

Co-operative Wholesale Establishment and its subsidiaries (group) - 2018

1.1 Qualified Opinion

The audit of financial statements of the Cooperative Wholesale Establishment (Corporation) and its subsidiaries (Group) for the year ended 31 December 2018 comprising the statement of Financial Position as at 31 December 2018 and the statement of comprehensive income , statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements , including a summary of significant accounting policies 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 give a true and fair view of the financial position of the Corporation and its subsidiaries(group) as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

1.4 Audit Scope (Responsibilities of the auditor for 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 corporation'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 Corporation 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 Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation,
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Noncompliance with Sri Lanka Accounting Standards

<i>Non Compliance with the reference to particular Standard</i>	<i>Management Comment</i>	<i>Recommendation</i>
<p>(a) LKAS 08 - Accounting Policies. Changes of Accounting Estimates and Errors</p>	<p>Agree with the facts stated. Accordingly, the calculated milling charges for the year 2017 was Rs.290,802,512 and it was Rs.38,598,256.86 in the year 2018.</p>	<p>The standard should be followed.</p>
<p>According to the standard ,an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery restating the comparative amounts for the prior periods presented in which the error occurred.</p> <p>However,</p>	<ul style="list-style-type: none"> • According to the information presented to the audit, the milling charges of the local rice project for the year 2017 amounting to Rs. 234,503,308 was accounted for as the milling charges for the year under review. Accordingly, the deficit for the year under 	

review was overstated by the same amount.

- Due to recognition an amount of Rs 6,028,355 receivable out of the expense of controller and agent fees paid relating to the imported rice project during the year 2017 as an income of the year under review, the deficit and the accumulated fund of the year under review had been understated by the same amount. These charges are included in the imported rice purchases in the year 2017. An amount of Rs.6,028,354.73 is to be paid by the Shipping Corporation to CWE. The amount receivable has been accounted in the accounts of the year 2018 as other income under the imported rice project after the Corporation informed CWE regarding this. The standard should be followed.

(b) LKAS 16 :- Property Plant and Equipment

- The residual value and the useful life of an asset should be reviewed at least at each financial year end and if expectations differ from previous estimates, the change should be accounted for as a change in an accounting estimate in accordance with LKAS 8. However, the residual value and the useful life of buildings, building improvements on leasehold lands, machinery, motor vehicles, furniture and fittings, office equipment and computers and computers accessories with a written down value of Rs. 535,560,027 as at 31 December 2018 had not been reviewed. According to the accounting standards, the Corporation is taking steps to revalue the fixed assets within a period of 3-5 years as it is practically difficult to do the same every year in case of carrying out these activities considering the time and cost required to revalue the assets of the Corporation around Sri Lanka, The standard should be followed.
- The carrying value of 19 machineries 474 furniture and fittings 94 motor vehicle, 14 Steps have been taken to disclose the carrying amount of fully depreciated fixed assets in the Assets which were fully depreciated and still in use should be disclosed in the

tools and equipment, 149 financial statements from 2019 financial statements.
office equipment and 250
computers and accessories
which were fully depreciated
and still in use had not been
disclosed in the financial
statements.

(c) LKAS 37 :- Provision for Contingent Liabilities and Contingent Assets

According to the standard, although an intangible asset should not be recognized in the financial statements, the Corporation had recognized an amount of Rs.25,900,236 which is expected to be received from a pending litigation relating to stock misplacement under the imported rice project as an asset in the financial statements

Adjustments should be made by deducting the amount from cost of sales in case of identifying this stock as stock losses. No advice or approval has been received to the finance department to identify the stock as a loss up to now. As these properties fall under the category of government property, the finance department has no authority to write off the stock from the accounts as a loss.

The standard should be followed.

1.5.2 Accounting Deficiencies

Audit Issue

Management Comment

Recommendation

(a) Although the building material stock of Rs.4,143,032 shown in the financial statements as building department stock as at 31st December 2018 has been shown in the financial statements since 2004 , its physical existence was not confirmed by the audit evidence. Accordingly , the inventory balance as at 31 December 2018 had been overstated by the same amount

Permission should be obtained from the Treasury in order to write off this value from the financial statements and until then this stock should be shown in the financial statements.
This stock will be submitted to the write-off committee in the future and after getting permission from the Treasury, it will be written off from the accounts.

Assets which do not physically exist should not be recognized as assets in the financial statements.

- (b) Although the revalued value of the land where the head office of the Corporation and Sathosa Motors located is Rs.2,415,000,000, the value of the land and investment property was overstated by Rs.206,600,000 due to the accounting of its value as Rs.2,621,600,000. We discussed this matter with the valuer. According to him, the values accounted for and the values mentioned in the fixed assets register are correct. The valuation report is a draft, and the valuer agreed that necessary steps will be taken to correct the document and provide it to CWE immediately. Accordingly, the report will be submitted to the audit department very soon. The revalued amount of the asset should be accounted for.
- (c) The value of the warehouse with the 2944 square feet in Matara was understated by Rs.2,355,200 in the financial statements due to accounting as Rs.1,177,600 even though the assessed value was Rs.3,532,800. The valuer agreed to provide a corrected document and the report will be forwarded to the audit department very soon. The revalued amount of the asset should be accounted for.
- (d) The balance of the building improvement account was understated by Rs.44,075,520 due to the accounting of 15 items related to the development of a building at Higurakgoda with a revalued value of Rs.112,943,520 as Rs.68,868,000. Accordingly, the depreciation value of the year had been understated by Rs. 1,763,021. The valuer stated that the market value of the prices of the 15 items mentioned here has been corrected later, the ownership of this land is with another party and the draft valuation report should be corrected accordingly. The correction will be made and the relevant report will be submitted to the audit department very soon. The revalued amount of the asset should be accounted for.
- (e) The Corporation has not made financial contribution for the share contribution of Lanka Sathosa Limited and for that, an amount of Rs.121,708,711 had been offset against the accumulated rent value of Rs. 66,986,483 for the buildings provided by the Corporation to Lanka Sathosa Limited from It was stated that the General Manager has the cabinet paper along with other letters related to this transaction. The audit committee held on 16.03.2021 instructed the General Manager to forward all the information to Lanka Sathosa Company and according to that information , it was instructed to provide other An amount that has not been agreed by an external party should not be recognized in the financial statements as an advance for investment.

the year 2005 to 2011 on lease basis and an amount of Rs. 54,722,228 for fixed assets provided by the Corporation for the use of outlets and warehouses of Lanka Sathosa. Out of this value, an amount of Rs.22,798,840 allocated by Lanka Sathosa Limited had been shown as investment in the financial statements of the year under review and the remaining Rs.98,909,871 had been shown as advance for investment under long-term assets in the financial statements. However, Lanka Sathosa Limited had not agreed with the value and the provisions in connection with the matter had not been made in the financial statements of Lanka Sathosa Limited.

information if any to Lanka Sathosa required to account for these transactions. Accordingly, the General Manager has submitted this information to Lanka Sathosa. Action will be taken accordingly in the future.

- (f) The balance of the withholding tax provision account had been understated by Rs.10,815,547 due to not accounting of withholding tax on building rental amounting to Rs. 5,645,127 received during the year under review by the Corporation from 09 institutions and crediting the withholding tax provision account instead of debiting while accounting the withholding tax on rental income amounting to Rs.2,585,210 received from 03 entities .
- The withholding tax to be accounted in the year 2018 has been correctly accounted in te year 2019. The information related to those calculations has been referred to the audit.
- Withholding taxes should be properly accounted for.
- (g) The fixed deposit balance had been overstated by
- The balance of interest income receivable account shown in the
- The value of fixed deposits should be

Rs. 1,039,739 due to showing the fixed deposit balance as Rs. 19,422,155 in the balance of cash and cash equivalents as at 31 December 2018 although the fixed deposit balance on that day was Rs. 18,382,415 according to the information presented. ledger since 2011 amounting to Rs.1,039,739 had been included in it. This balance will be reconciled with the bank statements from the year 2011 and necessary actions will be taken to correct it in next financial reports. properly accounted.

- (h) Interest income of fixed deposits, call deposits and savings deposits amounting to Rs. 2,880,430 related to the year under review had not been recognized and accounted as income of the year and accordingly the interest income and interest receivable of the year under review had been understated by the same amount. These balances are the balances in the accounts existing since 2004, and the finance department does not have sufficient documents to carry out the reconciliation of those balances. Therefore, actions will be taken to account the interest income receipts of the relevant accounting year correctly and to reconcile the identifiable balances in the ledger accounts existing from 2011 accurately with the bank statements and present in future financial reports. The interest income for the year should be properly accounted.
- (i) A difference of Rs.1,188,371 was observed as the rental income for the year under review was Rs.230,716,982 as per the financial statements, although the rental income for the year under review according to the information submitted to the audit was Rs. 229,528,611. According to the rental income account maintained in the finance department, the total income for the year 2018 is Rs. 230,716,982.11 The rental income for the year should be properly accounted
- (j) The deposits of Rs.8,684,772 received as direct remittances to the current account of the Corporation had been shown as unrecognized deposits in the financial statements by deducting from the balance of rent receivable instead of This balance has been correctly presented in the accounts for the year 2019. Direct remittances to the bank current account should be identified and recorded in the correct accounts.

recognizing and recording in the respective accounts.

- (k) The loss of the imported rice project had been understated by Rs.51,800,472 in the financial statements. due to the fact that 377,175.5 kg of misplaced rice related to the imported rice project amounting to Rs.25,900,236 had been recognized as receivable income instead of being recognized as stock shortages. Advice or approval had not been received to the finance department to identify as the stock shortage. Misplaced stock should be identified and properly accounted in the financial statements as stock losses. Actions will be taken to discuss the recommendation given by the Auditor General in the next audit and management committee and to submit those recommendations to the Board of Directors and to make the relevant adjustments after receiving proper approval.
- (l) Unusable finished stock totaling to Rs.1,855,609 had been included in the stock at the end of the year and as those stock had not been identified and accounted as stock losses, the value of the stock as at 31 December 2018 had been overstated by the same amount. Final stock verification of warehouses was carried out on 31.12.2018. There were 183,344.10 kilos of unusable rice stock in the warehouses and that stock is included in the purchase of the cost of stocks in the year 2018. These stocks were sold as animal feed in the year 2019. As the stock was sold below the cost, the difference between cost and selling price has been deducted from the value of closing stock in the accounts of the year 2018. Stock in unusable condition should be identified and accounted as stock losses.
- (m) Survey agency of the imported rice project had reimbursed the Corporation the value of rice stocks amounting to Rs.9,660,966 accounted as purchase cost under Imported Rice Project as it was revealed that the stock of rice had not been imported. The purchase cost of the project had been overstated due to recognizing it as other income instead of removing it from the purchase cost. This was an amount paid by SGS to CWE. They have paid this amount to CWE due to incorrect information in their survey reports. As this cannot be treated directly as a sale of stocks, the amount has been accounted as other income under the Imported Rice Project. Costs included in the purchase cost which were recognized later that should not be included in purchase cost should be removed from purchase cost and should not be recognized as other income.

- (n) The value of 47,294 Kg of rice existed in Higurakgoda and Pannegamuwa warehouses as at 31 December 2018 had not been valued and accounted. By-product stocks totaling to 48,629 Kg as 26,208 kilos at the warehouse of Pannegamuwa and 22,421Kg at the warehouse of Higurakgoda had been included. All the stocks existed at all the warehouses at the end of the year should be identified and accounted. This project was implemented for conversion of paddy into rice, but not for the production of crushed rice, broken rice and bran. Therefore, financial statements have been prepared by accounting these stocks correctly.
- (o) The assessment tax payable had been understated by Rs.7,679,355 as it has been accounted as Rs. 71,984,473 although the assessment tax payable to the Municipal treasurer's Department was Rs.79,663,828 . The balance was Rs.71,984,473 according to the documents given to the finance department when the financial statements were prepared in the year 2017. The assessment tax payable should be accounted correctly. This balance was Rs.79,915,868.73 when preparing the accounts in the year 2019, and accordingly the relevant allocations were correctly accounted and shown in the accounts of the year 2019.
- (p) Although the interest accrued on 31 December 2018 for the credit facility obtained from the People's Bank for the imported rice project had been shown as Rs. 40,412,162 in the financial statements, according to the document submitted by the bank it was Rs.50,590,969 and a difference of Rs.10,178,807 was observed. The amount allocated by the financial statements of the year 2018 for the payment of interest for the year 2018 which was stated in the bank statements in the year 2019 was Rs.40,412,162. As the loan interest accrued in the year 2018 cannot be added back to the loan amount if that amount is adjusted and removed from the profit and loss account of the year 2018, only the loan interest paid in the year 2019 is adjusted to the profit from the profit and loss account and the value of Rs.10,178,807 to be paid further for the year 2018 had been added to the loan amount payable in the year 2019. The accrued interest included in the financial statements should be corresponded with the documents submitted by the bank.

- (q) Due to certain debtor balances and creditor balances being shown as minus balances in the financial statements, the receivable balances and payable balances at the end of the year under review had been understated by Rs.7,760,946 and Rs.25,647,657 respectively.
- These balances are the balances represented in the ledger accounts over a long period. these balances will be checked and made the relevant adjustments in the preparation of future financial statements.
- Creditor balances and debtor balances shown as minus balances should be analyzed and the correct balances should be shown in the financial statements.

1.5.3 Preparation of Consolidated Financial Statements

Audit Issue	Management Comment	Recommendation
<p>(a) The financial statements of the subsidiary companies CWE Economic Centers Services (Pvt) and Ltd. and CWE Construction and Engineering (Pvt) Ltd. which were not approved by the Board of Directors and were not audited had been used for the preparation of the consolidated financial statements of the Corporation</p>	<p>The financial reports submitted for the preparation of consolidated accounts were certified by the head of the financial department and forwarded to CWE as the accounts of the subsidiary companies are prepared and submitted to the Board of Directors on March 31. However, the necessary arrangements will be made to obtain the approval of the Board of Directors of those companies for the financial statements submitted to prepare the consolidated accounts of the years 2019 / 2020.</p>	<p>The accounts of the subsidiary companies approved by the Board of Directors should be used for the preparation of consolidated financial statements.</p>
<p>(b) The security expenditure under administrative expenses in the financial statements of the Co-operative Wholesale Establishment was Rs. 21,787,903 and according to the financial statements of the 02 subsidiary companies, the security expenses had not been shown. The income for the security services provided to the Corporation by</p>	<p>The security expenses of the group has become a minus figure due to the removal of security expenses including VAT. The minus value is the VAT of the security charges. Steps will be taken to correct this presentation error in the notes representing the year 2018 of the accounts of the year 2019.</p>	<p>The security expenditure of the group should be accurately identified and accounted.</p>

C.W.E Economic Centers Services (Pvt) Ltd. had been shown in those financial statements as Rs. 21,756,949. However, according to the consolidated financial statements, the security expenditure of the group was a minus figure of Rs.3, 263,542.

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| <p>(c) Although the aggregate of administrative expenses for the year under review as per the financial statements of the Corporation and the two subsidiary companies was Rs.398,884,845, a difference of Rs.29,628,634 was observed as it had been Rs.369,256,211 according to the consolidated financial statements.</p> | <p>As per the financial statements provided to us by CWE Construction and Engineering Company, the total of administrative expenses disclosed in the consolidated financial statements is correct.</p> | <p>The expenditure for the year of the Corporation and the subsidiary companies should be corresponded with the expenditure as per the consolidated financial statements.</p> |
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1.5.4 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
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At the end of the year under review, the total liabilities excess to the total assets of the Corporation had been Rs.1,316,339,940 and the current liabilities excess to the current assets had been Rs.2,866,385,344, due to which the ability of the Corporation to meet its liabilities through its assets and its ability to continue without providing treasury provisions was in a position of uncertainty.

The Corporation had to import and sell rice at a price lower than the cost for the needs of the government in the years of 2017/2018 and the Treasury has made the necessary arrangements to pay the loan amount to be paid to the People's Bank for that, in 60 installments from July 2021. Legal actions have been taken against the relevant parties regarding the remaining amount due to the

The Corporation should maintain an asset position capable of meeting its liabilities.

Bank loan balances of Corporation. Lanka Sathosa Rs.12,274,007,746 and payments to Company has also started paying be made for special projects were money for the rice purchased from the main reasons which affected this the Corporation under the above situation. project from 15.11.2021.

Management pay continuous attention to the going concern of the corporation and take the necessary steps to make the best use of the available resources and obtain the necessary instructions from the Treasury and the Ministry of Trade.

1.5.5. Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(i) Normal loss and milling charges accounted in relation to the local rice project	425,864,589	Amount of rice sold related to local rice project	As a large number of mills delivered rice and settled their accounts in the year 2018, this value had to be shown more in the year 2018 compared to the year 2017.	Relevant evidence should be submitted to the audit.
(ii) Payable to Treasury				
Settlement of Loans	98,718,402	Documents to confirm that the Treasury has settled the loan to the financial institution.	The Corporation does not have written evidence to confirm the value.	Written evidence to confirm the value should be maintained.
SRL creditors	655,000,000	Documents to confirm the value	The finance division of CWE does not have written evidence to confirm the value.	Written evidence to confirm the value should be maintained by the finance division.
Bank liabilities	225,000,000	Documents to confirm the value	The finance division of CWE does not have written	Written evidence to confirm the value should be

				evidence to confirm the value.	maintained by the finance division.
Sales proceed received	680,000,000	Documents to confirm Sales proceed received		The finance division of CWE does not have written evidence to confirm the value.	Written evidence to confirm the value should be maintained by the finance division.
(iii) Other Debtors – Gamata Saviya Project	42,568,994	Invoice and receipts		Since these balances are carried forward from many years ago, it will take some time to check them and therefore necessary actions will be taken appropriately in the future financial statements.	Evidence relating to the balances shown in the accounts of the year under review should be submitted to the audit.
(iv) Long outstanding trade payables	3,519,166	Invoices ,payment details , age analysis		The relevant invoices for these balances will be referred to the audit after checking whether they are available in the warehouses of the finance department.	Relevant documents should be submitted to the audit.
(v) Long outstanding other creditors	187,678,063	Invoice ,payment details , age analysis		These balances are reflected in the financial statements from before 2011. Since the accounts department does not have the source documents for this, these balances will be submitted to the write-off committee and the necessary arrangements will	Relevant documents should be submitted to the audit.

be made to write them off from the accounts.

(vi) VAT payable	150,812,239	Calculation payments	and	An amount Rs. 126,106,615.90 has been paid from the year 2017 to the year 2021, as Value Added Tax related to the period 1995-2016. Since 2020, CWE has been exempted from the above tax, and this tax is not paid currently.	Calculations and payment details related to taxes should be submitted to the audit.
(vii) Current Tax payable	161,833,614	Calculation payments	and	These accounts have been corrected and the financial reports for the accounting year 2019 have been correctly prepared. In addition, the Department of Inland Revenue has informed us that there are other tax to be paid related to the period 1995/2009. The tax declaration for the year 1995-2009 is not available in the finance department to check the accuracy of the above tax amounts.	Calculations and payment details related to taxes should be submitted for audit.
(viii) Deposits and Advances – Long-term	29,692,440	Receipts for deposit		These balances are shown in the accounts prior to the year 2011, and as	Source documents relating to the balances shown in the financial

			only the ledger account balances from the year 2011 have been entered in the Busy system where we are currently using for accounting, it is not possible to check the ledger accounts of previous years. Source documents to confirm these balances are not available in the finance division.	statements should be maintained.	
(ix)	Balance of Interest Receivable Account as at 01 Jan 2018	3,851,521	Renewal notices received from the bank relating to fixed deposits	As the ledger accounts from the year 2013 have to be checked to compare this balance, the same balance is shown in the accounts. The balance will be reconciled and made corrections in the accounts in the future.	Relevant balances should be reconciled and supporting documents should be submitted for audit.
(x)	Other Investments - Sathosa Retail Ltd.	171,928,690	Documents to confirm the investment value	The above institution has been liquidated since 2003. The documents related to the transactions that took place in the year 2003 and earlier are currently not available in the finance division of CWE.	The existence of the assets shown in the financial statements should be confirmed by evidence.

2. **Financial Review**

2.1 **Financial Results**

The operating result of the year under review amounted to a deficit of Rs 2,236,445,017 and the corresponding surplus in the preceding year amounted to Rs. 106,091,470 . Therefore a deterioration amounting to Rs 2,342,536,487 of the financial result was observed. The main reason for the deterioration had been the loss of Rs.2,237,443,871 incurred by the local and imported rice projects implemented during the year.

3. **Accountability and Good Governance**

3.1 **Presentation of Financial Statements**

Audit Issue	Management Comment	Recommendation
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According to the Section 6.5.1 of the Public Enterprises Circular PED/12 dated 02 June 2003, financial statements of the Corporation should be submitted to audit within 60 days after the close of the accounting year. However, financial statements for the year under review had been presented to audit on 20 April 2021 and the draft annual report had not been presented.	Agreed. The financial reports will be submitted on due date from the year 2022.	The financial statements should be submitted to the audit as per circular provisions.