

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 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 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 Chief Accounting Officer on 23 August 2022 in terms of Section 11 (1) of the National Audit Act. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 29 September 2022 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 2021 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) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements had been prepared to correspond with the previous year.
- (b) The recommendations I had made regarding the financial statements related to the previous year had been implemented.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit observations	Comments of the Chief Accounting Officer	Recommendation
(a) As shown in ACS-3 form of financial statements, the balance of money remitted but not shown in treasury books as at 31st December 2021 was Rs.5,795,693. Even though, that balance should be shown as cash in transit under financial assets in the statement of financial position, the ministry had not shown such way.	The manner presented by the Ministry is correct as per Public Accounts Guidelines No. 2021/03 dated 26.11.2021 issued for the preparation of Government Accounts. In that, the balance as per the company's books as at 31/12/2021 should be included in the statement of financial position. Accordingly, It should be informed that the balance is correct according to the company books. Also, there is no specific place to show cash in transits in the statement of financial position format. Cash in transits balance which is not shown in the treasury book was shown by the Note no 1 of ACA Form 3.	Amounts of cash remitted but not received by the treasury should be shown in the statement of financial position as cash in transit.
(b) The amount which should be settled on 31 December 2021 but not settled was Rs.9,642,131 and Rs.18,195,192 from the imprest given to Sabaragamuwa Provincial Council and Mahaweli Authority. These amounts had been shown as	<u>Sabaragamuwa Provincial Council - Rs.9,642,131</u> Time has been requested to settle the sub-imprest in the year 2022 due to the need to extend the contract period due to the following reasons presented by the contractor in the letter dated 24.12.2021 and No. AGM/2121804 of the Secretary of the Ministry of Land Provincial Irrigation, Agriculture, Animal Production and Animal Health and Fisheries. Since technical advice had to be sought due to	The imprest given in relation to the year should be settled on the last day of the year.

outstanding imprest in the financial statements and the respective imprest balances had been settled on 03 of March and 31st of March 2022.

lack of raw materials in the market and travel restrictions were existing due to the Covid situation, the limited employment of officials, stoppage of purchasing materials and climate impact have caused this.

Sri Lanka Mahaweli Authority-
Rs.18,195,192

It has been ordered the purchase of equipment for the AMTC farm development project by the letter of the Director General of Sri Lanka Mahaweli Authority dated 21.12.2021 and No. MASL/FIN/AMTC Form/ 03/2021 and citing the practical difficulties in purchasing the ordered goods before 31.12.2021 due to the current covid situation and other economic reasons, it has been requested time to settle the above sub-imprest amount in the year 2022. Even the approval was sought from the Treasury Operations Department in response to the request of the above institutions, it was informed on 18.01.2022 that approval could not be given to extend the time for advance settlement. Accordingly, the arrears could not be settled at 31.12.2021.

Letters dated 23/2/2022 and 14/3/2022 have been sent asking to settle these advances without delay and it would also inform that the above imprest has been settled.

(c) The amount of Rs.687,041 which should be settled by the Ministry on 31st December 2021 had been shown as outstanding imprest due to non-settlement on due date and that amount has been settled on 07th January 2022.

The Provincial Ministry of Agriculture had issued the check to the Chief Secretary of the North-West Province as of 31.12.2021 for the settlement of the remaining cash value of Rs.684,041.38 from the advance amount given to the North-West Province which was to be settled on 31.12.2021. Nevertheless, the provincial council did not issue a check to this ministry on 31.12.2021 and it was credited to the bank account of the ministry on 06.01.2022.

The imprest given in relation to the year should be settled on the last day of the year.

2.2 Management of Expenditure

The following observations are made.

Audit observations	Comments of the Chief Accounting Officer	Recommendation
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(a) Due to failure in making provisions by identifying the expenditure objects that should be necessarily borne, the sum of Rs.495,260,000 of 03 recurrent expenditure objects and 02 capital expenditure objects had been entirely remained save.	Even the balance of the expected allocation was sent to the treasury according to Cabinet Decision No. 21/1596/304/134 and Public Expenditure Review dated 31.08.2021, the treasury has not taken over the allocation.	Provisions made should be fully utilized.
(b) Provisions ranging from 12 to 96 per cent of the net provision had been remained save from 10 capital expenditure objects and 19 recurrent expenditure objects due to failure in accurate forecasting at preparing the estimates. The net provision made for said capital and recurring expenditure was Rs.5,582,900,000 and Rs.2,749,284,009 or 49 per cent out of that amount had been remained save.	Although allocations have been assigned to restrict public expenditure for expenditure heads 425-1-2-0-1001, 1002,1003, 1101, 1201, 1202, 1203,1301, 1302, 1402, 1506 according to the Cabinet decision No. 21/1596/304/134 dated 28/8/2021, the treasury has not taken over the allocations.	Provisions made should be fully utilized.

2.3 Non-compliances with Laws, Rules, and Regulations

Cases of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Reference to laws, rules and regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
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(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though, it should be commenced investigations to ascertain its extent, causes and to determine those	Although all the basic steps to be taken by the ministry after the accident of a government owned vehicle have been taken, preparation of F.R. 104	Responsible parties should be determined by an investigation according to F.R.104 (1) (a)

F.R. 104 (1) (a)

who responsible as soon as there were any loss or damage, it had not been done in such a way regarding the Jeep No. KW-8202 used by the Ministries, which had been involved in an accident on 01 March 2021.

inspection reports were delayed. The final inspection report of F.R. 104 (4) which has currently being done has been received and the said committee has recommended that the car should be repaired.

(ii) F.R. 110

A register of damages had not been maintained as per regulations.

Accept the observation. The damage and loss register has been updated.

A register of damages should be maintained as per the F.R.110.

(iii) F.R. 1646

Although the original copies of monthly summaries and running charts should be sent to the Auditor General before 15th day of the following month, the running charts and monthly summaries of 22 vehicles in relation to the year 2021 used by the Ministry had not been submitted to the audit.

All the running charts related to the year 2021 have been handed over and the officials of the transport department were informed to take actions for the handing over of the running charts before the 15th of every month in the future.

The running charts of the vehicles should be submitted to the Auditor General as per the Finance Regulations.

2.4 Entering into Liabilities and Commitments

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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Out of the net allocation of Rs.2,850,000 for vehicles under rehabilitation and improvement of capital assets of the Ministry in the year under review, the savings was Rs.3,865 after utilization of Rs.2,846,235 during the year. Nevertheless it had been bound to commitments and liabilities of Rs.891,061 more than the balance.	Accept the observation.	It should not be entered in to the liabilities and commitments beyond the provisions.

2.5 Issuing and Settlement of Advances

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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Even though the ad-hoc imprest should be settled within 10 days after completion of the work as per the F.R. 371 (5), it had been taken from 03 days to 101 days to settle the ad-hoc imprest of Rs.256,858 which had been taken from seven officials on 16 occasions.	An internal circular was issued informing the officials to settle the advances within 10 days in future.	Actions should be taken according to the F.R. 371 (5).

2.6 Operating of Bank Accounts

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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Even though this head has been abolished after 31st December 2021, the bank account opened for the Ministry had not been closed by 30th May 2022.	The account could not be closed as 3 checks issued to the Public Service Provident Fund have not cleared till now. It would be inform that the bank account will be closed immediately.	Arrangements should be made to close the bank account.

3. Operating Review

3.1 Failure to perform Duties

Audit observation	Comments of the Chief Accounting Officer	Recommendation
Twelve activities at an estimated cost of Rs.257 million included in the 2021 action plan had not been completed.	Some projects could not be completed under the condition of Covid-19 and due to the lack of Cabinet approval.	The tasks included in the action plan should be carried out within the year

3.2 Management of Assets

Audit observation	Comments of the Chief Accounting Officer	Recommendation
Even though there are 15 specialized economic centers under the Ministry, the land and building of Veyangoda economic center only were assessed and action had not been taken to assess the land and buildings relating to the rest of economic centers.	This work could not be done properly Since this ministry is a new ministry and not enough officials were available to the ministry. It would be informed that, the economic centers have been assigned to the Ministry of Trade according to the special gazette number 2281/41 dated 27.05.2022	All economic centers belonging to the Ministry should be included in the financial statements.

3.3 Management Weaknesses

3.3.1 Jeevathuru Udana National Program

The approval had been granted through the Cabinet decision No.CP/21/0689/323/026 dated 04 May 2021 to implement the national program "Jeevathuru Udana" by the Department of Agricultural Development and the State Ministry of Agriculture jointly with the aim of increasing the nutritional level of pregnant mothers, lactating mothers and infants under the age of 5. Under this, provision of 55.62 million had been allocated from the food security expenditure object of the State Ministry in the year 2021 to plant one million moringa plants in one million gardens as 100 beneficiary families selected in each domain of agricultural research and production assistant with the support of family health service officers and 999,211 Moringa plants costing Rs. 41.96 million had been distributed. The following observations are made on that.

Audit observation

Comments of the Chief
Accounting Officer

Recommendation

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- (a) Under the suggestions No. 3:2 of Cabinet Memorandum No. Pa/36/2021 dated 06 April 2021 directed to the Cabinet, It had been proposed to prioritize the procurement of Moringa seeds required for the above program through the 33 plant nurseries of the Department of Agriculture located in the district and when it is impossible, it had been proposed to purchase from registered private plant nurseries. However since there was no any document in the file regarding the discussion which had been made with the Department of Agriculture or the district nurseries for the purchase of moringa seeds from the Department of Agriculture for the said program, the basis of selection of nurseries had not been clarified even the efforts had been made to purchase moringa seeds only from private nurseries contrary to the recommendations of the Cabinet Ministers.
- As there is no production of drumstick seeds locally and since it was possible to get more quantity of Moringa seedlings from large-scale seedling suppliers who were able to import, registered under the Department of Agriculture, graded under A grade, and who had the capacity to import under the conditions of the Covid epidemic, the arrangements were made to obtain there as considering the urgent need.
- An investigation should be carried out to find out if there has been any irregularity.
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- (b) Although, the quantity of plants to be purchased from the respective nurseries should be decided by a committee headed by the District Agricultural Development Deputy/Assistant Commissioner as to provide opportunity to all the registered plants nurseries in the district according to the proposal number 3.3 and 3.4 of the Cabinet Memorandum in fulfilling the requirement of plants in the district, it had been procured only from 15 selected nurserymen without purchasing from district nurserymen and setting up such district committees.
- A number of 673,500 saplings had to be distributed to the respective domains before 17.04.2021 according to the initial stage. The Commissioner General of Agricultural Development has informed the Deputy/Assistant Commissioners to contact the relevant committee members over the phone and arrange to purchase the plants as the time period for the implementation of the program is very short due to the covid
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epidemic situation during this period. Accordingly, moringa plants were purchased from 15 nurseries that had produced moringa plants at that time.

(c) When considering the amount of more than 700,000 plants that have been supplied by 4 plant nurseries out of the 15, it was observed that full preparations have been made to supply plants for this project and it had been planned to buy those plants from that nurseries.

Since there is no production of moringa seeds locally and there was a possibility to obtain more quantity of moringa seeds from large-scale seedling suppliers who were registered under the Department of Agriculture, graded under A grade, and who were able to import under the conditions of the Covid epidemic, arrangements were made to obtain such considering the urgent need.

An investigation should be carried out to find out if there has been any irregularity.

(d) According to the information of the district agriculture department, the plant nursery time was 06 weeks and the cost of a plant was approximately Rs.24 and total cost might not be exceeded Rs.30 including the transportation to the concerned Agricultural Research and Production Assistant Domain. Accordingly, the government had incurred a loss of approximately Rs.11,990,532 from the stock of plants purchased due to the fact that, the Department of Agriculture did not take actions to procure plants from the nurseries by planning the project in six weeks ago.

A Moringa seedling in the Department of Agriculture is Rs.50 as per the prices of April 2021. Accordingly, according to the proposal made by the registered plant nurseries, It has been given approval by the Cabinet to purchase registered seedlings from nurseries at the cost of Rs. 42.00 without charging transport charges which is Rs.50/- in the Department of Agriculture. If a

An investigation should be carried out to find out if there has been any irregularity.

Moringa seedling is purchased by the Department of Agriculture, an amount of Rs.50 and transport charges have to be paid and the government has not incurred any loss through this purchase.

(e) Although the cost of awareness and training should be limited to Rs.4 million according to the action plan of the program, the Rs.1,840,469 had been spent more than the estimated cost for awareness and training as the actual cost was Rs.5,840,469.

Although the estimated allocation of Rs.4 million for training has been exceeded, there has been no overrun in the total estimated allocation for the said program.

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(f) The plants purchased to the relevant Agricultural Research and Production Assistant Domain should be transported according to Section 4 of Circular No. 03/2021/ dated 03 April 2021 issued by the Secretary of the State Ministry of Agriculture giving instructions for the implementation of the program to the Commissioner General of Agricultural Development. Even though the distribution of plants had taken place accordingly in the relevant domain, an idle advertising expenditure of Rs.350,999 had been incurred in relation to the distribution of plants near the agricultural service centers as Rs.1500 for displaying a banner.

The banner was prepared by including that fact in order to raise the awareness of the people beyond just distributing a moringa plant, and through that to reduce the suffering of malnutrition of the above-mentioned groups of people through a sustainable source of nutrition.

Efforts should be made not to spend on idle expenditure.

(g) Even though the number of plants to be given to the districts had been informed to the District Deputy/Assistant Commissioners by the letter of the Commissioner General of Agricultural Development dated 07 April 2021 No. "7/5/11-05- Jeevathuru Udana", more plants were distributed in 04 cases and less plants were distributed in 03 cases apart from the amounts mentioned therein.

The actions have been taken to allocated and distributed plats of 8,000, 22,000, 13,000 and 9,000 for the districts of Kilinochchi, Trincomalee, Mannar and Mullaitivu respectively under the program of planting 10 lakh Moringa plants "Jeevathuru Udana".

An investigation should be carried out to find out if there has been any irregularity.

Cases where more plants were distributed

District	Number of Plants to be distributed	Number of Plants distributed	Over distributed quantity	Percentage of Over Distributed (%)
(i)Kilinochchi	1,400	8,000	6,600	471
(ii)Trincomalee	10,000	22,000	12,000	120
(iii)Mannar	9,200	13,000	3,800	41
(iv)Mullativu	4,600	9,000	4,400	95

Cases where less plants were distributed

District	Number of Plants to be distributed	Number of Plants distributed	Less distributed quantity	Percentage of Less Distributed (%)
(i)Kalutara	56,500	32,135	24,365	43
(ii)Polonnaruwa	22,500	14,528	7,972	35
(iii)Ratnapura	46,700	36,178	10,522	22

- (h) Although the instructions had been given to plant moringa in Ten lakh gardens of 100 selected beneficiary families in each agricultural research and production assistant domain in the island by circular No. 03/2021 dated 05 April 2021 of the Secretary of the State Ministry of Agriculture, the 56,025 plants worth Rs.2,353,050 had been given to the Department of Civil Defense contrary to the circular provisions.

Accordingly, no over-distribution has taken place. Under both phases, the total number of plants allocated for Kalutara and Ratnapura districts were 54,000 and 44,500 respectively and due to the number of plants that were killed due to weather conditions, the amount was reduced to 47,200 and 44,099 plants respectively. Also, it is observed that although 20,500 plants were allocated to Polonnaruwa district, only 14,528 plants were distributed and payments were made only for that, and because the rains could damage the plants by planting moringa plants, it was observed that the implementation of the second phase was delayed.

The Jeevathuru Udana program was planned to be implemented mainly through the Department of Agricultural Development. In addition, Civil Defense Department and Mahaweli Authority also applied for moringa plants and considering the importance of providing moringa plants for them as per

An investigation should be carried out to find out whether there has been any irregularity.

the said request, approval was given to provide 157,500 moringa plants to the Department of Civil Defense and Mahaweli Authority in the discussion held with the Minister of State for Agriculture, Mr. Shashindra Rajapaksa at the State Ministry of Agriculture since this national program is a nutritional moringa promotion program.

(i) While 5,650 Moringa plants worth Rs.237,300 had been distributed to 06 agricultural service centers under the Department of Agricultural Development, the 64,000 Moringa plants worth Rs.2,688,000 had been given to the Mahaweli Authority by the project contrary to the circular provisions and, that plants had been distributed to the same areas where the agricultural service centers had distributed.

The instructions have been given to the Commissioner General of Agricultural Development to coordinate the Deputy/Assistant Commissioners and the representatives of the All Ceylon Sapling Nurseries Association to avoid giving the Civil Defense Department and the Mahaweli Authority twice to the same place.

It should be proceed as per circular provisions.

(j) Ten lakh printed technical handbills worth Rs.2,100,000 and 26,300 of hand bills worth Rs.48,300 which included the details of Moringa plant to be given at the time of plant distribution had been stored without distribution in Colombo and Monaragala Agricultural Development District Offices as at 18 February 2022.

The state ceremony related to Jeevathuru Udana program was held on 17.04.2021 under the chairperson of the Minister of State for Agriculture, Mr. Shashindra Rajapaksa in Monaragala District in conjunction with the

An investigation should be carried out to find out that there has been any irregularity.

auspicious occasion of oiling in the Sinhala and Hindu New Year and Due to the lack of people's participation in the face of the Covid epidemic situation, a number of brochures were left as undistributed. Also, the office had to be temporarily closed due to the spread of the Covid pandemic in the Colombo district and the officials of the office also fell victim to the disease. However, the remaining brochures in Colombo and Monaragala districts are to be distributed to the people through the Haritha Dayak gardening program.

3.3.2 Outstanding Balances in Government Officials' Advance Accounts

According to the letter No BD/RE/118/426/04/2021 dated 28 December 2021 addressed to the Secretary of the Ministry of State by the Director General of the Department of National Budget, the previous expenditure head 425 has been abolished and merged with expenditure head 426 and all the credit balances on that date should have been transferred to expenditure head 426 accordingly. Nevertheless two separate advance accounts had been prepared for the 425 and 426 expenditure heads without correct exchange of credit balances between them. The following observations are made in that regard.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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(a) According to departmental books, a credit balance of Rs.105,720 had been carried forward in the advance account set up under the abolished head of 425, without being transferred to the head 426.	This is due to the fact that the treasury did not close the 42501 government officials' advance B account when it was zeroed out. In the year 2022, this amount has been transferred and corrected to the Advance B Account of Government Officials under Head 426.	Arrangements should be made to transfer the balance of the canceled advance account to another account.
(b) In the brought forward loan balance, Rs.4,470 had been included as a wrong credit balance and action had not been taken to investigate reasons for wrong crediting and settle.	This wrong crediting is a mistake made while transferring the balance from Head 118 to Head 425. It will be resolved soon.	Identified miscrediting should be corrected.