

Head 300- Food Commissioner's Department

1. Financial Statements

1.1 Qualified Opinion

Head – 300 The audit of the financial statements of the Department of Food Commissioner's for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 food commissioner's was issued to the Accounting Officer on 31 May 2023 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 31 July 2023 in terms of Section 11(2) of the National Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Food Commissioner's as at 31 December 2022 , and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

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

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

1.5. Report on Other Legal Requirements

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 on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

The financial statements should be prepared in terms of Guideline No.2022/05 dated 13 December 2022 issued by the Department of State Accounts. However, instances of non-compliance with those provisions appear below.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to paragraph 7.9 of the guidelines, the cash balance of Rs.2,681,919 remitted by the reporting entity to the treasury at the end of the financial year should not be included in the balance of cash and cash equivalents in the statement of financial position, but that value was included.	Arrangements have been made to present the accounts correctly in the year 2023.	Arrangements should be made to prepare the Accounts in terms of Guidelines of State Accounts.
(b) By the name of VAT control, a balance of Rs.402,886 had been shown under the financial assets in the statement of financial position.	Due to a VAT control account operates in the department it has shown under the statement of financial position.	Only the information required to be included in the Statement of Financial Position should be included in terms of the Guidelines of State Accounts.

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| (c) | As per paragraph 7.8 of the guidelines, the value of net assets to the treasury under net assets/equity in the statement of financial position should be calculated by deducting the value of deposit accounts from the value of advance accounts, but this was not done. | This problem has arisen due to the fact mentioned in above (a) and arrangements have been made to present the accounts correctly in the year 2023. | Actions should be taken to prepare the accounts in terms of the Guidelines 05/2022 of State Accounts. |
| (d) | Although a value equal to the value of property, plant and equipment should be shown as a reserve under net assets/equity in the statement of financial position as per paragraph 7.7 of the guidelines, In the statement of financial position (in ACA-P) the rent and works advance account amount of Rs.89,119,276 should be shown under advance accounts but due to the fact it is shown adding under property, plant and equipment. Similarly, a difference was observed in the balance of property, plant and equipment and the property, plant and equipment reserve accounts. | Arrangements have been made to indicate under hire works and advances in the statement of financial position in the financial statements of the year 2023. | Actions should be taken to prepare the accounts in terms of the Guidelines of State Accounts. |

1.6.2 Accounting Deficiencies

(a) Reconciliation Statements on Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the departmental books, the opening and closing balance of the advance account of public officers' had differed by Rs.332,250 from the opening and closing balance of treasury books, and no action had been taken to identify and settle this balance which had been existing for some period even by 31 December 2022.	This change of Rs.332,249.20 is not a recent change and after examining the old files and books, it has been identified as a change that happened before the year 2000. Actions are being taken in this regard.	Actions should be done to identify the difference.

(b) **Deposits**

Audit Observation

According to the departmental books, although the opening balance of the deposit account bearing number 6000-0-0-016-0-120 was Rs.16,574,196 but it was shown as Rs.1,657,419 in the ACA 4 format. Accordingly, although the total opening balance of the deposit accounts was Rs.103,464,394 but it was shown as Rs.88,547,618 in the ACA 4 format, which is shown Rs.14,916,776 less.

Comment of the Accounting Officer

By mistake, the opening balance of the deposit account bearing 6000-0-016-0-120-0 in ACA 04 format was shown as Rs.165,719.87 but the correct balance should be Rs.16,574,196. I have noted to be careful while preparing financial statements in future.

Recommendation

While preparing financial statements the accurate information should be presented carefully.

(c) **Imprest Balance**

Audit Observation

According to the books of the department, there was no balance for imprest, but Rs.2,681,919 had been included in the statement of financial position.

Comment of the Accounting Officer

The amount remitted to the treasury was recorded by a mistake. Arrangements have been made to present the accounts correctly in the year 2023.

Recommendation

Actions should be taken to prepare the accounts in terms of the Guidelines 05/2022 of State Accounts.

(d) **Lack of Audit Evidence**

Audit Observation

The provisions had not been made for the expenditure code 1701 by the budget estimate. Provision of Rs.4,150,000 had been transferred to that expenditure code by transferring of Financial Regulations 66. Rs.4,129,525 had been written off from the books under losses and write-off from

Comment of the Accounting Officer

Treasury Sundry Advance Account (7000/0/0/25003/420) -2002/2007 In terms of the F.R 109 for write off the loss incurred on purchase of paddy, the approval has been given through the 285 general form bearing number PFD/RED/WO dated

Recommendation

Written evidence must be submitted related to the write off.

this expenditure code. But no 24.01.2022. Information written evidence was submitted to related to that is included in the audit related to that. the file FC/6(1)/4/1 as rice.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) By paragraph 2.2 (a) of the National Budget Circular bearing No. 01/2021 dated 28 July 2021 states that wages, salaries and other allowances for the year 2022 should be calculated separately for each employee based on the actual number of employees as at 01 July 2021. In the year 2022, as new recruitments are discouraged, no provision will be allocated for that, due to not preparing estimates accordingly,	Due to the officers were transferred without successors, the provisions of expenditure codes 1001, 1003 were left. The balance money was transferred to the expenditure codes for which were the provision was not sufficient.	Actions should be taken to prepare realistic estimates.
<ul style="list-style-type: none"> From the salaries and wages expenditure code 1001, Rs.3,000,000 was transferred to other expenditure codes by financial Regulation 66 it is 9 percent. Even after making those transfers and incurring expenses., Rs.1,484,341 was remained. it was 5 percent of the revised estimate. 	Due to the officers were transferred without successors, the provisions of 1001, 1003 expenditure codes were left. the balance money was transferred for the provision insufficient expenditure codes.	Actions should be taken to prepare realistic estimates.
<ul style="list-style-type: none"> Rs.1,100,000 of other allowances expenditure code 1003, was transferred to other expenditure codes by financial Regulation 66, it is 6.9 percent. Even after making those transfers and incurring expenses., Rs.485,905 was remained. It was 3.26 percent of the revised estimate. 	Due to the officers were transferred without successors, the provisions of 1001, 1003 expenditure codes were left. The balance money was transferred for the provision insufficient expenditure codes.	Actions should be taken to prepare realistic estimates.

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| (b) | According to paragraph 3.4 of the State Accounts Guideline No. 05/2022 dated 13 December 2022, if the difference between the total net provision and the actual expense of a expenditure code exceeds 5 percent of the net provision of that expenditure code or Rs.10,000, whichever is greater, the reasons for the difference must be presented. Reasons for the difference were not presented in relation to 09 expenditure codes. | The reasons for the savings were not given due to a delay error. | Actions should be taken to present the accounts correctly. |
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2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In relation to 06 expenditure codes, commitments of Rs.4,122,969 had been incurred exceeding the savings.	Commitments have been made for the essential expenses and I have made a note to be careful in this regard in the future.	Should not enter into the liabilities exceeding the savings.
(b) 2 liabilities amount of Rs.99,800 mentioned in the statement of commitments and liabilities were still not settled on 30 March 2023.	Payments have not been made so far due to the vouchers were related to the Indian subsidies program.	Should be careful about the head of the expenditure while incurring into the liabilities.
(c) According to paragraph xii of Budget Circular No. 03/2022 dated 26 April 2022 had mentioned all welfare and subsidies programs should be re-reviewed and provided only to the low income earners or essential beneficiaries who must receive them. By paying attention to that, provision of Rs.50,000,000 allocated under the program for the upliftment of small and medium scale rice mill owners had been fully saved. However,	Only Rs.20 million was given for this by the Department of Treasury Operations. According to that, another 10 million should have to be pay. Had made a note to get a report from the Department of Cooperative Development regarding the paid 20 million.	Should act in accordance with the circulars.

under the expenditure code 300-1-1-4-2506, a liability of Rs.30,000,000 was made to the Commissioner of Co-operative Development and Registrar of Co-operative Societies Western Province and an agreement was not reached related to that or even no action had been taken in that regard in the year 2022. Only Rs.20,000,000 had been paid in February 2023.

- (d) Only Rs.216,039 should be included in the statement of commitments entered into liabilities in terms of financial Regulations 94(2) and (3) in the statement of Liabilities (i) (Annexure iv) of the financial statement. Due to the inclusion of the liabilities of Rs.4,469,507 included in Annexure (iii), in the statement of commitments entered into liabilities in terms of financial Regulations 94(2) and (3) had been stated over Rs.4,253,468.
- In terms of F.R 94(2) (3,) the yearly recurring supply and services were stated in the statement of liabilities (i).
- Actions should be taken to prepare financial statement correctly.
- (e) Although the distribution of Indian aid and the expenditure of the World Food Program were carried out under other expenditure heads of the Ministry of Trade and the presidential Secretariat. Under the commitments and liabilities, overtime and holiday wages of Rs.173,883 related to those programs had been paid under the food department expenditure heads of 300-1-1-0-1002.
- They were done under the expenditure head 300-1-1-0-1002 due to those expenses should be paid very soon. Noted to be careful while incurring expenses in the future.
- Should care about the expenditure head while incurring expenses.

2.3 Utilization of Provisions made available by other Ministries and Departments

The program of providing 40,000 metric tons of rice, 500 metric tons of milk powder and 50 metric tons of medicines to Sri Lanka as humanitarian aid under the coordination of the High Commission of India was implemented under 03 stages. In these three stages, the Food Commissioner's Department had done the work of distributing the food items to the relevant district secretaries from the release of goods from the port. For the first stage, 9000 metric tons of rice and 50 metric tons of milk powder, for the second stage, 14643.95 metric tons of rice and 250 metric tons of milk powder, and for the third stage, 16356.5 metric tons of rice and 200 metric tons of milk powder were given. The following observations are made in that regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Warehousing subsidies stocks and warehouse rental		
(i) On the day of the physical inspection of the distribution of Indian aid, although there was a lot of space left in both the Maradana railway depots, the rice stock planned to be transported by train was not kept at the Maradana depot. Due to, stored at the Orugudawatta depot an additional transportation cost of Rs.1,631,700 had been incurred for transport back to the Maradana depot between 04 July and 18 July 2022.	Agreed. I will follow your advice in the future.	Action should be taken to obtain the service to the government in a very economical manner.
(ii) Although it was stated that the daily collected rice in Orugudawatta and Maradana warehouses will be re-cleaned, packed and distributed due to the breaking of rice packages. Sufficient information about that was not submitted to the audit and an expenditure of Rs.101,320 for the processing of broken rice bags, cleaning of railway depots etc. during the period of 14 June 2022 to 16 July	As you have pointed out, I would like to inform that an amount of Rs.101,320 has been paid to H.M. Manpower for the processing of broken rice bags, cleaning of railway depots, etc., and an amount of Rs.787,520 for the collecting of swept rice.	Actions should be taken to prevent damages.

2022, an expenditure of Rs.787,520 for the purchase of covers for the collecting of swept rice during the period of 03 June 2022 to 12 September 2022 were also incurred.

(b) Stock damage and shortages

- (i) Under stage I, II and III, as per bill of landing the quantity of rice received was 40,000,000kg, but the quantity released from the port was 39,960,350kg, a deficiency of 39,650 kg was observed. Also, the quantity of rice received at Orugudawatta and Maradana warehouses was 39,957,650kg, and a deficiency of 2700 kg was observed between the quantity released from the port and the quantity of rice received at the warehouses. In addition to this, 42,300 kg of swept rice from the ship were remained in all the three stages on re-cleaned and distribution basis. In all the three stages, the quantities of milk powder released from the port were different with the bill of landing and the deficiency was 6840 kg.
- Though the quantity of rice mentioned in bill of landing was 40 000 000 kg, but according to the port notes and documents the quantity released from the port was 39 960 350 kg due to the breakage of rice covers and the spillage of rice inside the ship. According to the warehouse documents, the quantity received by the warehouses due to the breakage and scattering during the loading and unloading of these bags of rice to the lorries during transportation from the port to Maradana and Orugudawatta warehouses was 39 957 650 kg.
- Actions should be taken to minimize the stock wastage.
- (ii) Among the subsidies distributed to the District Secretariat/Divisional Secretariats under stage I, II and III and the subsidies received by those offices, A deficiency of 10,910Kg of rice and 160kg of milk powder was also observed in.
- Limited staff of the Department of Food was used for both day and night for the duties and the reason for this difference may be the errors in the accepting and the counting by the district secretaries and it is observed that those errors are about three per thousand and it is not an error of shortage but it could be calculation errors of human. Made a note to pay attention in this regards in the future.
- Actions should be taken to minimize the calculation errors and make comparisons to correct those.

(c) **Occurrence of stock surpluses in distribution**

It was observed that the district secretary had confirmed that there were situations more than the transported stock was received and accordingly the excess of 4150kg of rice had been received. Accordingly, it was problematic for the audit whether the distribution was done under proper supervision and inspection.

The proper procedure for delivery and acceptance of goods is to bring the district secretary or representative or to Colombo and load the goods in front of the relevant officer and hand them over to him. But due to the current fuel crisis, the circulation of government officials was restricted according to government policies, so the goods were not handed over by bringing the government officials to Colombo. I would like to inform that it is a way of reducing government expenditure and actions have been taken in accordance with the circulars. Actions have been taken to accept the goods by the District Secretaries directly from the Department of Railway.

While distributing subsidies, it should be done under proper supervision and inspection.

(d) **Expense of distribution**

(i) Although 05 metric tons of rice and 7.5 metric tons of milk powder were transported to the District Secretariat Monaragala, in the calculation of the transportation cost for that, it was mentioned in calculating transport cost that 20 metric tons of rice and 25 metric tons of milk powder were distributed in calculating transport cost. Due to this Rs.298,024 had paid more.

No comments were given.

There should be a proper supervision in ensuring expenditure.

- (ii) A procurement decision had been made to charge Rs.35 per metric ton per kilometer for transport. During the transportation of milk powder, there were cases where more than the metric tons transported, that is, the capacity of the lorry, was paid. According to the sample checked, the overpaid transportation fee was Rs.771, 308.
- These transport charges were paid based on the lorry capacity and with the approval of the Commissioner of Food.
- Payments should be made as per procurement decision.
- (iii) Even though the selected private company had agreed to bear the transport charges for delivery, An extra amount of Rs.457,494 had to pay due to getting delivery services from other private transport services.
- The distribution in the districts was carried out by the agencies selected through the procurement process. According to the prevailing situation, there was a need to solve the problems related to the space in the warehouses and to send the food items to the divisional secretaries immediately, on the request of the commissioner, of food the distribution of subsidies in Kalutara district was carried out by the Intermarine institute . But transportation to other districts was carried out through agencies selected through the procurement process.
- Expenses should be borne under the minimum cost.
- (iv) An expense of Rs.1, 429,828 was paid for stage I, II and III as other expenditures in addition to the expenditure items related to the calculation of the agreed unit costs as per the quotations related to the clearance expense. Accordingly, in addition to the port fees of Rs.540,979 and customs taxes of Rs.729,532 included in it, the department of food commissioner had paid Rs.9,495,008 and Rs.9,651,650 respectively as port fees and customs taxes.
- Comments were not received.
- According to the quotations, Payments should be made as per the agreed prices.

2.4 Certification of Accounting Officer

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, although the accounting officer must ensure that there is an effective system for the proper execution of internal audit functions. According to the observation mentioned in paragraph 4.1 of the report, that requirement was not fulfilled.	Noted to take action to appoint an internal auditor on acting basis or.	Action should be taken in accordance with the requirement of the Act.

2.5 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
(i) Financial regulation 138(1)	1,041,797 Rs.	While certifying a voucher sheet, the relevant officer should ensure that the relevant head, program, project, project class etc. is correctly an expense to the relevant account, without such certification, the Department of Food Commissioner's is not allowed to provide overtime for the distribution of Indian aid, But Rs.1,041,797 had been paid for overtime allowances for the 3 months of May, June and	Due to the fact that the officials of the Department of Food Commissioner are engaged in the distribution of Indian subsidies and have completed these tasks very quickly with a very limited staff, I would like to inform that overtime payments have been made under the expenditure code of 300-1-1-1002 from the head of the Department of Food. In the future, in paying overtime the	Actions should be taken to act in terms of financial regulations.

July under the relevant officials were expenditure code 1002 in instructed to act as per the expenditure head your instructions. (300) of food commissioner's.

(ii)	Financial regulation 371(2) (b)	895,000	Even though an “ad hoc” sub imprest can be provided only to the staff officers, cash advances worth Rs.895,000 had been issued to non-staff officers.	Only the Chief Accountant the Food Commissioner serve as the staff officers (executive officers) of the department and arrangements have been made to provide cash advance to the most senior officers assigned to each station for the efficient and speedy delivery of donations received to the country from India and China.	Actions Should be taken to act in terms of financial regulations.
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2.6 Deposit Balances

Audit Observation

As at 31 December 2022, the department had a balance of Rs.110,095,143 in relation to general deposits, and in those balances, there was a balance of Rs.54,930,690 between 02 and 10 years and a balance of Rs.25,448,939 for more than 10 years. Regarding that, arrangements had not been taken in the terms of financial regulation 571.

Comments of the Accounting Officer

Those balances were checked and noted to be dealt with according to F.R 571.

Recommendation

Arrangements Should be made to act in terms of financial regulations.

2.7 Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) There was unrealized receipt of Rs.887,592 as at 31 December 2022. In that there was a balance of Rs. 55,000 which was exceeded 07 years.	No comments were given.	Arrangements should be made to identify un realized receipts.
(b) There were unrecognized receipts of Rs.36,650 over two years, Rs.31,775 over one year and Rs.1,353,885 over one month total unrecognized receipts were Rs.1,442,310 and actions were not taken to recognize those receipts even on the date of audit.	No comments were given.	Unrecognized receipts should be verified without delay and accounted for promptly.

3. Operating Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the guideline No. 12 issued in relation to State Finance Circular 02/2020 dated 28 August 2020, for the annual activities, the imprest requirement plan and the internal audit plan should be included in the action plan but they were not included.	<ul style="list-style-type: none">• I would like to inform that in the future, the annual imprest plan will also be presented along with the action plan.• At present an internal audit unit has not been established in this department.	Actions should be taken to prepare the plans in terms of circulars.

3.2 Non- performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
Updating the website of the department had been identified in the action plan with the aim of providing updated information to the public through division of the information technology. The website of the department had not been properly updated even as at the date of audit.	The department's website is currently being updated and I would like to inform that it will be restored as soon as possible.	The web page should be updated properly.

3.3 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) As the main tasks of the department, for maintaining a special rice reserve of 8000 metric tons and maintaining a safe rice reserve of 100,000 metric tons total provision of Rs.100,000,000 allocated for the expenditure codes 300-1-1-3-2506 and 300-1-1-4-2506 from the budget estimate of the year 2022. It was remained at the end of the year. In that case, maintaining the rice availability in the market by supervising the rice production program of the small and medium scale rice mill owners for rice availability of the market in the performance report under the performance index under the expenditure code 300-1-1-4-2506. As a result of the expected output, Actual output was in the range of 75-89 percent, while the procurement plan progress was reported as 100 percent.</p>	<p>Arrangements are made to correct the progress of the procurement plan.</p>	<p>Arrangements should be taken to prepare correct progress and correct data should be shown in the performance report.</p>
<p>(b) For the proper management of the department's resources, under the coordination activities with the relevant parties, the contribution to the state income by providing warehouses and houses for rent has been identified at the level of 100 percent to 90 percent, but, arrears of warehouse rents of Rs. 95,448,000 and arrears of house rents of Rs.8,763,133 were existed as at 31 December 2022.</p>	<p>Arrangements are making to recover arrears of warehouse rent and arrears of house rent.</p>	<p>Arrangements should be made to recover the rent arrears.</p>

3.4 Delays in the Execution of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>There was a contract entered into for the construction of the Temperature Controlled Storage Complex in Dambulla for a contract period of 06 months from 26 June 2019 to 26 December 2019, but the relevant project had not been completed even though the 03 years had passed from the date of completion of the contract. In the procurement plan for the year 2022, the work was to be completed on 30 April 2022 and as a priority work, it was estimated at Rs.625 million. Although Rs.246,000,000 has been estimated for that in the annual estimate of 2022 under expenditure code 2104 of domestic funds, foreign grants and foreign financing. 100% of net provision of Rs.205,400,000 under domestic funds and foreign grants and 99% of the net provision in relating to the cost of foreign financing it was Rs.39,128,224, were remained. As such 80 percent progress had been stated under the procurement progress as at 31 December 2022.</p>	<p>The project has been delayed due to technical issues and it is expected to be completed in the year 2023. Arrangements are taking to correct the procurement progress in relating to the project on 31.12. 2022.</p>	<p>Arrangements should be made to present the accurate progress.</p>

3.5 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the guideline No. 14 issued in relation to paragraph 12.2 of the Public Finance Circular bearing No. 02/2020 dated 28 August 2020, the statement of financial performance, the statement of financial position and the statement of cash flows should be s</p>	<p>Due to a delay error, the draft performance report for the year 2022 had not been submitted with the annual financial statements and in the future, arrangements are making to submit it with the financial statements in terms of</p>	<p>Arrangements Should be made to act in accordance with circulars.</p>

submitted in terms of chapter 03 of the annual performance report were not submitted. Also, in terms of the Chapter 04, the performance indicators of the institution should be presented based on the action plan, but they were not prepared accordingly.

State Finance Circular 10.2.

3.6 Assets Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the department had 11 vehicles, only 09 vehicles were included in the Cigas asset register.	Due to a mistake, the motorcycle bearing WY-9165 and the cab bearing number PG-9165 were not entered in the fixed assets register, and arrangements are making to include them into the fixed assets register.	Arrangements should be made to submit correct asset information.
(b) 02 vehicles owned by the department had not been in use for more than 05 years and the said vehicles had not been acted in terms of Asset Management Circular No. 05/2020 dated 02 October 2020.	I would like to inform you that future work will be done promptly in relation to the vehicle disposal.	Should act in accordance with the circular provisions in relation to the vehicles that are not in use.
(c) In terms of the Asset Management Circular No. 04/2018 dated 31 December 2018, 28 lands and buildings owned to the department in 15 districts were not valued further.	The officers of the board appointed for value the assets had left due to transfers and retirements, Have noted to complete the related duties very soon.	Arrangements should be made to value all assets.

3.7 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Inspection of Dhanyagama housing complex		
(i) As a housing complex of 366 houses built by the National Housing Development Authority which was officially handed over to the Ministry of Food and Cooperatives on 21 November 1981, the land of this Dhanyagama housing complex had not been acquired to the department even by the audited date.	Arrangements are being made to acquire the land.	Arrangements should be made to acquire the land immediately.
(ii) Out of the above 366 houses, 26 houses were in dilapidated condition and out of that houses 09 houses were dilapidated for more than 10 years but no repairs were done.	Although 26 houses are in dilapidated condition, it has been delayed as they are not economically viable. Arrangements are making to check and take a decision relating to this matter in the future.	Arrangements should be made to do the proper maintenance.
(iii) In term of the Asset Management Circular No. 04/2018 dated 31 December 2018, land and buildings should be valued every 5 years, but the houses of Danyagama housing complex were last valued on 15 May 2017.	Actions are taking to value the houses.	Actions should be taken to value assets properly.
(b) The department had 103 warehouses with a capacity of 265,035 metric tons and there was rent arrears of Rs.95,448,000 as at 31 December 2022 related to those warehouses and buildings owned by the department. Out	Most of these warehouses have been given on rent to government institutions and are currently being worked on regarding that.	Arrangements should be made to collect the rent arrears in terms of the agreement.

of that, Rs.42, 876,740 was due from 23 lessees that the department had rented out currently, and Rs.52,571,260 was related to warehouses that had been rented out and repossessed. Also, when the lessee fails to pay the rent, the lessor has the ability to repossess the premises according to the lease agreement, No action had taken in relating to the above 23 lessees who continuously failed to pay the rent.

- (c) An agreement was entered into for lease the canteen building to a private company from 15 August 2019 to 14 August 2022, at a monthly rent of Rs.131,000, Rs.139,400, and Rs.156,000 for the first, second and third years respectively. Accordingly, although a rent amount of Rs.5,116,800 should be received for 3 years, invoices of Rs.2,966,000 were issued only from 01 December 2020 to 30 November 2022, and out of that Rs.2,443,000 was remained as arrears of rent and due to the violation of paragraph 28 of the agreement, No action was taken to cancel the agreement. On 22 October 2022, a complaint was filed to the police regarding the canteen by the department and had sealed the canteen. Until now, the arrears of rent had not been collected and the procurement process for handing over the canteen to another party had not even started.
- The procurement process will be started before 31.07.2023 to transfer the canteen to another party.
- Procurement process should be started without a delay.
- (d) In terms of the guidelines 01 under State Finance Circular 01/2021, to recover the loan amount given under the advance B account of the public officers, proceed in accordance with Sections 4.4, 4.2.4 and 4.2.5 of Chapter XXIV of the
- No one had come forward to get the pension rights of the late Mr. PK Nihal. The outstanding loan balance of Rs. 154,130.31 had been guaranteed by the National Insurance Trust Fund. Information
- Debt balances should be recovered promptly.

Establishment Code. If there are further overdue loan balances, proceed as per paragraph (e) of the guidelines. If there are uncollectible loan balances further, a request for a referral to the Deputy Secretary to the Treasury/ Secretary to the Treasury should be submitted to the Department of public finance of General Treasury under Finance Regulation 113 for the waiving off arrears loan balances along with documents to certify that relevant action has been taken as per paragraph (f) of the guidelines. Without doing so, the total amount of balance Rs.1,387,731 due from deceased, retired, service suspended and service left officers has been stated in the statement of losses to be further recovered or written off by the department. In that, there was a loan balance of Rs.346,500 between 1-2 years.

relating to this had also been given to the Department of State Accounts.

Due to the fact that the personal files of several officers who have outstanding loan balances of more than 15 years could not be found, necessary actions will be taken under Financial Regulation 113 to waive off the outstanding loan balances.

Department of Attorney General's was informed regarding the loan balance of Mr. S. Malwana.

Also, the control division has informed that the guarantor of Mr.TMG Indika , whose loan balance is between 1-2 years Mr.EG Siripala has now retired and Mr.DM Priyantha 's guarantor is Mr.W.R.M.U.Amarasinghe who is working as a watchman at the Weyangoda District grain store in this department. Accordingly, the future work will be done.

4. Good Governance

4.1 Internal Audit

Audit Observation

In terms of Sections 40 (1) and 40 (2) of the National Audit Act No. 19 of 2018, an internal audit unit was not established in the department.

Comments of the Accounting Officer

Noted to make arrangement for appointing a internal auditor on acting basis or.

Recommendation

Should act in accordance with the act.