

## **Head 289 - Department of Export Agriculture**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the Financial Statements of the Department of Export Agriculture for the year ended 31<sup>st</sup> December 2020 comprising the statement of financial position as at 31<sup>st</sup> 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 Department of Export Agriculture was issued to the Accounting Officer on 21<sup>st</sup> May 2021. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018. The Detailed Annual Management Audit Report relating to the Department in terms of Section 11(2) of the National Audit Act, was issued to the Accounting Officer on 21<sup>st</sup> May 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 financial statements, give a true and fair view of the financial position of the Department of Export Agriculture 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 The basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.6 of this report . I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAuSs). My responsibility in the financial statements, are further described in the sentence of Auditor's responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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It is the responsibility of the accounting officer to determine internal control that necessary 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 the financial statements that are free from material misstatements, whether due to fraud or errors.

In terms of Section 16(1) of the National Audit Act No. 19 of 2018, the Department shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare 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 on 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 on the Audit of the Financial Statements**

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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 further,

- 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 Department'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 Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## 1.5 Report on other legal Requirements

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In terms of Section 6(1)(d) of the National Audit Act No. 19 of 2018, I declare the following matters:

- (a) That the financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements for the previous year have been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliances of the Financial Statements with the Provisions of Circulars

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Although financial statements should have been prepared in accordance with Guideline No. 06 issued by the Department of Public Accounts, the following is an instance that deviated from those requirements.

Audit Observation	Comments of the Accounting Officer	Recommendation
----- There were 11 cheques issued but not presented with a total value of Rs.111,277 as at 31 <sup>st</sup> December 2020 in the Current account, but such information had not revealed in note viii included in the financial statements that is, the status report on bank accounts.	----- That, the Cheques not presented for payment are not included in the new status report of bank accounts.	----- The information that needs to be included in each format should be disclosed.

### 1.6.2 Statement of Financial Position

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Audit Observation	Comments of the Accounting Officer	Recommendation
----- (a) Although the value of property and equipment in the ACA-P format in the statement of financial position was Rs.1,098,889,538 according to the SA-82 computer printout, the value was Rs.1,093,110,764 while it was Rs.1,259,396,760 according to the statement of non-financial assets ACA - 6. Accordingly, the property and plant equipment were not consistent with the relevant documents.	----- That, action will be taken to rectify in the future.	----- The reasons for the differences should be identified and necessary adjustments should be made to the accounts.

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|-------|---|-------|---|
| ( b ) | There was a difference of Rs.9, 477, 195 between the value of 10 items included in the statement of Non-Financial Assets, ACA-6 presented with the Financial Statements and the values mentioned in the SA- 82 Treasury Computer printout.                | - Do- | - Do-   |
| ( c ) | Although there were 14 government quarters whose acquisitions had been completed by the Department, ACA -6 the Statement of Non-Financial Assets had not shown any value under the government quarters.   | - Do- | - Do-   |
| ( d ) | There was a difference of Rs.5,778 ,777 between the final values included in the ACA 6 Non-Financial Assets Statement presented with the Financial Statements and the values mentioned in the computer printout SA 80, the Non-Financial Assets Summary . | - Do- | The balance contained in the financial statements should be compared with the relevant documents. |

### 1.6.3 Deposits

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Credits of Temporary retention deposits for statutory payments included in the statement of deposits in the financial statement in the year was Rs.569,219 while it was Rs .574 ,837 according to a treasury printouts. Hence there was a difference of Rs.5, 618. Also, During the year debits to that account was Rs.611,186 while according to the Treasury printouts it was Rs.616,803. Therefore, the difference of debits was Rs.5,617.	That, it will be corrected in 2021	Correct adjustments should be made to accounts by identifying changes.

## 2. Financial Review

### 2.1 Imprest Management

Audit Observation	Comment Of the Accounting Officer	Recommendation
Although a budget allocation of Rs.1,374,800,000 had been made for the department for the year under review, only Rs.1,264,154,000 had been received. Therefore, out of the allocation of Rs.600,000,000 provided for development assistance under Expenditure head No. 289-2-1-2202, only Rs. 529,161,029 had been spent and Rs.70,838,971 had been saved from that provision due to non-receipt of imprest.	That, the observation is accepted	Action should be taken for maximum use of approved imprest and complete planned activities.

### 2.2 Expenditure Management

Audit Observations	Comments of the Accounting Officer	Recommendation
In contrary with the provision in paragraph 03 of chapter viii in Establishment Code, Rs.1,400,000 provisions had been transferred from other Expenditure heads to the Annual Budget Allocation planned in the beginning of the year of Rs.13,915.000 under financial regulation 66 and Overtimes and holiday pays had been paid.	That, the observation is accepted.	Expenditure to be borne within the estimated allocation limit.

### 2.3 Assurance to be made by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officers were required to certify the following matters, but had not acted accordingly.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
According to the provisions of section 38 of the National Audit Act No: 19 of 2018, The Accounting Officer should ensure that an effective internal control system is set up and maintained for the financial control of the Department and the effectiveness of the system should be reviewed from time to time and necessary changes should be made to ensure that the system operates effectively. Although, those reviews should have been done in writing and a copy should be submitted to the Auditor General, the statement had not been submitted to the audit stating that such a review had been made.	That, it will be presented in the future.	The provisions of the Act should be followed.

#### 2.4 Non-Compliance with Laws, Rules, and Regulations

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The followings are the instances of non-compliance with the provisions of laws, rules and regulations observed during the sample audit.

Reference to Laws , Rules and Regulations, -----	Observation -----	Comments of the Accounting Officer -----	Recommendat ion -----
(a) Parliament Acts -----	Non-Compliance -----		
Section 8(1) of Seeds Act No. 22 of 2003	38 Unregistered nurseries owners had provided plants to the Department of Export	That, action will be taken to make amendments in accordance with the Act.	The provision s of the Act should be followed.
( b ) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----			
xii Chapter 1.3 Section	There were instances where 41 officers belonging to 07 offices did not report for duty without approving leave for 101 days.	Officers were informed to formally approve the leaves.	The provisions of the Establishment s Code should be followed.

( c ) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka

<p>----- Financial regulation 115</p>	<p>In contrary with financial regulations, payments had been made for 300 payment vouchers of previous year pertaining to two offices, Out of the provisions for the year 2020.</p>	<p>That, the instructions were provided to act in accordance with Financial Regulation 115</p>	<p>Financial regulations should be complied with.</p>
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<p>( d ) Paragraph 193 of Chapter xviii of the Rules of Procedure approved by the Public Service Commission published in the Gazette Extraordinary No. 1589/30 of 20<sup>th</sup> February 2009</p>	<p>It was observed in a sample test that 07 officers in one office worked in the same place for 7 to 17 years.</p>	<p>That action will be taken in the future to grant transfers to officers who exceed 05 years</p>	<p>Procedural rules should be complied with.</p>
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**2.5 Informal Transaction**

Audit Observation

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Under the Productivity Promotion Investment Project, incentive assistance was paid to cultivators of export agriculture such as pepper and cardamom based on the number of seedlings grown and the area under cultivation. In sample test relating to the payment of such assistance in the year 2020, Rs.26,250 had been paid for cardamom seedlings at one time and Rs.206,040 for pepper seedlings at three times, outside the circular provisions.

Comments of the Accounting Officer

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A committee of inquiry has been appointed in relating to the payments and further action will be taken in accordance with the committee's recommendations.

Recommendation

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Payments should be in accordance with the circular provisions and action should be taken to recover the overpaid amount.

## 2.6 Issuance and Settlement of Advances

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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( a ) Out of the outstanding loan balance of Rs.443,945 of three employees who had left the service of the Department, Rs.232,965 was due for 04 years.	Action will be taken to recover the outstanding balance of Rs.377,095 from two officers as per the instructions of the Attorney General and action will be taken in future to recover the balance due from other officer from the guarantors.	Action should be taken in accordance with Section 4 of Chapter XXIV of the Establishments Code.
( b ) The outstanding loan balance of Rs.234,820 from two transferred employees was more than one year old.	That, the officers have been informed to repay the loan.	Action should be taken to recover the loan provided immediately.

## 3. Operational Review

### 3.1 Failure to Perform Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although action should be taken to direct all beneficiaries selected for investment assistance under the Export Crop Promotion Program in terms of Export Agriculture Crop Promotion Program in accordance with Section 1.4.8 of the Department of Export Agriculture Circular No.3/2020 / iv dated 01 March 2020, for a training program on enhancing the productivity of Export Crops, that requirement had not been met with some of beneficiaries	All Directors have been informed to follow the instructions given.	Training programs should be organized for the beneficiaries as per the circular provisions.



### 3.2 Delays in implementation of Projects

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Audit Observation	Comments of the Accounting Officer	Recommendation
----- Although the micro water supply projects of Mulhalkele and Middeniya Central Nurseries with a total value of Rs. 1,448,138 should have been completed and handed over on 20 <sup>th</sup> December 2019, work had been completed and handed over as on August 2020, after a delay of 08 month.	----- That, the observation is accepted.	----- Action should be taken to complete the projects on time as per the agreement.

### 3.3 Annual Performance Report

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Audit Observation	Comments of the Accounting Officer	Recommendation
----- The annual performance evaluation report had not been submitted along with the financial statements for the year under review.	----- That, it will be presented in the future.	----- The provisions of the Audit Act and Circulars should be followed.

### 3.4 Projects implemented with Local Funds

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Audit Observation	Comments of the Accounting Officer	Recommendation
----- Two micro water supply systems were installed at a cost of Rs.1,448,138. According to Section 5 of the Agreement with the Contractor in respect of the said Procurement, Maintenance shall be done by the contract for a period of one year from the date of completion of the Contract and 10 percent of the final bill shall be retained during the maintenance period. But despite that requirement, the full value of bill was paid in August 2020.	----- The company has agreed in a letter dated 22 <sup>nd</sup> February 2021 that it will take necessary action as per the agreement in case of any error occur till 26 <sup>th</sup> August 2021.	----- There should be a financial obligation during the maintenance period.

### 3.5 Procurements

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) 300 tablets were bought at a cost of Rs.10,647,000 as 200 tablets in November 2019 at Rs.34,191 each and 100 tablets in August 2020 at Rs.38,088 each.	-	-
(i) As per guideline 4.2 of the Government Procurement Guidelines, the Master procurement Plan had not been prepared by the entity including the expected procurements for 3 years.	That, a Master procurement plan will be prepared correctly.	The provisions Of the Government Procurement Guidelines should be followed.
(ii) Performance security had not been obtained as per guideline 5.4.10 of the Government Procurement Guidelines. No agreement was reached with the supplier as per Guidelines 8.9.1 of the Government Procurement Guidelines.	That, observations are accepted.	The provisions of the Procurement Guidelines should be followed.
(iii) Out of the 300 tablets purchased during the last and review years, 136 tablets valued at Rs.4,996,809 had not been used and stored by 15 <sup>th</sup> December, 2020.	That, actions will be taken to distribute tablets in 2021.	Steps should be taken to use public funds effectively.

### 3.6 Asset Management

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Kjeldahl Distillation Unit which purchased and installed at a cost of 840,650 in 2017 for the analysis of plants and soil samples of agronomic and soil nutrition sector in Narammala inter crop and beetle research Center had been under-utilized, as there is not a Digestion unit.	It is planned to allocate the necessary funds for the purchase of the required materials and operate the machine by the year 2021.	Assets should be utilized effectively.
(b) The Quarters of Extension Officer at Viyaluwa is not in the condition of use.	A report has been requested from the Badulla Divisional Secretariat to take a final decision regarding the Quarters.	It should be utilized effectively.
(c) 30 UPSs purchased in July and August 2020 due to risk of damaging computers with Sigas Software, Fingerprint software and Office data when computers run out of power and in the event of a power outage, were received to the warehouse, However 17 UPSs of it which valued at Rs.69,700 had been idle by 11 <sup>th</sup> February 2021 in the department store without having any benefit over a period of 6 months.	That, the observation is accepted.	Assets should be utilized maximally.

### 3.7 Losses and Damages

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#### Audit Observation

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While, the total value of Rs. 74,455 relating to 05 incidents of losses incurred in recent years had been written off in the books during the year 2020 and no action had been taken to recover or write off the losses of Rs.4,076, 808 belonging to 4 cases further.

#### Comments of the Accounting Officer

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That, it will be corrected in the future.

#### Recommendation

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Financial Regulations should be followed.

### 3.8 Uneconomic Transactions

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#### Audit Observations

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13,333 industrial publication books which had been printed at the cost of Rs.579,341 and received to the store in June 2018 with the purpose of disseminating knowledge to cultivators were still remained in the store as of 31<sup>st</sup> December 2020. As these books were in store for about 2 ½ years, the cost of this was an uneconomic expense.

#### Comments of the Accounting Officer

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Relevant officials will be instructed to use the government funds effectively by considering the annual requirement from now onward.

#### Recommendation

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It should be planned to print publications considering the requirement.

### 3.9 Management Weaknesses

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Audit Observation	Comments of the Accounting Officer	Recommendation
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Sample Examinations revealed that Rs.493,000 had been paid to four applicants who had not proved their ownership of the land to obtain investment assistance as per Section 1.2.2 of the Department of Export Agriculture Circular No. 3/2020/iv dated 01 <sup>st</sup> March 2020.	The District Assistant Directors were informed to obtain the documents proving the ownership of all the applicants who request investment assistance and to act in accordance with the circulars.	It should act in accordance with the departmental circular provisions.

### 4. Achievement of the Sustainable Development Goals

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The following observations are made.

Audit observation	Comments of the Accounting Officer	Recommendation
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(a) Although the Department was aware of the United Nations Agenda 2030 for Sustainable Development, No action had been taken to identify the Sustainable Development Goals and targets associated with its functions, the milestones need to achieve those goals and the indicators to evaluate the reaching of such goals.	At present, sustainable goals are being identified under the Ministry of Plantation Industries.	Awareness Should be paid on getting informed and implementation of the 2030 Agenda for Sustainable Development
(b) Although stakeholders who are interested in the role of the Department in implementing the Sustainable Development Goals could be identified, Due to the failure of the organization to identify, no participatory approach was demonstrated in setting goals relevant to the organization.	That, programs will be conducted to identify sustainable goals by the year 2021.	- Do-

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|-----|--|--|-------|
| (c) | No action had been taken to generate an accurate performance database for sustainable development goals. | Necessary steps will be taken to create a performance database by the year 2021. | - Do- |
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**5. Human Resource Management**

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 The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Fifteen out of 20 vacancies at the senior level were Assistant Director posts in the Sri Lanka Scientific Service and 15 vacancies were held in the post of District Subject Project Officer. It had adversely affected the affairs of the department.	That, the vacancies will be filled in the future.	Steps should be taken to fill the vacancies of the approved staff and to accomplish the objectives by the existing staff.
( b ) Although, 84 posts of Research and Development Assistant had been approved, no officer had been recruited for that post.	It is planned to prepare a recruitment scheme in the future and make arrangements for recruitment.	- Do-