

Head 118 – Ministry of Agriculture

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 118 – Ministry 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 Ministry of Agriculture was issued to the Chief Accounting Officer on 27 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 Ministry was issued to the Chief Accounting Officer on 01 July 2024 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry 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 Chief Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

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

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

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

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

1.5. Report on Other Legal Requirements

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

- (a) The financial statements are consistent with the preceding year.
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to paragraphs of the report relating to the previous year	Recommendation that had not been implemented	Paragraph reference in this report
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3.1.1	The deposit amount of Rs.63 million should be recovered.	3.7 (e)
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1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

1.6.1.1 Receipts of Revenue

Following deficiencies were observed.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the form ACA-1(i), although the net revenue collection for the year 2022 has been mentioned as Rs.437,085,714 under the net revenue collection for the previous 03 financial years in the Statement of Arrears of Revenue for the year ended 31 December 2023 of 2003.07.00 revenue code, the correct value was Rs.219,195,182.	This deficiency has been occurred due to an omission in recording in the Statement of Arrears of Revenue.	Correct values should be included in to the statement of revenue.

- (b) Arrears of revenue for the year under review had not been recognized in the Statement of Arrears of Revenue for the year ended 31 December 2023 of 2003.07.00 revenue code according to the form ACA-1(i). The revenue received for the year under review was Rs.961.12 million, of which Rs.60.4 million was for the 2018/19 Maha season, 2020/21 Maha season and 2021 Maha season and the remaining Rs.900.7 million was the revenue from disposal of paddy stock in 2022/23 Maha season. As per No.2.4 of the letter No.DFD/MD/GPPP/Maha-2022/23 dated 2023.07.17 of the Director General of Development Finance Department, instructions are given to distribute rice to low income families and to sell the remaining rice under open competitive bidding and credit the revenue to the revenue head of 2003.07.00 government paddy purchase program . Hence, a higher value has been recorded between the actual revenue and the estimated revenue. Arrears of revenue should be identified.
- (c) The revised revenue estimate was Rs.350,000,000 and the actual revenue was Rs.961,121,370 and therefore the difference was Rs.611,121,370 i.e. 175 percent. Action had not been taken to prepare a gross revenue estimate and revise. - do- Estimate should correctly be prepared.
- (d) Rs.60,407,579 was recovered in the year under review from the total arrears of revenue of Rs.437,085,714 in the year 2022 and further arrears of revenue was Rs.376,678,135 which was a high percentage of 86 percent of the total arrears of revenue. Weakness of ministerial supervision over revenue collection by district secretariats had mainly affected to the ineffectiveness of collection of arrears. Answers have not been submitted. Collection of arrears of revenue should be done efficiently.

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| (e) | Although the arrears of revenue of Lanka Sathosa as at 31 December 2023 which is mentioned in the financial statements was Rs.376,678,135, it is observed that the arrears to be collected from that institution is Rs.35,048,576 according to the information confirmed by the audit. | Actions are being taken to further examine the arrears to be collected by Lanka Sathosa. | Arrears of revenue should be recovered immediately. |
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1.6.1.2 Cheques not presented for Payment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A payment voucher was prepared and entered into the ITMIS computer system without confirming that the repair of the Range Rover Jeep No.CAV-5064 worth Rs.43,000,000 belonging to the Rural Economic division done as scheduled by carrying out a running test after repairing and a cheque worth Rs.9,041,001 was written and the it was kept for 06 months without being handed over to the institution and credited to the state revenue in July 2024.	A cheque of Rs.9,041,001 was written and recorded as payment in the cash book for the tax invoice dated 29.12.2023 related to the repair of Jeep No.CAV-5064. However, as the vehicle showed some defects during the driving test, the relevant agency has been informed. It is informed that the cheque has been kept unreleased to the relevant agency until the vehicle is fully repaired.	A payment voucher should be prepared and entered into the ITMIS computer system after confirming that the repairs have been carried out correctly.

1.6.1.3 Reconciliation Statements on Advances to Public Officers Account

Following deficiencies were observed.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A loan balance of Rs.71,615 due from a retired officer belonging to a period of 03-05 years, a loan balance of	Regarding the distress loan balance of the retired officer, the work of the new cabinet decision is currently being carried out and It is kindly informed that the dues of this	Action should be taken to recover outstanding loan balances.

Rs.175,714 due from a interdicted officer belonging to a period of 01-03 years, a loan balance of Rs.410,933 due from the 07 officers who vacated their post belonging to a period of 01-05 years, a loan balance of Rs.99,449 belonging to a period of 05-20 years and a loan balance of more than 20 years remained unsettled.

officer to the government can be recovered from the officer's pension gratuity once it is approved.

The Attorney General's Department has been directed on 21.06.2022 to take legal action regarding the amount of Rs. 175,714 that was to be collected by 25.10.2019 from the office assistant who worked in the then Ministry of Postal Services and Muslim Religious Affairs.

The balances of Rs.264,847 due from three officers who vacated their post are related to Livestock division. Among them, there is a loan balance of Rs.165,398 between 1-3 years, Rs.62,519 between 5-10 years, and Rs.36,930 between 10-20 years. The loan balance of Rs.570,705 due from 07 officers who vacated their post includes the loan balance due from three officers who vacated their post of the rural economic division.

1.6.1.4 Property Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The ministry had paid Rs.17,616,970 as customs duty when the vehicle with registration number CBF-1592 was received as a donation under the KOPIA project and it was brought to Sri Lanka. Although it was stated in the CUSDEC No. HBM1/73301 dated 16 November 2018 that price (CIF) value of the relevant vehicle up to Sri Lanka port was Rs.4,643,904, it was observed that only the amount paid to the Sri Lanka Customs has been included in the CIGAS computer system as the value of the vehicle.</p>	<p>It has been identified that this vehicle is currently being used by the Department of Agriculture. It is expected to take all the details in this regard from that department and take further action.</p>	<p>The total value of the vehicle should be entered into the CIGAS computer system.</p>

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| (b) | The Asset Management Circular No.02/2017 dated 21 December 2017 of Deputy Secretary to Treasury had not been followed regarding 40 vehicles with a value of Rs.220,729,100 included in the CIGAS computer system which are not in use by the Ministry. | The information of the 40 vehicles was entered into the CIGAS computer system in the year 2019. As the revision of ownership of those vehicles has not been updated in the computer system and it is being updated. | Correct and up-to-date assets should be entered into the computer system. |
| (c) | The audit observed that 25 vehicles, including 13 vehicles with a value of Rs.148,074,850 which the value was not stated in the CIGAS computer system and 12 vehicles which was not stated the value are in use in the Ministry contrary to the Asset Management Circular No. 02/2017 dated 21 December 2017 of Deputy Secretary to Treasury. | Actions are being taken to remove 14 vehicles from the CIGAS computer system since those do not have registered right of ownership in the name of the Ministry and keep the rest of the vehicles included in the same way and transfer the vehicles that do not have registered right of ownership to the name of the Ministry. | Values of assets that have clear and correct right should be entered into the computer system. |
| (d) | A difference of Rs.32,625,000 was observed in the value submitted to audit of the 33 vehicles in use in the Agriculture division of Ministry and the value of the vehicles included in the CIGAS computer system. | The appraised value of the vehicles will be entered into the CIGAS computer system and update it in future. | The correct value of vehicle should be entered into the computer system. |
| (e) | When reviewing the final report of losses under F.R. 104 (4) held on 22 July 2022 regarding the accident of the vehicle allotted to the then State Minister of Agriculture with the purchase value of Rs.18,000,000 and bearing No.KW-8202 on 21 March 2021, it was not observed regarding facts about the place of incident. Although it was stated in the report that the vehicle was parked at the Katubedda condemned vehicle yard belonging to Sri Lanka | In comparison with the times when the accidents occurred, it is observed that it is practically difficult to find out about the specific facts mentioned without the danger to the lives of the occupants of the vehicle and an attempt to escape. The Ministry was formally informed about the accident on the day after the accident and it is verified that even then the persons in charge of the car have taken action as mentioned in paragraph (b). Toyota Lanka had sent a letter on 25.03.2021 to the State Ministry of Agriculture stating that this vehicle will be considered as a condemned vehicle. Any formal notification or formal approval has | In assessing the damages under F.R.104(4), It should be followed all the relevant occasionally facts, as well as the procedures of the of the procurement guidelines to repair. |

Insurance Corporation without formal approval and the Toyota company had taken action to name this vehicle as a condemned vehicle, investigation had not been conducted regarding the disposal in a proper manner. Base on the agreement to pay a compensation of Rs.7,500,000, vehicle had been handed over to the private company for repair on 12 December 2022 not following the procedures of the Procurement Guidelines 2006 and the insurance company had paid Rs.5,625,000 to the relevant garage on 23 March 2023. The Ministry had approved the payment of the full amount of repairs to the supplier without entering into a contract or obtaining a performance bond. The accident vehicle was physically observed by audit on 21 December 2023 and the repair of the vehicle had not been completed by the date of this report.

not been obtained regarding the vehicle being sent to the scrap yard in Moratuwa belonging to the Sri Lanka Insurance Corporation. As per the recommendation of mechanical engineer, the vehicle has been sent to a garage registered in the Ministry and the Sri Lanka Insurance Corporation has been informed. The relevant advance amount has been paid by the insurance company. It is observed that there is no need for a performance bond as the entire amount is paid by the insurance corporation as per the agreement for the repairs and there is no any financial intervention from the Ministry. According to the telephone discussion with the management of the relevant repair company, the relevant company has also been informed in a letter to repair the car within 90 days.

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| (f) | According to the board of survey reports related to the year 2023, an excess of 88 items in 57 types of goods and a shortage of 249 items in 115 types of goods were observed in the Agriculture, Fertilizer and Livestock division, action had not been taken according to the financial. | According to the report presented by the Board of Survey 2023, the shortages and surpluses of certain items are caused by the internal exchange of goods in each division, when there is a shortage in one division, there is a surplus in the other division. Necessary activities are being carried out to correctly maintain the inventory registers of each division after looking into this. | Financial Regulation should be followed regarding the deficiencies and surpluses. |
| (g) | The specific factors that affected to became unable to start the Range Rover Jeep No.CAV-5064 of the Rural Economic division on 21 June 2021 and parties who responsible had not | A committee was appointed under the chairmanship of the Senior Assistant Secretary dated 19.04.2023 and according to the said report dated 01.06.2023, it was observed that there was a fault in the vehicle that caused the signals to indicate | Actions should be taken to identify the specific reasons to the unavailability for running and the parties responsible for it and to |

been identified. Estimates for repair of this vehicle has been received in 05 occasions. Accordingly, it was decided to repairing work for Rs.9,041,001 after 03 years despite it could have to be at Rs.3,076,878 in the year 2021 and handed over to the local representative for repairing. Nevertheless, the relevant repair had not been done even by the date of this report.

the fault in the vehicle to not work properly and it was recommended that a specific person or party who responsible for it could not be clearly identified. The repair of this vehicle has not been carried out in the year 2021 due to the lack of sufficient provision in the Ministry expenditure head for the first estimate of Rs.3,076,878 bearing estimate No. QK 4164 dated 28.07.2021 for the above repair. Access Motors (Private) Company has forwarded a new revised estimate of Rs.9,041,001 bearing estimate No. QK 4164 dated 25.11.2023 on the instructions given by the Ministry Mechanical Engineer to get a new estimate. Additional provisions have also been made for that.

repair immediately.

2. Financial Review

2.1 Entering to Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The liabilities and commitments of Rs.1,568,540 as at 31 December 2023 were not included in the relevant register by the Agriculture and Livestock division and the liabilities of Rs.858,302 belonging to the Livestock division had not been included under Annexure No.iii of the Statement of Liabilities and Commitments in the financial statements.</p>	<p>Since the relevant vouchers were received after January 2024, it has not been possible to include them in the accounts. Action will be taken to correctly account the liabilities and commitments in future. Expenditure vouchers of December 2023 were not submitted for payment in January 2024, therefore it was not possible to include under Annexure No.iii of relevant statement of liabilities and commitments.</p>	<p>All liabilities and commitments should be entered in the relevant register.</p>

2.2 Non-compliance with laws , rules and regulations

	Reference to Laws, Rules and Regulations	Amount Rs.	Non compliance	Comments of the Chief Accounting Officer	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	F.R. 138	335,740	Although an authorized officer should taken action to prevent the certification of another voucher for payment at a later stage, the payment had been made by the the Rural Economic Division for 07 payment vouchers based on 03 nominal invoices, photocopies of 03 bills and quotations By ignoring the said provisions.	02 invoices out of 03 nominal invoices are invoices of Rs.55,658 and Rs.113,832 issued by Anuradhapura branch of United Motors Lanka Private Company. The other nominal invoice is related to Office Network (Pvt) Ltd and the related tax invoice was issued at the time of making the relevant payments. The original bill for the Dongle used by the Ministry is not submitted from the Dialog Company and the normal process is to get a copy after sending the bill to the Ministry by email and make the payment.	Original or cerified bills or original invoices should be attached when making payments for vouchers.
(b)	Additional 38 for Procurement Manual dated 21 April 2021	596,000	Although the approval of the Secretary of the Line Ministry should be obtained for repairs of more than Rs.500,000, aforesaid approval had not been	On 2023.11.08, the Minor Procurement Committee of the Ministry has been referred for the approval for the repair of vehicle No.KY 5535 made on 2023.12.22 with a value Rs.596,000 and the said committee has approved the repair on	Proper approval should be obtained in accordance with procurement guidelines.

obtained even though 2023.12.21.
the repairs of
Rs.596,000 were
made in the year
2023 for the car
No.KY-5535.

2.3 Deposit Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>An action had not been taken in accordance with Financial Regulation 571 regarding the general deposits of Rs.740,439 deposited in 05 ocations in 02 accounts pass over 02 years as at 31st December 2023.</p>	<p>Rs.2,232 has been taken into the government revenue and Rs.245,532 has been taken into the Widow and Orphans fund. The letter and receipts which should submitted to release the bid securityof Rs.100,000 by the Lawrence Liquid, Bio Foods Ltd and Kangara Holdings had not been submited and the said institutions had been informed to the institutions through the letters. Due to the fact that the relevent documents regarding the deposits of Wariyapola Pradeshiya Sabhawas not received so far,the deposit balance has been credited to the government revenue in the year 2024.</p>	<p>Arrangements should be made to settle the deposits.</p>

2.4 Operation of Bank Accounts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The bank account balances of 03 bank accounts numbered 7040749, 7040184 and 7040733 of 03 state ministries which defuncted in the year 2022 were Rs.223,538,157, Rs.17,333,992 and Rs.49,801,314 respectively as per the bank statement on 31 December 2023 and the action had not been taken to inactivated that bank accounts at the date of this report also. Furthermore, any action had not</p>	<p>The defunct state ministies are currently under the Ministry of Agriculture and Plantation Industries. Accordingly action are being taken to change the name of the bank accounts.</p>	<p>Inoperative bank accounts should be closed and bank accounts should be maintained in the name of the current Secretary of the Ministry.</p>

been taken to despite the fact that the audit had indicated in the previous year regarding the bank accounts which were continued in the name of the secretaries of two defuncted state ministries.

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| (b) | Action had not been taken to disclosed in the financial statements or closed by the date of the report regarding the inactive bank account number 7040507 which is in the Bank of Ceylon on the name of the Secretary of Ministry of Agriculture,Rural economic and Livestock. | Action will be taken to checked and closed this account which inactive due to changes in Ministries from time to time. | In case of inactive bank accounts should be disclosed in the financial statements. |
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3. Operational Review

3.1 Planning

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Although the Dedicated Economic Centers in Batticaloa, Vavuniya and Jaffna which started to construct in 2017 and 2018 had been completed at a cost of Rs.279.8 million, Rs.304 million and Rs.191 million respectively by 31 December 2023, action had not been taken to open the Economic Centers yet as of the date of this report. Electricity charges of Rs.1.32 million and security charges of Rs.9.21 million for the Economic Centers in the year 2023 totaled Rs.10.53 million was burden to the government due to non-opening of those Economic Centers.</p>	<p>In the year 2023, Rs.4,820,350 has been spent for the essential development work to be done to open the Batticaloa Special Economic Center and the work has been completed by 2023.12.31.</p> <p>The allocation amount of Rs.4,002,604 has been spent under the 2023 budget estimates for the essential development work to be done to open the Vavunia Special Economic Center and the work has been completed by 2023.12.31.</p> <p>The allocation amount of Rs.6,984,365 has been spent under the 2023 budget estimates for the essential development work to be done to open the Jaffna Special Economic Center and the work has been completed by 2023.12.31.</p> <p>Electricity bills, water bills and security service fee have been paid from 2021 to</p>	<p>Action should be taken to open the Economic Centers.</p>

2023 and it is scheduled to be opened in the year 2024 after completing the requirements mentioned above in the economic centers of Batticaloa, Vavuniya and Jaffna as soon as possible.

3.2 Failure to Achieve Desired Level of Completion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A financial allocation of Rs.120 million was allocated in the year under review for the implementation based on the selected village in the district of Hambantota, Galle, Vavuniya and Kurunegala districts under the Programme of Retain Youth in Agriculture (Youth Village Programme). Although the financial progress of 84.7 percent was achieved as a whole, the financial progress of the Youth Village Programme in Kurunegala district remained at a low level of around 6 percent and it was also observed that only 1Kg of hybrid chili seeds were given to that farmers.</p>	<p>This project has not been started due to bad weather conditions making it not suitable to start additional food crop cultivation. By the Divisional Secretary of Ambanpola has reported that the Department of Agriculture has recommended that if the cultivation activities are to be started in the month of December, it is appropriate to start chilli cultivation only. Based on the current situation, it was decided that it would be appropriate to start chili cultivation only, so the Nikaveratiya Seed Office of the Department of Agriculture has been informed to issue the relevant seeds by the Kurunegala District Director of the Agriculture and due to the fact that the concerned institution was remained only 1Kg of MICHCY1 chilli seeds at that time, only that quantity had to be purchase.</p>	<p>Action should be taken to achieve the desired level of performance.</p>
<p>(b) The National Budget of 2023 has been allocated Rs.50 million for the Animal Breeding and Farm Development Project implemented by the Livestock Division and out of that Rs. 35.3 million has been allocated to the Kundasale Artificial Insemination Center to the project of purchase sperm donor buffalos which was to be implemented by the Department of Animal Production and Health. It was observed that the financial progress of the Animal Breeding and Farm Development Project is very low at 24.02 percent due to</p>	<p>An amount of Rs.35.3 million was transferred to the Department of Animal Production and Health from the allocation allocated for the program of “Animal Breeding and Farm Development” and the procurement for the import of breeding animals had been done twice by that department. The first bid was rejected as bidder was unable to import the animals and the procurement committee had to reject the second bids as they were unable to meet the relevant specifications. The second bid opening was done on 2023.09.04 and when it was found that the animals can not be imported, The possibility of implementing other</p>	<p>-Do-</p>

under-utilization of the allocation due to non-appearance of a suitable bidder in the procurement.

development projects related to the provision of animal breeding has been checked by the Livestock Division and the Livestock Development Division was informed that there was not enough time to implement new breeding development projects.

3.3 Losses and Waiver

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) For the brought forward loss balances of Rs.30,231,762 in respect of 47 cases had not been dealt with as per the Financial Regulation No.109 due to delay or failure to recover the loss as on the end date of the year under review.	Out of the 47 vehicle accidents mentioned in the audit report which have not been dealt with under Financial Regulation 109, 10 vehicle accidents have been completed so far and the remaining vehicle accidents are being dealt with under Financial Regulation 109.	Action should be taken regarding the loss balances as per the Financial Regulations.
(b) The loss regarding the vehicle No.KW-8202 which faced an accident on 21 March 2021 and was not made roadworthy even by end of the year under review was not included in the the loss and waiver register or in the financial statements.	Regarding the loss of the vehicle number KW 8202 was not recorded in the documents as there was not enough information to include it in the loss and waiver register and financial statements and the register has been updated according to the information already presented so far.	The value of the loss should be included in loss and waiver register and in the financial statements.

3.4 Uneconomic Transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A huge cost had to be incurred in addition to the cost of the imported fertilizers as loan interest due to monitoring weaknesses in Fertilizer Secretariat as well as due to non-payment of the money to be paid for the import of subsidized fertilizers through short-term bank loan and loans are not	This decision has been taken in accordance with the Cabinet decision No. 20/0293/204/022 dated 2020.02.09 regarding the “Converting the value payable to the People’s bank for the matured letters of credit by the State Fertilizer Companies” into cash.	Monitoring of import subsidized fertilizers and the money to be paid for that should be released and settled from the treasury at the right time.

settled within the due date and conversion it in to long-term loans. An additional interest expenditure of Rs.16,279,652,857 has been incurred for the loans acquired by Ceylon Fertilizer Company Limited and Colombo Commercial Fertilizer Company Limited which were Rs.9,804,086,114 and Rs.6,475,566,743 respectively under the provision for subsidized fertilizers in the year 2023. It was further observed that an accrued interest value of Rs.3,723,072,859 under the two Government Fertilizer Companies was included in the long-term loan conversion and due to this interest is being paid on the interest.

3.5 Failure to respond to Audit Queries

Audit Observation	Comments of the Chief Accounting	Recommendation
(a) According to the Financial Regulation 155, the Chief Accounting Officer should be reviewed audit query register referred to in Financial Regulation 452(1) after a specified period and action should be taken to correct the omissions which indicated in the audit queries received and should be replied to those queries immediately. However, 22 audit queries issued for the year 2023 to the Rural Economic Division have not been answered as of the date of this report.	Out of 19 audit queries submitted until 2024 March 17, 14 audit queries were related to Economic Centers and the remaining 05 queries were related to the Rural Economic Division. This 05 audit queries have been answered so far and a copy of the query has been forwarded to each Economic Center to provide prompt answers to the 14 audit queries submitted to the Economic Centers. As soon as the relevant replies are received, it will be checked a formal reply will be submitted promptly.	Action should be taken as per the 38(1) (e) of the National Audit Act No.19 of 2018.

3.6 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The lands of Kurunduwatta, Tambuttegama, Nuwaraeliya, Piliyandala, Narahenpita and Ratmalana Economic Centers had not been handed over to the Line Ministry by the Rural Economic Division as of the date of this report.	<p>The proposal regarding the acquisition of the land where the Kurunduwatta Economic Center is located has been forwarded to the Ministry of Lands. The land where the Tambuttegama Economic Center is located has been released by the Mahaweli Authority on 2023.08.28 with conditions for the use of the Ministry of Agriculture.</p> <p>A cabinet memorandum has been prepared and submitted to acquire the land belonging to the Railway Department on which the Nuwaraeliya Dedicated Economic Center is established on lease basis.</p> <p>The Economic Center has been started based on a memorandum of understanding entered into with the Piliyandala Bokundara Multi Purpose Co-Operative Society and Ministry of Co-operative Services, Marketing Development and Consumer Protection.</p> <p>Narahenpita Economic Center has been handed over to the Urban Development Authority and the arrangements are being made to hand it back to the Ministry.</p> <p>The Secretary of the Management Trust has requested advices from the Commissioner General of Lands regarding the ownership of the land where the Ratmalana Dedicated Economic Center is located.</p>	Arrangements should be made to hand over the relevant lands rightly to the Line Ministry.
(b) By the Sri Lanka State Trading (General) Corporation has been run the business activities without paying any rent for 02 warehouse premises No. 7 and 8 of Narahenpita Dedicated Economic Center nevertheless action has not been taken regarding them.	An agreement has been entered into for warehouse No.08 given on lease basis to the Sri Lanka State Trading (General) Corporation and according to the agreement, arrangements are being made to collect the arrears of rent and also actions are being taken to collect the arrears of rent after preparing the agreement for warehouse No.07.	The arrears of rent should be charged after entering to the proper agreement.

- (c) 16 shops belonging to the Ratmalana economic Center remained idle as of the date of audit. Due to no any applicant came forward although the tenders were put out on several occasions due to remained inactive the 16 fish market premises in Ratmalana Dedicated Economic Center, the decision regarding the appropriate to convert it into a warehouse premises on necessity had been taken in the Management Meeting held on 2023.05.19. Resources should be utilized effectively.
- (d) The arrears rent and penalty rent for business premises in the economic Centers of Kurunduwatta, Dambulla and Narahenpita was Rs.153,476,465 as at 31 December 2023. Due to the fact that the date of arrears was not submitted to the audit, the period of arrears could not be identified and action had not been taken to recover the said balances by the management. The management has been informed to submit an urgent report on the dates of arrears related to shop rent of Rs.153,476,465 outstanding as on 2023.12.31 in Dambulla, Kurunduwatta and Narahenpita Economic Centers, a time analysis of the outstanding balances and the steps taken by the management to collect the outstanding balances. And as soon as the reports are received, the information will be submitted to the audit. Action should be taken to recover rent arrears and fines.
- (e) Although the building premises named DPJ TOWER has been handed over to the lessor on 31 January 2020 as per lease agreement No.2178 entered into with the D.P Jayasinghe Tours and Transport Private Company Ltd on rental basis for the Ministry of Agriculture from 08 April 2016 to 07 April 2021 i.e. for a period of 05 years, the Refundable Security Deposit of Rs.63 million paid to the lessor by the Ministry has not been recovered until now. According to the lease agreement, the deposit amount for building must be returned to the lessee for 05 years from 2016.04.08 to 2021.04.07. Nevertheless, the deposit amount of Rs.63 mullion was not paid as agreed and the institution was informed in writing and they have also responded to it. However the Ministry had to enter into legal proceedings to recover the deposit amount since the facts presented by the said parties are not acceptable. The deposit should be recovered.

4. Human Resource Management

Audit Observation

170 posts in the Agriculture Division, 29 posts in the Fertilizer Division, 36 posts in the Livestock Division, 18 posts in the Rural Economic Division and 25 posts in the National Fertilizer Secretariat had been vacant in the Ministry of Agriculture and the details regarding that are as follows.

Division	Senior Level	Tertiary Level	Secondary Level	Primary Level
Agriculture Division	7	1	146	16
Fertilizer Division	5		20	4
Livestock Division	4	1	19	12
Rural Economic Division	4	2	8	4
National Fertilizer Secretariat	18	1	6	-

Comments of the Chief Accounting Officer

The concerned administrative authorities have been informed about the vacancies in the Agriculture Division. The Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has been notified to fulfil the vacancies in the posts of Fertilizer Division. These posts in the National Fertilizer Secretariat have been approved as personal to the officials. 18 officers were retired so far and new recruitments have not been made for that. Vacancies in the Livestock Division are continued to exist. A request has been forwarded to fulfill the vacancies in the Rural Economic Division.

Recommendation
Action should be taken to revise the cadre to suit the current requirement.