

Head 289 – Department of Export Agriculture

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Head 289 – Department Of Export Agriculture for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance for the year then ended and cash flow statement 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 Export Agriculture was issued to the Accounting Officer on 17 May 2024 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 17 May 2024 in terms of Section 11(2) of the Audit Act. 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 Export Agriculture as at 31 December 2023, 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 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 the Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The lands of Rs.3,000,000, two buildings of total Rs.7,728,000 and 12 vehicles of Rs.720,000 owned by the department as at the end of date of the year under review had not been accounted under fixed assets in the statement of financial position.	That the accounting will be done in the future.	Assets should be accounted.
(b) Capital assets purchased at a cost of Rs.3,380,950 on 09 occasions during the year under review had not been capitalized.	That the related fixed assets will be included in the CIGAS program in the future.	Assets should be accounted.

1.6.2 Imprest Balance

Audit Observation	Comments of the Accounting Officer	Recommendation
Although there was no balance according to the department's imprest account (ACA-03) as at the last day of the year under review, there was a balance of Rs.21,496,362 according to the Treasury Printouts (SA-70).	That the outstanding balance remained in the department as at 31 December 2023 and was remitted to the treasury in the first week of January.	It should be correctly accounted.

1.6.3 Non-maintenance of Registers and Books

Audit Observation	Comments of the Accounting Officer	Recommendation
The Matale District Office and Matale Central Nursery had not maintained the vegetation register and the Matale District Office had not maintained the yield register up to date.	That the documents are being updated.	Documents should be maintained up to date.

2. Financial Review

2.1 Non-compliance to Laws, Rules and Regulations

Audit Observation			Comments of the Accounting Officer	Recommendation
Reference to Laws, Rule and Regulations	Value Rs.	No-compliance		
Acts of Parliament				
Section 15 of the Export Agriculture Promotion Act No. 46 of 1992	289,964,900	Although after making orders by the Minister, the schemes of giving subsidies and financial or other assistance to those who grow and process agricultural crops should be implemented, the export promotion assistance had been paid to the beneficiaries during the year under review without making orders by the Minister.	That the approved programs will be implemented by submitting the departmental annual action plan to the line ministry and obtaining the approval of the ministry secretary before implementing it.	The provisions of the Act should be followed.

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
The Corporate Plan had not been prepared after year 2015.	That a Corporate Plan until 2028 is currently being prepared.	The Corporate Plan should be prepared in due time.

3.2 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Department Of Export Agriculture allocated a provision of Rs.400,000,000 to promote 12 types of crops in the year 2023 and had spent Rs.387,697,746 during the year under review. In relation to that, seedlings related to 12 types of crops were distributed to the farmers during the year. Out of this, 622,226 plants were distributed to the farmers in Kandy district and among them, 4,240 plants were destroyed out of 9,580 pepper plants that were given to 10 farmers in 03 divisions selected by Extension Officers in Kandy district. Also, although the 2,890 and 600 pepper and coffee plants were given respectively in relation to Rikilagaskada Extension Officer Division of Nuwara Eliya District, 1,225 and 598 pepper and coffee plants were destroyed respectively.	That the supervisors were instructed to investigate to minimize the occurrence of follow-up delays.	The follow-up process should be regularized until maximum production is achieved by the distributed plants.
(b) The Department Of Export Agriculture allocated Rs.10,000,000 provision for research in the year under review and out of which Rs.6,410,734 had been spent during the year. Out of which for	That taking steps to educate manufacturers through special training programs regarding the production of sugar free cinnamon biscuits and in	Research results should be contributed to the national economy and implemented in the practical production

Matale Research Center Rs.5,703,092 had been allocated and Rs.3,607,811 had been spent in the year under review. According to a research done on cinnamon at Matale Research Institute, even though it was concluded that biscuits can be produced by using cinnamon instead of sugar, manufacturers' awareness program in this regard was not implemented. As well as, even though Rs.730,000 were also spent and 04 black pepper related researches were carried out to develop methods for extracting piperine for dry black pepper and to analyze how the quality of black pepper varies according to the regions where it is grown in Sri Lanka, any action had not been taken to communicate to public and black pepper farmers in this regard.

order to get support for this process. from the Cinnamon Development Department and also it is expected to introduce this technology to the biscuit manufacturing companies. That it is expected to use these research results for the future training programs related to black pepper. In relation to other products, there are small-scale manufacturers and that it is expected to hold training programs for entrepreneurs in the future.

3.3 Projects without Progress despite the release of Money

Audit Observation	Comments of the Accounting Officer	the Recommendation
<p>Even though Rs.420,031 was spent and the necessary materials were purchased on 29 December 2021 for the construction of a polythene house at plant nursery of Matale Research Institute, the materials had been stored without carrying out the relevant construction by the last day of the year under review.</p>	<p>According to the procurement plan of the year 2024, it is currently planned to complete this construction before the second quarter.</p>	<p>The relevant project should be implemented within the stipulated time.</p>

3.4 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The ownership of 31 plots of land of 387 acres used by the department had not been acquired by the last date of the year under review.	That the acquisition process is in progress.	Ownership of land should be taken over.
(b) The 05 vehicles with a total assessed value of Rs.4,850,000 were parked idle and underutilized at the head office and Matale district office for a period of 2-4 years.	That it has been submitted to the Vehicle Disposal Committee.	Actions should be taken to dispose of the unusable vehicles.
(c) According to the information obtained in relation to the period from the year 2019 to the year 2023, the maximum capacity level that can be produced in 12 plant nurseries directly operated by the department was 3,005,000 plants and even though the production target was 2,104,508 plants, the plant production was 1,829,144. Although the certified plants were 1,560,005 during that period, the number of plants released to the field was 1,514,813. Although the maximum production capacity of Kundasale and Nillamba plants nurseries under the department is 250,000 plants annually, the annual production was 65,026 plants which is 26 percent less than the plant target and the release of plants to the field was as low as 44 percent. Also, compared to the maximum capacity of 10 other government nurseries, plant production remained at 61 percent.	That the plant production was also done to the best of its ability while giving priority to maintaining research activities during the relevant period.	Plant nurseries should be operated at maximum capacity.

- | | | | |
|-----|---|--|---------------------------------------|
| (d) | The 4.2 acres of land at Mulhalkele Central Plant Nursery remained underutilized without being used for any productive economic activities. | Since the 05 acres of 06 acres and 40 perches nursery land is located with steep slopes, being a hindrance of topography in land management. | Resources should be used effectively. |
|-----|---|--|---------------------------------------|

3.5 Transactions in the Nature of Financial Frauds

Audit Observation	Comments of the Accounting Officer	Recommendation
Although there is a material shortage of Rs.470,745 in Mulhalkele Central Nursery, the responsible parties had not been identified and necessary actions had not been taken.	The investigation of F.R.104 (4) is being done at the moment.	Financial Regulations should be followed.

3.6 Losses and Damage

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the financial statements prepared as at end of the year under review, necessary actions had not been taken in relation to 17 losses and damages totaling Rs.903,544.	That the investigations are being done and actions are being made to write off from the books or recover from those who responsible.	Relevant investigations should be conducted as per the Financial Regulations and necessary action should be taken.

3.7 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A vehicle has been acquired for a monthly rent of Rs.178,000 on the basis of driving 3,000km per month for a period of one year from May 2022 While the department has 98 vehicles. Accordingly, even though 36,000km should be driven in the year, by driving 18,020km during that period, 17,980km were underutilized and a cost of Rs.1,066,813 was idly paid for it.	That the vehicle usage is limited due to the restriction of duty travel due to the Covid pandemic, restriction of public expenditure due to government policies, reduction in field duties due to this, providing fuel under QR code and holding meetings through ZOOM technology etc.	Vehicles should be obtained on rental basis considering the need and should be arranged at minimum cost to the government.

- | | | | |
|-----|---|---|---|
| (b) | In the advance "B" account of government officers, a total loan balance of Rs.95,462 from 03 retired officers from a period of 3 to 5 years and a loan balance of Rs.464,145 from 06 retired officers from a period of 04 to 20 years had not been recovered. | That the details of these officers have been forwarded to the Pension Division of the Ministry of Public Service, Provincial Councils and Local Government and that recovery is being done from 06 officers who left the service. | Actions should be taken to recover the advances. |
| (c) | Although the department had purchased 50 tires totaling Rs.2,416,265 in December last year without identifying the needs of tires for vehicles, 35 tires worth Rs.1,812,231 remained in the warehouse by the end of the year under review. | Due to vehicles not running properly in the year 2022, tires were not issued in that year and tires were purchased for the purpose of maintaining the stock balance for the year 2023. | The need should be identified and purchases should be made. |
| (d) | The 102 cubes of potting medium worth Rs.2,294,000 purchased without identifying the annual material requirement of 02 plant nurseries in the department remained unused during the year under review. | That it is expected to be used for plant production purposes in the following year even if they remain idle in the year of stock purchase. | The annual requirement should be identified and purchases should be made. |

4. Human Resource Management

Audit Observation

There were 166 vacant posts as at the end of the year under review when comparing the approved cadre and the actual cadre and, there were 24 redundant posts.

Comments of the Accounting Officer

Comments have not been done.

Recommendation

Actions should be made to fill up the vacancies and appropriate action should be taken in respect of redundant posts.

- (i) The 24 senior level vacancies were posts belonging to the Sri Lanka Scientific Service which had adversely affected the affairs of the department. That the 04 persons were recruited based on the results of the limited competitive examination and the remaining vacancies are to be filled based on the results of the examination conducted by the examination department on 29 July 2023. Vacancies should be filled by considering the requirements.
- (ii) Vacancies in 13 posts of District / Subject Extension Officers and 58 posts of Extension Officers had adversely affected the smooth running of the field work. That the actions are being taken to obtain the approval of the Management Services Department for recruitment related to filling vacancies. Vacancies should be filled by considering the requirements.