

The Transactions Report of Co-operative Wholesale Establishment - 2018

The audit of the operational activities of the Co-operative Wholesale Establishment for the year ended 31 December 2018 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 the Finance Act No. 38 of 1971.

1. Financial Statements

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16 (1) of National Audit Act No. 19 of 2018. The Annual Financial Statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the Annual Performance Report of such instances as may be specified by the rules in terms of Section 16 (2) of the Act. It should be ascertained to prepare Annual Reports and other financial statements within the required time period in terms of Section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should be responsible for presenting of the Annual Reports related to the entity which was being audited to Parliament.

1.2 Non-submission of Financial Statements to Audit

However, the annual financial statements of the Statutory Boards should be submitted to the Auditor General within 60 days after the closure of the accounting year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/ 12 of 02 June 2003 and the Treasury Circular No. 01/2004 of 24 February 2004, the financial statements of the year 2018 had not been presented for audit even by 31 May 2020.

2. Operating Review

2.1 Continuous Existence of the Corporation

	Audit Observation	Comments of the Management	Recommendation
	-----	-----	-----
(a)	Due to the continuous losses incurred by the Corporation from the year 2000 to the year 2013 the net assets had declined to a minus figure of Rs. 7,710,099,424 as at the end of 2013 and due to the surplus of Rs.5,780,204,145 generated as a	Agreed.	Arrangement should be made to increase the net assets.

result of the assets revaluation carried out during the year 2014, the minus value of net assets declined to Rs.2,764,039,908 in the year 2015. As a result of the Treasury Bonds which had been issued by the General Treasury as liabilities of the Corporation valued at Rs.4,397,000,000 was converted into Equity Capital after settling by the General Treasury in the year 2016, the net assets of the Corporation had been Rs.1,388,648,519.

2.2 Lack of Information for Audit

The following observations are made.

Item	Amount Rs.	Unavailable Audit Evidences	Comments of the Management	Recommendation
Imported Rice Stock	-	Seven hundred twenty-two "Delivery Notes and Good Received Notes" (DNSA) which are used when undertaking imported rice stocks to the relevant warehouses were not submitted to audit.	Answers were not given.	All "Delivery Notes and Good Received Notes " should be kept safely.
Lease Rent of Assets	-	Even though the letter No. TCM / C / CWE / INFO / 2019/12 dated 29 March 2019 had been issued inquiring about the facilities provided by the Corporation for the institutions maintained on the 8 th floor and 9 th floor of the Corporation and the employees	Answers were not given.	Information should be submitted to audit.

deployed in them, the answers for that have not been submitted to the audit even by 31 December 2019.

Imported Rice	-	Even though the originals of DNSA Forms (CWE 404) containing information relevant to the undertaking of rice to the stores, only photocopies of DNSA papers were submitted for audit relating to 1,610,850 kgs. of rice in 62 occasions.	Answers were not given.	Originals should be submitted for audit.
---------------	---	--	-------------------------	--

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

 The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
-----	-----	-----	-----
(a) Section 2.2 (a) of the Co-operative Wholesale Establishment (Amendment) Act No. 31 of 1991	Although the Corporation's money can only be invested in existing public companies, 02 state-owned companies called Sathosa Economic Centre Services (Pvt) Ltd. and Sathosa Construction and Engineering (Pvt) Ltd. had been established making a nominal investment of Rs. 10 per share in contrary to that.	Answers were not given.	Actions should be taken in accordance with the Act.
(b) Financial Regulations of Democratic	Although the vouchers should be approved and	There were 32 instances where vouchers were	Actions should be taken in accordance with

Socialist
Republic of Sri
Lanka
(i) F.R. 137 and
138

certified by an
authorized officer
when paying for
vouchers, payments
were made without
the relevant approval
and certification
when paying for
vouchers valued at
Rs. 6,938,866 at 32
occasions and
payments were made
without the approval
of an authorized
officer when paying
for vouchers valued
at Rs. 40,757,032 at
28 occasions.

not approved and
certified by an
authorized
officer when
making payments
for vouchers as
per the
observations you
have sent
relating to the
audit queries Ref.
No. TCM/C/
CWE/ 2018 / AQ
/ 10 and TCM / C
/ CWE / AQ /
2018/08 and it is
kindly informed
that they have
been re-approved
and certified by
the authorized
officers. Further,
it is kindly
informed that
vouchers that
have been paid
without the
approval of an
authorized
officer on 28
occasions have
been re-approved
and corrected.

Financial
Regulations.

(ii) F.R. 189

Twenty-three date
cheques
amounting to
Rs. 478,700,000 had
been provided by
an institution that
had obtained
imported rice and
even though those
cheques were
returned, the
Corporation had not
acted in accordance

The cheques sent
by this institution
were returned
and the Finance
Division had
informed the
Sales Division to
obtain only bank
drafts. However,
the Finance
Division had
undertaken 21
date cheques

Actions should be
taken in
accordance with
Financial
Regulations.

with this regulation in respect of those cheques and the rice had been continuously issued receiving date cheques on instead of the returned cheques.

valued at Rs.570 million as per the instructions given by the Cost of Living Committee on 21 October 2019 and they are also returned by now.

(iii) F.R. 189 (g)

Although the payments had to be made by bank draft or in cash when withdrawing money for returned cheques, the Corporation had repeatedly obtained cheques for returned cheques in contrary to that.

Letters have been sent to the Sales Division and communicated in respect of returned cheques, to obtain bank drafts in lieu of cheques and the bank charges incurred by the institution for returned cheques. Despite that, they have transacted continuously by cheques and cheques have been sent for banking.

Actions should be taken in accordance with Financial Regulations.

(iv) F.R. 371

Although the advances should be settled as soon as it completes the given task, such actions had not been so done in respect of advances amounted to Rs.258,940 provided by the Corporation at 08 occasions in the years 2018 and 2019.

Even though the advances should be settled as soon as it completes the given task in terms of F.R. 371, it is accepted that there have been several cases in 2018 and 2019 that have not so done and it has been instructed to settle the

Actions should be taken in accordance with Financial Regulations.

advances as the measures taken for that.

- | | | | |
|------------------|---|---|---|
| (v) F.R. 395 (c) | Although the bank reconciliation statements should be prepared before the 15 th day of the month following the relevant month, actions had not been taken in accordance with that regarding 08 bank accounts of the Corporation. | It is kindly informed that the actions will be taken in terms of F.R. 395 during the next year. | Actions should be taken in accordance with Financial Regulations. |
|------------------|---|---|---|

2.4 Cash Management

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) The invoices valued at Rs.30,470,718 and Rs. 134,477,717 had been sent respectively for a public company and a private company without entering into an agreement for providing transport services for the period from January to November 2018 and any money with regarding to that had not been received during the year 2018 and the total value receivable furthermore as at 31 December 2018 were Rs.139,645,373 and Rs.153,111,472 respectively with the balances descend from previous years amounting to Rs.134,948,620 and Rs.43,552,838 respectively.	These data are accurate as at 31 December 2018 as per the Accounting System.	Arrangements should be made to recover the money.

- | | | |
|---|--|---|
| <p>(b) The Corporation had imported rice in the years 2017 and 2018 as per the decision of the Cabinet Sub-Committee on Cost of Living to control the prevailing rice prices in the market and as a result of the sale of the imported rice to the private sector on credit, a sum of Rs.1,100,517,995 was receivable as at 31 December 2018 from 04 institutions.</p> | <p>The amount receivable for imported rice purchased by the private sector is Rs.1,100,517,995 as per the computerized and reconciled account balances for the financial year ended 31 December 2018. However, it is informed that the legal actions have been taken to obtain the relevant money from these institutions.</p> | <p>Arrangements should be made to recover the money.</p> |
| <p>(c) Actions had not been taken even by 31 December 2018 to recover the loan amount of Rs. 1,000,000 granted) to the Consumer Affairs Authority on short term loan basis without entering into an agreement during the year 2011.</p> | <p>Answers have not been given.</p> | <p>Arrangements should be made to recover money and interest.</p> |
| <p>(d) The Corporation had imported 110,966 MT. of rice from India during the period from 25 August 2017 to 18 April 2018 according to a decision of the Cost of Living Sub-Committee. The total loan amount obtained by the Corporation from a State Bank for that was Rs.7,525,575,423 and the Corporation had paid a sum of Rs.2,000,804,343 out of total amount as at 31 December 2018 and a sum of Rs. 933,549,063 as interest on the total loan amount. Accordingly, the loan amount to be repaid and the interest furthermore was Rs. 5,524,807,426 by 31 December 2018. As a result of non-payment for the rice purchased on credit basis in</p> | <p>A sum of Rs.2,000,804,344 was paid from this loan amount by 31 December 2018 and a sum of Rs.933,549,063 had been paid as interest. Accordingly, the amount to be paid to the People's Bank by the end of the year 2018 was Rs. 5,524,807,426. The loss due to be received from the Treasury as at 31 December 2018 was Rs. 1,941,547,739. The Treasury had agreed to provide this amount from the Interim Budget 2020/2022. The Treasury had informed that the money could not be paid on the due date because of the Treasury did not have money.</p> | <p>Actions should be taken to recover the money.</p> |

a formal manner by the institutions which had purchased imported rice, the ability of the Corporation to settle the loan promptly had obstructed and as a result, it had to pay a high interest rates continuously to the bank. Similarly, the Corporation had to sell rice at a lower price than the cost as per the recommendations of the Cost of Living Committee and the total amount due to the Corporation from the General Treasury to cover the loss was Rs. 1,941,547,739.

- | | | |
|--|--|--|
| <p>(e) A private company which had obtained imported rice on a credit basis from the Corporation had been stated as the balance (credit) payable amounting to Rs. 1,235,950 in the accounting system of the Corporation as at 10 July 2019 and the reasons for this had not revealed to audit.</p> | <p>Since the account balances given below have been subjected to reconcile so far, only the credit balance of an institution as at 31 December 2018 amounted to Rs.1,235,950 was stated in the accounts.</p> | <p>Get the accurate confirmations about this balance from the Sales Division and to take into accounts accurately.</p> |
| <p>(f) The rice had been sold on credit for a private company that decides to issue imported rice on credit only after obtaining a bank security guarantee but without doing so the rice had been sold on credit a sum of Rs. 5,574,811 was receivable as at 31 December 2018.</p> | <p>It is certified that this balance is accurate as per the accounting system as at 31 December 2018.</p> | <p>Arrangements should be made to recover the money.</p> |
| <p>(g) There was a sum of Rs.10,741,529 as unidentified balances in 02</p> | <p>Unidentified deposits have been identified by 27 February 2019 and are</p> | <p>It should be identified that, what the deposits are and adjust them to</p> |

bank accounts of the Corporation at the examination of bank accounts from January to March 2018.

stated in the accurate accounts and any unidentified deposit for the accounts for the financial year ended 31 December 2018 are not available in the accounts.

the relevant accounts.

(h) The invoices valued at Rs. 266,726,442 had been issued for leasing out the property owned by the Corporation on lease basis during the year under review and a sum of Rs.216,567,898 received for that and the balance receivable by 31 December 2018 was Rs.50,158,543.

Answers have not been given.

Arrangements should be made to recover the money.

2.5 Identified Losses

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
<p>(a) The “Gamata Saviya, Sathosa Badiya” Mobile Sales Project launched by the Management in December 2014 without a proper feasibility study had been inactive in January 2015 and as a result of the failure of the Project the loss incurred to the Corporation as at 31 December 2018 was Rs. 117,008,741.</p>	<p>Answer has not been sent.</p>	<p>Actions should be taken to recover the loss from the relevant parties.</p>
<p>(b) As a result of issuing of 583,000kg of rice to a fixed price of Rs.1 less for 1kg of rice for one institution only when issuing imported rice through two warehouses, a loss of Rs.583,000 had occurred to the Corporation.</p>	<p>It has been issued as per the decision taken with the approval of the Minister’s Cost of Living Sub-committee to reduce the price of sale of imported Ponni Samba rice by Rs.1 per 1kg. to the Sri Lanka Consumers' Association.</p>	<p>There was no evidence that the approval of the Minister’s Cost of Living Sub-committee was received and the rice should be issued at the prescribed price.</p>

- (c) It was observed in audit at DNSA examination that 61,400kg stocks of rice had been destroyed on various reasons when handing over the stocks of rice to the relevant warehouses.
- The amount of 61,400kg mentioned in the audit query has happened due to the following reasons.
- Although it has been mentioned that there were insects in the container actions have been taken to sell the rice after fumigation.
- Only 101 bags of rice which could not be sold have been presented for the activities required to sell animal feed after selling rice stocks to Matara Warehouse Under 26 DNSAs including DNSA No.s 524, 530, 557, 571 and had sold to registered animal food manufacturers.
- Actions have been taken to recover the damage occurred relating to 23 bags of rice due to an accident of a lorry which was driven to the Hingurakgoda rice complex by the Shipping Corporation Limited.
- Actions have been taken to recover the value from the relevant Company for the quantity received less than the quantity stated in the import documents of the cargo inventory when receiving of rice stocks from the supplier to the Co-operative Wholesale Establishment.
- Measures should be taken to minimize the destroy of rice stocks.

2.6 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
<p>(a) The Corporation had transferred assets at the assessed value of Rs.54,722,228 to Lanka Sathosa Ltd. and it had not been entered into a formal agreement to get money or to acquire shares of the Company even by 31 December 2018.</p>	<p>Answer has not been sent.</p>	<p>Actions should be taken to acquire cash or shares.</p>
<p>(b) Although the Corporation had invested a sum of Rs.9,923,710 in a private company in the year 1999, the company had not received any dividends from 1999 to 2018 due to continued losses.</p>	<p>Answer has not been sent.</p>	<p>Re-assessment of investments should be carried out.</p>
<p>(c) Actions had not been taken even in the year 2018 to repay the loan of Rs. 275,000,000 granted by the General Treasury in the year 2006 for the purchase of commodities.</p>	<p>The Corporation should carry out only profitable projects in order to be able to repay this amount. All the projects carried out in the requirement of the Government are detrimental to the Corporation and because it is an institution that functions solely for the public welfare and not for profit the Corporation is unable to repay the loan. It is informed that the losses of the projects carried out in 2017/2018 has not yet been received from the Treasury.</p>	<p>Actions should be taken to repay the money.</p>
<p>(d) A lorry with the total value of Rs. 1,456,368 had been purchased by the Corporation on a financial lease basis and distributed among sales assistants under the “Gamata</p>	<p>Answer has not been sent.</p>	<p>Action should be taken to get the lorry back to the Corporation.</p>

Saviya Sathosa Badiya” Project launched in December 2014 and although it had elapsed more than 5 years since the project was stopped, the lorry had not been taken over by the Corporation yet.

(e) Even though the Milco Project had been completed on 31 January 2018, as a result of the Management had not made aware of the relevant lorry owners in advance a sum of Rs. 416,000 had to be paid as the hire for 3 lorries with cold storage facilities in terms of the agreement. Further, a sum of Rs.112,000 had been paid for a lorry for the month of January 2018 through the contract period had ended in December 2017 and a sum of Rs.224,000 had also been paid without deploying for the relevant running during the two months of the year 2017 and the lorry was not equipped with cold storage facilities as well.

If the lorries are to be removed from running as per the agreement, it should be notified one month in advance. This project has been ended suddenly and the Sales Division has informed that there was no enough time available to make aware so. Therefore, the then Heads of the Financial Division had instructed to make payments.

Actions should be taken to recover the loss from the relevant persons.

(f) Although the Corporation had obtained 02 bank guarantees of Rs. 100,000,000 from a private company for providing rice on a loan basis, imported rice had been issued when the company continuously defaulted on payment of loan without verifying that the bank guarantees are authentic documents. These bank guarantees had been disclosed as false documents by 31 December 2018 and the amount receivable from that company on that day was Rs. 118,011,334.

Agree with this balance as per the accounting system as at 31 December 2018.

Actions should be taken to recover the loss from the relevant persons.

- | | | |
|--|---|---|
| <p>(g) Since it had not entered into prior agreement on the driving distance for each sales outlet in between the institution which obtains transport facilities from the Corporation and the Corporation, those institutions had not paid a sum of Rs. 1,427,347 out of the invoice value issue by the Corporation.</p> | <p>It is practically impossible to come to a clear agreement on the route to be transported of lorries and their distances. The journey of the lorries is decided according to the sales branches provided by Lanka Sathosa in each instance. It has been decided to reduce from the bills coming to an agreement discussing with Lanka Sathosa and informing of Sathosa regarding that if they are not satisfied with the distance. It is informed that it is looking forward to implement this system from the year 2020.</p> | <p>Proper internal control system should be introduced.</p> |
| <p>(h) When loading goods for lorries of the Corporation from the warehouses of a State Company, the Corporation had to incur a financial loss of Rs. 534,775 in 2018 due to the shortage of goods as a result of the lack of supervision of a responsible officer.</p> | <p>The necessary sections have been informed and to formulate a proper system and an internal control system for this and the Board of Directors has also paid special attention to this. Similarly, if employees are liable for these deficiencies arrangements have already been made to recover that amount from their salaries.</p> | <p>Proper internal control system should be introduced.</p> |

2.7 Operational Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
<p>Leasing Property Management</p>		
<p>(a) In analyzing of sample details regarding the extent of square feet of the leasehold property of</p>	<p>Although the bids were called time to time through the newspapers to lease out</p>	<p>Develop a methodology for leasing of</p>

<p>the Corporation mentioned in the asset revaluation report conducted by the Corporation and the extent of square feet given by the Corporation for the year 2018 for lease activities, the area underutilized without leasing was 280,515 square feet.</p>	<p>underutilized spaces, there was no successful response for that.</p>	<p>underutilized spaces.</p>
<p>(b) As a result of leasing the property owned by the Corporation at a value less than the market value as stated in the valuation report, the loss occurred to the Corporation was Rs. 1,869,156 per month and the annual loss of income was Rs. 22,429,875.</p>	<p>Although the 1 and 2 floors of the Head Office have been handed over to the Consumer Affairs Authority on lease basis, it has been impossible to recover the stipulated lease rent due to the lack of sufficient provisions to that institution. This same problematic situation has arisen in the timely collection of lease rent from the Sathosa Security & Public (Pvt) Ltd. as well which is operating as a subsidiary of Sathosa.</p>	<p>Leasing of property should be carried out according to the market value.</p>
<p>(c) Since the Management was impossible to recover several lease installments for the year 2018 from 33 Institutions and Individuals (Leaseholders) who are using the assets leased by the Corporation, a lease rent amounted to Rs. 388,090 was receivable to the Corporation.</p>	<p>When charging lease rent from private shops handed over on lease basis in Welisara Warehouse complex, arrangements have been made to take legal actions against those defaulted occasions of paying their dues.</p>	<p>Actions should be taken to recover the lease rent properly.</p>
<p>(d) Being failure of the management to recover any installment for the properties in the year 2018 for the monthly lease value of Rs.904,347 leased by the Corporation at 05 occasions, there was a lease income of Rs.8,975,350 receivable by 31 December 2018 to the Corporation.</p>	<p>(d) and (e). All arrears have been recovered from the 'Azathsali Foundation' which had failed to pay the rent of the warehouse complex at Sangharaja mawatha and only the surcharge (fines) amounting to Rs.438,484 are to be recovered at present. Delayed payment of lease</p>	<p>Lease installments should be collected properly.</p>

installments and providing pre dated cheques and Rs.1,155,358 has been recovered from a private company which was on a lease basis at the Maligawatta warehouse defaulted to pay. Both institutions have now been removed.

- | | | |
|---|---|--|
| <p>(e) As a result of paying lease rent less than the value of the lease obtained by a private entity and an individual, the Corporation had lost a value Rs. 43,225 per month and the income lost so for the year under review was Rs.301,975.</p> | <p>-do-</p> | <p>Lease installments should be collected properly.</p> |
| <p>(f) The leasable square feet on the 8th floor of the CWE Secretariat as per the asset valuation report made by the Corporation in 2014 was 9857 square feet and its market value per square foot was Rs.80. If this was given for lease purposes, the monthly lease rent income would be Rs.788,560 and it was observed that the annual value of it would be Rs.9,462,720. Further, it was observed that the external agencies/ persons deploying on duties on that floor and the lease rent with regard to that had not been received by the corporation. An adequate and relevant answer to the letter (CM/C / CWE / INFO / 2019/11 dated 18 March 2019 article) issued seeking information about the 8th floor was not submitted to the audit even by 25 June 2020.</p> | <p>Ministry of Industry and Commerce and Resettlement of Protracted Displaced which owned CWE organization had taken actions to establish the Long-term Internally Displaced Resettlement Project Management Unit (IDPS) on the 8th floor of the CWE Head Office Building based on a Cabinet Decision. Accordingly, the rent has not been paid from 31 August 2018 to 25 October 2018 and arrangements has been made to collect rent at the monthly rate of Rs. 239,292 - each from 01 January 2019 to 30 September 2019.</p> | <p>Actions should be taken to recover the lease rent properly.</p> |

- | | | |
|--|---|---|
| <p>(g) Even though it had informed that the area of 4080 square feet on the 9th floor had been given to two external institutions as per the instructions of the Ministry of Industry and Commerce, only 942 square feet had been requested to be given to the above institutions as per the letter of the Secretary to the Ministry of Industry and Commerce No. I & C/COM / 2P/2/159 dated 27 February 2017. Accordingly, the monthly rental income lost to the Corporation was Rs.251,040 because of providing 3138 square feet so given to the external entities without such approval and the loss of annual lease rent income was Rs. 3,012,480.</p> | <p>Provided to the United Nations Industrial Development Organization (UNIDO) for their office works without a lease rent as per the notifications made by the letters of Secretary to the Ministry of Industry and Commerce dated 27 February 2017 and I&C/ COM/2P/2/159 dated 16 October 2017. According to the agreement signed by that institution and the Ministry, office spaces have been provided to the institution until 31 October 2020. Later, it was re-entered into an agreement with the Ministry of Industry and Commerce on 11 November 2019 and have been extended to 28 February 2021.</p> | <p>Since the property can be leased out to the institution that owns the property, the relevant decisions should be taken by the Corporation.</p> |
|--|---|---|

2.8 Transactions of Contentious Nature

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
<p>(a) Even though it had been stated that it was decided to permanently appoint three Executive Level acting officers who have performed in acting posts with effect from 01 February 2007, the originals of the letters approved by the Minister had not been available during the examination carried out on the personal files of the officers. Likewise, the arrears salaries and arrears salary increments calculated as</p>	<p>This is with regard to payment of arrears of salaries to the 03 promoted officers as per the decision of the Board of Directors 2010/1753/34 with the approval of the then Hon. Minister of Co-operative and Internal Trade.</p> <p>I. It is observed by the letter certified as a "true copy" by the then Finance Manager as the approval has been obtained by the then Chairman by</p>	<p>The approval of the Board of Directors and the Chairman of the Corporation should be obtained for the payments. Similarly, it should be checked whether an actual approval has been obtained.</p>

Rs.11,511,088 had been paid in the year 2018, that is 08 years after the decision of the then Board of Directors without the approval of the present Board of Directors and the Chairman of the Corporation and among the officers who authorized and approved the payment, there were two officers who had received this payment. Likewise, without the approval of the Board of Directors and the Chairman of the Corporation a sum of Rs.3,718,552 had been obtained from time to time through the electronic banking system during the year 2018 as arrears of salaries and salary increments relating to the period during which they were suspended. They were the two officers who had given authority and the approval for these payments.

submitting the letter with reference number CH/10 dated 01 September 2020 to obtain the approval of the Hon. Minister.

II. It is stated that the original of that letter could not be found due to the sudden fire that broke out on the 7th floor of the CWE Head Office building in July 2013, since the Chairman's Office and the Finance Manager's office were also destroyed by the fire.

III. A part of the salary arrears (for the period from 01 February 2007 to 30 August 2010) payable to these three officers (03) as per this Decision of the Board of Directors had been paid as Rs.172,260 to the Finance Manager and Rs.157,410 to the Deputy Finance Manager during the year 2011 itself.

IV. The remained arrears salaries have been paid by the then Finance Manager in the month of February 2018 as per the Decision of the Board of Directors No. 2010/1753/34 mentioned above and the relevant vouchers have been signed by him and the Deputy Manager. The

Chairman of 2018 had not been made aware of this. One of the officers authorized and approved for this payment has retired by now and the other officer does not perform that duty.

- | | | |
|---|---|--|
| <p>(b) When issuing imported rice to Lanka Sathosa Company through the warehouses of the Corporation, a 38,244kg. of rice as gross weight valued at Rs.2,456,219 out of the specified weight and when issuing local rice, a 9,588kg. of rice as gross weight valued at Rs. 651,344 out of the specified weight had been deducted from the Credit Memos. Nevertheless, the evidences that such an advice was given by the Management of the Corporation were not furnished to audit.</p> | <p>When issuing rice, issue with packaging bags and the average weight of a packing bag is 100 grams. Accordingly, weighing by weigh bridge and Lanka Sathosa has reduced on the above basis as gross weight'. This calculation has been made based on the quantity of rice sold.</p> | <p>A mechanism should be put in place in the internal control system to identify an authorized officer for such reductions and to act on his approval.</p> |
|---|---|--|

2.9 Legal Proceedings Commenced Against the Corporation or by the Corporation

	Audit Observation	Comments of the Management	Recommendation
<p>(a) Twenty-seven cases had been filed against the Corporation seeking compensation of Rs.17,060,177 by an institution and 22 individuals by the end of the year under review and a sum of Rs. 847,372 had been paid as compensation by the Corporation during the year under review. Further, a sum of Rs. 433,200 had been incurred as legal expenses during the year under review for these legal proceedings.</p>	<p>It is matched with the reports in the Legal Division.</p>		

- (b) The Corporation had filed 11 cases against 07 institutions and 04 individuals seeking Rs. 101,695,558 and a sum of Rs.735,000 had been recovered from that. Further, a sum of Rs. 227,625 had been incurred as legal expenses during the year under review for these legal proceedings.

2.10 Staff Administration

Audit Observation	Comments of the Management	Recommendation
<p>The approved cadre of the Corporation is consisted of 319 totaled posts such as 21 posts in Management Grade, 51 posts in Management Assistant level and 247 posts in Primary Grade and the number of excess cadres was 167 as at 31 December 2018 and the number of vacancies were 32. Out of these vacancies 09 were for Management Grade posts.</p>	<p>The staff of 13 drivers and 32 assistants who are working on contract basis has exceeded the approved cadre. The Department of Management Services has been consulted to get a decision for those employees.</p>	<p>Arrangements should be made within the approved cadre.</p>

3. Accountability and Good Governance

3.1 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
<p>Even though a Corporate Plan had been prepared with related to the year under review in terms of Public Finance Circular No. 01/2014 dated 17 February 2014, the Human Resource Development Plan, the Debt Repayment Plan and the Internal Audit Plan had not been included in it.</p>	<p>Answers have not been given.</p>	<p>Actions should be taken in accordance with the Circulars.</p>

3.2 Action Plan

Audit Observation

Although an Action Plan had been prepared with related to the year under review in terms of Public Finance Circular No. 01/2014 dated 17 February 2014, the Human Resource Development Plan, the Debt Repayment Plan and the Internal Audit Plan had not been included in it.

Comments of the Management

Answers have not been given.

Recommendation

Actions should be taken in accordance with the Circulars.