

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Hadabima Authority Of Sri Lanka for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements including material accounting policy information 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 and Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements of the Authority give a true and fair view of the statement of financial positions as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Si Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so..

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

As per Section 16 (1) of the National Audit Act No.19 of 2018, the Authority 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 Authority.

#### **1.4 Audit Scope (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, they could reasonably be expected to influence the economic decisions of users taken 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the

following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Board,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to the Relevant Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The Cash Flow Statement submitted along with the financial statements for the year under review had not been prepared in compliance with Sri Lanka Public Sector Accounting Standard No. 02.	The inflows and outflows of cash and cash equivalents for the year have been presented in accordance with paragraphs 27 and 28 of Sri Lanka Public Sector Accounting Standard No. 02.	The financial statements for the ensuing year should be prepared in accordance with the Public Sector Accounting Standards.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) A sum of Rs. 4,213,582 paid during the year under review as Employees' Provident Fund contributions related to the period 2001–2010 had been adjusted as an expenditure without adjusting it to retained profits. As a result, the surplus for the year under review had been understated by that amount.	The expenditure had not been specifically identified within that year, and the necessary decisions for the payment were received from the Department of Labour and the National Budget Department, while the approval of the Board of Directors had been granted	Action should be taken to identify expenditures in a timely manner and accurately accounted for in future years.

during the year 2024 and it was recorded as an expenditure in 2024.

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| (b) | When comparing the interest income from fixed deposits and the interest receivable on fixed deposits shown in the financial statements for the year under review with the figures calculated based on the information submitted for audit, discrepancies of Rs. 2,829,425 and Rs. 3,899,814 respectively were observed.   | In preparing the final accounts for the year 2024, the interest income and interest receivable on fixed deposits were calculated only based on the deposit period, and the calculation of allocation of interest for the relevant year had been omitted. | The discrepancies should be examined and the correct figures should be adjusted in the financial statements. |
| (c) | According to the Government Valuation Report obtained in January 2024, the value of buildings amounted to Rs. 95,155,000, whereas the value shown in the financial statements was Rs. 43,330,620, resulting in a difference of Rs. 51,824,380.  | The building valuation for the year 2024 had been obtained, but since an internal notification had not been made in that regard, the value of buildings had been understated.  | – Do –   |
| (d) | Due to failure to account for depreciation of Rs. 502,130 on poultry coops constructed at the Pallekele farm under the project implemented with the Central Engineering Services Limited (CESL) at a cost of Rs. 26,853,829 on 02 April 2024, the profit for the year under review had been overstated and allocation for depreciation had been understated by that amount. | The depreciation value has been calculated correctly, but when totaling it in the Excel sheet, that column was omitted from the calculation.   | Calculations should be carried out accurately.   |
| (e) | The value of work in progress amounting to Rs. 15,935,828 as at the end of the year under review, related to activities performed under the project implemented with Central Engineering Services Limited on its contribution, had not been included in the financial statements as assets of the Authority and commitments related to the company.                         | Only the buildings are recognized as assets, and steps have been taken to correct the values of the work in progress.  | The work in progress should be identified in the accounts.   |
| (f) | The profit earned from the CESL project during the year under review was f Rs. 3,557,543 and the profit should have been apportioned on a percentage basis according to a criterion to be decided in the future, as   | The main agreement related to the CESL project, which had been approved by the Attorney General's Department, was signed in  | Correct values should be identified when preparing financial statements.                                     |

<p>per the Memorandum of Understanding between the Hadabima Authority and CESL. However, no allocation had been made for this during the year under review.</p>	<p>April 2025, and necessary arrangements have been made during 2025 to allocate profits in accordance with that agreement and the approval.</p>	
<p>(g) In terms of the maize import agreement entered into with three companies on 05 January 2024, a sum of Rs. 15,250,000 had been deposited in the Authority's account on 08 January 2024 as administrative and operational fees. However, this amount had been recognized as income and shown as income receivable in the financial statements for 2023 under the Maize Project, resulting in understatement of income for the year under review.</p>	<p>Observation is accepted.</p>	<p>Internal control procedures should be introduced to ensure that income is correctly identified and accounted for.</p>
<p>(h) Although the net income after deducting the relevant expenses from administrative and operational fees collected from companies utilizing the maize import quota belonging to the Authority for the year 2024 should have been Rs. 102,499,264, it was shown as Rs. 117,371,077 in the financial statements. Accordingly, a difference of Rs. 14,871,813 was observed.</p>	<p>By recording both receipts and payments in the same account, income has been overstated.</p>	<p>Account balances should be corrected by adjusting the discrepancies.</p>
<p>(i) As revealed during a audit test check, accrued expenses amounting to Rs. 287,838 had been understated, resulting in overstatement of income and understatement of liabilities of the year by the same amount.</p>	<p>The computation of accrued expenses for 2024 was completed on 31 January 2025, and the expenses submitted thereafter had not been calculated.</p>	<p>Financial statements should be properly prepared in accordance with accounting policies by accurately making adjustments.</p>
<p>(j) The balance of one of the bank savings accounts of the Authority as at 31 December 2024 amounted to Rs. 4,041,152 according to bank confirmations, Rs. 5,558,648 according to the financial statements, and Rs. 4,605,330 according to the cash book, indicating a discrepancy. It was further observed that no action had been taken to adjust this difference even by 05 May 2025, the date of audit.</p>	<p>Steps will be taken during the year 2025 to identify and rectify the difference that has been shown from previous years.</p>	<p>A formal examination should be carried out to identify the reasons for the discrepancies and necessary adjustments should be made with proper approval.</p>

- (k) In the payments record of the project implemented with Central Engineering Services Limited (CESL), no monthly expenses had been recorded under the electricity and water expenditure heads. Instead, at the end of the year under review, journal entries were made without a proper basis to record Rs. 1,711,775 as electricity expenses and Rs. 80,250 as water expenses. Further, without establishing a proper system to identify monthly income separately for the Pallekele Farm and the CESL Project, a sum of Rs. 26,996,814 had been accounted for as project income through a journal entry at the end of the year.
- The primary cost allocations were made proportionally to income, and the income from the bills issued for sales through the project has been recorded and compared with the source documents, supporting documents and reports that have been accounted for at the head office..
- A proper system should be established to separately identify project income and expenditure, and sufficient evidence should be provided for audit to substantiate the related figures.

### 1.5.3 Unreconciled control accounts or reports

Item	Value as per Financial Statements Rs.	Value as per Corresponding Reports Rs	Difference Rs	Comment of the Management	Recommendation
(a) Value of Fixed Deposits	108,184,532	109,257,787	1,073,255	The original investment value has been taken into consideration, and the updated value with interest at maturity has been omitted.	The discrepancy should be identified, and the correct value should be adjusted when preparing the financial statements for the ensuing year.
(b) Expenditure for supply of air rifles and electric fence	13,047,297	19,997,683	6,950,386	The expenditure has decreased due to debiting the inventory account with the existing inventory value as of 2024-12-31 and crediting the expenditure account under the relevant	- Do -

expenditure head.

(c)	Sales income of the Pallekele Farm	36,545,788	18,742,845	17,802,943	Sales income of the Pallekele Farm has been accounted for according to the cash book, whereas it has not been accounted for according to the farm income records.	The reasons for the discrepancy should be investigated, formal measures should be taken regarding the failure to maintain accurate farm income records, and instructions should be issued to maintain such records in an updated manner.
(d)	Sales income of the project implemented with the Central Engineering Services (Pvt) Ltd. (CESL)	26,996,815	4,695,223	22,301,592	The sales income of the CESL project has been brought to account according to the cash book, whereas it has not been accounted for as per the CESL project income records.	- Do -
(e)	Sales income of the Kotmale Farm	21,048,896	1,091,448	19,957,448	The sales income of the Kotmale Farm has been brought to account according to the cash book, whereas it has not been accounted for as per the farm income records.	- Do -

(f)	Daily wages of labourers under the CESL Project	2,948,535	2,693,307	255,228	The labourers relevant to the month of January have been recorded under the payment records of the Pallekele Farm instead of the CESL project payment records.	The reasons for the discrepancy should be examined and corrected, and an internal procedure should be introduced to maintain records accurately and systematically.
(g)	Value of assets utilized by the Central Engineering Services (Pvt) Ltd. under the CESL Project	88,067,247	87,386,371	680,876	No balance confirmation was obtained from the CESL and accounted for the assets value	The books and records of the CESL institution and the Authority should be compared, and action should be taken to include the accurate value in the financial statements.

## 1.6 Receivables

	<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(e)	The rental income of Rs. 1,262,400 receivable from the Hadabima Cooperative Society for the year under review had been shown in the financial statements as a long-term asset.	It was a posting error that occurred when allocating accounts for the accounting period.	Action should be taken in accordance with the Public Sector Accounting Standards and to correct the error when preparing the financial statements for the ensuing year.

## 1.7 Non-compliance with laws, rules and regulations, and management decisions, etc.

	<b>Reference to Laws, Rules/ Directives</b>	<b>Description</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	Financial Regulations (FR) of the Democratic Socialist Republic of Sri			

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- (i) F.R 110
- A register of losses and damages had not been maintained to record losses and damages such as vehicle accidents, damages to cultivations, and deaths of animals.
- A register is being maintained to record losses and damages related to animals and cultivations of the Authority's farms.
- Action should be taken to maintain a register of losses and damages in accordance with the Financial Regulations.
- (ii) F.R 137 and 138
- As the officers authorizing and certifying vouchers had approved payments and retained the drawn cheques in contravention of Financial Regulations, a cheque valued at Rs. 3,727,500 written on 28 December 2023 for the purchase of 150 air rifles had been released to the supplier only on 30 April 2024. Furthermore, due to the preparation and approval of vouchers without the completion of the relevant work, eight cheques valued at Rs. 8,561,213 written as at 31 December 2024 had not been issued to the payees and were retained by the Authority even by 05 May 2025.
- Although cheques were written for the goods, they were withheld until the suppliers delivered the goods and the Technical Evaluation Committee carried out proper inspections. Action will be taken to prevent such occurrences in the future.
- A formal investigation should be conducted, and action should be taken against the officers who acted contrary to the Financial Regulations, and a proper procedure should be put in place to prevent the recurrence of such situations in the future.
- (iii) F.R. 396
- In the bank reconciliation statement prepared in December 2024 in relation to two current accounts, there were 48 cheques worth a total of Rs. 2,117,323, issued from a period of 06 to 17 months but not presented for payment as
- Action will be taken to send reminder letters to the payees. Out of the unrepresented cheques as at 31 December 2024, cheques valued at Rs.908,908 had been realized as at
- Action should be taken in accordance with the Financial Regulations to settle the matter.

of 05 May 2025, 28.02.2025.  
 whereas action had not  
 been taken in  
 accordance with the  
 financial regulations.

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| (b) | Financial Regulation 877 (2) (d) incorporated by paragraph 15.1 of Public Finance Circular No. 01/2020 dated 28th August 2020 | Although financial statements should be submitted within two months after the end of the financial year, the financial statements for the year 2024 had been submitted to the Auditor General on 21 April 2025, after a delay exceeding 50 days. | Action has been taken to submit the financial statements for the year 2025 in compliance with Financial Regulation 877 (2) (d) incorporated by paragraph 15.1 of Public Finance Circular No. 01/2020. | An internal arrangement should be established to ensure that financial statements are submitted within the prescribed time frame in future years. |
| (c) | Public Administration Circular No. 30/2016  | Although a fuel consumption test should be conducted once every 12 months as per the Circular, no fuel consumption tests had been carried out during the year 2024.  | A vehicle fuel consumption test was conducted in 2023, and since that test was carried out at the end of 2023, another test was not conducted for 2024.   | Fuel consumption tests should be carried out in accordance with the provisions of the Circular.   |

**2. Financial Review**  
**Financial Results**

The operating result of the year under review was a surplus of Rs. 165,438,685, as compared with the corresponding surplus of Rs. 57,991,050 in the preceding year, indicating an increase of Rs. 107,447,635. This increase was mainly attributable to the income generated from the maize and black gram import project.

**3. Operational Review**  
**3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) In terms of the Cabinet decision granted on 04 July 2023, the Department of Animal Production and Health was authorized to import maize to increase local egg and poultry production and control prices. Under the quota	Since the Hadabima Authority is an institute operates on Treasury provisions, it has no allocation to conduct such	A formal investigation should be conducted, and any possible fraud or malpractice should be reported to the relevant

allocated to that Department, permission was given to the Hadabima Authority to import 21,250 metric tons in 2023 and 25,000 metric tons in 2024. However, the Authority had not taken steps to import maize utilizing its own funds and distribute it according to the criteria of the Department of Animal Production and Health. Instead, in contradiction to the given purpose, the Authority had facilitated three private importers selected at its discretion to import maize under the allocated quota and had obtained a commission of Rs. 130,550,000. Accordingly, the Authority had used the import license issued to it, received a temporary value added a tax number for import operations, deposited funds from private companies into the Authority's bank account, settled import expenses through that account, and released the goods to the three private companies. Although the quota was intended for distribution among small-scale animal feed producers, it was observed that the farms listed by the Authority for distribution were medium and large-scale farms. Further, during the examination of the distribution list of an importer who had imported 10,000 metric tons of maize, it was observed at the field inspection conducted on 23 October 2024 that none of the farms listed therein had received maize from the respective importing company.

import activities. Therefore, the Authority called for expressions of interest from registered importers and entered into agreements with them to carry out the relevant imports. Import licenses were issued in the name of the Authority, designating it as the Consignee and the importing and distributing institution as the Notify Party. A temporary VAT registration was also obtained for customs clearance. As the Authority had no data to classify or regulate the respective farm as small or medium-scale, it only verified the supply of stock to the farms listed and submitted the related documents to the Department of Animal Production and Health for further action.

law enforcement authorities for necessary action.

- (b) The Ministry of Agriculture had granted approval to the Hadabima Authority to import 500 metric tons of black gram seeds for the Tamil community in plantation areas during the 2024 Sinhala and Hindu New Year period. The Authority had not imported black gram seeds using its own funds but utilized the approval to import through a selected private company, using the Authority's name on all import documents. The imported goods were handed over to the same company, and the Authority received a commission of Rs. 8,000,000. Although Cabinet approval was granted to import black gram for the festive period, the Plant Quarantine Service application indicated that the shipment would likely arrive around 30

Since the Authority does not receive any provision for such activities, imports were carried out by inviting expressions of interest from registered importers. Approval for this import was received on 03 April 2024, leaving only 09 days to follow the tender process and complete import procedures. As per Cabinet approval, the Authority was instructed only to undertake the

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- April 2024. Therefore, despite approval being granted for imports for the festive period, it was observed that the goods were released from warehouses between 30 April and 03 May 2024, after the New Year season, and transported to wholesale dealers in Pettah by the private company.
- import and not the distribution. Accordingly, the importer was informed through the signed agreement to release the imported stock to the market to avoid holding delays.
- (c) According to the bid documents pertaining to the air rifle procurement project, the agreed delivery period with the selected supplier was 25 days. However, for the special project involving 150 air rifles for the Hambantota District, delivery had been delayed by more than 04 months. Moreover, since the bid conditions did not specify any clause regarding delay charges, no action could be taken against the supplier for the delay.
- Cheques were not issued until the technical evaluation committee report was received, and the performance guarantee was retained.
- In future, bid documents should be prepared to avoid such deficiencies, and evaluation criteria should be further broadened to ensure the selection of suitable suppliers.
- (d) According to the stores records, as at 07 April 2025, the balance of air rifles was 10, whereas the physical verification revealed only 3, resulting in a shortage of 7 rifles.
- The 07 air rifles were directly issued to beneficiaries who had contributed 50 per cent of the cost.
- Written evidence relating to the distribution of the 7 air rifles should be submitted for audit.
- (e) Approval for the revised budget had been obtained at the Board meeting held on 10 January 2025, after the end of the year under review. Accordingly, the revised budget was prepared based on the actual expenditure, showing no variance from the approved budget.
- The Board meeting for December 2024 was held in January, and total expenditure did not exceed the initial annual allocation. Only adjustments among items of expenditure were made.
- Action should be taken to revise the budget in a timely manner in the future.
- (f) The Authority completely utilizes government capital and recurrent grants for staff emoluments and development projects. In 2024, Rs. 149,655,800 was received as recurrent grants and Rs. 220,000,000 as capital grants. The Authority had earned Rs. 138,550,000 as commission income from maize and black gram import projects, but no action had been taken to reduce the Treasury grants accordingly.
- The annual funds provided for development and recurrent activities have been efficiently utilized for the intended purposes. Since no allocations are made for farm operations of the Authority through annual estimates, funds were used under Board approval for developing

infrastructure facilities to improve farm productivity. The remaining funds were invested in commercial banks under prevailing high-interest rates.

- (g) Although the institution, being a state entity, should have operated within the limits of its annually approved budget, the Authority had incurred expenses exceeding those limits by utilizing Rs. 8,000,000 for the revolving loan fund established for the repayment of officers' loans and Rs. 5,799,936 for the purchase of tablet computers for officers, out of the commission income amounting to Rs. 138,550,000 received from maize and black gram importers.
- Funds from the maize project were used to purchase tablet computers. Since no annual funds are allocated for institutions like the Authority to provide staff loans, such payments are made from an internally established revolving fund, based on limits and conditions approved by the Board of Directors.
- A formal investigation should be conducted into the expenditure made beyond the approved budget limits, and appropriate action should be taken.
- (h) A financial fraud amounting to Rs. 2,129,759 that had occurred in the Sales Division of the Authority in 2015 had been identified. Although 10 years had elapsed since the loss occurred, by the audited date of 05 May 2025, only Rs. 575,000 had been recovered, and the Authority had not taken any measures to recover the remaining balance of Rs. 1,554,759.
- A committee has been appointed to review the recovery process and obtain a recommendation report, and further action will be taken accordingly once the report is received.
- Action should be taken against officers who failed to recover the loss in a timely manner, and immediate steps should be taken to recover the outstanding balance.
- (i) A cooperative society named Hadabima Cooperative Society Ltd. had been established, and the operations of the sales project under the Hadabima Authority were handed over to it. However, the objectives expected from establishing the society had not been achieved, and the cooperative society had not to remitted rental income and other charges due to the Authority. The memorandum of understanding between the Authority and the cooperative society had also expired by 22 January 2024. Since a legal case is pending regarding the establishment of the Cooperative Society and it had not been concluded as at the audited date of 05 May 2025, the Authority had been unable to recover the income that could have been earned from the respective property.
- Due to irregularities in the cooperative society, its intended objectives could not be achieved. The agreements had been breached from the initial stages, but no legal action was taken to terminate or withdraw from the agreement. Several related cases are currently pending before the Kandy District Court.
- A study should be conducted on the existing agreements and legal situation to achieve the expected objectives and recover due income for the Authority.

### 3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) Under the functions of the Authority, a sum of Rs.14,927,920 had been spent in the year 2023 for the installation of 70 drip irrigation systems for passion fruit cultivations, and the systems had been distributed among farmers. However, drip irrigation systems had not been installed in three cultivated fields where seedlings had already been planted. Further, four passion fruit cultivators in the Agunukolapelessa–Guruwela area had abandoned the use of drip irrigation systems in 2024 citing various reasons. Therefore, the expenditure incurred thereon had become unproductive.</p>	<p>An audit had been carried out one month after the drip irrigation systems were provided to the beneficiaries, and at present, those beneficiaries are using the systems. If they are not in use, action will be taken in compliance with the agreements.</p>	<p>Supervision should be strengthened and necessary steps should be taken to provide unused assets to other suitable parties. Projects and beneficiaries should be identified through a proper study.</p>
<p>(b) With the objective of promoting free-range poultry farming, the Authority had distributed chicks among farmers. It was stated that 10 chicks were distributed to each farmer in the proportion of 2 males and 8 females. However, it was observed that in some cases, the number of male chicks distributed had been as high as 46 percent. Since a field inspection had not been carried out to examine the supplier’s capacity to provide chicks during the procurement process, 8,615 chicks had been purchased from a farm that did not engage in the breeding of free-range poultry. The supplier had procured chicks from various other farms and supplied them to the Authority. It was observed that chicks worth Rs.1,033,600 had died, and as a result, the relevant payment had been withheld. Accordingly, the intended objective of the project had not been achieved.</p>	<p>The sex determination of chicks is carried out through an external institution under the Ministry of Agriculture, and due to the difficulty of determining sex with accuracy, this issue has arisen. It was further stated that payments have been suspended if chicks distributed by the Authority had died and that the replavement of chicks for died chicks is expected to be carried out in January 2025.</p>	<p>A formal investigation should be carried out regarding the project, and a fomal action should be taken against the responsible officers for the failure to achieve the expected objectives.</p>
<p>(c) The Authority had given procurement decisions to purchase 4,000 Passion Fruit plants, 40 Rambutan plants, and 2,250 grafted Durian plants from a farm in the Hambantota area. However, during a field inspection carried out by the audit on 09 October 2024, only passion fruit plants were found on the supplier’s farm, while no grafted Durian or Rambutan plants were</p>	<p>Although it was not possible to inspect the plants due to a practical situation, action will be taken to ensured that such instances will not occur in the future.</p>	<p>A formal investigation should be conducted, and action should be taken against the officers who carried out the procurement irregularly.</p>

available. Accordingly, at the time of granting procurement approval, it had not been verified whether the supplier possessed the requested types of plants, whether those plants were of good quality, and whether the supplier had the capacity to supply the required quantities.

(d)	A sum of Rs.29,706,889 had been expended on the implementation of the Fruit Village Programme during the year 2024. Although this programme was expected to be implemented as a national programme, the purchase of materials had been carried out based only on three Divisional Secretariat Divisions in the Hambantota District, and materials valued at Rs.3,543,100 obtained at those prices had been distributed among the beneficiaries identified in the Gampaha, Kurunegala, and Anuradhapura Districts. Damage had occurred to the cultivations due to an unidentified disease condition that appeared before the expiry of 03 months after the purchase of the plants. The Horana Fruit Crop Research and Development Centre had conducted an investigation into this matter, and although about 06 months had elapsed, as of 08 July 2025, no final report had been issued.	Not replied	A formal investigation should be conducted to identify the parties responsible for the weaknesses of the project and necessary action should be taken accordingly.
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### 3.3 Delays in Project or Capital Works

<b>Audit Observation</b>	<b>Comment of the Management</b>		<b>Recommendation</b>
(a) Under the Water Source and Stream Conservation Project during the year under review, an agreement valued at Rs.970,000 had been entered into by the Walasmulla Divisional Secretariat with a community-based organization on 08 July 2024 for the construction of an agricultural canal based on the Bibulagodahena Bibu–Yahamalla water source. According to Condition No. 03 of the agreement, the work should have been completed by 08 August 2024. However despite habing elapsed two months after the expiry of the contract period as at 09 October 2024, the project work had not been commenced.	Due to unfavorable weather conditions and disagreements between the contractor and the farmers’ organization, the project had been cancelled and the funds were reallocated to another project.	A formal investigation should be carried out and necessary action should be taken against the responsible officers for failing to achieve the expected objectives.	

### 3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
(a) Although two members of the Technical Committee were working at the office on 21 November 2023, they had reported that they inspected three drip irrigation systems in the Agunukolapelessa Divisional Secretariat Division on the same day and confirmed that the relevant materials and equipment had been properly utilized and the work had been completed according to the planned design. Based on this report, the Technical Evaluation Committee met on 29 November 2023 and recommended payment of Rs.14,927,920. However, in contravention of Financial Regulations 137 and 138, payments had been made to the contractor on 24 November 2023 even prior to receiving the said report and.	Due to the heavy workload assigned to the members of the Technical Evaluation Committee, one member had visited the site, inspected it, and conveyed the findings through WhatsApp messages for the Committee's recommendation.	A formal investigation should be conducted, and action should be taken against the officers who acted in violation of regular procedures
(b) Contrary to the provisions of the Procurement Guidelines, the Authority had purchased agricultural equipment valued at Rs.25,328,444 as direct procurements from the State Trading (General) Corporation (STC) during the period from 01 January 2024 to 31 December 2024.	The Authority accepts that the basic principles of the Procurement Guidelines had been violated prior to obtaining Cabinet approval.	Procurement activities should be carried out in compliance with the provisions of the Procurement Guidelines in a manner that ensures benefit to the Authority.
(c) The supplier selected on 01 November 2023 under the procurement process for purchasing electric scarecrow had submitted specifications for lands of 1–1.5 acres and 2–2.5 acres, which did not meet the minimum requirements required by the Technical Evaluation Committee. Although the Technical Evaluation Committee report was submitted on 08 March 2024, a payment of Rs.1,095,050 had been made to the tenderer on 31 December 2023 prior to receiving the report, in violation of Financial Regulations 136, 137, and 138.	Not replied.	A formal investigation should be conducted, and action should be taken against the officers who acted in violation of regular procedures.
(d) The Authority had purchased 1,453 air rifles at a cost of Rs.91,650,625 for distribution among farmers during the years 2023 and 2024. Out of that, 450 air rifles valued at Rs.18,999,925 had been purchased on three occasions within a period of 12 to 90 days from the same supplier by	Action will be taken in accordance with Paragraph 1.2.1(a) of the Procurement Guidelines, by following a qualitative procurement plan in the	Procurement activities should be carried out by properly identifying the actual requirement and formal action should be taken against the parties

<p>applying the repeat order limit of 50 per cent of the procurement value, as per Paragraph 3.6(d) of the Procurement Guidelines. Accordingly, it was observed that procurement had been carried out without properly identifying the actual need.</p>	<p>future.</p>	<p>who failed to prepare a qualitative procurement plan.</p>
<p>(e) A sum of Rs.20,523,861 had been spent for the purchase of plants, GI pipes, and galvanized wires for passion fruit cultivations under the “Fruit Villages Programme” in 2024, of which Rs.17,765,136 had been paid to a private institution for 5,400 GI pipes and Rs.1,048,725 for 2,250 kg of galvanized wire. The technical evaluation committee of this project had not specified that the committee should examine samples of the documents.. Although the delivery period was specified as 30 days, the bidder who submitted the lowest bid had indicated a delivery period of 45 days; therefore, the bid was rejected as a major deviation and awarded to the second-lowest bidder. However, that supplier completed the order with a delay of 76 days, and no penalty charges had been recovered. According to the Technical Evaluation Committee report, the stock had been inspected on 06 December 2024 and recommended for payment as the items matched the specifications and samples. However, goods valued at Rs.5,921,712 had been released to the field without any inspection by the Technical Evaluation Committee. As per the Technical Evaluation Committee report dated 24 December 2024, only one member of the Technical Evaluation Committee had participated in the physical inspection of the stock. The tender had been awarded to an intermediary company instead of a manufacturing company. Laboratory reports confirmed that the pipes purchased for Rs.14,214,917 were not of the standard (SLS) quality. Field inspections in five Grama Niladhari divisions under the Tangalle, Mirigama, and Ambanpola Divisional Secretariats revealed that the distributed GI pipes and wires were not used for cultivation but stored in houses, some installed partially in the field, and some stored unsafely in residences. It was also confirmed that the pipes had rusted before the expiry of three weeks of distribution. It was observed that the project</p>	<p>Not repied</p>	<p>Action should be taken to conduct a formal investigation regarding the payments made without proper inspection in violation of procurement regulations and to initiate formal measures against the responsible officers, and also to recover any losses caused to the Government.</p>

objectives could not be achieved due to shortcomings in planning, beneficiary selection, and post-monitoring activities from the beginning of the project.