

Head 118 - Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development was issued to the Chief Accounting Officer on 16 July 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 15 December 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my 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 Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1. Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The value of 25 residential offices, 10 official quarters and a circuit bungalow belonging to the Irrigation Management Division had not been assessed and those values had not been included in the statement of non-financial assets.	The value of non-financial assets should be computed and included in the financial statements.	Information on all lands and buildings has been submitted to the Department of Valuation. Actions will be taken to include them in the statement of non-financial assets upon receipt of those reports.
(b) Even though the value of the property, plant and equipment owned by the Ministry as at 31 December 2019 had been stated as Rs.434,958,714 in the statement of financial position prepared at the end of the year under review, it had been stated in the Treasury printouts as Rs.432,177,817. Accordingly, an unreconciled difference of Rs.2,780,898 was observed.	The error should be corrected by reconciling.	Actions will be taken to correct this difference from the accounts of 2020.

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| (c) The value of 14 vehicles belonging to the Ministry of Agriculture which had been disposed in the year 2019 had not been removed from the statement of non-financial assets. | Disposed vehicles should be removed from the statement of non-financial assets. | Agreed. Actions will be taken to settle in future. |
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1.6.2 Cash Flow Statement

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

Although the revenue of Rs. 6,540,930 received from the disposal of 14 vehicles under the Ministry of Agriculture during the year under review should be shown under cash flows generated from investment activities in cash flow statement, it had not been included in the cash flow statement.

Vehicle disposal income should be stated under the investment activities in the cash flow statement.

It is taken into notes to enquire from the Department of State Accounts to carry out in future.

1.6.3 Lack of Evidence for Audit

Audit evidences with regard to the following transactions had not been furnished.

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

- (a) Even though the office buildings valued at Rs21,959,713 . had been shown under disposals as transfer items during the year 2019 , details of the buildings which were disposed had not been furnished to audit.

A document with the value of each item of the buildings which were disposed should be furnished.

Comments have not been given.

<p>(b) The provision of Rs.295 million had been made to the National Aqua Culture Development Authority for 5 development projects under the Action Plan for the year 2019 by the Fisheries and Aquatic Resources Division. Even though the Ministry had only accounted for with regard to the Rs. 277 million spent on each expenditure object out of those allocations based on the monthly summaries furnished by the Authority, it was not possible to make observations on the progress of the projects because of the files had not been maintained. Similarly, a supervision or following-up had not been carried out in respect of these development projects which are being implemented by the Fisheries and Aquatic Resources Division through the Authority.</p>	<p>The Fisheries and Aquatic Resources Division should carry out a supervision and follow up regarding the utilization of the allocations made for development projects and the relevant information also should be made.</p>	<p>Comments have not been given.</p>
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1.6.4 Non- maintenance of Documents and Books

It was observed at the audit test checks carried out that the following documents had not been maintained properly and in an updated manner by the Ministry.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Register of Fixed Assets

A Register of Fixed of the Irrigation Division had not been updated as per the Appendix 11 of Treasury Circular No. 842 of 19 December 1978/ Financial Regulations 502 (2) .

A Register of Fixed Assets should be maintained in an updated manner.

A Register of Fixed Assets is being maintained in accordance with Section 502 (2) and the subject clerk has been made aware of to update it.

(b) Register of Securities

A Register for Securities had not been maintained of all officers and employees who are required to keep securities consisting of details in terms of Financial Regulation 891 (1) had not been updated by the Irrigation Division.

A Register for Securities should be maintained of all officers and employees who are required to keep securities in a manner of consisting of details in Financial Regulation 891 (1).

Arrangements have been made to register with the Mutual Assurance Guarantee Association of the Department of State Accounts. Actions will be taken to maintain the documents after receiving the registration.

1.6.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks carried out are analyzed below.

Observation	Recommendation	Comments of the Chief Accounting Officer
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Reference to Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	
<p>(a) Sections 4.2.4 and 4.4 of Chapter XXIV of Establishments Code of Democratic Socialist Republic of Sri Lanka</p>	<p>If the debtor dies before reaching the age of 55 years/ for any reason or retires from service, at the time of the incident, the outstanding balance from the loan amount and the interest had to be recovered from the debtor's convertible pension or gratuity. Nevertheless, actions had not been taken by the end of the year to recover the debt balance of</p>	<p>Information is difficult to find as unable to find files because of the loan balance is older than 30 years. Actions will be taken to write off in accordance with State Accounts Circular 369 .</p>

Rs. 158,464 receivable from distress and festival loans of 15 deceased employees and debt balance of Rs. 266,046 due from 23 officers who have retired for more than 05 years.

- (b) Financial Regulation
of Democratic
Socialist Republic of
Sri Lanka
(i) F.R. 128 (i) (h)

Provisions had not been made to prepare the records on the arrears of revenue remained from the sale of paddy in 2019 and to recover them. It should act in accordance with the Financial Regulation 128 (i) (h) . The arrears will be computed and included in 2020 .

- (ii) F.R. 1646

Although the daily running charts of each month should be sent to the Auditor General before the 15 day of the following month, daily running charts of vehicles owned by the Ministry of Agriculture along with the originals of the monthly summary of running, actions had been taken to submit the running charts of 12 pool vehicles belonging to the Ministry for audit. It should act in accordance with the Financial Regulation 1646 . Actions have been taken to send the information to the Auditor General from November 2019 .

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| (iii) F.R. 105 (4) | Boards of Survey reports belonging to the Giritala Business Management Office of the Irrigation Management Division and the Nachchaduwa and Welioya Residential Business Offices had not been furnished. | Arrangements should be made in terms of F.R. 105 (4) | Although the Boards of Survey of the relevant institutions has been completed on the due date as a result of the deficiencies in the Boards of Survey reports , it was impossible to submit to audit before the prescribed date. Actions will be taken to submit on the stipulated date in due course. |
| (c) Section 12 of the Public Finance Circular No. 02/2015 dated 10 July 2015 | Even though it should act to identify vehicles belonging to the Ministry of Agriculture for disposal and to furnish information regarding that before 31 March of the relevant year and after the completion of the disposal process, the information should be submitted before 30 June of the relevant year and complete Form No. 01 and Form No. 02 respectively as per the Circular, it had not been so done. | Actions should be taken in terms of the Circulars . | As this has not been so done, actions are being taken to complete the forms and send them to the relevant sections immediately. |
| (d) Section 1.1.7 of the National Budget Circular No. 118 dated 11 October 2004. | Debt balances of t officers who had transferred in and transferred out should be taken over or settled within 03 months and it had also been informed that those balances should not be accounted for after that period. Nevertheless, the loan balances receivable for more than 05 years amounting to Rs. 153,526 from the 14 officers who had transferred from the | Actions should be taken in terms of the Circulars . | Information is difficult to find since it was unable to find files because of the loan balance is older than 30 years. Actions will be taken to write off in accordance with State Accounts Circular 369 . |

Fisheries and Aquatic Resources Development Division of the Ministry to other Ministries / Departments and Provincial Councils had not been settled even by 31 December 2019 .

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Even though the total imprest requirement planned to be obtained from the Treasury for the works planned to be performed by the Irrigation Division during the year under review had been Rs.2,455,715,000, Accordingly, 55 per cent of the maximum number of applications received from the Treasury had not been received. The imprest issued by the Treasury had been Rs.1,104,073,173. Accordingly, the imprest not received from the Treasury had been 55 per cent from the imprests requested .</p>	<p>Practical plans should be prepared for the utilization of the approved provisions from the beginning of the year.</p>	<p>The imprests have been utilized in the manner of imprests received.</p>

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| <p>(b) Even though the ad hoc sub-impressts should be settled within 10 days of completion of the task of obtaining of ad hoc sub-impressts in terms of Financial Regulation 371 (5) , a period ranging from day 01 to 80 days had been taken to settle sub-impressts amounting to Rs.2,212,254 obtained by 105 officials of the Ministry of Agriculture on 105 occasions.</p> | <p>Actions should be taken in terms of Financial Regulation 371 (5) .</p> | <p>Steps will be taken to minimize this situation as much as possible in future.</p> |
| <p>(c) Even though it was stated that the sub-impressts should not be taken for the purposes which are improper to use in terms of Financial Regulation 371 (3), the ad hoc sub-impressts obtained by 11 officers of the Ministry of Agriculture on 14 occasions in the current year amounting to Rs.170,059 had been detained a period of 01 to 06 days and the full amount had been refunded.</p> | <p>Actions should be taken in terms of Financial Regulation 371 (3) .</p> | <p>The relevant tasks could not be performed due to unavoidable reasons. Actions will be taken to advise the officers to prevent such situations.</p> |

2.2 Revenue Management

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

An estimated provision of Rs. 3,118,000,000 had been made to the Rural Development Division for the purchase of paddy under expenditure object No. 118-1-10-1-1409 of the Ministry of Agriculture during the year under review and out of that a

Actions should be taken to compute and recover the arrears of revenue relevant to the year under review.

Actions will be taken to compute the arrears of revenue and enter in 2020 .

sum of Rs. 1,959,912,319 had been spent for the purchase of paddy for 20 District Secretariats. Nevertheless, only an amount of Rs.299,814,540 pertaining to that had been remitted to the General Treasury by 08 District Secretariats under the Revenue Code No. 118-2003-07-00 . Accordingly, it was observed that the arrangements had not been made to compute a considerable arrears of revenue receivable to Government from the sale of paddy and to recover them.

2.3 Expenditure Management

 The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) Provisions totalled to Rs. 6,762,400,000 of 20 capital expenditure objects and the provisions totalled to Rs.5,104,666 of 08 recurrent expenditure objects had been totally saved.	Annual estimates should be prepared in accordance with Financial Regulations 50.	Even though the estimates were predicted as accurately as possible, the savings had been made on unavoidable circumstances.
(b) Due to not making accurate forecasts in preparing estimates by the Ministry of Agriculture, the provisions had been saved in 76 capital expenditure objects for more than 25 per cent of	Annual estimates should be prepared in accordance with Financial Regulations 50.	Savings had been made on various factors such as expenditure control, lack of requirements, changes in staff, non-receipt of imprests.

net provision and in 85 recurrent expenditure objects for more than 10 per cent of net provision. The net provision made available for those capital and recurrent expenditure objects was Rs.7,634,792,000 and out of this, a sum of Rs.3,314,504,316 or 43.41 per cent had been saved.

- (c) Although additional provisions of Rs.441,167,370 had been made available through Supplementary Estimates for 04 expenditure objects of the Ministry of Agriculture, those additional provisions had been completely saved. -do- Savings had occurred due to inability to execute certain planned projects, technical problems, weather conditions and non-receipt of required funds.
- (d) Due to the Ministry of Agriculture had prepared over estimates for 5 expenditure objects in the preparation of the initial estimates, provisions totalled to Rs.93,700,000 had been made available and of that, a sum of Rs.46,381,000 that is 49 per cent had been transferred for another expenditure object by F.R. 66 . The total expenditure of the transferred provision was Rs.20,463,552 that is 22 per cent of these 5 expenditure objects and the saving was Rs.26,858,448 or 27 per cent. Over expenditure estimates had been prepared for the above -do- Savings of provisions had occurred due to the matters such as expenditure control, changes in Ministerial posts, non- implementation of proposal to construct a new office building for the Ministry of Agriculture as per Budget Circulars.

expenditure objects and despite additional provisions had been made by F.R 66 for other expenditure objects, provisions of those expenditure objects had saved ranging from 15 per cent to 47 per cent.

- (e) Fifteen per cent of the capital expenditure allocated for the year 2019 should be identified as savings in terms of Budget Circular No. 04/2019 dated 17 June 2019 and it had been stated in the National Budget Circular No. 5/2019 dated 24 September 2019 that a further 10 per cent of the provisions allocated for capital expenditure should be saved. Nevertheless, even though the savings of 25 per cent should be Rs.2,608,695,500 out of the 50 capital expenditure objects amounting to Rs.10,434,782,000 , only a sum of Rs.949,643,278 had been saved by the Ministry of Agriculture.

- (f) Even though a provision of Rs. 3118 million had been made by 06 Supplementary Estimates for the expenditure object No. 118-1-10-1-1409 on purchase of purchasing of paddy of the Ministry of Agriculture, only Rs. 1960 million had been spent out of that. Accordingly, the savings percentage is 37 . Despite it was possible to cover

Actions should be taken in accordance with the Circular.

Provisions should be made carrying out the plans on requirements.

Since it had entered into commitments to certain expenditure objects even at the event of the circular is issued, provisions were not allowed to be saved.

Although a provision of Rs. 3118 million was requested as per the requests made from time to time by the District Secretariats, paddy could be purchased for only Rs. 1960 million.

these expenses by two previous supplementary estimates, a sum of Rs.118 million had been allocated through 4 additional supplementary estimates.

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| <p>(g) A sum of Rs.289,700,000 transferred to 03 expenditure objects in the Irrigation Division had been totally saved due to the transfer of funds among the expenditure objects using F.R. 66 without properly identifying the requirement of funds.</p> | <p>-do-</p> | <p>According to the Budget Circular dated 17 June 2019, the provisions were saved due to the restrictions made on incurring of public expenditure in a manner of more prudent and minimization of waste.</p> |
| <p>(h) Total net provision made for 04 Expenditure objects of Irrigation Sector amounting to Rs. 1,480,000 had been totally saved without utilizing.</p> | <p>-do-</p> | <p>According to the Budget Circular dated 17 June 2019, the provisions were saved due to the restrictions made on incurring of public expenditure in a manner of more prudent and minimization of waste</p> |

2.4 Deposit Balances

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>(a) Even though contract retention of Irrigation Sector for more than 2 years amounting to Rs. 1,779,234 had remained in the deposit account no action whatsoever had been taken to repay or take into income in terms of Financial Regulation 570 .</p>	<p>Arrangements should be made in terms of Financial Regulation 570 .</p>	<p>Even though the warranty period had expired, since the requests for release of retention money were not received even by 31 December 2019 payments had not been made. Payments will be made in future.</p>

(b) Public Employees Provident Fund Contribution of Rs. 1,486,706 charged from salary in the years 2017, 2018 and 2019 from casual employees occupied at the International Training Institute on Irrigation and Water Management, Kotmale had been retained in the deposits account as temporary withholding for statutory payments. The value retained from that balance to be paid for more than 02 years had been Rs. 379,434

Arrangements should be made as per the Public Service Provident Ordinance established for non-entitled employees for the pensions of government employees.

Although the employee contribution has been recovered, savings in service training courses were not sufficient for the institution's contribution. Actions will be taken to settle the relevant deposits in the year 2020 by savings on future training programmes .

2.5 Entering into Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Savings after utilizing of Rs.38,460,072,632 during the year out of the net provision of Rs.40,303,499,000 made available under 28 expenditure objects of the Ministry of Agriculture during the year under review was Rs.1,843,426,368. Nevertheless, it had entered into liabilities amounted to Rs. 23,884,831,921 exceeding that saving .</p>	<p>It should not enter into liabilities and commitments exceeding the provisions in accordance with the Financial Regulation 94 .</p>	<p>It is accepted that those values were not included in the Register of Liabilities upon delays in submission of relevant vouchers.</p>

<p>(b) Commitments had been entered into exceeding the provisions made available under 03 capital expenditure objects for the financial year by Rs.47,992,224 in contrary to Financial Regulation 94 during the examination of commitments and liabilities mentioned under the Note iii of the financial statement submitted for the year ended 31 December 2019 by the Fisheries and Aquatic Resources Division. Similarly, it was also not considered the expenses or liabilities should not be borne in the expectation that the required authority or additional financial provision will be made by the time the exact amount has to be paid.</p>	<p>Liabilities and commitments should not be entered into exceeding the provisions in contrary to Financial Regulation 94 .</p>	<p>Comments have not been given.</p>
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2.6 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Loan balances receivable totalled to Rs.793,931 of 29 officers who had worked in the Divisions such as Agriculture, Rural Economic Affairs, Irrigation, Fisheries and Aquatic Resources Development under the Ministry and vacated on</p>	<p>Actions should be taken in terms of Paragraph 4.6 of Chapter XXIV of the Establishments Code.</p>	<p>This has been sent to the Department of Public Finance to submit to the Deputy Secretary of the Treasury to write off these debt balances.</p>

their posts had elapsed for more than 05 years, arrangements had not been made to take necessary legal actions to recover those debt balances.

- (b) Even though there was an identified debt balance of Rs.415,636 as per the individual balance classification summary and the control account balance reconciliation statement, actions had been taken to settle it.

Actions should be taken to settle unidentified debt balances.

It is stipulated to look into and resolve in future.

3. Operating Review

3.1 Failure to Obtain Expected Output Level

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) An agreement had been entered into with Wellaed Rural Export Australia to import 20,000 dairy cows by entering into an agreement with the Department of Foreign Resources with two private banks in Australia to a loan of US \$ 73,954,055 provided by the Rural Development Division of the Ministry. It had agreed to implement the Project in two stages as per the agreement and to import 5000 animals under first stage and only if those	Animals related to the amount paid should be obtained expeditiously and the Project should be completed successfully.	Payments have been made agreeing with the accounting for the year 2019 as per a decision taken at the Ministry of Finance. Similarly, this Project has not been suspended and the second stage is performed by changing the scope. The first stage provides services to the farm.

animals are successful , providing an advance under the second stage and completion of importing of 15,000 animals by the end of the year 2020 . But the audit reports submitted to the Ministry on 27 February 2018 and 04 May 2018 and the public media had pointed out that the animals brought earlier had failed. Further, despite there was no provision in the Appropriation Act to spend on this Project under the Ministry in the year 2018 , a sum of US \$ 11,093,108 or Rs. 1,749,672,697 had been paid on 08 May 2018 as 20 per cent advance out of US \$ 55,465,541 For importing the remaining 15,000 animals . But none of the proposed animals above had been imported from 2018 to August 2020.

(b) The provision of Rs. 70 million allocated to the Fisheries Social Development Division, under the Coastal Rehabilitation and Resource Management Project as per the Action Plan of the year 2019 had been handed over to the National Aquaculture Development Authority for the construction of Hatcheries and out of which Rs.57,288,684 had been spent. Even though it has been identified implementation of projects to introduce new technology, implementation

Funds should be used to carry out relevant work to obtain the desired output.

Comments have not been given.

of projects for freshwater and coastal aquaculture, implementation of research and development projects related to increasing fish production as compared to preceding year, implementation of projects for infrastructure development and fisheries project development projects as expected outputs from the implementation of this programme, it had not been observed that funds were used for many years to carry out the work related to obtaining the desired output and the utilizing of those funds for other purposes had been continued.

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| (c) | <p>The Village Improvement Project which was provided Annual Estimate of Rs. 100 million in 10 Coastal Districts including Hambantota, Jaffna and Batticaloa had not been implemented. Utilizing that provision, a sum of Rs.46 million had been spent by implementing the Diyawara Piyasa Fisheries Housing and Sanitation Assistance Programme which was commenced in a preceding year by the Department and National Aquaculture Development Authority.</p> | <p>Provisions should be used for the relevant purpose.</p> | <p>Comments have not been given</p> |
| (d) | <p>Funding of Rs. 30 million each to the National Aquaculture Development Authority had been commenced in 2008 under</p> | <p>Providing of the annual allocation to the National Aquaculture Development</p> | <p>Comments have not been given</p> |

the Fish Fingerlings Stocking Development Project to increase freshwater fish production in the Fisheries and Aquatic Resources Development Division . Further, the allocations had been made and spent continuously up to year 2019 . Even though the approval had been given by the Minute of Cabinet of Ministers dated 16 July 2008 to include Rs. 30 million each in the Annual Estimate for this Project, as a result of the increase in the income of those engaged in the fishing industry in 5 years as per the comments made by the Central Bank of Sri Lanka to the Cabinet Memorandum No. 08/1248/351/016, it had been stated that the need to focus on self-financing. Nevertheless, the Ministry had allocated Rs. 30 million to the Authority for this expenditure object for more than 05 years and for another 07 consecutive years. Even so, there had been no information that any follow-up or monitoring of the activities of the Authority was carried out in view of the increase in the income of those engaged in fishing industry considering the increase in their income.

Authority for the Fish Fingerlings Stocking Development Project should be stopped and directed towards self- financing.

3.2 Delays in Execution of Projects

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>A sum of Rs.1587 million had been allocated for 20 activities including construction of fishing harbours and anchorages for the year 2019 in Aquatic Resources Development Division and Rs. 1,067 million had been spent on 11 activities including the construction of 05 fishing harbours during the year. The following observations are made in this regard.</p>		
<p>(a) Even though the construction of the Kalametiya fishing harbour which was scheduled to be commenced in the year 2014 and to be completed in 2017, despite it had spent a sum of Rs. 105 million in the year 2019 the construction had not been completed even by now.</p>	<p>Actions should be taken to make use by completing within the expected time period.</p>	<p>Comments have not been given .</p>
<p>(b) A sum of Rs. 28 million had been spent in the year 2019 for the construction of the Chilaw Green Fisheries Harbour which had to be completed in the year 2017 . Nevertheless, it had delayed for more than 2 years, the it had failed to complete the Project.</p>	<p>Actions should be taken to make use by completing the construction works which had to be completed .</p>	<p>Comments have not been given .</p>

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| (c) | Even though the provisions of Rs. 18 million had been made for the year 2019 for the remaining works of the Mirissa Green Fisheries Harbour which had to be completed by June 2018 with a total cost estimate of Rs. 350 million, no money whatsoever had been spent for that. | Actions should be taken to make use by completing the constructions. | Comments have not been given . |
| (d) | The Project to convert Myliddy Harbour into a Fisheries Harbour and Establishment of Necessary Facilities at a total estimated cost of Rs. 392 million had to be completed by May 2019. Even though a sum of Rs. 88 million had been spent on it in the year 2019, no progress had been made due to the unfinished construction of the breakwater. | -do- | Comments have not been given . |
| (e) | Even though a sum of Rs. 17 million and Rs. 22 million had been spent in the year 2019 for the construction of Paraliya Anchorage and Galle Jetty Fisheries Harbour Projects to be completed by June 2018 and July 2017 respectively, the construction had not been completed and handed over. | -do- | Comments have not been given . |

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| <p>(f) Even though only a sum of Rs. 13 million had been spent by allocating Rs. 39 million for the year 2019 for the construction of Phases I, II and III of Karainagar Shipyard which was scheduled to be completed in January 2018 and the work had not been completed.</p> | <p>Arrangements should be made to use by completing without further delay.</p> | <p>Comments have not been given .</p> |
| <p>(g) Even though the Phase III of the Negombo Lagoon Development Project should be completed during the period from March 2019 to December 2019 and though a sum of Rs. 63 million had been spent in the year 2019, its progress was around 38 per cent as at 31 December 2019 .</p> | <p>Project works should be completed by the end of the stipulated time period.</p> | <p>Comments have not been given .</p> |

3.3 Foreign Funded Projects

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) It had been entered into an agreement for a grant of Rs.149,400,000 (8,300,000 Crone) between the Government of Sri Lanka and the Norwegian Ministry of Foreign Affairs in March 2017 for the Project of Formulation of a Long Term National Policy for the Fisheries and Aquaculture Sector in Sri Lanka. Although it had been stated that the</p>	<p>Financial statements should be submitted in a timely manner.</p>	<p>Answers had not been given.</p>

financial statements related to the above Project should be audited by the Auditor General of Sri Lanka in terms of Sections 10.1 and 10.3 of the Agreement, the financial statements for the 2 preceding years and the year under review had not been prepared and submitted to the Auditor General by 31 December 2019 .

3.4 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- (a) Leased building for the Ministry of Agriculture	-----	-----
<p>The following matters were observed.</p> <p>(i) It had been decided to use the “Govijana Mandiraya” established by the Ministry of Agriculture for the Rehabilitation of the Parliamentary Committee System and the necessities for additional office space. Therefore, a 9 storied building owned by a private company for the Ministry of Agriculture in Rajagiriya had been obtained on the basis of a monthly lease of Rs. 21 million and on the payment of a service charge of Rs. 6 million from 08 April 2016 in contrary to the Sections 3.2.1 and 3.2.2 of the Government Procurement Guidelines.</p>	<p>It should act in a manner of receiving the maximum benefits to the Government in accordance with the National Procurement Guidelines and Circular Provisions.</p>	<p>This has occurred on the policy decisions taken by the Cabinet of Ministers and with the approval of the Cabinet of Ministers at the Cabinet Meeting held on 02 March 2016 .</p>

(ii) Even though the building requirement for the Ministry of Agriculture, which has a total staff of about 300 is 66,500 square feet, the 09 storied building, which had been obtained on lease, was 103,000 square feet. Further, although the maximum lease period should be 03 years as per the Financial Regulations 835 (2) (e), it had stated that it was for 05 years and after 03 years the rent would be increased by 15 per cent and the terms of the one-time payment of Rs. 504 million, which was two years' lease rent, had been accepted at the request of the lessor.

Actions should be taken with existing laws, rules and Financial Regulations.

Arrangements have been made to obtain a new office premises for the Ministry on the approval received on 16 February 2016 for the Cabinet Memorandum submitted by the Minister of Agriculture on 10 March 2016.

(iii) Similarly, even though the market rent of the building was Rs. 13.5 million per month as per the valuation of the Chief Valuer of the Government, it had been agreed to pay a lease rent of over Rs. 21 million. Accordingly, a total of Rs. 1,524.44 million had been incurred as lease rent of Rs. 1,229.58 million (including VAT and NBT), service charges of Rs. 229.20 million, Rs. 63.64 million for electricity bills and Rs. 2.017 million for water bills as at 31 December 2019. In addition, a sum of Rs. 342.7 had also been incurred for the partition of rooms required for the use of this building as an office complex, carpeting, installation of information system for purchase of office furniture. Even though the payments had been so made, the building had not been used

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The agreement was signed by the then Secretary to the Ministry and the owner of the building with the approval of the Cabinet of Ministers and the terms of the agreement have been implemented accordingly.

for office purposes due to lack of necessary office facilities (partition of rooms, carpeting, installation of information system) during the first 15 months from the date of the agreement. Nevertheless, since it had not been fully utilized for the activity of establishing of Committee System, the Ministry had been relocated at the old office complex of “Govijana Mandiraya” with effect from 31 January 2020 . Even so, a sum of Rs. 28.05 million had been paid as lease rent and service charges as per the agreement from January 2020 to August 2020 . Likewise, the Ministry is bound to pay lease rent and service charges as per the agreement up to 01 April 2021.

3.5 Management Inefficiencies

 The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) The following observations were made during the audit conducted by the National Fertilizer Secretariat on the importation of quality fertilizer to implement the National Fertilizer Subsidy Programme.</p>	<p>An updated information system should be established to determine fertilizer requirements according to the paddy lands cultivated in each</p>	<p>The information system is being set up.</p>
<p>(i) It had not been maintained a remaining stocks of fertilizer for the season, updated fertilizer recommendations and an updated information</p>		

system in determining fertilizer requirement for paddy by the National Fertilizer Secretariat.

season.

(ii) Companies had been selected to import chemical fertilizers without a competitive procurement procedure.

A competitive procurement system should be followed.

The proposed methods are followed after formulating the policies of the National Fertilizer Secretariat. Actions will be taken to select suppliers in a more favorable manner to the government by calling for domestic preference.

(iii) Although the obtaining of the samples should be taken place at the port to test the quality of imported chemical fertilizers it was observed that the samples were taken from open warehouses owned by the fertilizer importing companies.

Actions should be taken in accordance with internal circular provisions.

This problem will not arise after establishing the method of obtaining fertilizer samples directly from the port containers.

(iv) Lack of proper and adequate regulation and supervision of the Fertilizer Secretariat on the methodology for selection of laboratories for testing of imported chemical fertilizers, sending of samples to laboratories, acceptance of laboratory reports, testing and granting of trade approval.

Actions should be taken to strengthen the internal control process of the Fertilizer Secretariat.

The approval has been sought from Cabinet Memorandums to obtain laboratory reports by Email, to select laboratories by calling intent and to acquire laboratories owned by Ceylon Fertilizer Company.

(v) During the sample tests carried out by the National Fertilizer Secretariat on the laboratory reports related to the samples obtained to test the quality of the

If fake laboratory reports have been prepared, a formal investigation should be conducted against the relevant officials and legal actions should be taken.

Disciplinary actions will be taken upon receipt of the reports of the Government Auditors on the officers who have entered the fake analysis reports into files.

imported chemical fertilizers for the year 2018 and 2019, nearly 55 forged laboratory reports were observed. Accordingly, it was observed that 81,655 metric tons of low quality substandard fertilizer pertaining to 9 types of fertilizer had been issued to the market.

(b) A Project called Agri Village Entrepreneurship Development Programme had been implemented with the expense of Rs.83,973,934 under the expenditure object No. 118-2-3-20-2509 as at 31 December 2019. The village of Kahathewela had been selected for this purpose. The following observations were made during the examination carried out of the Project.

(i) Even though it had been stated that the holding of official functions should be restricted at the expense of the public money and should be organized in a manner that minimizes the cost in terms of Paragraph 06 of Public Administration Circular 11/2015 dated 20 May 2015, an inaugural ceremony of the programme had been held incurring a sum of Rs. 1,486,083 .

Actions should be taken in accordance with Circulars.

Agree. However, it is observed that this campaign has been carried out with the primary intention of carrying out this program island wide.

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| <p>(ii) Even though it is possible to form a highly organized agricultural company by uniting several farmer organizations, a Peoples' Company had been established in the name of Kahaththewela Limited without the direct intervention and supervision of the Ministry. Although a farmers' organization had been established in the year 2018 with uniting of the several people with the aim of establishing that Company, the farmers' organization had not been registered with the Department of Agrarian Development.</p> | <p>Actions should be taken to implement this programme in collaboration with the farmers' organizations in the area.</p> | <p>Agree with the observations.</p> |
| <p>(iii) Arrangements had been made as all the benefits go to that Company. Safe houses had been provided incurring Rs. 1,406,217 for the office furniture and machinery of the Company and Rs. 45,914,600 for farmers and although actions should be taken to recover 50 per cent of the value of that safe house from the beneficiaries, it had not acted accordingly.</p> | <p>Arrangements should be made as the relevant benefits receive to the farmers under this programme.</p> | <p>Agree with the observations. Instructions have been given to charge the 50 per cent farmer contribution of second season in terms of the agreement and bank that money .</p> |
| <p>(iv) Similarly, 35 electrical circuits valued at Rs.770,000 had been given to Janatha Company and although an income should be earned by giving each to farmers on a hiring basis for Rs. 1,000 per</p> | <p>Action should be taken to obtain the relevant revenue.</p> | <p>Agree with the observations.</p> |

month, that income had not been collected. Actions had been taken to hand over the premises of Sangharaja Pirivena which was developed as a model farm with a storage center for machinery and a collection center for vegetables and fruits to the Janatha Govi Company for a rent as low as Rs. 1,000 per month on lease basis .

(v) Likewise, safe houses, fruit plants, agricultural equipment and beekeeping and equipment which had nearly valued at Rs. 10 million had been distributed free of charge to the above shareholders of Janatha Govi Samagam without any basis.

Actions should be taken to ensure that all farmers receive the relevant benefits.

Agree with the observations.

04. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Even though 09 Senior Level posts , 01 Tertiary Level posts, 01 Secondary Level posts and 10 Primary Level posts were in vacant in the Irrigation Division, actions had not been taken to recruit to those posts.	Actions should be taken to fill the essential posts promptly.	Actions are being taken to fill the related posts which were in vacant.

(b) Even though 36 Senior Level posts , 05 Tertiary Level posts , 301 Secondary Level posts and 20 Primary Level posts were in vacant in the Ministry of Agriculture , necessary actions had not been taken to recruit to those posts.

Actions should be taken to fill the essential posts promptly.

Actions are being taken to fill and actions have been taken to make aware the relevant institutions regarding the primary level posts.