Head 118 – Ministry of Agriculture and Plantation Industries - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 118 – Ministry of Agriculture and Plantation Industries 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 Ministry of Agriculture and Plantation Industries was issued to the Chief Accounting Officer on 30 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 Ministry was issued to the Chief Accounting Officer on 24 June 2025 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 for the year then ended 31 December 2024 of the Ministry of Agriculture and Plantation Industries give a true and fair view of the financial position, financial performance and cash flows in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters describe in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities in relation to the Financial Statements are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of this report. 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 preparation of financial statements

Attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the needs of the Ministry of Agriculture and Plantation Industries, General Treasury and Parliament in accordance with Financial Regulations 150 and 151 and Public Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Ministry of Agriculture and Plantation Industries, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Public Financial Regulations 150 and 151 and Public Accounts Guidelines No.06/2024 dated 16 December 2024 as amended on 21 February 2025 for such internal control determine 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 annual and periodic financial statements to be prepared of the Ministry.

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 system 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 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.

1.6. Comments on the Finanacial Statements

1.6.1 Non-compliance with the provisions of the financial statement Circular

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In accordance with Section 7.6 of the Public Accounts Guidelines No.06/2024 dated 16 December 2024 of the Director General of the Public Accounts Department, Although the value after adjusting the transfers in F.R 66 and 69 and supplementary provisions to the annual budget provisions in the revised budget provision column of the Financial Performance Statement (ACA-F) should be used**,** the revised budget provisions in the Statement of Financial Performance had shown the values of the annual budget provisions without making any adjustments to the transfers of F.R. of 66 and 69 and supplementary provisions.	Work will be carried out in accordance with the public accounting guidelines in the future.	According to the Public Accounts Guidelines, the value after adjusting for F.R. transfers and supplementary provisions should be used in the annual budget allocations.

1.6.2 Accounting Deficiencies

1.6.2.1 Revenue Receipts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Action had not been taken to correct the error that had occurred in the statement of arrears of income submitted in Form ACA-**1(**i) due to recorded as Rs.437**,**085**,**714, which was the correct net income value of Rs.219**,**195**,**182 for the year 2022 in the preparation of the financial statements for the year 2023 even in the year 2024.	Accepted. Action will be taken in the future to correct the error made in the statement of arrears of income submitted in ACA-**1(**i) by misrepresenting the correct net income value for the year 2022 as Rs.437**,**085**,**714, which was Rs.219**,**195**,**182.	The correct values should be included in the income statement.

1.6.2.2 Capital Expenditure

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The 09 vehicles worth a total of Rs.59,820,513 and 08 vehicles whose value was not stated which are owned by the Ministry and used by the Ministry had not been included in the non-financial assets in the financial statements of the Ministry.	Actions are being taken to include the vehicle in the CIGAS system of the Ministry of Agriculture.	The values of ownership-settled assets should be included in the financial statements.
(b)	According to the Asset Management Circular No.2/2017 dated 21 December 2017 of the Deputy Secretary to the Treasury, although the transferee should be given the opportunity to register them in the name of the Ministry when transferring vehicles to other ministries. The 15 vehicles registered under the Ministry of Agriculture worth Rs.59,450,000 and used by other ministries and departments and 07 vehicles whose value was not stated not being included in the financial statements of this Ministry without doing accordingly.	The reasons for these vehicles will be checked and necessary actions will be taken in the future.	The value of ownership-settled assets should be accounted in the financial statements.
(c)	Although the vehicles used without registration rights may be registered in the name of the institution with the consent of the institution with registration rights or transferred to the institution with registration rights, it was observed that, 29 vehicles worth Rs.276,450,000, which had not taken over or re-transferred in accordance with Asset Management Circular No.2/2017 dated 21 December 2017 and are in use by the Ministry of Agriculture and are under the legal ownership of the other institutions have been included in the CIGAS computer system and financial statements as non-current assets.	18 vehicles belong to the plantation division. The remaining 11 vehicles were registered under the State Ministry of Backward Rural Areas Development and Domestic Animal Husbandry and Minor Economic Crops Promotion and those vehicles are scheduled to be registered under the Ministry of Agriculture by now.	The values of assets with registered rights should be accounted for in the financial statements and in the computer system.
(d)	A difference of Rs.23,459,410 was observed between the value submitted for audit as the assessed value of 80 vehicles in use by the Ministry as of 31 December 2024, and the vehicle values included in	Work is underway to assess the 06 vehicles belonging to the agricultural division and the reports will be entered into the CIGAS computer system	The correct values of the vehicles should be entered into the computer system.

	the CIGAS computer system.	as soon as they are received. The values of the vehicles in the livestock division are the purchase values of certain vehicles or the insured values of certain vehicles at that time. The submitted assessed values of the relevant vehicles as at 31 December 2024 are the values assessed for the purpose of reporting government non-financial assets submitted to the Comptroller General in accordance with the provisions of Asset Management Circular No.04/2018 and for inclusion in the government's Non-Financial Asset Management System (NFMS) in accordance with the provisions of Asset Management Circular No.06/2023. Accordingly, It is agreed that there are differences between the values presented for audit as assessed values as of 31 December 2024 and the values of the vehicles included in the CIGAS computer system.	
(e)	The insurance company has agreed to pay an insurance compensation of Rs.7,500,000 for the accident on 21 March 2021 involving the vehicle bearing number KW-8202, worth Rs.18,000,000 belonging to the Fertilizer Division allocated to the then State Minister of Agriculture and accordingly, the vehicle was handed over to the relevant garage for repair on 12 December 2022. The Insurance Corporation had paid an amount of Rs.5,625,000 to the vehicle repair company on 23 March 2023. The relevant repairs had not been carried out even though 02 years had passed since the physical inspection by the auditors on 21 December 2023 and 27 September 2024 and as of the date of this report.	Although the vehicle bearing number KW-8202 was sent to a Battaramulla garage for repairs on 12.12.2022, the repairs had not been completed and handed over as of the date of this report. When enquiring about its progress on 04.04.2024, the institution informed that the repair work of the vehicle would be completed within 90 days from 06.04.2024. and the Ministry informed the garage that the vehicle would be repaired by 30.07.2024. and handed over by 15.08.2024 accordingly. However, since the vehicle	The vehicle should be repaired and put into use.

		was not handed over on 15.08.2024, the S.A.S Admin 1 and the Assistant Secretary (Transport) visited the garage and physically inspected the vehicle on 06.09.2024, the garage had made a request by the letter dated 23.10.2024 for a period of 03 months to import from the parent company due to the unavailability of the relevant spare parts in the local market and to repair and re-deliver the vehicle. The Mechanical Engineer was informed in writing on 01.01.2025 to inspect the repair work of the vehicle and provide a report. Again, a meeting was held on 11.03.2025 regarding this repair under the chairmanship of the Additional Secretary (Transport and Investigations) and with the participation of the Assistant Secretary (Transport), the Mechanical Engineer and the Manager of the relevant garage and as per the discussion, the Workshop Manager of the said Motors agreed to complete the repair work in 02 months from 11.03.2025. However, it was informed by the letter dated 12.04.2025 that another two months were required for the repair work. The said Motors informed the Mechanical Engineer in writing on 19.05.2025 to inspect the repair work on this vehicle and provide a report.	
(f)	The Range Rover vehicle, currently worth Rs.43,000,000 assigned to the then State Minister of the Development of Backward Rural Areas and the Promotion of	As per the instructions of the Chartered Mechanical Engineer of the Department of Posts who was in charge of the	Necessary actions should be taken to identify the specific causes of the

Domestic Animal Husbandry and Minor Economic Crops and belonging to the Rural Economic division by now, was sent for repair due to the engine overheating and the vehicle becoming un-startable on 21 June 2021. However, a report regarding this defect was obtained from the vehicle's dealership itself, rather than from an independent government agency related to automotive technology, A committee was appointed after 2 years to conduct an investigation under F.R. 104 and no full report or preliminary report had been submitted to date in accordance with F.R. 104 (3). Furthermore, the repairs that could have been completed at the original estimate of Rs.3,076,877 submitted for repairs on 23.06.2021 were sent for repairs at an estimate of Rs. 9,041,001 obtained by the same institution after 02 years and 05 months. Despite the repairs were not completed, a cheque for Rs.9,041,001 was written on 30.12.2023 and relevant entries were made in the cash book and the value of that cheque was credited to the state revenue later and a voucher had been prepared for payment on 15.07.2024 prior to that. Although the repairs of this motor vehicle had been completed by 22.07.2024, action had not been taken to receive the vehicle by making the relevant payments and, its driving tests had not been carried out by the audit date.

Ministry's vehicle repairs at the time of the vehicle malfunction, after submitting a questionnaire to the local dealership regarding this defect and receiving the response, further detailed explanations have been obtained from the local dealership. In the event of damage to a vehicle due to an external accident, the vehicle is entitled to insurance coverage. Internal damage to the vehicle's engine due to technical reasons is not covered by the insurance.

In the report given in this regard having considered the local dealership company's explanation of the defect and the statements of the driver of the vehicle and the Ministerial Security Division officer who was traveling in the vehicle, no final conclusion has been reached regarding the person or parties responsible for the defect. However, the final investigation committee consisting of a Mechanical Engineer appointed under F.R. 104(4) was visited the local representative office and after meeting with technical officers and conducting a thorough investigation, it was concluded that the driver of the vehicle was at fault for the damage to the engine and recommendations were made. Although about 05 estimates have been obtained from time to time since the accident in 2021 for the repair of the vehicle, the repairs have not been possible due to insufficient provisions in the

vehicle's defect and the parties who responsible for it, and to promptly carry out repairs and put the vehicle back into the running.

expenditure heads.
After the receipt of provisions from the Treasury in the last quarter of 2023, an updated estimate for the repair was obtained and further work was carried out.
After the repair was completed in July 2024, the approved voucher has been submitted to the Accounts Division by Admin Division (Transport Unit) of the Rural Economic division based on the recommendations for the repair given on 19.07.2024 by the mechanical engineer of the Ministry by conducting a running test. The Ministry has failed to make payments within a reasonable time after the completion of the work. In accordance with the provisions of the Presidential Office Circular dated 14.05.2010 and CA/1/17/1 on Public Expenditure Management, Officers of the Personal Staff of the Hon. Minister are appointed on a temporary basis until the date of expiry of the period of willingness to engage the services of a person act as his driver or until the Minister's term of office expires, whichever comes first.

2. 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 recommendations made by me related with the paragraph 4.10, 4.8(d) and 1.6.2.2 (f) in this report on the financial statements of the preceding year had not been implemented.

3. Financial Review

3.1 Imprest Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Due to not receiving the funds required to make payments to the relevant suppliers upon the maturity of letters of credit for fertilizers imported by the companies of Lanka Fertilizer Company Ltd and Colombo Commercial Fertilizer Company Ltd in the years 2018, 2019, 2020 and 2021, the bank converted the total value of Rs.43,742,559,911 settled through short-term loans into term loans of Rs.47,465,632,771 in 5 Stages and the Ministry incurred an interest expense of Rs.3,401,114,581 in 2024 in relation to the settlement of those loans.	It is the responsibility of the fertilizer company to settle the expenses incurred by the relevant banks upon maturity of the letters of credit. Since the amount collected from farmers when providing fertilizer at subsidized prices by the State fertilizer companies was not sufficient to pay the bills of suppliers for paddy, the market value of fertilizer was calculated based on the decisions of the Fertilizer Price Determination Committee and the amount collected from farmers when providing fertilizer for paddy at a subsidized price was deducted and the remaining amount was paid by the Treasury to the companies on the maturity date of the letters of credit upon the requests of the Ministry. Accordingly, as per the information provided by the company, the Ministry has not received funds from the Treasury to pay the amount due to the supplier on the maturity date of the fertilizer letters of credit, the State Fertilizer Company has taken steps to settle the due supplier bills on time through a short-term loan obtained from the People's Bank. As per the Cabinet approval dated 20/0293/204/022 and 05.02.2020 for the Joint Cabinet Memorandum submitted to settle the said bills due to the insufficient provisions provided in the 2019 Budget, the sum of short-term loans payable to People's Bank for matured letters of credit and the interest applicable to the time elapsed during the conversion of those short-term loans into long-term loans has been converted into a term loan in 05 stages. The above matters are beyond the control of the Ministry of Agriculture.	The Ministry should conduct formal supervision of the payment of fees and borrowings incurred during fertilizer imports.

3.2 Revenue Management

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	Although the revenue estimate for the year 2024 in relation to the Government Paddy Purchase Program under Revenue Code No. 2003.07.00 is Rs.390,000,000, the revenue collection for the year according to the ACA-1 form was Rs.86,430,015. Accordingly, it was observed that the progress in collecting the expected revenue through the implementation of this program was at a minimum level of 22 percent.	Although the Ministry's revenue estimate for the year 2024 was Rs.100 million, it had been revised to Rs.390 million by the Treasury. Due to the decline in production due to adverse weather conditions and the sale of surplus stocks after distributing free paddy to low-income families for the 2022/23 Maha season, only that revenue has been credited to the revenue head 2003.07.00. All the district secretariats that are due to collect the arrears have been informed and follow-up is being carried out.	Action should be taken to recover the arrears of revenue.
(b)	Out of the Rs.86,430,015 collected in the year 2024, Rs.13,738,768 included in the balance of Rs.376,678,134 which was the outstanding revenue at the end of 2021 had been received for the outstanding balances related to the 2018/2019 Maha season, 2020/2021 Maha season and 2021 Yala season. Accordingly, It was observed that the progress in collecting the existing arrears of revenue related to the paddy purchase program is at a very low level of 3.5 percent and attention should be paid to F.R.127(1)(b),127(6),128(1)(h) and 128(2).	All District Secretaries as well as the relevant division of the Ministry have been informed to take necessary action to credit the revenue head 2003.07.00 to recover the outstanding balances related to the Paddy Purchase Program 2018/19 Maha Season, 2020/21 Maha Season, 2021 Yala Season.	Action should be taken to recover the arrears of revenue.
(c)	According to the information from the Accounts Division, although Rs.73,330,179, included in the value of Rs.86,430,015 received in relation to the government paddy purchase program in the year 2024 was received in relation to the 2022/2023 Maha season from 04 districts that is, the districts of Ampara, Trincomalee,	The harvest for the 2022/23 Maha season was completed by April 2023 and accordingly, the arrears of revenue reported after 2022 does not represent arrears revenue for the year 2023. These arrears revenue apply to previous seasons.	Arrears of income should be accurately identified and accounted.

	Anuradhapura and Polonnaruwa, the audit did not have confirmation of that value as no arrears of revenue balance were shown after the year 2022 according to the ACA-**1(**i) **-** Statement of Arrears of Revenue for the year 2023.		
(d)	The copies of the semi-annual arrears of revenue reports for the year 2024 had not been submitted to the audit within one month of the end of that period under the Revenue Code No.2003-07-00 by the Agriculture Division of the Ministry in accordance with F.R.128(2)(d), F.R.176(1) and Paragraph 08 of the Fiscal Policy Circular No.01/2015 dated 20 July 2015.	The annual arrears of revenue reports relating to the Government Paddy Purchase Program 2003.07.00 for the year 2024 have been prepared and submitted to the Director of Public Financial Policy. It was noted that they will be forwarded to the Auditor General in accordance with F.R. 176 (1) from this year onwards.	Arrears of revenue should be submitted to the Auditor General.

3.3 Expenditure Management

	Audit Observation	**Comments of the Chief Accounting Officer**	**Recommendation**
(a)	In 05 cases, the supplementary estimate provisions allocated by Head of Expenditure 240 had remained in the range of 11 percent to 44 percent.	Reasons for the savings in provisions was due to the absence of ministerial staff, non-presentation of bills for payment, failure to purchase paddy as expected, suspension of payments due to legal reasons, and remaining of funds allocated for district offices.	Accurate estimates should be prepared and provisions should be allocated.
(b)	Although the Ministry has made 11 transfers of the Basic Annual Estimates to other expenditure items through F.R.66, Even after such transfers, the provisions for the relevant expenditure items remained in the range of 11 percent to 98 percent.	Although the Ministry has transferred the basic annual estimate provisions to other expenditure items through F.R.66, These savings were due to management of expenses, saving of travel expenses by holding meetings via Zoom technology and lack of loan applications and non-payment of bills due to rising interest rates.	Prudence should be exercised in transferring appropriations for expenditure items.

(c)	Provisions ranging from 3 percent to 44 percent of the provisions transferred from other expenditure subjects on 12 occasions through F.R.66 by the Ministry had been remained save**.**	The savings have occurred due to the lack of ministerial staff, falling fuel prices, and the transfer of funds allocated to the Kithul Development Board due to insufficient funds.	Prudence should be exercised in transferring appropriations for expenditure items.
(d)	In terms of F.R. 50 **(**ii), the Accounting Officer shall prepare the annual budget estimates as completely and accurately as possible and although estimates should be prepared with due regard to economy and efficiency in accordance with F.R. 50**(**iii), the following are instances where provisions have been modified by supplementary estimates and F.R 66.		
(i)	It was observed that Rs.683,986,275 has been transferred through supplementary estimates for 05 expenditure objects in the Agriculture division and Rs.19,056,609 has been transferred through transfers of F.R..66 for 02 expenditure objects.	The factors that affected the transfer and savings of the Ministry's provisions were the failure to purchase paddy during the Maha season as expected and transfers for payment of salaries of staff of the Agricultural Modernization Project and non-payment due to non-examination of bills by the Valuation Department.	Prudence should be exercised when transferring appropriations to other expenditure objects.
(ii)	The Plantation Industries Division had obtained an additional provisions of Rs.77,865,000 in addition to the total provisions of Rs.180,000,000 provided for two expenditure objects. This was 43 percent as a percentage.	Expenditure Object 118-1-28-0-1003 **-** The Ministry has reported that provisions have been obtained through supplementary estimates to pay the increased cost of living allowance as per Public Administration Circular 03/2024 dated 10.01.2024 and the special allowance to Executive Service Officers of the Public Service as per Public Administration Circular 18/2015 (v) dated 27.06.2024. Expenditure Object 118-1-28-0-01403 **-** The Ministry has reported that due to the shortage of provisions due to the fluctuation in the price of electricity bills, provisions have been transferred under F.R.66.	Prudence should be exercised when obtaining additional provisions.

(iii)	Provisions of Rs.40,391,799 were allocated through supplementary estimates for 3 expenditure items for which provisions had not been made in the annual budget estimates of the Plantation Industries Division and Provisions of Rs.11,868,200 had also been transferred under transfers of F.R. 66 for one expenditure item included therein.	No funds are allocated for foreign grants through the annual estimates, and provisions have been obtained through supplementary estimates on three occasions. As no provision was made in the 2024 budget under the Foreing Financing Related Costs to pay the salaries of government officials for the expenditure object 118-2-29-009-2509 (17) of the Agriculture Sector Modernization Project, the provision was transferred under F.R.66.	Prudence should be exercised when transferring appropriations to other expenditure items.
(e)	The total net provision of Rs.2,100,000 provided for 03 recurring expenditure objects in the year under review was completely remained save and out of the total net provisions of Rs.107,400,000 provided for 10 other recurring expenditure objects, Rs.58,017,085 or 48 to 88 percent had been remained save.	Provisions for capital expenditure items were saved due to the management of public expenditure and restrictions on building construction and machinery purchases as per Budget Circular 01/2024.	Prudent use of funds should be exercised.
(f)	The total net provision of Rs. 2,500,000 provided for 02 capital expenditure objects in the year under review remained save completely and Rs.10,172,258 or 40 to 89 percent had been remained save out of the total net provisions of Rs.13,500,000 provided for 04 other capital expenditure objects.	Provisions for capital expenditure objects remained save due to the management of public expenditure and restrictions on building construction and machinery purchases in accordance with Budget Circular 01/2024.	Prudent use of funds should be exercised.
(g)	Based on the findings of the audit conducted on 08 private fertilizer companies that had applied for subsidy funds regarding the manner in which the remaining subsidized fertilizer stocks held by fertilizer companies on 27 April 2021 when the ban on the import of chemical fertilizers came into effect, were sold until 30 November 2021 when that ban was lifted and the prices at which they were sold, although the main objective of the subsidized fertilizer system is to provide farmers with the opportunity to obtain a	Companies were given the opportunity to release a 50 kilogram mixed fertilizer bag to the market at a higher price, as it carries an operating cost when fertilizer companies release mixed fertilizer prepared according to the standardized ratios recommended for each crop to the market. However, the audit query has shown that several companies sold fertilizer at higher prices, exceeding the maximum price of	It should be calculated subsidy amount to be paid by the government by reducing the difference between the revenue that the companies should have earned at the subsidized price of Rs.1,500 and the total revenue that the companies

50kg fertilizer bag at a subsidized price of Rs.1,500, the various types of mixed fertilizers prepared using imported direct fertilizers were sold in the market at very high prices by the aforementioned audited companies. Although the reason for selling mixed fertilizers at such high prices is revealed to be the high cost of certain raw materials used for it, The audit did not observe any action taken by the National Fertilizer Secretariat regarding the use of direct fertilizers imported under the subsidy system to prepare such expensive mixed fertilizers and the sale of such fertilizers at a price exceeding the subsidy price.

Rs.1,500, during the period from 27 April 2021, when the ban on the import of chemical fertilizers was implemented, to 30 November 2021 when the ban was lifted. Furthermore, It is kindly informed that the government will calculate the subsidy amount to be paid by reducing the difference between the income that the companies should have earned at the subsidized price of Rs.1,500 and the total income that the companies actually earned by selling fertilizer at a higher price and proceed with the payment. The remaining chemical fertilizer stocks held by companies as of 30.11.2021, when the ban on chemical fertilizer imports was lifted, have been verified by chartered audit firms and those stocks have been removed from the subsidy scheme. After 30.11.2021, fertilizer prices increased rapidly due to the economic crisis in the country and the difficulties encountered in importing fertilizer. More direct fertilizers (especially fertilizers such as MOP) were re-imported to prepare mixed fertilizers. With the appreciation of the dollar and strict restrictions on opening letters of credit (LC) to importing companies, fertilizer imports were severely limited. This has led to an increase in other costs such as preparing and packaging (bag cost) of mixed fertilizers using newly imported fertilizers at high prices along with the surplus fertilizers. At that time, due to factors such as the significant increase in fuel prices in the country, the prices of mixed

actually earned by selling fertilizer at a higher price and payment should be made.

		fertilizers sold in the market increased significantly.	
(h)	Calculating the difference between the commercial price and the subsidized for the entire quantity of the relevant fertilizer stock assuming that the entire quantity of the fertilizer stock was sold at a subsidized price without verifying the use of the relevant imported fertilizer type and the actual prices at which that fertilizer was sold when calculating the losses incurred by companies due to the supply of fertilizer at subsidized prices, and the audit observed that taking actions to ensure such payments was contrary to F.R. 138 and that making such payments was an uneconomical expenditure.	According to the existing subsidy policy, payment for an imported fertilizer stock under the subsidy system is based on information about the import of the relevant fertilizer stock. (Quantity of imported fertilizer, imported price, date of import and exchange rates applicable to those dates) Files for subsidy payment should be prepared 6 months after the fertilizer stock is imported. Therefore, since 06.04.2018, i.e. since the inception of the fertilizer subsidy system, payments have not been made for a stock of fertilizer imported by a company for 6 months before maturity. However, before making payments for a fertilizer stock, companies should include a fertilizer distribution report and sales confirmation letters in every file related to the fertilizer stock. According to the existing subsidy policy, fertilizer was sold in the market at subsidized prices and no subsidy mechanism had been developed to follow up on the use of fertilizer.	The subsidy amount to be paid by the government should be calculated by subtracting the difference between the revenue that should have been earned from supplying fertilizer at subsidized prices and the total revenue actually earned by the companies and payment should be made.
(i)	None of the audit recommendations made in the special audit report issued by the Auditor General on 26 August 2022 had been implemented as of 31 December 2024 regarding the financial loss incurred by the Government of Sri Lanka due to the payment of Rs.1,382,720,494 to the relevant foreign fertilizer supplier without obtaining an Advance Guarantee in respect of 96,000 metric tons of organic fertilizer imported in accordance with the Cabinet Memorandum dated 18 August 2021 and brought to the country on 23 September 2021 and returned due to failure of	The Cabinet Memorandum titled 'Resolving the issues that have arisen during the implementation of the court settlement between the China Organic Fertilizer Supply Company and the two government fertilizer companies' was presented on 12 August 2022 and the Cabinet has issued a decision on the above-mentioned memorandum on 13 September 2022 that requesting the Foreign Minister to submit proposals to the Cabinet for resolving this	Action should be taken to recover the value paid to the supplier.

laboratory reports.	issue amicably between the two countries. Accordingly, the process of importing this organic fertilizer has not been completed yet.	

3.4 Incurring Liabilities and Commitments

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	A difference of Rs.4,618,804 and Rs.1,697,296 respectively was observed between the value of commitments and liabilities stated in the financial statements as at 31 December 2024 and the value of commitments and liabilities as per the records of the General Treasury as at that date.	While the commitments submitted to the Ministry by the Department of Agriculture had been uploaded on CIGAS, the same department has also uploaded those commitments on CIGAS again. Accordingly, the amount has been doubled by Rs.4,618,804. While the accounts submitted to the Ministry by the District Secretariats have been uploaded in CIGAS, the District Secretariats have also uploaded the same accounts in CIGAS again Accordingly, the amount has been doubled by Rs.4,813 and the credit value of Rs.1,692,482 has been uploaded to CIGAS without being reported to the Ministry's Accounts Division.	All commitments and liabilities should be accurately find out and included in the financial statements.
(b)	As of 31 December 2024, although the Agriculture Division of the Ministry had incurred commitments and liabilities amounting to Rs.2,302,666, Rs.20,637 by the Livestock Division and Rs.45,074 by the Plantation Industries Division, it had not been included in the relevant commitments and liabilities register.	Since the commitments and liabilities of the CIGAS program can only be included based on the amount of available provisions, the remaining value of Rs.1,659,642, corresponding to Rs.1,934,380 has been included in the statement of commitments and liabilities in the financial statements. At the time of preparing the financial statements, the liability value of Rs.316,064 was entered in the liability register as per the liability register received from the transport division. However, the relevant voucher was received in February and its value has changed	All commitments and liabilities should be included in the financial statements and entered in the commitments and liabilities register.

	to Rs. 291,412 Action will be taken to properly account for the remaining Rs.76,873 in future commitments and liabilities register. The Accounts Division of the Livestock Division has been prepared the credit register on 22.01.2025 and the vouchers were received by the Accounts Division on subsequent dates. Voucher No.16/02/2025 worth Rs.41,025.00 is a payment related to the General Deposit Account. The relevant payments have been made on 11.02.2025. The value of the voucher on 08/02/2025 is Rs.17,160.. It has been entered in the liabilities register. It has been reported that action will be taken to correct the lack of accurate recording of liabilities in the plantation division in the future.	

3.5 Certification of the Chief Accounting Officer

Audit Observation	**Comments of the Chief Accounting Officer**	**Recommendation**
Although the Chief Accounting Officer and the Accounting Officer were required to ensure that all audit queries were answered within the specified time frames as required by the Auditor General, the audit queries had not been answered as per paragraph 4.10 of the report.	Answers to audit queries will be given in the future.	All audit queries should be answered within specified time frames.

3.6 Non-compliance with Laws, Rules and Regulations

The cases of non-compliance with the provisions of laws, rules and regulations observed during sample audit tests are analyzed below.

Audit Observation			Comments of the Chief Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	**Value Rs.**	**Non-compliance**		
Asset Management Circular No.05/2024 dated 18 December 2024 and Comptroller General's letter No. CGO/NFAMS/01/03 dated 20 May 2024.		Action had not been taken to dispose of 07 vehicles that had been identified for disposal.	Vehicles bearing numbers KS – 6781, KO – 0024, KW–8202 and CAV 5064 are vehicles scheduled for disposal under the luxury vehicle disposal scheme as per Asset Management Circular 05/2024. Vehicle bearing number KM – 5207 has been referred to the Procurement Division for tendering subject to annual disposal process as per Public Finance Circular 01/2020. CAB – 3288 and PC – 4812, the Plantation Division are not currently within the purview of this Ministry.	The relevant vehicles should be disposed.

3.7 Operating of Bank Accounts

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	In accordance with Section 18 of the Budget Circular No.BDKBP/01/01/03-2023 of the Secretary to the Treasury dated 21 December 2022, The responsibility for closing inactive official bank accounts and approved accounts related to the revoked expenditure heads had been assigned to the Chief Financial Officer/Chief Accountant serving in the revoked ministries. It was observed that the bank account of the State Ministry, which was revoked in 2022 with a balance of Rs.5,620,828, bearing account number 7040184 at the Bank of Ceylon	Since the previous State Ministry currently exists as a division under the Ministry of Agriculture, Livestock, Lands and Irrigation, actions are being taken to change the bank account names accordingly.	The bank accounts of the revoked ministries should be closed or appropriate action should be taken.

	had not been closed by the audit date and continue under the name of Secretary to the revoked State Ministry.		
(b)	The inactive bank account number 7040507 held in the name of the Secretary, Ministry of Agriculture, Rural Economic Affairs and Livestock at the Bank of Ceylon had not been disclosed in the financial statements or action had been taken to close that bank account as of the date of this report.	It will be investigated and closed this inactive account due to changes in ministries from time to time.	Inactive bank accounts should be closed immediately and disclosed in the financial statements.

4. Operational Review

4.1 Non-achievement of the Expected Output Level

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The Ministry's Livestock Division is implementing a project to improve the nutrition of children from low-income families in 20 selected schools in the Anuradhapura District and Rs.2 million was allocated for the project of providing 10 one-month-old chicks to 10 parents of one school, and the number of runs expected to be completed was 200 from that. Although the physical progress at the end of the year under review was stated as 100 percent, chicks were provided to only 166 beneficiaries and information regarding the operation and maintenance of the project after completion and how to deal with risks had not been included in the project proposal.	Although the initial plan was prepared considering the value of a one-month-old chick as Rs.1000, that value had increased up to Rs.1200 by December. Accordingly, the amount of Rs.02 million could be provided to only 166 families, with 10 chicks per family. This program was managed by the North Central Provincial Office and the maintenance costs were to be borne by the beneficiaries. This project is implemented in accordance with the project implementation methodology of the North Central Province and if animals die within a week of being given, they are replaced. Furthermore, since animals are given after being cared for a month, the risk of death is very low.	Information regarding project management and maintenance should be included in the project proposal
(b)	Provisions of Rs.23 million were allocated for establishing a goat breeding unit at the Thirappane Animal Farm under the breeding farm construction project, establishing a Sahiwal breeding unit and strengthening the artificial	Provisions of Rs.3,090,000 for the establishment of a goat breeding unit at Thirappane Farm (including administrative expenses) and provisions of Rs.10,300,000 for the establishment of a Sahiwal breeding unit (including administrative	Projects should be planned and actions should be taken to achieve the desired performance levels.

insemination service in the North Central Province by the Livestock Division of the Ministry. Although provisions of Rs.3 million have been provided for the establishment of a goat breeding unit at the Thirappane Animal Farm, the purchase of animals had not been made by the end of the year under review. Although the entire provision of Rs.10 million has been provided for the establishment of the Sahiwal Breeding Unit, its physical progress was as low as 50 percent by the end of the year under review. Although the entire allocation of Rs.10 million has been provided for the purchase of artificial insemination equipment, its physical progress by the end of the year under review was as low as 40 percent. Furthermore, under the Construction of Breeding Farms Project, a provision of Rs.7.5 million has been made for the construction of a goat breeding unit and the purchase of animals for the breeding herd at the Wannigama farm in the Nikaweratiya area of the North Central Province and Provisions of Rs.5.25 million were also provided for the construction of a goat breeding unit, the purchase of breeding goats, the planting of grass plants for animal feed and the purchase of equipment at the Kekunadura farm in Matara in the Southern Province, the project work on those two farms had failed to even commence by the end of the year under review. Accordingly, it was observed that the overall physical progress of the aforementioned sub-projects under the Breeding Farm Construction Project is at a very low level of 24 percent.

expenses), has been released to the Chief Secretary of the North Central Province on 03.12.2024. The Director of the Animal Production and Health Department of the North Central Province has been informed of the actions taken in relation to the said provisions by letter dated 04.03.2025. Provisions of Rs.10 million were provided to the Department of Animal Production and Health for the purchase of artificial insemination equipment and out of this, Rs.3.8 million has been spent on purchasing artificial insemination equipment. Although it was decided to purchase artificial insemination equipment again using the remaining Rs.6.2 million, the remaining provisions were returned on 18.12.2024, stating that there was insufficient time to call for quotes and make purchases. Although approval has been granted to establish a goat breeding unit at the Wannigama farm, The Director of the Animal Production and Health Department of the North Western Province has informed on 28.11.2024 that the estimate and goat housing plan submitted to the ministry should be revised and this project cannot be implemented due to the delay in obtaining the revised estimate and goat housing plan.

Although Rs.5.25 million was approved for the establishment of a goat breeding unit at the Kekunadura Training Center, the Director of the Southern Provincial Department of Animal Production and Health has informed on 09.12.2024 that due to the delay in providing advances, it will be done by the provincial specific provisions.

4.2 Non-achievement of the Expected Outcome

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the construction of the Batticaloa, Vavuniya and Jaffna Special Economic Centers was completed by 31 December 2024 at a cost of Rs.279.8 million, Rs.304 million and Rs.191 million respectively which was work commenced in 2017 and 2018, those economic centers had not yet been opened as of the date of this report.	The relevant members have been appointed to the management board of these economic centers. However, The role of the Special Economic Centers has been assigned to the Ministry of Trade, Commerce, Food Security, Cooperative Development, Industries and Entrepreneurship Development by the Special Gazette No.2403/53 dated 27.09.2024 by now. The relevant Ministry has informed that these Special Economic Centers have not yet been started.	Economic centers should be opened immediately.

4.3 Projects Abandoned without Completing

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	Although a financial provision of Rs.5 million has been allocated in 2024 by the Livestock Division of the Ministry for the project to install solar panels at the Jaffna Atchuveli farm under the Small and Medium Scale Livestock Development (Infrastructure Development) Project as Poultry Farm Development, which is being implemented with the aim of increasing the production of high-quality chicks, chicken meat and eggs at minimal cost and replacing fossil fuels through the use of solar energy minimizing the cost, It was observed that the project planning was at weak level and the project was not implemented efficiently and effectively.	The Northern Provincial Director was informed to forward the relevant project report and BOQ to the Ministry on 28.02.2024 and it was delayed and the Provincial Director had forwarded the project report to the Ministry on 29.05.2024. The cost estimate provided by the Electrical Engineer of the Building Department on 30.05.2024 was forwarded to the Ministry and the estimate was approved on 04.07.2024. Accordingly, the Provincial Administration has informed the Provincial Director to complete the project within the year 2024 and it was stated that the Provincial Director would complete the project by 25.12.2024. However, since	A feasibility study should be conducted and projects that can achieve the desired performance levels should be initiated.

		there was no written document regarding this, this project was inquired about on 19.12.2024 by the Ministry to the Provincial Director and on that day the Provincial Director had sent a letter to the Ministry with facts stating that the project would not be carried out on 24.12.2024. This project could not be completed in 2024.	
(b)	Although provisions of Rs.48.52 million had been allocated by the Livestock Division of the Ministry to establish a data collection system for the livestock sector covering all provinces and to establish dairy production units under the Dairy Development Project of the 2024 Action Plan, the project had not been implemented during the year under review.	It has been informed by the letter dated 17.07.2024. sent by the Department of National Planning that it is proposed to establish a similar database system developed by the Department of Agrarian Development under the name “Geo Goviya” under the Asian Development Bank’s “Food Security and the Emergency Livelihood Recovery Assistance Project and the Department of National Planning also proposed that the data system related to the livestock division be integrated into this system and installed under the same project. Accordingly, it was decided to implement the two systems jointly, and since the funds allocated for the “Geo Goviya” project were insufficient, it was proposed to use the provision of Rs.48.52 million allocated by the Livestock Division as additional provisions. However, the Department of Agrarian Development has not yet inquired from us about any additional provisions until the end of the financial year a letter has been sent to the Director General of the Planning Division of this Ministry on 04.11.2024,	A feasibility study should be conducted and projects that can achieve the desired performance levels should be initiated.

		informing him that the project to establish a data collection system and dairy production units in the livestock division could not be implemented and to take the necessary actions for that provision. It has also been requested to reclaim the allocated provisions.	
(c)	The Rural Economy Division of the Ministry has allocated Rs.150 million in 2023 and Rs.200 million in 2024 for the domestic goat breeding project and out of this, an allocation of Rs.33 million or 16 percent had been allocated for the Hambantota district. Although that district had received the highest allocation for a district out of the 21 districts where the project was implemented, out of the Rs.33 million of provisions, Rs.29,911,500 has been returned to the Ministry of Agriculture by letter No.DSH/DAD/06/27-1 and dated 30.10.2024 forwarded by the District Secretary Hambantota stating that, the project could not be implemented at the Divisional Secretariat level due inability to find suitable suppliers in the nearest areas to purchase healthy quality goats when calling for bids, problems arose regarding the goats purchased in 2023, the death of goats due to various reasons and the high cost to the beneficiary for treatment when they become sick and for taking them for post-mortem examination when they die. Accordingly, it was observed in the audit that there had been no formal planning regarding the allocation of provisions and the selection of relevant areas.	Under this project, special priorities will be given to districts in allocating funds, areas with a high incidence of animal control, areas with suitable geographical locations and action has been taken in areas where low-income rural people live in large numbers and in accordance with the instructions given by the Hon. Minister and the Minister of State. Among the poorest districts in Sri Lanka, Hambantota district has the highest priority. Accordingly, considering the needs of the area as a low-income district, an provisions of Rs.18 million has been provided for the year 2023. As per the progress reported by the district for this project as of 31.12.2023, 699 goats have been distributed to 233 beneficiaries. The amount spent for this was Rs.17.096 million. Accordingly, the progress report provided by the District Secretariat via email stated that the physical progress and financial progress were 100 percent and 95 percent respectively. Furthermore, in allocating provisions for the year 2024, greater attention was paid to districts where the project was successfully implemented in previous years. Accordingly,	A formal project plan should be prepared, monitored and action taken to achieve the desired performance levels.

	taking into account the above factors, Rs.33 million was allocated for the Hambantota District from the provisions for the year 2024 on 12.03.2024. However, the District Secretary's letters No.DSH/DAD/06/27-1 dated 30.10.2024 and 26.12.2024 respectively had returned the allocations of Rs.29,911,500 and Rs.2,815,200 stating about the difficulty in implementing the project in the Hambantota District. It was also observed that the delay in the implementation of projects in 2024 was due to professional actions by veterinarians and the holding of two elections in that year. However, the project has been successfully implemented in other districts where provisions were made for this year. The overall physical progress of this project for the year 2024 is 88 percent and the financial progress is 86 percent.	

4.4 Project Works Commenced after Delays

Audit Observation	**Comments of the Chief Accounting Officer**	**Recommendation**
The Livestock Division of the Ministry had made payments of Rs.6.82 million towards the initial advance and first bill in 2022 for the construction of the Point Pedro Veterinary Office Building under the Medium-Term Livestock Development Program. The construction contract was terminated informally at the request of the contractor due to the shortage of building materials and the increase in prices. Any action was not taken in this regard and the building was included in the 2024 action plan as the second phase of its construction and a	The agreements were signed on 26.12.2021 and have been temporarily suspended for the year 2021. A financial progress of Rs.6.82 million or 32 percent was achieved during the first quarter of 2022. The construction contract has been formally concluded with the approval of the Ministry Secretary at the request of the contractor due to the shortage and rising prices of building materials prevailing at that time and in accordance with the instructions given in Section 03 III	The project plan should be prepared and the expected performance levels should be achieved, and the provisions should be released after verification.

provision of Rs.58.25 million was allocated for it. Although the expected financial progress and physical progress in the year under review were 100 percent, it was observed that an advance payment of Rs. 10.7 million had been paid to the contractor for the said project by the end of the year under review and the physical progress was at a very low level of 3 percent.

of National Budget Circular No.03/2022 dated 26.04.2022. This construction work was temporarily suspended for the year 2023 on the advice of the Secretary to the Ministry, a new estimate will be obtained in the year 2023 and an estimated Rs.25 million for Phase I in the year 2023 and Rs.27.978 million for Phase II in the year 2024, and on the recommendation of the Public Expenditure Review Committee (PERC) to reduce Rs.25 million from the budget allocation. In 2024, a provision of Rs.60 million has been allocated and procurement activities have been initiated by the Northern Provincial Department of Animal Production and Health, and a revised estimate has been prepared according to the format provided by the Director (Engineering) of the Ministry of Agriculture and had been sent to the Provincial Director of the Northern Provincial Department of Animal Production and Health. Accordingly, after obtaining the approval of the Secretary to the Ministry, bids were invited through a newspaper advertisement on 24.08.2024 and the agreement between the Northern Province Animal Production and Health Department and Kones Construction was signed on 29.10.2024. The contract amount excluding VAT is Rs.36,726,022. Although the Northern Provincial Department of Animal Production and Health has requested an amount of Rs.10,737,696 as an initial advance (VAT included) through a letter dated 18.11.2024, Provisions of Rs.10,750,000 have been allocated to the Chief Secretary of the Northern Province by letter

		dated 06.12.2024 to obtain the relevant amount from the Treasury Operations Department in order to overcome the technical difficulties in the ITMIS system. Accordingly, although the said advance amount has been released to the contractor on 18.12.2024, there was not enough time to achieve significant physical progress in the year 2024. The 20 percent physical progress has been achieved by now. A bill of Rs.2,763,176 has also been submitted as the first bill.	

4.5 Other Observations

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	As stated in the series of instructions submitted by the Rural Economic Division of the Ministry titled Instructions for the proposed Domestic Goat Breeding Project -2024 to uplift the livelihoods of the people living in rural areas of the Central Province, according to the criteria to be followed in the implementation of the program, although the goat shed had to be constructed at own expense by the beneficiaries before the goats are provided, the relevant instructions did not include the specifications and standards that should be considered when constructing the shed. Accordingly, The applicants had been rejected due to the fact that the cattle sheds in the Galewela, Naula, Wilgamuwa Divisional Secretariat Divisions of the Matale District and the Nuwara Eliya Divisional Secretariat of the Nuwara Eliya District have not been properly constructed and, the reasons for the rejection were not presented to the audit when the specifications regarding the construction of the cattle shed were not submitted.	Answers have not been provided.	Actions should be taken to clearly state the specifications and standards relevant to the implementation of the project.

(b)	A provision of Rs.2.06 million has been allocated by the Livestock Division of the Ministry in the year under review for the program of conducting training programs for officials, young entrepreneurs and farmers and preparing a livestock policy under the Capacity Building Project and although the physical progress of the project is stated as 26 percent by the end of the year under review without mentioning the training, targeted programs and the amount of programs under that project in the annual plan, it was observed during the audit that physical progress had been calculated without specifying the targeted program amount.	The project also involved the development of livestock policies, planning to conduct training programs for officials and farmers in accordance with the approved action plan of the capacity development project. Accordingly, it was planned to conduct training programs for buffalo milk producers in selected provinces under this project and although this training program was conducted for the 42 beneficiaries in the Northwestern Province without receiving advance payments, other selected provinces have been verbally informed that it is not possible to do so. Furthermore, activities were also carried out under this project for discussions and field work related to livestock policy formulation, which Provisions have been made for this. Also, at the end of the year, officials went to the field visit and follow up on livestock development projects carried out at the provincial level, also under these project provisions.	The number of targeted programs expected through the project should be outlined in the annual plan and implemented accordingly.

4.6 Projects implemented with Local Funds

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(**c**)	During the field inspection conducted on 11.12.2024 and 17.12.2024 regarding 05 beneficiaries selected in the Western Province under the Good Animal Husbandry Practice and Establishment of Modern Farm Project, it was observed that there was zero financial progress in providing financial assistance to those beneficiaries. Although the relevant projects had been completed as of 03	Cheques sent to the Secretary for payment to individuals have been received back by the Accounts Division and forwarded to the relevant Veterinary Offices in January 2025.	The project's internal control process should be implemented so that the beneficiaries receive benefits within the stipulated time.

	February 2025, they had not received the relevant financial assistance. Although a cheque of Rs.500,000 was issued to the Chief Secretary of the Western Provincial Council on 29.11.2024 for one beneficiary, and the Provincial Council issued a cheque for the same amount in the name of the Western Provincial Director on 24.12.2024 and the amount was deposited in the Provincial Director's account on 27.12.2024, the beneficiary had not received the money. The total allocation for the Western Province was Rs.2.5 million and the remaining provisions of Rs.2 million and Rs.2.075 million, including Rs.75,000 for the monitoring, evaluation and administrative expenses of the project, were allocated to the Western Provincial Council on 05.12.2024. It was observed during the audit that the cheques had been deposited in the Provincial Director's account on 27.12.2024 and had been held in the Provincial Director's account for over a month without issuing cheques in the names of the beneficiaries for the money due to them.		
(b)	The amount allocated to 09 beneficiaries in Colombo and Gampaha districts under the Quality Improvement of Milk and Milk Products project was Rs.2,888,036 and although the projects had been completed by 05 February 2025 when field inspections were conducted, the financial progress in providing financial assistance to the beneficiaries had been zero. Later, during the follow-up conducted on the matter, 08 beneficiaries had not received financial assistance. The Ministry had issued cheques worth Rs.1,209,190 to 04 beneficiaries and the relevant amount shall be deposited in the account of the Provincial Director by means of a voucher issued in the name of the Chief Secretary of the Western Provincial Council and issued in the name of the Director of the Western Province for that value before	The same answer above applies.	The project's internal control process should be implemented so that the beneficiaries receive benefits within the stipulated time.

31.12.2025 and it was observed that the money had been held in the account of the Western Provincial Director for over a month without being paid to the relevant beneficiaries by 05 February 2025. The voucher for the expenditure of Rs.500,000 certified by the Technical Officer on 04.12.2024 was received by the Ministry on 01.01.2025 and a cheque was issued in the name of the Chief Secretary of the Western Provincial Council on 27.01.2025.01 in respect of that value, which was stated as an obligation for the year 2024. Furthermore, the relevant funds for two beneficiaries for whom Rs.253,846 and Rs.100,000 were allocated respectively had not been released and the specific reasons for this were not presented to the audit. Accordingly, the financial progress of the projects implemented in the Colombo and Gampaha districts of this sub-project remained at a minimum level of 11.25 percent.

4.7 Assets Management

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(**a**)	Action had not been taken in accordance with the Asset Management Circular No.02/2017 of the Deputy Secretary to the Treasury dated 21 December 2017 regarding 12 vehicles worth Rs.116,711,920 which were not in use by the Ministry but were included in the CIGAS computer system.	The reasons for these vehicles will be checked and necessary actions will be taken in the future.	In accordance with the relevant circular, the Ministry should checked and take action regarding vehicles that are not in use.
(**b**)	The 06 vehicles worth Rs.80,000,000 belonging to the Agriculture, Rural Economy, Livestock and Fertilizer Divisions of the Ministry were lying idle as of 31 December 2024, without being used for running purposes.	The reasons for these vehicles will be checked and necessary actions will be taken in the future.	Resources should be utilized effectively.

(**c**)	Although the Ministry has used two buses bearing numbers JK-0194 and JK-0188 for office transportation for many years, two officials who travel on them have collected money from the officials who travel on them for many years and after covering the fuel expenses of the relevant buses with cash, the officials had Rs.205,840 and Rs.257,111 remaining as of 30 June 2025. It was observed during the audit that the money earned through the utilization of state property is being used outside the control of the Accounting Officer, Revenue Accounting Officer or an officer authorized by him.	No answers were given.	Proper records should be maintained of all income received from the utilization of state property and that money should be credited to the state revenue.

4.8 Losses and Waivers

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	Although the incidental worth Rs.5,946,308 relating to 09 vehicles had been included in the Losses and Waivers register , it had not been included in the financial statements.	Since the Losses and Waivers in the agricultural division have been recorded in the register and the events have been written off from the books, those events have not been included in the financial statements. Information regarding the write-off of the relevant events was not included in the Loss and Waiver Register due to an oversight and action has been taken to include that information in the Loss and Waiver Register.	The amount of the loss should be included in the financial statements.
(b)	Action had not been taken in accordance with Financial Regulation 109 regarding the losses of Rs.21,049,464 brought forward in relation to 38 incidents due to delay in recovery of losses or failure to recover them as of the end of the year under review.	The Losses and Waivers of 04 vehicles that have not been processed under F.R.109 have been referred to the Accounts Division for removal from the register. F.R.104 (4) reports have been prepared in respect of 18 vehicles and to prepare the relevant form and submit it to the Secretary for approval, and the matter has been referred to the Attorney General's Department for legal action through the Ministry's Legal Division to recover the loss related to the accidents of 03 vehicles. Actions are being taken to recover the loss incurred by the	Financial Regulation 109 should be followed regarding the balances of loss.

		government from the driver of vehicle number 251 - 3639. The Transport Division does not have the F.R.104 files related to the accidents of 06 vehicles bearing numbers 252 – 3527, HB – 5572**,** 253 – 3919, GT – 2015, KS – 4826. F.R.104(1) and 104(4) investigations are being carried out in relation to 06 vehicles and as soon as the investigations are completed, action will be taken in this regard under Financial Regulation 109.	
(c)	The financial statements had not included the loss of vehicle KW-8202, which had not been restored to a roadworthy condition by the end of the year under review even though 3 years and 9 months had passed since the accident on 21 March 2021.	A committee has been appointed to obtain the final report on the losses under F.R. 104 (4) regarding the accident involving vehicle KW-8202, and It is informed that upon receipt of the report from the committee, the amount of losses will be included in the financial statements.	The amount of the loss should be included in the financial statements.
(d)	The loss of the vehicle bearing CAV-5064 belonging to the Rural Economic Division, which had not been made roadworthy by the end the year under review, even though it had suffered a technical failure on 21 June 2021 and had been in a condition for more than 03 years and 06 months, had not been included in the financial statements.	The full report under F.R.104(4) relating to the technical defect of the CAV-5064 Jeep has been prepared and forwarded for approval. Once the report is received, the amount of the loss to this vehicle will be included in the financial statements.	The amount of the loss should be included in the financial statements.
(e)	Although the losses relating to two accidents and one accident involving goods in previous years totaling Rs.377,911 had not been recovered, action had been taken to write them off from the books in the year under review.	Actions have been taken to write off the books under F.R. 109 since there is no responsible officer and no collection can be made.	Action should be taken to recover the losses.

4.9 Failure to respond to Audit Queries

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In accordance with Financial Regulation 155, the Chief Accounting Officer shall examine the audit query records referred to in Financial Regulation 452 (1) after a specified period and take action to rectify the deficiencies indicated in the audit queries received and although those queries should be answered immediately, 13 audit queries issued to the Ministry had not been answered as of the date of this report.	It will be provided answers to these audit questions in the future.	Actions should be taken to provide answers to audit queries.

4.10 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In terms of Lease Agreement No.2178 entered into with a private company on a lease basis for the Ministry of Agriculture for a period of 05 years from 08 April 2016 to 07 April 2021, although the building premises named DPJ TOWER located at No.288, Sri Jayawardenapura Kotte was handed over to the lessor on 31 January 2020, the Ministry has not yet recovered the refundable security deposit of Rs.63 million paid to the lessor. According to Contract Condition No.11, the lessor should take actions to pay the security deposit due to the lessee within one month of the termination of the contract and the handover of the leased property. Accordingly, the period of time that has now elapsed since the lessor illegally retained this security deposit was 4 years.	According to the lease agreement, the company has not paid the deposit of Rs.63 million as agreed after the lease agreement was signed to lease the building for 05 years and the property was handed over in full as per the relevant agreement. The Attorney General's Department has sent a letter of demand to DPJ to recover the deposit. In response, they have agreed to pay an amount of 300 lakhs in a letter dated 21.11.2022. A letter was sent to the Attorney General's Department on 09.05.2023 to inform them of the possibility of recovering the agreed amount of Rs.300 lakhs and filing a lawsuit for the remaining amount. In response to the letter sent to DPJ on 17.12.2024 requesting the payment of the agreed amount of Rs.300 lakhs by the Ministry of Agriculture, A special discussion was held on 03.03.2025 regarding the recovery of the initial deposit	The deposit amount should be recovered.

	amount, with the knowledge of the Attorney General's Department according to the letter dated 30.12.2024 submitted to the Ministry under the signature of DPJ Chairman D. U. Jayasinghe, requesting a discussion in this regard citing the inability to pay the amount of Rs.300 lakhs within the said period. Accordingly, although the DPJ party stated that it would be difficult to pay even Rs.30**0** lakh out of the total value of Rs.63 million within a year, and requested that time be given until 07.03.2025 to submit a payment plan in this regard, the payment plan has not been submitted even after almost two weeks of the deadline and on the absence of any response from the DPJ in this regard, a letter has been submitted to the Attorney General on 02.04.2025 requesting that judicial action be taken to recover the deposit amount.	

5. Human Resource Management

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The approved number of employees in the Plantation Industries Division of the Ministry as on 31 December of the year under review was 833, including the key posts of the Ministry such as Senior Assistant Secretary, Director, Deputy Director, Internal Auditor, Assistant Secretary, Accountant etc. 62 were vacant out of this, and 143 posts in the Agriculture Division and 26 posts in the Livestock Division were vacant. Action had not been taken to review the existing vacancies and fill the posts appropriately or amend the approved staff.	As of 31.12.2024, there were 22 senior level vacancies in the Agriculture Division. The administrative authorities have been informed regarding the filling of the remaining vacant posts further. The optimal staffing required for the Ministry of Plantations and Community Infrastructure has been proposed. The staff has been approved separately for the Plantation Division and the Ministry of Community Infrastructure by the letter of the Director General of Management Services No.DMS/CM/24/23 dated 15.01.2025. For the vacancies existing in the approved posts, Letters have been sent to the Ministry of Public Administration, Provincial Councils and Local	Actions should be taken to revise the number of employees to suit current requirements and to recruit for essential positions.

Government, requesting them to take necessary action. Vacancies at the senior level for Additional Secretary (Development) and Chief Accountant in the Livestock Division have been filled up with the acting post on a full-time basis and the Director General of Combined Services has been informed to fill the vacancies at the secondary and primary levels.