

Head - 285 Department of Agriculture - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 2025 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 19 May 2025 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 prepared give a true and fair view of the financial position of the Department of Agriculture as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note. 1 related to the financial statements.

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 Emphasis of Matter – Basis for preparing Financial Statements

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Agriculture, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Department of Agriculture, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility of 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 the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department of Agriculture exists 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.

1.5 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 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

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Commercial Advance Account

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) A total of 14 debtor balances amounting to Rs. 961,980 recovered as at the end of the year under review had been shown in the financial statements as recoverable balances.	It will be corrected when preparing the accounts for the year 2025.	Recoveries of debts should be properly recorded in the accounts and the accurate debtor balances should be shown in the financial statements.
(ii) The debtor balance of Rs. 175,000 receivable from the Office of the Deputy Director of Agriculture, Kandy, had not been shown in the financial statements as at 31 December of the year under review.	It could not be recorded due to a mistake, and it will be corrected when preparing the accounts for the year 2025.	Debtor balances should be accounted for accurately.
(iii) The value of 540 fixed asset items belonging to five seed production farms had not been identified, and the corresponding asset values and depreciation had not been adjusted in the financial statements for the year under review	Instructions have been given to the officers to correctly identify the value of these fixed assets and to adjust depreciation in the year 2025.	The value of fixed assets should be correctly identified, and depreciation should be accurately calculated and recorded in the accounts.

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| (iv) | Due to the failure to include an expenditure of Rs. 3,192,170 in the calculation of the cultivation cost of growing crops at the Seetha Eliya Seed Production Farm for the year under review, the profit for the year had been overstated by that amount. | Although the procurement activities were carried out in 2024, no voucher related to that amount had been submitted as at 31 December 2024. Therefore, that amount was not included in the cost of the growing crops as at 31 December 2024. | The cultivation cost of growing crops should be correctly identified and brought to accounts. |
| (v) | An income amounting to Rs. 23,502,852, which did not belong to the Agricultural Farm Maintenance and Seed Sales Advance Account, had been shown under other income in the financial statements for the year under review. | Since the auction income and housing rent income, as well as the maintenance of the Sandathenna Environmental Zone, are activities beyond the scope of the Department, action will be taken to rectify the existing procedure. | The income relating to the commercial advance account should be properly identified and accounted for. |

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although the value of assets identified by the Department in relation to five asset categories amounted to Rs. 25,148,475,775, it had been accounted for as Rs. 30,653,168,552 in the Statement of Non-Financial Assets (ACA 06). Accordingly, a difference of Rs. 5,504,692,777 was observed in non-financial assets.	Priority had been given in 2024 to minimize the previous difference and that action will be taken in the future to further reduce the remaining difference.	Action should be taken to reconcile the differences between Departmental Books and Treasury Books and to present accurate balances in the financial statements.
(ii) A total of 1,490 non-financial asset items, including 1,125 buildings and constructions, 24 transport equipment items, and 341 lands, had not been valued and accounted for as at the end of the year under review.	Immediately after the valuations are received, those values will be accounted for accordingly in the future.	Arrangements should be made promptly to properly value and account for the assets.

2. Report on Other Legal Requirements

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 those of the preceding year.
- (b) That the recommendations made by me on the financial statements of the preceding year have been implemented.

3. Financial Review

3.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Due to the failure to prepare the revenue estimates accurately and logically, the revenue estimate of Rs. 800,000,000 prepared for the year under review had been revised to Rs. 750,000,000 during the year. However, a total revenue of Rs. 926,148,764 had been collected during the year. Since the actual revenue exceeded the original estimate by 116 percent and the revised estimate by 124 percent, it was observed that the revenue had not been estimated accurately.	The increase in revenue was due to the unexpected rise in income during the last few months and the inability to revise the revenue estimate for the second time to suit to the increased income.	Revenue for the ensuing years should be efficiently and accurately forecasted.

3.2 Expenditure Management

- (a) Utilization of Provisions

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) During the preparation of expenditure estimates, excessive provisions were made for certain items of expenditure. As a result, a total of Rs. 88,700,000 from three recurrent items of expenditure and	That the provisions remained unused due to actions taken in accordance with circulars issued on public expenditure control and instructions provided by the Budget	Expenditure estimates should be prepared as accurately as possible.

	two capital items of expenditure was transferred to other items of expenditure, with percentages ranging from 24% to 97%.	Department regarding allocation of funds.	
(ii)	Out of the net recurrent provisions of Rs. 539,160,000 provided under Programs 01 and 02 for the year under review, Rs. 175,961,422, or 32.6% of the net provision, remained unutilized.	The strict expenditure control, as per National Budget Circulars No. 01/2024 BD/CBP/01/01/01-2024, dated 10.01.2024 and 05/2023 BD/CBP/01/01/05-2023, dated 29.12.2023, contributed to this situation.	Action should be taken to prepare accurate estimates and ensure maximum utilization of allocated provisions.
(iii)	Out of the net capital provisions of Rs. 630,830,000 allocated under Programs 01 and 02 for the year under review, Rs. 196,679,333, or 31% of the net allocation, remained unutilized.	The strict expenditure control in line with the instructions of Budget Circular 01/2023, through cautious spending, led to the savings of allocations.	Action should be taken to prepare accurate estimates and ensure maximum utilization of allocated provisions.

3.3 Incurring Commitments and Liabilities

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	As per the Note (iv) on commitments and liabilities submitted with the financial statements, the balance of commitments and liabilities as at 31 December 2024 was Rs. 11,808,310. However, according to the Treasury computer printout (SA 92), the said balance amounted to Rs. 97,546,807. Further, liabilities amounting to Rs. 614,462 pertaining to 61 instances that were not reported to the Treasury had been included in the financial statements.	Due to delays in receiving bills from other offices outside the main office of the Department, the payments were made with the approval obtained under FR 115.	An internal procedure should be established and implemented to ensure that commitments and liabilities are accurately identified and properly included in the financial statements.

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| (b) | Even though commitment or liability unreported to the Treasury should not be settled in the year 2025 as an expenditure of the previous year, a sum of Rs. 4,629,683 in respect of liabilities relating to the year under review, which had not been included in the Treasury computer printout (SA 92) of commitments and liabilities, had been paid in 2025. | Due to delays in receiving bills from other offices outside the main office of the Department, the payments were made with the approval obtained under FR 115. | Formal action should be taken against the officers responsible for not properly reporting liabilities, and future payments should be made only after reporting the commitments and liabilities accurately to the Treasury. |
| (c) | Contrary to F.R. 94(1), commitments amounting to Rs. 2,421,050 had been incurred by exceeding the provision limits of two items of expenditure. | Since it is essential to continue the daily operations without interruptions with water, electricity, and telephone services, the payments had been made accordingly, and instructions were given to act in compliance with FR 94(1) in future. | A proper arrangement should be made to prevent such situations in future and to act in compliance with the Financial Regulations. |

3.4 Non-Compliance with Laws, Rules, and Regulations

	Audit Observation		Comment of the Accounting Officer	Recommendation
	Reference to Laws, Rules, and Regulations	Value Non-Compliance Rs.		
(a)	Gazette Extraordinary No. - 1655/7 dated 25 May 2010 issued under Section 26 of the Control of Pesticides Act No. 37 of 1980.	As revealed by the sample audit test, as at 27 February 2025, five pesticide sales outlets had been operating without obtaining the required annual licenses for the year 2024.	Not commented.	Formal action should be taken against the officers who failed to act against the respective shops, and legal action should be instituted against those shops in accordance with the relevant Act and Gazette notification.

(b)	Section 22, Chapter XII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	2,583,180	The Mechanical Engineer of the Anuradhapura Farm Mechanization Research Centre under the Department of Agriculture had obtained 175 days of leave, including 85½ days of unapproved leave, during the period from January 2023 to 31 July 2024. However, salary payments had been continuously made without drawing attention to this matter.	Action is being taken to approve the no-pay leave obtained during the year 2023.	Disciplinary action should be taken in accordance with the Establishments Code.
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3.5 Transactions of Fraudulent Nature

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	In one phase of the Hela Bojunhala constructed within the Udimaluwa premises of the Anuradhapura Sri Maha Bodhi at a cost of Rs. 45,202,964 under three stages, an overpayment of Rs. 1,824,826 had occurred due to re-estimating and making payments again for already paid work items, making payments for quantities measured exceeding the actual physical quantities, and making payments for undone work.	Arrangements will be made to recover the revealed overpaid amount from the retention money payable to the contractor.	Formal action should be taken against the officers responsible for the overpayments, and payments should be made only for the work actually completed based on accurate estimates. Further, overpaid amounts should be recovered from the parties concerned.
(b)	Contrary to Financial Regulation 767(1), the Nillamba Samurdhi Centre had not issued Goods Received Notes (GRNs) under Form General 219 for 04 issue orders related to equipment belonging to two cold rooms handed over to the Department of Agriculture. Further, those items, valued at Rs. 285,000, had	The equipment, being around 30 years old and unusable, was handed over to the bidder through the procurement process.	Formal action should be taken against the officers who failed to act in compliance with Financial Regulations and circulars.

been handed over to external parties in violation of the Department of Agriculture Circulars No. 05/2014 and 06/2014.

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| <p>(c) During the period from May 2022 to December 2023, a contract labourer employed at the Udaradella Seed Potato Production Farm had prepared and used forged bills for the purchase of diesel, petrol, oil, and grease, resulting in a payment of Rs. 3,127,490 to a private filling station.</p> | <p>Instructions have been issued to conduct a formal investigation into the submission of forged bills and to submit a report.</p> | <p>The investigation should be expedited, and the loss caused to the Government should be recovered while taking formal disciplinary action against the responsible parties.</p> |
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4. Operational Review

4.1. Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Contrary to Paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020, the Department of Agriculture had not prepared the revised Action Plan and the revised Technical Action Plan for the general capital and special projects relating to the year under review in a timely manner. These plans had been submitted to the audit only on 11 March 2025 and 09 April 2025, respectively.	Necessary attention will be paid to this matter in future, and the plans will be submitted within the prescribed time frame without delay.	Formal action should be taken against the officers who failed to prepare and submit the plans within the stipulated period, and a procedure should be established to ensure that plans are prepared and submitted within the prescribed time frame in future.

4.2 Failure to Achieve the Expected Level of Output

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although a sum of Rs. 9,462,220 had been spent since 2023 under three projects to promote maize cultivation in the Anuradhapura Inter-Provincial	Although the maize cultivation project was implemented, it was not possible to achieve the	Formal action should be taken against the officers who supervised the

	<p>Zones, only 50 percent of the expected target had been achieved during the 2024 Yala season.</p>	<p>expected targets due to factors such as the importation of maize seeds, non-receipt of fertilizer subsidies, and farmers abandoning cultivation owing to high fertilizer, machinery, and labour costs.</p>	<p>projects, and a proper arrangement should be put in place to achieve the expected targets.</p>
(b)	<p>Under the Project for Increasing the Productivity of Supplementary Food Crops, a sum of Rs. 2,661,825 had been paid as incentives to big onion farmers in the Anuradhapura Inter-Provincial Zone in 2023. However, out of the expected target of 700 hectares for the <i>Yala</i> season of 2023, the progress achieved was only 13.2 hectares, representing a very low performance of 1.8 percent.</p>	<p>The expected targets could not be achieved due to reasons such as non-receipt of subsidies for supplementary food crops, lack of a fair market price for the harvest, unexpected dry weather conditions, and farmers abandoning cultivation due to the government's importation of big onions.</p>	<p>- Do -</p>
(c)	<p>Although the total expected seed production at the Kundasale Government Seed Production Farm for the past four cultivation seasons was 10,530 kg, only 2,717 kg of seeds had been produced, incurring an expenditure of Rs. 20,706,591. This represented only 25 percent of the expected target.</p>	<p>The production targets could not be achieved due to adverse weather conditions and insufficient human resources.</p>	<p>- Do -</p>
(d)	<p>The Seetha Eliya Seed Potato Farm of the Department of Agriculture had failed to achieve 63 percent and 59 percent of the expected seed yield during the Yala seasons of 2022 and 2024, respectively.</p>	<p>The expected targets could not be achieved due to the shortage of fuel in the country, dry weather, and stormy conditions</p>	<p>- Do -</p>
(e)	<p>The Pelwehera Deputy Director (Seeds) Office had failed to achieve 21,320 kilograms, or 63 percent, of the targeted 33,620 kilograms set under the contract seed production</p>	<p>The progress had declined due to prevailing market and environmental conditions.</p>	<p>- Do -</p>

program for three crop varieties in the 2024 Yala season.

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| (f) | At the Meepilimana Government Seed Potato Production Farm, seed potato production in the Yala season of 2023 had decreased by 50 percent compared to the Yala season of 2021, and the production during the Maha season of 2023/2024 had decreased by 43 percent compared to the Maha season of 2021/2022. | Seed production remained at a low level due to the reduction of cultivated area, unfavorable weather conditions, and pest infestations. | - Do - |
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4.3 Failure to Achieve the Expected Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A One Stop Sales Centre and a Centre for Renting Agricultural Machinery had been constructed within the premises of the Anuradhapura Farm Machinery Training Centre at a cost of Rs. 13,315,979 without a proper engineering plan or feasibility study. Although agricultural machinery valued at Rs. 11,732,900 had been purchased for this purpose, those machines had remained idle for over 05 years without being used. Furthermore, the One Stop Sales Centre constructed within the Bataatha Agricultural Technology Park at a cost of Rs. 7,133,153 had also remained underutilized.	There had been no proper mechanism for renting agricultural machinery, and although the machinery was used for agricultural extension training and demonstration programs, such programs were completely suspended due to the spread of COVID-19 and fuel shortages and measures are being taken to develop a proper procedure for the sale of products cultivated by farmers under GAP certification to enhance sales opportunities at the One Stop Sales Centre at the Bataatha Agricultural Technology Park.	Formal action should be taken against the officers responsible for not ensuring the full utilization of assets, and a proper procedure should be implemented to obtain benefits from the underutilized assets.
(b) The Seed and Planting Material Centre of the Department of Agriculture had purchased four fuel storage tanks valued at Rs. 9,629,640 at Rs. 2,407,410 each for 04 farms, and by February 2025, those tanks had remained idle for more than a period of two years.	Not commented	- Do -

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| (c) | At the Meepilimana Government Seed Potato Production Farm, the income in 03 out of 07 cultivation seasons from Yala 2021 to Yala 2024 had decreased in proportion to the expenditure, ranging between 67 percent and 53 percent. | The decrease in income had been caused by factors such as pest and disease infestations, adverse weather conditions, and a severe shortage of human resources. | A proper procedure should be established to achieve the expected outcomes. |
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4.4 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although the bidding documents for the contract to install refrigeration equipment for the thermal chambers established at the offices of the Deputy Directors of Agriculture in Kundasale and Pelwehera under the Seed and Planting Material Centre of the Department of Agriculture had specified that five years of experience should be considered in awarding the contract, such requirement had been disregarded. Accordingly, the contract had been awarded to a company that had submitted falsified documents regarding work experience and was registered under the C (Construction) category according to CIDA classification.	The construction engineering works for this project are carried out by contractors under the C category or EM category, which is the relevant engineering field for this project, and the educational and professional qualifications of the contractor's consulting engineer are suitable for this project	Formal action should be taken against the officers responsible for the irregular procurement, and measures should be taken to ensure that procurement activities are carried out transparently in the future.
(b) For the seed production farms, four diesel storage tanks worth Rs. 9,629,640 were purchased at Rs. 2,407,410 each in 2022. One of the tanks had been estimated at Rs. 2,499,750 at the time of purchase; however, during the audit inspection, it was revealed that the current market price of this diesel storage tank is Rs.1,450,000.	Not commented	Procurement activities should be carried out in a manner that maximizes benefits to the government, and if any irregularity is identified through a proper investigation, disciplinary action should be taken against the responsible officials.

(c) For the purchase of refrigeration equipment required for the two thermal chambers constructed within the offices of the Deputy Directors at Kundasale and Palwehera, price analyses and other documents supporting the two estimates, prepared at a cost of Rs. 15,073,620 each, were not submitted for audit.	Since the government-approved BSR rates had not been prepared for the mechanical construction sector, special price schedules had to be prepared for that sector, and that all determinants considered in the HVAC field had been taken into account in preparing the estimates.	The price analyses and other relevant documents relating to the estimates should be submitted for audit, and formal action should be taken against the officers who failed to submit those documents.
(d) Contrary to Section 3.2 of the Procurement Guidelines, the Seed and Planting Material Centre and the office of the Deputy Director (Seeds) had purchased and installed 474 solar-powered street lamps valued at Rs. 35,432,358 in 2023 and 2024 using the shopping method, instead of conducting a National Competitive Bidding process.	Due to the lack of sufficient time, the shopping method had been used and that the correct procurement procedure will be followed in the future.	Formal action should be taken against the officers responsible for such procurement, and steps should be taken to conduct open competitive bidding as much as possible to ensure that procurement objectives are properly achieved.
(e) Contrary to Financial Regulation 137(2), the Seed and Planting Material Centre and eight offices of the Deputy Directors (Seeds) had made payments amounting to Rs. 25,652,827 in 2023 and 2024 for the installation of 337 street lamps without verifying the specifications.	The country of manufacture of the street lamps is the Netherlands, and the specified 'Panel Voltage' values have been verified by the respective engineers, while the warranty period and service provisions have been indicated in the payment bills and agreed upon with the contractor.	Formal action should be taken against the officials who made payments without properly inspecting the condition of the goods received as per the specifications.

4.5 Asset Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In terms of Section 224 of the State Lands Ordinance No. 08 of 1947, the lands belonging to government departments should be properly surveyed and formally vested.	The activities relating to the vesting of lands are currently in progress.	Action should be taken expeditiously to vest the lands.

However, action had not been taken to finalize the vesting of 51.92039 hectares of land belonging to 04 units.

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| (b) | A land area of approximately 1.5 acres belonging to Section D of the Kundasale Government Seed Production Farm had been under unauthorized occupation by residents since 1993, and no action had been taken to recover it. | Action is being taken to take over the encroached lands. | Action should be taken promptly to take over the unauthorized lands. |
| (c) | The automatic seed-packing machine purchased in 2012 for the office of the Deputy Director (Seeds), Pelwehera, at a cost of Rs. 7,707,544, had been used to pack only about 4,551 seed packets up to 2017, and had remained idle for more than eight years thereafter. | This is a special type of machine that is not frequently used, and that repairs will be carried out in due course through the local agent of the company. | Idle or underutilized assets should either be repaired and put to productive use, or, if continued maintenance is not economically viable, necessary formal action should be taken to dispose of them properly. |
| (d) | Although the seed drying machine purchased in 2010 for the office of the Deputy Director (Seeds), Pelwehera, at a cost of Rs. 500,000, was in working condition, it had remained idle for five years. | After obtaining a mechanical engineering recommendations regarding this machine, further action will be taken in accordance with those recommendations. | - Do - |
| (e) | The cold storage facility purchased in 2015 for the office of the Deputy Director (Seeds), Pelwehera, at a cost of Rs. 1,910,699, had remained idle for over one year without being used with the building constructed for that purpose. | The future activities related to the repairs of the cold storage will be carried out after obtaining the mechanical engineer's recommendations for the necessary repairs. | - Do - |
| (f) | Equipment valued at Rs. 513,538 purchased in 2016 for the repair of the electric fence at the Meepilimana Government Seed Potato Farm had remained idle for eight years without being used. | The items of equipment have been produced and stored, as they cannot be easily purchased from the general or local market during emergency situations. | - Do - |

4.6 Losses and Damages

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although losses and damages relating to 389 incidents valued at Rs. 110,622,350, which had continued to exist since 1976 without concluding investigations under Financial Regulation 104, were shown in the financial statements, according to the submitted schedules, there were 432 incidents of losses and damages as of 31 December 2024.	In addition to the losses and damages reported to the Asset Management Division, discrepancies in the number of incidents have arisen due to the existence of files identified through the physical verification of goods.	Action should be taken promptly in respect of losses and damages in accordance with Financial Regulations, and formal disciplinary action should be taken against officers who have failed to complete the investigation reports.
(b) According to the audit test check, losses and damages amounting to Rs. 5,779,244 relating to 29 cases had not been disclosed in the financial statements due to long delays in completing investigations under Financial Regulation 104(3).	The incidents reported to the Asset Management Division as at 31.12.2024 were included in the financial statements.	Having conducted Investigations promptly, the losses and damages should be accurately included in the financial statements.

4.7 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Head Office of the Department of Agriculture had incurred Rs. 2,308,180 and Rs. 4,766,862 respectively for water and electricity expenses during the year 2024. However, water and electricity had been supplied free of charge for four construction contracts worth Rs. 6,896,229 carried out within the Head Office premises.	Having conducted discussions with the contractor, action will be taken to recover the cost of water and electricity consumed by the contractor either in cash, through a bill, or by deducting it from the retention money.	The relevant amounts should be calculated and recovered from the responsible parties.

4.8 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In accordance with Section 18 of the Seeds Act, No. 22 of 2003, draft regulations necessary for the implementation of the Act were prepared and submitted to the Department of the Attorney General in 2018, and although six years have elapsed, the actions required under Section 18.5 of the Seeds Act to publish and enforce the relevant regulations in the Gazette had not been carried out by the audit date of 23 December 2024.	The draft regulations related to the Seeds Act have now been received from the Ministry of Agriculture, and arrangements have been made to review the related regulations and take prompt action to forward them to the Legal Draftsman.	A prompt arrangement should be made to implement the provisions of the Act.
(b) Although it has been notified, in accordance with Section 19(1) of the Control of Pesticides Act, No. 33 of 1980 that, no person should store pesticide stocks anywhere other than in a designated special warehouse for storage, the stocks and raided consignments intended to be presented for legal proceedings, and those awaiting disposal after the conclusion of legal action, had been improperly piled up in the rooms of the buildings within the premises of the Pesticide Registrar's Office.	The warehouse in the Pesticide Registrar's Office is being maintained as a temporarily measure.	Action should be taken in accordance with the provisions of the relevant Act.
(c) Although, in terms of Section 21(2) of the Control of Pesticides Act, No. 33 of 1980, the collection of pesticide samples is required to be carried out by an authorized officer, the samples obtained by the company were sent to the Pesticide Registrar's Office for analysis without such action being taken, resulting in a lack of transparency in the sample collection process.	Attention will be given to this matter in the future, and consideration will be given to establishing a new procedure	A procedure should be promptly established to take actions in accordance with the provisions of the Act.

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| (d) | Although 2,811 liters of diesel worth Rs. 918,936 were issued in 2024 for five tractors used in Meepilimana government seed potato production farms, the fuel consumption could not be accurately verified in the audit due to the milometers of those tractors being non-functional. | Not commented. | The milometer should be repaired immediately. |
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5. Human Resource Management

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Comparison of the approved cadre with the actual cadre of the Department revealed that, there were 2,875 vacancies as of 31 December 2024. Among these, 476 vacancies were at the officer level out of 1,050 approved senior-level officer positions.	Actions will be taken to fill the vacancies.	Action should be taken to conduct a staff review, revised the approved number of employees, and promptly fill the necessary vacancies.
(b)	Pension files of 147 officers who had retired from service in the Department were not updated by officers for periods ranging from 1 to 18 years. Consequently, these officers had not received their retirement benefits as of 30 April 2025, the date of audit.	Some files could not be updated due to various reasons and institutional measures have been implemented to prevent delays in retirement payments.	Action should be taken to update the retirement files without delay and to prepare the pension payments of the officers. Further, a formal investigation should be conducted, and if the delay in preparing the retirement files was due to the weaknesses of the subject officers and supervisory officers, disciplinary action should be taken against the responsible officers.

- (c) According to Section 244 of the Extraordinary Gazette No. 2310/29 on Procedural Rules issued by the Public Service Commission of the Democratic Socialist Republic of Sri Lanka on 19 December 2022, every public officer is subject to transfers. However, it was observed during a sample inspection of six institutions under the Department of Agriculture that 145 officers had been serving without receiving transfers for a period ranging from 5 to 28 years.
- Action will be taken to transfer the officers under the forthcoming annual transfers.
- The annual transfer procedure should be implemented in a systematic manner.