

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the financial statements of the State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries was issued to the Accounting Officer on 30 June 2021 in terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report relating to the Ministry in terms of Section 11(2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 20 July 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries as at 31 December 2020, 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 stated in the Paragraph 1.6 of this report. 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 and Accounting Officer for the Financial Statements

The Chief Accounting Officer is 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 such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the District Secretariat exists, and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alteration 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 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

I communicate with the Chief Accounting Officer/ Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.4 Report on Other Legal Requirements

I express the following matters in accordance with Section 6(1)(d) of the National Audit Act, No. 19 of 2018.

As the State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries is a new Ministry, financial statements for the preceding year had not been prepared.

1.6 Comments on the Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Although the payment and receipt of advances were Rs. 3,349,194 and Rs. 13,618,831 according to the statement of financial performance, the total advance payments and total advance receipts were Rs. 48,456,526 and Rs. 6,714,036 respectively according to the Treasury Printouts (SA-52). Accordingly, a difference of Rs. 45,107,332 and Rs. 6,904,795 was observed respectively.	This Ministry was in affiliation with two Ministries up to August 2020 and was established as a State Ministry from 01 September under Head No. 427. Accordingly, when the debit and credit balances of the advance accounts related to the period from January to August 2020 were transferred by the Department of State Accounts under 427-0-12, the entire balance of our staff in the two previous Ministries was transferred to Head 427. Accordingly, the Treasury Printouts (SA-52) under 427-0-12 shows the total of the advance account balances belonging to the two previous Ministries. Similarly, only the balances for the four months from September to December 2020 are shown in the Treasury Printouts 427-0-11.	Financial statements should be prepared in accordance with State Accounts Circular No.02/2020 dated 28 August 2020.
(b) Although the value of deposit payments and deposit receipts was Rs. 670,908 and Rs. 2,127,245 respectively according to the statement of financial performance, the value of deposit receipts and deposit payments was observed as Rs. 23,869,243 and Rs. 22,412,906	This Ministry worked in affiliation with the Ministry of Agriculture and the Ministry of Public Administration in the year 2020 and it was functioned as a single Ministry under the Head No. 427 from 01.09.2020. Our Ministry (Head 427) have two General Deposit Accounts bearing Nos. 6000 - 13 - 170 and 6000-16-141. It is mentioned that only the deposits and payments related to those two numbers are mentioned in our	-Do-

respectively according to the financial performance statement. Treasury Printouts (SA-30).

- (c) Although the value of advance payments was Rs. 48,456,527 as per the Treasury Printouts, it was Rs. 1,310,316 according to the trial balance of the Ministry. Accordingly, a sum of Rs. 47,146,211 should have been adjusted to the Adjustment Account, but Rs. 2,038,877 had been adjusted. Similarly, although the value of receipts as per the Treasury Printouts (SA-52) was Rs. 6,714,036, it was Rs. 4,213,051 according to the trial balance of the Ministry. Accordingly, a sum of Rs. 2,500,985 should have been adjusted to the Adjustment Account, but Rs. 9,405,779 had been adjusted.
- This Ministry was in affiliation with two Ministries up to August 2020 and was established as a State Ministry from 01 September under Head No. 427. Accordingly, when the debit and credit balances of the advance account related to the period from January to August 2020 were transferred by the Department of Sate Accounts under 427-0-12, the entire balance of the of our staff in the 02 previous Ministries was transferred to Head 427 -0-12. Accordingly, only the balances for the 04 months from September to December 2020 are shown in the Treasury Printouts 427-0-11. It is kindly informed that the balances of advance receipts and payments have been calculated based on the data entered in the Sigas program under section 427 and the difference between those balances and the trial balance have been adjusted to the Imprest Account.
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1.6.2 Statement of Financial Position

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Only the details on the vehicles have been included in the Register of Fixed Assets. As information on assets such as office equipment, computer equipment, electrical equipment, communication equipment, furniture was not included therein, the value of other machinery and equipment worth Rs. 20,452,492 in the statement of non-financial assets could not be confirmed.	It is informed that the Register of Fixed Assets is being updated at present.	The Register of Fixed Assets shall be maintained with the concurrence of the Auditor General in accordance with the Treasury Circular No. 842 of 19 December 1978 / Financial Regulation 502 (2), as mentioned in Appendix 11 thereof.
(b) Although the total value of passenger vehicles was Rs. 585,743,693 according to the statement of non-financial assets, the total	Action will be taken to correct the relevant difference.	The Register of Fixed Asset should be maintained in an updated

value of passenger vehicles was Rs. 576,921,050 according to the Register of Fixed Asset. Accordingly, a difference of Rs.8,822,643 was observed

manner and assets should be correctly brought to account.

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| <p>(c) According to the Statement of Non-Financial Assets, the purchase of office equipment during the year was up to Rs. 55,000, whereas it was Rs. 870,000 according to the expenditure classification under ACA 2 (ii). Accordingly, a difference of 825,000 was observed</p> | <p>This purchase was reported to the Treasury by the summary of accounts through the first Supplementary Account Summary of January 2021 and as such, that amount of Rs. 825,000 has been included in the final account balance (2020.12.31) in the Statement of Non-Financial Assets.</p> | <p>The capital expenditure incurred for the year should be correctly included in the Statement of Non-Financial Assets.</p> |
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1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) Although the personal emoluments and operating expenses amounted to Rs. 124,981,407 according to the trial balance of the Ministry, that value in the cash flow statement was Rs. 125,367,300. It was accordingly observed that the expenditure had been overstated by Rs. 385,893</p>	<p>This shortcoming has occurred due to the addition of Rs. 585,893 to the cash flow generated from operating activities that should have been added to the cash flow generated from investment activities.</p>	<p>Financial statements should be prepared in accordance with State Accounts Circular No.02/2020 dated 28 August 2020.</p>
<p>(b) According to the trial balance of the Ministry, the cost of construction or purchase of physical assets and acquisition of other investments was Rs. 41,060,139 but that value in the cash flow statement was Rs. 40,674,246. It was accordingly</p>	<p>This shortcoming has occurred due to the addition of Rs. 585,893 to the cash flow generated from operating activities that should have been added to the cash flow generated from investment activities.</p>	<p>-Do-.</p>

observed that the expenditure had been understated by Rs. 385,893.

1.6.4 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Ministry had not maintained certain following documents while some other documents had not been maintained in an updated manner.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>(a) Register of Fixed Assets The Register of Fixed Assets had not been updated in accordance with the Treasury Circular No. 842 of 19 December 1978 / Financial Regulation 502 (2), as mentioned in Appendix 11 thereof.</p>	<p>It is informed that the relevant officers in charge of the subjects have been notified to update relevant documents.</p>	<p>The Register of Fixed Assets should be maintained in an updated manner.</p>
<p>(b) Security Register The register of security including the information of the employees and the officers who are required to give security had not been updated in terms of Financial Regulation 891(1).</p>	<p>-Do-</p>	<p>The register of security including the information of the employees and the officers who are required to give security should be maintained in an updated manner.</p>
<p>(c) Inventories of Electrical Fittings Inventories of Electrical Fittings had not been maintained in terms of Financial Regulation 454 (2).</p>	<p>It is informed that arrangements are being made to issue a common guidelines in this connection.</p>	<p>Inventories of all Electrical Fittings, apparatus etc, in Government Buildings, should be maintained.</p>
<p>(d) Record of liabilities A Record of liabilities had not been maintained in terms of Financial Regulation 214.</p>	<p>It is informed that arrangements are being made to issue a common guidelines in this connection.</p>	<p>Liabilities should be recorded in a record of liabilities enabling regularly examining the liabilities.</p>
<p>(e) Register of Counterfoil Books A Register of Counterfoil Books had not been maintained in terms of Financial Regulation 341.</p>	<p>It is informed that arrangements are being made to issue a common guidelines in this connection.</p>	<p>A Register of Counterfoil Books should be maintained.</p>

2 Financial Review

2.1 Expenditure Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
In the preparation of original expenditure estimate and revised estimate, it was observed that the variance of 08 Objects had ranged from negative 172 per cent to positive 100 per cent.	Not replied	Correct expenditure estimates should be prepared in accordance with Financial Regulation 50.

2.2 Incurring Liabilities and Commitments

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
It was observed that liabilities and commitments of Rs. 15,420,696 had been incurred in excess of the provisions for 11 Objects without being considered on the savings of provision for the year 2020.	It is kindly informed that action will be taken to prevent such incidents in the future.	In terms of Financial Regulation 94 (I), necessary systems and controls methods should be introduced to prevent from incurring liabilities and commitments exceeding the limit of provisions.

2.3 Assurance to be given by the Chief Accounting Officer

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) In terms of provisions in Section 38 of the National Audit Act No.19 of 2018, the Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control is prepared and maintained in the District Secretariat and carry out periodic reviews to monitor the effectiveness of such systems and	It is pointed out that methods such as meetings to evaluate financial progress and obtain internal audit observations were used and thereby action will be taken to establish effective financial control of the Ministry.	Action should be taken in accordance with provisions in Section 38 of the National Audit Act No.19 of 2018.

accordingly make any alterations as required for such systems to be effectively carried out. The review to be carried out by the Accounting Officer shall be in writing and copies of the same should be made available to the Auditor General. Nevertheless, the statement indicating that such a review had been carried out was not made available to audit.

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| (b) | Although the Chief Accounting Officer and the Accounting Officer should ensure that an effective methodology exists for the proper functioning of the internal auditing, as per the observations in paragraph 4.1 of the report, that requirement had not been met. | As an annual budget for government expenditure for the year 2020 was not presented, it was difficult to prepare an Annual Action Plan or an Internal Audit Plan accordingly. An audit plan for the Rural Development Division was prepared based on the Vote on Account from January to April 2020. | -Do- |
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2.4 Reconciliation Statement on Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>No action had been taken as per Section 4.5 of Chapter XXIV of the Establishments Code for the recovery of loan balances of Rs.99,450 that remained recoverable for more than five years from two officers who had vacated the service. According to Section 4.4 of Chapter XXIV of the Establishments Code, action had not been taken to recover loan balance of Rs. 152,745 that remained recoverable for more than a year relating to the deceased officers.</p>	<p>For writing off of loan balance of Rs. 36,930.00 of an officer who vacated the service, the matter has been referred to the Public Finance Department.</p> <p>The National Insurance Trust Fund, that had been presented as the guarantor of the distress loan of an officer vacated the service has been informed on the recovery of his distress loan balance of Rs. 62,519.49.</p>	<p>Necessary systems and controls methods should be introduced to recover the loans in terms of Section 4.5 of Chapter XXIV of the Establishments Code.</p>

2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non-compliance with provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to laws, rules and regulations -----	Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</p> <p>(i) Financial Regulation 371(5)</p>	<p>Three instances were observed that sub imprests amounting to Rs. 130,600 had been issued to the Non-Staff Grade Officers. Further, the sub imprests should be re-settled within 10 days after the completion of the relevant work. Nevertheless, there observed 12 instances of re-settling the sub-imprest worth Rs. 397,100 after a delay from 60 to 295 days.</p>	<p>It is informed that there have been delays in the implementation of sub-imprests were provided, during this period where the corona epidemic was prevalent and steps will be taken to prevent such shortcomings in the future.</p> <p>It is also stated that action will be taken in the future not to provide sub-imprests to non-staff grade officers</p>	<p>In terms of Financial Regulation 371 (5), the sub-imprests should be settled within 10 days from the date of completion of the relevant works.</p>

(ii) Financial Regulation 570 (2)	Four deposits that are older than 02 years worth Rs. 21,679,283 had been retained in the General Deposit Account. These deposits are for projects relating to the construction of economic centers which are not currently within the purview of this Ministry.	It is stated that the matter has been notified to the Department of State Accounts to transfer it to the Deposit Account of the new Ministry.	In terms of Financial Regulation 570 (2), the deposits which are not claimed within 02 years from the date of deposit shall be treated as lapsed deposits and credited to the government revenue.
(iii) Financial Regulation 396 (a) , (b) , (c) , (d)	Action had not been taken according to the Financial Regulations in connection with 48 cheques worth Rs. 1,870,423 that had not been encashed over a period of 06 months.	All steps as per the Financial Regulations have been taken at present.	Steps should be taken as per the Financial Regulations regarding the cheques of which the validity period has expired.
(iv) Financial Regulation 104(3)	Although the preliminary report on vehicle accidents should be submitted within 07 days from the date of the accident, the preliminary report regarding the accident caused on 04 October 2020 to the vehicle bearing No. KX – 8135 had not been submitted even by 01.03.2021.	It is informed that a committee has been appointed to conduct preliminary investigation and future action will be taken accordingly.	According to the Financial Regulations, the preliminary report on vehicle accidents should be submitted within 07 days from the date of the accident
(b) Section 4.3 of the Public Administration Circular No.30/2016 dated 29 December 2016.	Once the parts of a vehicle have been dismantled, the prices quoted by the garage will have to be accepted. Although a report should be obtained from a qualified mechanical engineer of a public sector department, corporation or board regarding the fairness of the bids offered, action had not been taken relating to the vehicle bearing No. PA - 1440 .	Mr. R.R.P.W.M.R.C.T.B. Galagoda, Motor Vehicle Inspector of the Department of Motor Traffic visited the Matara Garage on 16.11.2018 and inspected the vehicle and thereafter he recommended by his letter dated 21.11.2018 that the relevant engine be repaired only if it is economically viable to repair and re-	Action should be taken in accordance with the Circular.

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| <p>(c) Assets Management Circular No.05/2020 02 (a) dated 02.10.2020.</p> | <p>(i) Even though the vehicles not in running condition should be disposed of prior to 31.12.2020, three vehicles bearing Nos. 251- 0747 , JR - 2899 , and 65-6120 which were not in running condition had been parked at the Ministry premises.</p> | <p>operated the vehicle. Action will be taken to repair the Van bearing No. 251-0747 under the provisions for the year 2021. The remaining 02 vehicles will be disposed of in the future.</p> | <p>-Do-</p> |
| | <p>(ii) After identifying the vehicles to be disposed, the vehicles not in running condition but identified as being economically favourable to repair and use should be repaired before 31.12.2020. Nevertheless, action had not been taken accordingly on 02 vehicles bearing Nos. KQ –844 and KQ – 9375 and those remained underutilized even by 01 March 2021.</p> | <p>The cost estimate of the vehicle, KQ – 8444 has been again submitted to the Procurement Committee of the Ministry for Approval. The ownership of the vehicle, KQ – 9375 has been legally transferred to the Sri Lanka Police.</p> | <p>-Do-</p> |

3. Operating Review

3.1 Planning

The observations are made.

Audit Observation

Comment of the Accounting Officer

Recommendation

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| <p>(a) The details on organization structure, approved cadre, actual cadre of the Ministry that had been updated in accordance with Paragraph 03 of the Circular No.01/2014 dated 14 February 2014 of the Ministry of Finance and Planning and the funds requirement plan for the annual activities had not been included in the approved Action Plan.</p> | <p>The details on the organization structure, approved cadre, and actual cadre of the Ministry for the year 2020 have been included in the Action Plan.</p> | <p>Action Plan should be prepared in accordance with the Circular.</p> |
| <p>(b) Although information on the Goat Cluster Village Establishment Project had not been included in the Action Plan, the</p> | <p>It is informed as the allocations for this programme had been made under the</p> | <p>-Do-</p> |

progress report states that Rs. 4.13 Mn. Expenditure Head of the has been invested in 4 districts in the Ministry of Agriculture, it has Eastern, Northern and Southern Provinces not been included in the for this purpose. Action Plan of our Ministry.

- (c) Although the target period for each programme in the Action Plan has been stated as from 01 January 2020 to 31 December 2020, it was observed that the exact dates for the implementation and completion of each programme / project have not been identified. It is notified that the activities which are simultaneously carried out have been stated under each programme. -Do-

3.2 Annual Performance Report

The Annual Performance Report should have been prepared in accordance with the Form in the Guideline No. 14 issued by the Department of Public Finance as per the paragraph 10.2 of Public Finance Circular No. 2/2020 dated 28 August 2020. The following observations are made in this connection.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) A sum of Rs. Rs. 3.67 million had been received from the budget allocations for the project to increase production through women empowerment under the Promotion and Popularization of Liquid Milk Consumption Programme. Although Rs.1.67 million or 45.5 per cent of the above amount had been spent, the physical progress achieved was 30 per cent.	A sum of Rs.3.70 million was received from the budget allocations for the year 2020. Having spent Rs.3.63 million, benefits have been provided for 80 beneficiaries by 31.12.2020. Accordingly, progress of this project is 100 percent.	Plans should be duly prepared so that the project can be completed within the stipulated time frame.
(b) Budget provision of Rs.2.44 million had been made for the estimated Rs.10 million for the Pig Industry Development Programme and out of which Rs.1.54 million or 63 per cent had been spent. Nevertheless, the achievement of the progress was observed as 45 per cent.	Due to the Covid 19 situation, there was no enough time to carry out the preliminary work to be done by the Provincial Directors and as such, only 22 beneficiary farms could be completed at a cost of Rs. 1.10 million according to the targets set in the first quarter of the year. Accordingly, the financial progress was 45 per cent.	Plans should be duly prepared so that the work can be completed within the stipulated time frame.

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| (c) | A sum of Rs. 2.78 million had been received as the budget allocation for the establishment of small and medium scale poultry farms and the amount spent was Rs. 3.28 million. Accordingly, the amount spent in excess of the provision was Rs.0.5 million. However, it was observed that the project expected to be implemented under this programme to provide equipment of 2.6 million had not been implemented. | Only provisions of Rs.2.80 million were received for the year 2020. The expenditure as at 31 December 2020 was Rs. 2.704 million. Accordingly, it is informed that the provision limit has not been exceeded. | -Do- |
| (d) | Although Rs.40 million including Rs.39.5 million to establish farms under the Breeding Farms Establishment Programme and Rs.0.5 million for evaluation of performance had been estimated in the Action Plan since the progress report states that estimated allocation as Rs7.5 million, a difference of 32.5 million was observed. Further, a sum of Rs. 3.23 million had been received as the budget allocation of which Rs. 1.23 million or 38 percent was spent. Although the physical progress achieved had been stated to be 25 percent, detailed information on that physical progress and the financial progress was not presented. | The provision made for the year 2020 is 40 million. However, since the first Vote on Account had allocated only Rs. 8.0 million, the targets were set only for that amount. Although Rs. 8.0 million was allocated from the first Vote on Account, only Rs. 0.5 million and 3.25 million had been allocated from the second and third Vote on Accounts respectively. All the works could not be completed in the face of Covid-19 situation and it is informed that only 55 farms were completed although the target was to construct 75 farms and that the financial progress as at end of the year was 5.47 million, but not Rs.1.23 million. | Performance reports should be prepared in accordance with the Circular. |
| (e) | Although plans had been drawn to implement 3 projects with an estimated cost of Rs.50 million for the promotion and popularization of liquid milk consumption programme, only the progress of the project to increase milk production through women empowerment had been included in the progress report submitted. It was also observed that specific information on the progress that project had not been included therein. Further, the information on other projects implemented under this programme had not been | The amount to be allocated under the liquid milk consumption programme for the year 2020 was Rs.50 million. Although three projects were planned to be implemented, both the project to conduct liquid milk popularization competition among school children and to conduct awareness programmes were canceled due to the unexpected Covid-19 situation. Accordingly, the provision of Rs.8.5 million received from the first and second Vote on Accounts was used to the women empowerment project. Further, although 225 beneficiaries were initially targeted for this | Progress reports and Action Plan should be submitted so that the financial progress of the activities under each programme can be measured and compared. |

included in the progress report and therefore, the utilization of funds and physical and financial progress of those projects could not be compared.

project, action was taken to provide inputs to 80 beneficiaries based on the funds received from the Vote on Account. Accordingly, it is informed that the physical progress of the project is 100 per cent.

(f) A sum of Rs. 300 million had been estimated for the establishment of new Milk Supply Centers at Badalgama. Out of which Rs. 262.3 million had been received from the budget allocations and Rs.74.91 million had been spent. Accordingly, savings of 187.39 million or 71.44 per cent were observed.

A sum of Rs. 58.60 million has been spent on the project to establish a new Milk Processing Center at Badalgama by the year 2020 under foreign funding (12) and an expenditure of Rs.16.31 million has been incurred in the year 2020 under the local funding (17) to pay the import duty on the project and reimburse the VAT on local construction.

The plans should be duly prepared so that the project can be completed and action should be taken to implement them within the prescribed time frame.

Due to the restrictions on the import of containers containing machinery and the inability of Danish specialists to reach the island in the face of Covid 19 epidemic, the construction and installation of the project had to be constrained.

3.3 Losses and Damages

Audit Observation

No action had been taken either to recover the value of losses and damages caused from the year 2012 to 2020 amounting to Rs. 335,419 stated under the statement of losses and waivers under the Financial Regulation 107 from the responsible persons or to write off it from the books.

Comment of the Accounting Officer

Out of the amount stated as losses and damages, necessary steps are being taken to recover Rs. 94,702 from the Public Service Provident Fund of the responsible drivers and Rs. 45,450 has been recovered from the relevant driver. Action will be taken to write off the balance from the book.

Recommendation

Action should be taken to recover the value of losses and damages from the responsible parties or write off them from the books.

3.4 Management Weaknesses

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the Board of Survey reports for the year 2020 should have been submitted to the Auditor General before 31 March 2021, those had not been submitted to Audit even by 09 April 2021. As such, the physical existence of the assets worth Rs. 606,196,184 stated in the statement of non-financial assets could not be confirmed.	Not replied	The Board of Survey reports for the year 2020 should be submitted to the Auditor General before 31 March 2021.

4. Good Governance

4.1 Internal Audit

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the Annual Internal Audit Plan should be included in the Annual Action Plan as per paragraph (03) of Public Finance Circular No. 01/2014 dated 19 February 2014, it was observed that the Internal Audit Plan for the year 2020 had been prepared only for the first quarter	As an annual budget on the government expenditure for the year 2020 is not submitted, it was difficult to prepare an Annual Action Plan or an Internal Audit Plan accordingly. An Audit Plan was prepared only for the rural development division based on the Vote on Account from January to April 2020.	In terms of the Circular, the Annual Internal Audit Plan should be included in the Annual Action Plan

4.2 Audit and Management Committees

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although it has been stated under Section 41 of the National Audit Act No.19 of 2018 that the Audit and Management Committees should review the functionality of the entity on regular basis, no Audit and Management Committees whatsoever had been conducted for the year 2020.	It is kindly informed that the meetings could not be conducted due to the imposition of the curfew and the Covid epidemic situation.	In terms of Section 41 of the National Audit Act No.19 of 2018, the functionality of the entity should be reviewed on regular basis by the Audit and Management Committees.

5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
----- <p>Out of 457 approved posts of the Ministry as at 31 December 2020, thirty three posts remained vacant and no action had been taken to fill 09 posts of senior level and one post of tertiary level of such vacancies.</p>	----- <p>Out of the 09 vacancies of the senior level, 03 posts are to be filled and there are vacancies for another 04 posts. Accordingly, the Ministry of Public Services, Provincial Councils and Local Government and the Ministry of Agriculture have been reported to make necessary arrangements. An officer has been appointed to perform full time duties for one more post and officers have not been appointed for the remaining post as yet. It has been reported to the Department of Management Services that the fact of not including significant level of work related to that post in the purview of this Ministry has given rise to that situation.</p>	----- <p>The required staff should be recruited as soon as possible so as to retain sufficient staff in the Ministry to perform its duties properly.</p>
	<p>Similarly, although it has been reported to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government that there is a vacancy for the post of Tertiary Level Administrative Officer, action has been taken to appoint an officer for that vacant post.</p>	