

Head 285 - Department of Agriculture

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head – 285 Department of Agriculture for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 23 May 2023 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 15 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to 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 2022, 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 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 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) Commercial Advance Accounts

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) The debtor balance of Rs.791,608 as of 31 December of the year under review of the Deputy Director of Agriculture Office, Palwehera was understated by Rs.712,440 due to accounting of the debtor balance as Rs.79,168.	Action will be made to correct when the preparation of accounts for the year 2023.	Account balances should be accurately identified and brought to account.
(ii) Although the accumulative depreciation value related to the machines which were disposed of Polonnaruwa seed production farm during the year under review was Rs.4,638,657, it was accounted as Rs.3,478,042 understating by Rs.1,160,615.	Corrections will be made after revaluation values are brought into account.	Accumulated depreciation should be accurately identified and adjusted to the account.
(iii) Although the value of the inventory of other consumables was Rs.968,093 in the inventory valuation report at the end of the year under review of the seed production farm, Udaradella, due to state as Rs.1,816,959 in the statement of financial position, the inventory of other consumables had been accounted overstating by Rs.848,866.	The correction will be made in the future.	Inventory should be accurately identified and brought to account.
(iv) A stock of machinery and equipment of Rs.57,500,314 identified under the development account of the Department of Agriculture was transferred to the farm advance account in the year under review and a balance of Rs.1,437,507 was accounted as depreciation in the farm advance account on the cost without assessment.	That will be assessed and accounted for in the future.	Values should be assessed and brought to account.

- (v) Although accumulated depreciation of Rs.24,364,021 related to fixed assets disposed of during the year under review was debited to the Depreciation Reserve Fund Account, but not credited to the Accumulated Fund Account. A journal entry has not been accounted for by omission. Depreciation relating to disposed fixed assets should be properly removed from the relevant accounts.

(b) Winding-up Advance Account

Audit Observation

Comment of the Accounting Officer

Recommendation

Although the liquidation activities should be completed in the upcoming year after the closing of the advance activities in terms of Finance Regulation 518(3), It was decided to close 05 commercial advances under the Department of Agriculture during the period from 1991 to 2002 based on a Cabinet decision. Thus, although between 20 and 31 years have passed since the commercial advance account was closed, the liquidation proceedings had not been completed and the accounts had not been submitted to the Auditor General.

The recommendation of the Committee on Public Accounts is required in terms of Finance Regulation 513.

Liquidation should be done in accordance with the Financial Regulations 518(3) and the account should be submitted to the Auditor General.

(c) Property, Plant and Equipment

Audit Observation

Comment of the Accounting Officer

Recommendation

- (i) Although the value of the vehicles recognized as on 31 December of the year under review under non-financial assets as per financial statements (ACA-6) was Rs.1,600,904,975, According to the documents submitted by the department, it was Rs.1,605,524,742 and there was a difference of Rs. 4,619,766.

Action will be taken to correct this difference in the future.

Accounts should be accurately prepared.

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| <p>(ii) Although the building and construction as on 31 December of the year under review of non-financial assets as per financial statements (ACA-6) was Rs.7,119,325,465, according to the physically verified value that was Rs.1,809,182,290. Accordingly, a total difference of Rs.5,310,143,175 was observed. Also building and construction 1248 cases were not assessed and accounted for.</p> | <p>Action will be taken to assess the value of the building and be accounted for in the future.</p> | <p>Assets should be accurately valued and values recognized and accounted for.</p> |
| <p>(iii) Although the value of land as on 31 December of the year under review of non-financial assets as per financial statements (ACA-6) was Rs.17,849,002,464, according to the physically verified value that was Rs. 11,664,574,116. Accordingly, a total difference of Rs. 6,184,428,348 was observed. Further, 372 lands belonging to the department were not assessed and accounted for.</p> | <p>Action will be taken to assess the land value and accounted in the future.</p> | <p>Differences should be identified and account balances corrected.</p> |

(d) Balances of the Advance Accounts

Audit Observation

Although as per the statement of financial performance (ACA - F), the advance receipts and advance payments for the year under review were stated as Rs.1,348,571,573 and Rs.1,294,318,401 respectively, according to the treasury prints, the advance receipts and payments were Rs.1,349,780,930 and Rs.1,294,573,401 respectively, therefore advance receipts of Rs.1,209,357 and advance payments of Rs.255,000 were understated and accounted for.

Comment of the Accounting Officer

This accounting deficiency occurred due to the omission of some data.

Recommendation

Account balances should be corrected by comparing them with the treasury books.

2. Financial Review

2.1 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
Although according to note (iv) of the financial statement commitments and liabilities, the balance of commitments and liabilities as at 31 December 2022 stated as Rs.7,251,091, the balance as at 31 December 2022 was Rs.15,098,673 as per Treasury printed SA 92 document.	The liabilities related to the year 2022 in the treasury prints have not been withdrawn from the CIGAS program due to a technical error.	It should be informed to the treasury, to take action regarding necessary corrections.

2.2 Certification of Accounting Officer

Audit Observation	Comment of the Accounting Officer	Recommendation
The Chief Accounting Officer and Accounting Officer should ensure that an effective internal control system for financial control exists in the Department of Agriculture 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.	Action will be taken in the future according to the audit findings.	Action should be taken in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

2.3 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations.	Observation Non-compliance and	Comments of the Accounting Officer	Recommendation
Rule 193 of chapter XVIII of Procedural rules volume 1 of the Public Service Commission	183 officers belonging to 7 units of the department had been working in the same institution for more than 5 years.	The transfer will be done subject to the transfer procedure after new recruitment.	Action should be taken according to the Procedural Rules and Regulations.

2.4 Irregular Transactions

Transactions without authority

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
i. Without following F.R 753(2), Gannoruwa Horticultural Crops Research and Development Institute purchased Rs.1,900,734 worth of laboratory tables, when the goods had not been received, the warehouse officer had falsely issued a general 219, stating that the goods had been received. The goods had not been received as on 15 March 2023 and a check of Rs.1,900,734 dated 31 December 2022 was held for 75 days in the Project Accounts Division.	The warning letters were sent to the relevant divisions to streamline the institution's affairs in order to be able to submit bills and make payments within the relevant time frame when submitting vouchers.	Payment should be made after receipt of goods as per Financial regulations.
ii. A total of Rs.9,449,925 was paid on 03 occasions for 03 front end loaders which were planned to be purchased for 03 government seed potato farms. Although the related checks were cleared by 28 February 2023, the related equipment, which had been paid on fake general 219 certificates, had not been received by the farms even by 30 March 2023.	The warning letters were sent to the relevant divisions to streamline the institution's affairs in order to be able to submit bills and make payments within the relevant time frame when submitting vouchers.	Payment should be made after receipt of goods as per Financial regulations.

2.5 Operation of Bank Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
In relation to a bank account of the department, during the period from August to December of the year under review, 26 checks amounting to Rs.10,309,346 had not been issued to the respective contributors and had been retained in the Accounts Division even of 15 March 2023, which was the date of inspection.	Deficiencies in vouchers will be completed and payments made immediately.	Payments should be made after the completion of the respective activities.

3. Operating Review

3.1 Vision and Mission

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the main objective of the seed production farm is to produce quality seeds, seeds with germination percentage ranging from 50-75 percent were given a 50 percent discount from the approved price and seeds with germination percentage between 25-50 percent were released to the farmers at 75 percent discount from the approved price.	That is given only for project seeds with a low germination percentage.	Seeds with higher germination percentages should provide for agricultural purposes.

3.2 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Kundasale Government Seed Production Farm was not able to produce the expected 4810 kg of seeds related to 07 types of crops in 16 occasions of 04 seasons due to failure to obtain the necessary seeds within the stipulated period.	Action will be made to correct this in the future.	The expected seed production target should be achieved.

- (b) Although the expected total paddy seed production of 07 seasons from the 2019 yala season to the 2022 yala season in the Mahailuppallama seed production farm was 3,067,620 kg, during that period Rs. 86,001,891 had been spent and only 1,400,265 kg of paddy seeds or 46 percent of the expected production had been produced. Also, during that period, although the total expected production of additional food crop seeds was 51,040 kg, only 10,823 kg of additional food crop seeds or 21 percent of the expected production had been produced at a cost of Rs.23,875,563.
- That it was not possible to reach the target production due to the fuel crisis, non-availability of chemical fertilizers, non-availability of agro-chemicals in the market, water supply problems, etc.
- The factors that led to not achieving the target seed production should be minimized and action should be made to achieve the targets.

3.3 Assets Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In accordance with Section 224 of the Government Land Ordinance No. 08 of 1947, 2191 hectares of land belonging to 10 institutions of the Department of Agriculture had not been formally acquired.	That the next steps to be taken to acquire the land will be taken.	Action should be made as per the provisions of the Act.
(b) Machines totaling Rs.116,976,640 and 261 machinery existing 10 institutions belonging to the Department of Agriculture remained idle and underutilized for a period of 01 to 07 years.	The repairs will be carried out by considering the existing provisions and machinery in disused condition will be disposed of.	Idle and underutilized machinery should be repaired and put into use or disposed.
(c) 23 motorcycles belonging to 09 institutions and 105 hand tractors belonging to 46 units received by various ministries, departments and projects to the Department of Agriculture were not registered in the name of the Director General of Agriculture even on 30 November 2022.	Action will be taken to register and get the relevant number plates.	Action should be made to register all vehicles in the name of the Director General.

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| (d) | Revenue permits were not obtained for the year under review for 72 vehicles and 183 motorcycles in the department. | Action will be taken to obtain revenue licenses in the future. | Action should be taken to obtain revenue licenses for all vehicles owned by the department. |
| (e) | 40 hand tractors, tractors and harvester machines belonging to 11 units of the department have been referred for disposal, but they have not been disposed of by the year 2022. | Action will be taken to dispose in the future. | Activities related to vehicle disposal should be done efficiently. |
| (f) | In relation to 72 units of the department, 396 government quarters remained idle without being used. | That it will be repaired and used in the future according to the provisions received. | Action should be taken to repair and used. |
| (g) | A drone camera system was purchased on 20 December 2019 by paying Rs. 6,395,847 to the Farm Mechanization Research Center for the study and investigation of Sena caterpillar (fall armyworm) distribution. But due to the inability to purchase a desktop computer required to install the drone software to perform the desired function of this camera system, this camera remained idle for more than 03 years. | No comments. | Action should be taken to complete the requirements and proceed to use the relevant system. |

3.4 Losses and Damage

Audit Observation

The investigations were not completed in accordance with the Financial Regulations 104 stated in the Statement of Losses and Omissions in the Financial Statements, Since the year 1976, necessary actions were not taken about 383 cases of damages and losses amounting to Rs.104,443,743.

Comments of the Recommendation Accounting Officer

This is due to non-completion of recovery from the responsible officers related to the losses and general 285 reports were not approved under F.R.109.

Damages and losses should be dealt with as per financial regulations.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to paragraph 6 of the Extraordinary Gazette No. 165/2 dated 02 November 1981 of the Democratic Socialist Republic of Sri Lanka, the plant quarantine service was not carried out in the ports of Colombo, Katunayake, Trincomalee, Thalaimannar, Galle and Kankasanthurai.	No request has been received from the Ministry of Ports and Aviation.	Action should be taken as per the provisions of the gazette notification.
(b) Unauthorized occupants have used 21 plots of land of 1.5 acres allocated by plan No. 6656 belonging to the Government Seed Production Farm Kundasale, of which 2 plots had been permanently constructed.	The acquisition of land plots to the department is being carried out.	Action should be taken to evict unauthorized occupants.
(c) Although the need to remove the sludge from 11 small-scale lakes at the Government Seed Farm Kundasale has been identified since 2019 and 04 years have passed, sludge removal has not been done in these lakes.	Sludge removal will be done in the future.	Planned tasks should be implemented.
(d) Although 03 chopper machines purchased for Rs.1,709,800 were provided in December of the previous year for the production of organic fertilizers at Government Seed Production Farm Mahailuppallama, these machines had not been used for the production of organic fertilizers by 12 January 2023.	Planned to be used in the future.	The relevant machines should be used for purposeful activity.

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| (e) | The Seed Certification Service had certified that 239991 kg of seed rice or 88 percent of the total amount of seed rice failed, out of 273508 kg of seeds stored in 06 warehouses belonging to the Deputy Director of Agriculture Office, Mahailuppallama. | The percentage of germination was reduced due to seed maturity of more than 09 months. Action will be taken to avoid such situations in the future. | The seeds should be used immediately before they expire. |
| (f) | The value of 139 hand tractors, tractors and harvest machines attached to 54 units and 84 motorcycles attached to 32 units of the department were not assessed and accounted for. | Action will be taken to be assessed and accounted for in the future. | Assets should be valued and accounted for. |

4. Human Resource Management

Audit Observation

Comments of the Recommendation Accounting Officer

303 pensioners of the Department of Agriculture were not able to pay their pension due to the incompleteness of their pension files.

Will be processed after deficiencies in pension files and looking into the current situation.

Future action should be made after completing the work on the pension files.