

Head 289 – Department of Export Agriculture

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 289 - Department of Export 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 including my comments and observations on these financial statements was issued to the Accounting officer of Department of Export Agriculture in terms of Section 11(1) of the National Audit Act, No.19 of 2018 on 24 May 2023. The Annual Detailed Management Audit Report was issued on 24 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 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 Export 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 skepticism 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

Accounting Deficiencies

(a) Recurrent Expenditure

Following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	The amount of subsidy and transfer expenses of operating activities in the cash flow statement was understated by Rs.9,153,759.	That the amount of subsidy and transfer expenses has changed by error.	Annual financial statements should be prepared as per the guidelines.
(ii)	The amount of staff salaries and operating expenses of operational activities in the cash flow statement was overstated by Rs.6,101,954.	That the amount of staff salaries and operating expenses has changed by error.	Annual financial statements should be prepared as per the guidelines.

(b) Property, Plant and Equipment

Following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	The value of 18 lands of 112.24 acres (44.9 hectares) and 49 buildings of 70,320 square feet owned by the department as at the end of the year under review were not recognized and not accounted for under non-financial assets (ACA-06 and SA 82).	That the accounting will be made after obtaining the valuation reports from the valuation department.	Land and buildings should be valued and accounted for.
(ii)	Non-financial assets of Rs.8,206,747 purchased during the year under review were not accounted for in the statement of financial position.	Non-financial assets purchased from recurrent expenditure and will be accounted for in future.	Non-financial assets should be accounted for.

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

	Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Value Non-compliance Rs.		
(a) Section 08 (1) of the Seeds Act No. 22 of 2003	- Nillamba Sub-Research Center has produced seedlings from 2017 to the end of the year under review but was not registered under the Director General of Agriculture.	The forms required to be registered under the Seed Act have been obtained from the Seed Certification Division of the Department of Agriculture and further work in this regard will be done promptly.	The provisions of the Act should be followed.
(b) National Budget Circular No. 03/2022 dated 26 April 2022	1,130,095 Money was spent on the facilities of the officers and in the office of the department in 9 occasions which are not essential services and cannot be given priority.	After prioritizing the most essential expenses, it was met through the remaining provisions at the end of the year.	Circular instructions should be followed.

2.2 Reconciliation Statements on Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
A loan balance of Rs.559,607 had not been collected from 09 officials, who had retired and completed their service, in the advance "B" account of government officials from a period of 01 to 03 years.	That the pension and gratuity of three officials have been forfeited due to their confirmation beyond the age of 45 years and that they will be recovered according to the action taken by the government in the future, legal measures have been taken in relation to 03 officials and discussions are being held with the other three officials to recover the debt.	Outstanding loan installments should be recovered.

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
The land where the Kandy district office is located is located on the border of the Mahaweli river and due to the severe erosion of the river banks, the embankment built towards the river, the meeting hall, the wall and the courtyard paved with interlocking stones were also at high risk of bursting and cracking and landslides, but adequate measures were not taken to protect lives and property.	For the construction of a 115 meter long proposed gabion embankment on the south bank of the Mahaweli river, relevant field inspections have been completed and design work has been completed and a rough estimate of Rs.138.5 million has been prepared.	Property and life damage should be avoided.

3.2 Non-achievement of expected Output Level

Audit Observation	Comment of the Accounting Officer	Recommendation
For the purpose of registration of export agricultural produce farms, farmers, processors and traders and to carry out activities related to obtaining Geographical Indications (GI) for pepper and cinnamon in Sri Lanka, 300 tablet computers were purchased at a cost of Rs.10,647,000 as of August 27, 2020, and given to 300 institutional and field officers, and computer software was also developed and introduced at a cost of Rs.1,505,000. Even so, 58 people who got tablet computers had not downloaded the relevant software by the end of the year under review. Also, during the last 02 years, only 238 (0.09 percent) of the total 250,000 cinnamon farmers had registered using the relevant computers. The registration of that amount was also done with only 29 tab computers. Also, no attention was paid to the registration of farm processors and traders of export agricultural products during that time using the relevant software. Thus, a software was introduced at a cost of Rs.1,505,000 and annual maintenance costs of Rs.135,000 were to be paid for it, but it was observed during	The information of more than 8000 cinnamon farmers has been added to this digital system by April 2023 and the information of 50,000 cinnamon farmers is targeted to be included in this system by the end of 2023.	Action should be taken to achieve the desired objectives of the project.

the audit that the software was not used to achieve the objectives of the project. Accordingly, the expected objectives of the project which was planned to be implemented at the cost of Rs.12,152,000 had not been achieved.

3.3 Delays in the Execution of Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
Although an estimate of Rs.29,200,000 was prepared and construction started in the year 2018 for the construction of a new two-storied building connected to the laboratory of the Narammala Sub-Research Centre, only Rs.8,084,500 worth of work had been completed as on 31 December of the year under review. The building remained underutilized as work such as plastering of the walls had not been completed.	Although the construction of the new two-storied building was started in 2018 with the expectation of completion in several phases, the construction work could not be completed due to the lack of sufficient allocations in the years 2019/2020.	The construction work of the building should be completed and put to use.

3.4 Assets Management

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Land of 17.3 acres in 03 research centers of the department remained idle without being used for any productive economic activity.	It is planned to use the land of Walpita and Nillamba sub-research centers in the future and that the dapitiya Sub-Research Center is infertile and therefore incurs high financial costs for development.	The land should be utilized effectively.
(b) The department had not taken over the ownership of 31 plots of 390 acres of land used by the department.	The acquisition activities related to these lands are currently underway and some of the lands are in the final stages of the acquisition process.	Arrangements should be made to take over the ownership of the land.
(c) The ownership of 34 vehicles used by the department had not been taken over.	18 of these vehicles are being taken over by the Ministry of Agriculture and 09 defective files have been prepared and sent back among the vehicles owned by the Ministry of Finance.	Arrangements should be made to take over the ownership of the vehicles.

4. Human Resource Management

Audit Observation

Comment of the Accounting Officer

Recommendation

There were 339 vacancies in approved cadre compared to actual cadre. Among them, there were 23 senior level vacancies, 170 vacancies in the post of project officer and 84 research and development assistant posts had been approved but no officer had been recruited for that post. Also, 11 farm manager posts were vacant.

That the vacancies will be filled in the future.

Vacancies should be filled considering the needs of the department.