified Opinion

The audit of the Financial Statement of the Department of Export Agriculture for the year ended 31st December 2021 comprising the statement of financial position as at 31st 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 including my comments and observations on the financial statements of the Department of Export Agriculture was issued to the Accounting Officer on 31st May 2022 in terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018. The Detailed Annual Management Audit Report relating to the Department was issued to the Accounting Officer on 31st May 2022 in terms of Section 11(2) of the National Audit Act,. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution 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 the Paragraph 1.6 of this report, the financial statements, give a true and fair view of the financial position of the Department of Export Agriculture as at 31st December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 The basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAuSs). My responsibility in the financial statements, are further described in the section of Auditor's responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

It is the responsibility of the accounting officer to determine internal control that necessary 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 the financial statements that are free from material misstatements, whether due to fraud or errors.

In terms of Section 16(1) of the National Audit Act No.19 of 2018, the Department shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare 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 on 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 on 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I further,

- Design and perform appropriate and responsive audit procedures so as to Identify and assess the risks of material misstatement of the financial statements, whether due to frauds or errors in order to provide a basis for audit opinion provided. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit 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 whether the financial statements represent the underlying transactions and events on the structure and content of the financial statements, including the disclosures in appropriate and fair manner.
- 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 Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on other legal requirements

I declare the following matters in accordance with of Section 6(1)(d) of the National Audit Act No.19 of 2018 :

- (a) That the financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements for the previous year have been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Defficiency

(a) Property, Plant and Equipment

Audit Observation

Although the value of property and equipment was Rs.1,098,889,538 in the statement of financial position prepared on December 31st of last year, it was shown as Rs.1,102,130,963 when brought forward for the year under review. Therefore, the value of property, plant and equipment in the reviewed statement of financial position is overstated by Rs.3,241,425.

Comments of the
Accounting Officer

That, this mistake will be corrected in the future.

Recommendation

The balances mentioned in the previous year's financial statements should be correctly carried forward to the year under review.

(b) **Statement of Cash Flows**

Following matters were observed.

Audit Observation

In the cash flow statement prepared for the year under review, the imprest receipts of Rs.49,679,014, the deposit receipts of Rs.1,145,182 and the advance receipts of Rs.41,938,711 had been understated and the expenses incurred for other heads had been overstated by Rs.468,061,621

Comments of the
Accounting Officer

That, the observation is accepted and in future cash flow statements will be prepared in accordance with the circular instructions.

Recommendation

Annual financial statements should be prepared as per the guidelines issued by the Public Accounts Department.

2. Financial Review

2.1 Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
The liabilities of Rs.111,308 which were payable on account of commitments incurred on 8 occasions for expenditure relating to the year under review were not disclosed in the financial statements.	That, these liabilities were not recognized when the financial statements were prepared.	The information to be included in each format shall be disclosed.

2.2 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-Compliance	Comments of the Accounting Officer	Recommendation
(a) Promotion of Export Agriculture Act No. 46 of 1992	Rs.			
Section 15(1)	602,900,000	export promotion assistance shall be paid even after orders have been made by the Minister for schemes to grant subsidies and financial or other assistance, to the persons who grow and process the notified agricultural crops, but the export promotion assistance was paid without making such orders.	That it was noted to act accordingly in the future	The provision of the act shall be followed

- (b) Establishments
Code of the
Democratic
Socialist
Republic of Sri
Lanka

Chapter XIV 44,100 The full subsistence allowance is payable for a period not less than 12 hours, half of the subsistence allowance for periods not less than 6 hours and not payable for a period less than 6 hours. But the subsistence allowances were paid regardless of the provisions.
- The steps have been taken to recover the over paid subsistence allowances
- The provision in the establishment code should be followed
- (c) National Budget 12,996,000 when acquiring vehicles under operating lease method, the maximum monthly rent (excluding value added tax) of a vehicle procured for Director and equivalent level officers shall be Rs.135,000. Even so, Rs.163,500 per month was paid for the vehicles that were obtained and assigned to 08 directors including the additional director general of the department.
- That this situation arose because the vehicles acquired for the pool were later attached to the directors
- Circular provision shall be followed

3. Operating Review

3.1 Annual Performance Report

Audit Observation

As stated in Guideline No.14 issued by the Public Finance Department as per paragraph 10.2 of the Public Finance Circular No.02/2020 dated 28th August 2020, The Annual Performance Report was to be prepared and as per Section

Comments of the
Accounting Officer

That the performance report will be submitted after the audit report is received.

Recommendation

The provisions of the Audit Act shall be followed

16(2) of the National Audit Act No.19 of 2018, it should be submitted for audit along with the annual financial statements. But the annual performance report was not submitted along with the financial statements for the year under review.

3.2 Assets Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The department had 90 government quarters, out of which 07 quarters were in dilapidated condition. Also, there were 32 quarters where the officials lived and those quarters were in a condition that needed to be repaired as there are shortcomings such as leakage of water on rainy days, broken toilets, no electricity, problems in the plumbing system etc.	That these repairs were not possible as the allocated provisions were used for essential projects.	Government quarters should be maintained without allowing them to fall into disrepair.
(b) Three vehicles with the estimated value of Rs.3,000,000 had not been used for more than 05 years	That these vehicles are to be auctioned.	Actions should be taken to repair and use or, if not possible, to dispose of.

3.3 Losses and Damage

Audit Observation	Comments of the Accounting Officer	Recommendation
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The losses of Rs.3,926,808 belonging to 04 cases of damages that had occurred in the past years were to be further recovered or written off and it was observed that 02 cases related to Rs.2,348,453 have existed since 05 years ago.	That, the losses of Rs.2,250,000 are to be recovered from the respective responsible persons and the remaining losses are being written off from the books.	Financial regulations should be followed.

3.4 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
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2,873 kg of chemical fertilizers belonging to 05 types including rock phosphate and dolomite received in December 2018 to the Department's nursery in Gasnawa had not been used by December 2021, and 853 kg of fertilizers belonging to 03 types had expired.	That, all the chemical fertilizers obtained in the year 2018 could not be applied to the field as the farm workers were engaged in other development activities.	Purchases should be made considering the requirement.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although stakeholders should be identified regarding the department's role in the implementation of sustainable development goals, a participatory approach was not demonstrated in the preparation of goals related to the institution due to the institution's failure to identify them.	It was noted that more attention should be paid in this regard in preparing the development and research goals of the department In the future.	It should be aware of the Sustainable Development Agenda, and relevant actions to be taken for that.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Out of the 23 vacancies at Senior level, 16 were Assistant Director posts belonging to the Sri Lanka Scientific Service, which had adversely affected the department's operations.	That, Actions are being taken to fill the vacancies.	Vacancies should be filled considering the need of the department.
(b) There were 16 vacancies in the post of District / Subject Project Officer which hindered to the smooth running of the field work.	That, Actions are being taken to fill the vacancies.	Vacancies should be filled considering the need of the department.

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| (c) 84 research and development assistant posts had been approved but no officer had been recruited for that post. | That, Actions are being taken to fill the vacancies. | Vacancies should be filled considering the need of the department. |
| (d) 114 watchmen and laborers who do not belong to the approved staff were employed but those positions were not approved by the Department of Management Services. | That a request has been made from the Director General of Management Services but it has not been approved. | Actions should be taken to get the posts approved, considering the needs of the Department. |