

## **Head- 285 Department of Agriculture**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head 285- Department of Agriculture for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance 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 Department of Agriculture was issued to the Accounting Officers on 22 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 22 May 2024 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Agriculture as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgments and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## 1.5 Report on other legal requirements

In accordance with Section 6(1)(d) of the National Audit Act No. 19 of 2018, I declare the following facts.

- (a) That the financial statements are consistent with the previous year.
- (b) The recommendations I had made regarding the financial statements related to the previous year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

- (a) Credit balances

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to note (iv) on commitments and liabilities submitted with the financial statements, the balance of commitments and liabilities as at 31 December 2023 stood at Rs. 163,688,502, whereas, according to the Treasury computer printouts (SA 92), the balance was Rs. 93,333,499.	<b>Agreed.</b>	<b>This should be compared with a Treasury computer printout.</b>

- (b) Commercial Advance Accounts

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(i) Debtors balance of Rs. 136,010, which had been recovered in the previous and years under review, had been incorporated into the debtors balance	This will be corrected in the preparation of accounts for the year 2024.	Accurate debtors balances should be accounted for.

of the Nikaweratiya Deputy Director of Agriculture office as of 31 December of the year under review.

- (ii) Although the accumulated depreciation up to that point was removed from the depreciation reserve account during the revaluation of assets, upon the disposal (including transfers) of those revalued assets during the year under review, Rs. 10,694,231 in accumulated depreciation up to that point was removed again from the depreciation reserve fund, disregarding the fact that those assets had been revalued.
- This will be corrected in the preparation of accounts for the year 2024.
- The control system related to depreciation accounting should be evaluated, and proper accounting procedures should be followed.

(c) Income receipts

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>As of December 31 of the year under review, the ground rent amount of Rs. 31,500, which was due from HelaBojun entrepreneurs, had not been accounted for, and the ground rent that remained receivable from 07 HelaBojun entrepreneurs for a period ranging from 1 to 4 years</p>	<p>A report on the arrears in revenue was submitted to the Treasury before 12 January 2024.</p>	<p>All receivable revenue should be identified and accounted for.</p>

had not been identified and accounted for.

(d) Property plant and equipment

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>(i) The machinery and equipment worth Rs. 4,053,541 and buildings and constructions worth Rs. 10,305,475, which had been debited and purchased under the Research and Development Object during the year under review, were not accounted for under non-financial assets.</p>	<p>It is acknowledged, and steps will be taken to correct this in the future.</p>	<p>All acquired assets should be brought to account under non-financial assets.</p>
<p>(ii) According to departmental books as of the end of the year under, the total value of property, plant, and equipment was reported as Rs. 15,088,842,880; however, it was recorded as Rs. 29,340,698,361 in the statement on non-financial assets (ACA 06), resulting in a discrepancy of Rs. 14,251,855,481.</p>	<p>A discrepancy is observed between the balance accounted for under SIGAS and the records submitted to the Office of the Comptroller General due to a technical issue.</p>	<p>Account balances should be accurately identified and accounted for.</p>
<p>(iii) According to the submitted records, 1,634 non-financial assets, including 1,235 units of buildings and constructions, 28 transportation equipment, and 371 land parcels, had not been assessed</p>	<p>The sub-units have been informed to assess and report on those assets.</p>	<p>Assets should be assessed and accurately accounted for.</p>

and accounted for as of 31 December of the year under review.

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| (iv) | While the income of Rs.12,704,753 from the sale of fixed assets during the year under review was shown in the financial statements, the gains or losses from the disposal of those assets had not been adjusted in the financial statements, and no action had been taken to remove the cost of the disposed capital assets from the statement of non-financial assets. | Steps will be taken to create a system for this and make the appropriate adjustments in the future. | Account balances should be accurately identified and accounted for. |
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(e) Advance Account Balances

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(i) In the statement of financial performance (ACA-F) and treasury notes of the year under review, the advance receipts and payments were understated by Rs.8,556,948 in the accounts.	The discrepancy is due to the values recorded as debits in October being inaccurately noted as credits in the Treasury printouts.	Account balances should be accurately identified and accounted for.
(ii) The balance of Rs. 40,899,996 in the two closed commercial advance accounts under the Department of Agriculture was not shown in the statement of financial position as of 31 December of the year under review.	Measures will be taken to include this in the preparation of financial statements in the upcoming year.	Account balances should be accurately identified and accounted for.

## 2. Financial Review

### 2.1 Non- compliance with limits

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Since actions had not been taken in accordance with Financial Regulation 503(2), the sum of Rs. 11,989,882, which was accounted for as abatements in the Agricultural Farms Maintenance and Seed Sales Advance Account through cross entries during the reviewed year, was not included as an expenditure. As a result, the maximum debit balance limit of the Rs. 950,000,000 in the Agricultural Farms Maintenance and Seed Sales Advance Account had exceeded by Rs. 11,859,129.	The necessary steps for the revision of the limit currently being carried out.	Actions should be taken in line with Financial Regulation 503(2).

### 2.2 Incurring Commitments and Liabilities

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Although commitments and liabilities should not have been incurred beyond the allocation limits provided for each Object, according to Section 03 of State Accounts Circular No. 255/2017 dated 27 April 2017, liabilities amounting to Rs. 1,270,445 had been	All directors were made aware of this matter.	Actions should be taken in line with the circulars.

incurred, exceeding the allocation limits of 11 Objects.

### 2.3 Non-compliance with laws, rules and regulations

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

	<b>Reference to laws, rules and regulations</b>	<b>Observation Value Rs.</b>	<b>Non-compliance</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Section 224 of the Government Land Ordinance No. 08 of 1947	-	The ownership of 1,954 hectares of land belonging to 10 units of the department had not been transferred.	The land transfer activities are currently in progress.	Action should be taken in accordance with provisions.
(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka Sections 3.1 and 5.3 of Chapter XLVIII of Volume II	1918,128	Despite the revelation that funds have been misappropriated in the sales outlet of the Aluththarama Office of the Deputy Director of Agriculture (Seeds) for over a year, no necessary actions had been taken regarding this matter.	Investigations are presently underway in this regard.	Action should be taken in accordance with provisions.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.177 (1)	1,509,218	The Bidunuwawa Bees Development Unit had banked the income from daily collections with delays ranging from 4 to 20 days on 29 occasions.	The directors have been informed to make corrections in the future.	Income should be banked in accordance with the regulations.



(d) The procedural Rules of the Public Service Commission published in Extraordinary Gazette No. 2310/29 dated 14 December 2022.

Rule 244 of Chapter XVIII of Category I.

A total of 34 officers of the Sri Lanka Agricultural Service and 547 officers of the Sri Lanka Technological Service have been deployed at the same service location for a period between 5 years and 31 years without receiving any transfers. Steps will be taken in the future concerning the transfer of officers who have served for over 5 years. Action should be taken in accordance with the procedural rules of the Public Service Commission.

## 2.4 Operating Bank Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No action had been taken to settle 61 cheques totaling Rs. 2,965,402 related to the three bank accounts, the validity period of which had expired.	Action will be taken to swiftly settle these cheques.	Action should be taken to settle cheques.
(b) The schedules related to the unrecognized receipts of Rs. 736,462,632 and unrecognized payments of Rs. 737,993,227 as of 31 December 2023, at the Vavuniya and Karadiyanaru Agricultural Assistant Director (Seeds) Offices had not been submitted.	Action will be taken to examine and regularize this matter.	Schedules relevant to each balance in the bank reconciliations should be presented.

### 3. Operating Review

#### 3.1 Failure to Achieve Expected Output Level

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	The Polonnaruwa Government Seed Production Farm planned to produce 33,562 kg of additional food crops by spending Rs. 5,226,734 over the past six seasons, but only 5,979 kg could be produced, which is 18 per cent of the expected output.	Measures will be taken to avoid future issues and achieve the expected targets.	Steps should be taken to achieve the targeted seed production.
(b)	In the sample audit test conducted on the vegetable seeds received at the Ganenoruwa Vegetable Seed Centre, it was observed that 2,894 kg of seeds from the 5,413 kg received in the last four seasons were removed as weak seeds for germination.	A range of factors influence seed germination weakness, and the germination rate decreases over time.	Steps should be taken to reduce the factors that prevented the attainment of the targeted seed production.
(c)	Although plans were made to produce 247,500 kg of seed potato with an investment of Rs. 26,659,785 over the past three seasons at the Piduruthalagala Government Seed Potato Production Farm, only 97,638 kg could be produced, which was as low as 39% compared to expected production.	Various reasons contribute to a decrease in the estimated yield, and achieving 100% seed potato production is not practically possible.	Steps should be taken to achieve the targeted seed production.

### 3.2 Failure to Achieve Expected Outcome

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Out of five electric fences constructed at five seed potato production farms in Nuwara Eliya from 2012 to 2017, at a cost of Rs. 93,518,508 without a proper technical evaluation, three fences worth Rs. 67,245,266 had been abandoned without being used actively for a period of 1 to 7 years.	The maintenance was not possible due to the lack of adequate staff.	Projects that incur significant expenses should be implemented following a systematic evaluation.

### 3.3 Projects without progress despite the release of funds.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Although 10 big onion seed production projects were implemented over the past 8 years, spending Rs. 337,170,792, according to the data from the Department of Census and Statistics, the local big onion seed production, which was 98,900 metric tons in 2014, had dropped by 83,060 metric tons, or 84%, to 15,840 metric tons by 2022	Since the number of farmers engaged in cultivation has decreased and the total cultivated land area has reduced, the overall yield of big onions has significantly declined over the past ten years.	Projects should be implemented after a proper study.

### 3.4 Foreign aid projects

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Despite spending Rs. 203.9 million on 05 activities under the	It is due to various factors such as climatic reasons, economic policies,	Projects should be implemented after a proper study.

KOPIA project from 2015 to 2020 to enhance big onion seed production and agricultural technology in Sri Lanka, the audit test check revealed that the project had completely failed in the Hambantota district.

attitudinal causes, and the COVID-19 situation that farmers have not been inclined towards cultivation.

### 3.5 Procurement

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>With the objective of operating within the approved procurement limit of Rs. 800,000 for the Office of the Deputy Director of Agriculture (Seeds) in Polonnaruwa, procurement activities amounting to Rs. 11,659,563 had been carried out by dividing into sections on six occasions in violation of Section 2.14.1 of the Procurement Guidelines.</p>	<p>This has been done for the vision, mission, and objectives of the Department of Agriculture, and in the future, actions will be carried out in accordance with the terms outlined in the Procurement Guidelines.</p>	<p>Action should be taken in accordance with the Procurement Guidelines.</p>

### 3.6 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Goods of 22 types, purchased at a cost of Rs. 4,145,559 in the years 2016, 2020, 2021, and 2022 for the use in the Good Agricultural Practices (GAP) project implemented by the Extension and Training Division, and in the</p>	<p>Steps will be taken to supply them to the relevant centers in the future.</p>	<p>The goods should be utilized for their intended purpose.</p>

MonaragalaThelulla vegetable and fruit supply center had not been provided for the relevant objectives and were stored idle in the Gannoruwa Agricultural Business Development Unit by the end of the year under review.

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| (b) | The equipment purchased in December 2021 at a cost of Rs. 486,576 for the installation of the electrical circuit in the Mechanical Division of the Office of the Deputy Director of Agriculture (Seeds) in Polonnaruwa had not been used for the relevant tasks and remained stored idling in the office warehouse for two years. | Action will be taken to immediately put the electrical circuit to use | The goods should be utilized for their intended purpose.                       |
| (c) | The materials worth Rs. 941,750, purchased in 2014 for the installation of two additional cable lines for the electric fence at the Pidurutalagala Government Seed Potato Farm, constructed in 2012, had remained idle without being used.  | It was not possible to use them due to the existing labor shortage.   | Procurements should be carried out in a manner objectives are being fulfilled. |

### 3.7 Losses and Damages

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) In terms of the statement of losses and waivers (Note (i)), there were 437 incidents of losses and damages, with an estimated value of Rs.	Steps will be taken to quickly conduct investigations in collaboration with the relevant institution.	Action should be taken promptly regarding losses and damages in accordance with regulations.

106,934,291, that have persisted since 1976, for which investigations under financial regulation 104 have not been completed. According to the audit test check conducted, two incidents amounting to Rs. 47,938,490, for which no action had been taken, and 11 incidents with unidentified value were not included in the statement of losses and damages due to the prolonged delay in investigations under Financial Regulation 104 (3).

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| <p>(b) No full reports had been submitted in line with Financial Regulations 104 (4) regarding 5,699 kilograms of vegetable seeds worth Rs. 44,332,526, which failed due to poor germination percentages over the 10-year period from 2013 to 2023 at the Gannoruwa Vegetable Seed Centre.</p> | <p>A special committee has been appointed to conduct investigations related to the losses, and appropriate measures will be promptly taken based on the relevant parties.</p> | <p>Prompt measures should be taken concerning the losses and damages.</p>  |
| <p>(c) No actions had been taken in accordance with Financial Regulation 108 regarding the loss and damage of Rs. 13,188,887, for which investigations were completed under Financial Regulation 109 (1).</p>  | <p>It has been submitted for the approval of the Secretary of the Ministry in the year 2024.</p>  | <p>Prompt measures should be taken according to the Financial Regulations concerning the losses and damages.</p> |

### 3.8 Transactions in the form of financial irregularities.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Despite not having supplied materials and labor for the construction of the toilet system at the Ambalantota Government Seed Production Farm, payments of Rs. 346,850 had been paid.	Construction activities have now been completed.	Payments should be made only for the supply made.
Although the materials worth Rs. 1,021,376 purchased for the roof repair of the tourist bungalow at the Ambalantota Government Seed Production Farm were not used, they were recorded as issues in the inventory records.	All the remaining items have been recorded in the stock registers.	Actions should be taken transparently with proper authorization, and further steps should be taken as per the Establishments Code.
(c) Despite not having constructed 10 solar-powered street lamps worth Rs. 690,140 for the lighting of the Ambalantota Government Seed Production Farm's premises, payment vouchers were submitted on 31 December 2023 by making entries indicating that the construction had been carried out, was accurate, and met the expected conditions, by the farm manager and the mechanical engineer.	At present, all installations have been finished and are functioning properly.	Actions should be taken transparently with proper authorization, and further steps should be taken as per the Establishments Code.
(d) Although Rs. 324,425 was paid to a private institution on 29 December 2023 for the installation of a roller door for the Unit 02 seed processing unit at the Ambalantota Government Seed Production Farm, the door had not been supplied or installed even by 18 January 2024.	At present, all installations have been finished and are functioning properly.	Actions should be taken transparently with proper authorization, and further steps should be taken as per the Establishments Code.

- (e) After making entries indicating that the 32 cement sacks were issued for the use of activities in the Bombuwala Research Institute, two officers in the Institute had taken them for personal use
- A preliminary investigation is currently being conducted in this regard.
- Disciplinary action should be taken against the officers involved.

### 3.9 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Due to inefficiencies, irregularities, and weaknesses within the sources and methods of collecting primary data used for issuing crop forecast reports and advance notifications every two weeks based on the cultivation of 30 types of crops, including paddy, vegetables, and other additional crops, by the Department of Agriculture, issues were encountered in verifying the accuracy of the reports and notifications during the audit.	It is necessary to introduce a new method to improve the accuracy of the data	Greater attention should be given to fields with national responsibility.
(b) A total of 400 mobile phones worth Rs. 15,200,000 provided by the United Nations Food and Agriculture Organization in November and December 2019 had been distributed without being recorded in the inventory records as per Financial Regulations 751 and 753.	The officers have been informed about the course of action to be taken in the future.	Action should be taken in accordance with F.R.751 and 753.



- (c) Despite the lapse of one to twelve years since the issuance of 1,867 kilograms of seeds worth Rs. 5,826,554 on credit with 02 weeks payment period to various government institutions on 41 occasions between 2011 and 2023 on the approval of the Director of the Vegetable Seed and Plant Material Center, no actions had been taken to recover the credit amount.
- Action will be taken to resolve it after receiving the approval of the Secretary to the Ministry.
- Prompt steps should be taken regarding the recovery of debtors balances.

#### 4. Achievement of Sustainable Development Goals

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the department had identified 03 indicators related to the Sustainable Development Goals, the prepared development plan towards achieving the goals by 2030 or the progress of the identified indicators had not been presented for audit.	Details regarding the progress will be provided after the completion of the calculation of the income and expenditure statements for the 2023 Yala season.	The relevant basic plan for achieving the Sustainable Development Goals and its progress should be evaluated annually.

#### 5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) When comparing the approved cadre of the department with the actual cadre, there were 2,795 vacancies, including 696 senior-level positions and 557	Steps are being taken to fill the vacancies.	Upon recognizing the requirement, immediate steps should be taken to fill the vacancies.

vacancies in the technical services.

- (b) Although there was a shortfall of 425 agricultural advisors at the end of the year under review, 6 agricultural advisors had been attached to the Bidunwewa Bees Development Centre without sufficient duty assignment. The officers have been attached based on the approved cadre, and duty lists have been provided to them. Limited human resources should be managed efficiently.