

Head 300 - Food Commissioner's Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Food Commissioner's Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Food Commissioner's Department was issued to the Accounting Officer on 31 May 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 27 May 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Food Commissioner's Department as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statement

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

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

1.4 Auditor's Responsibility 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 summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

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

1.5 Report on Other Legal Requirements

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

(a) As there was no requirement of preparation of financial statements by the Department for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.

(b) As there was no requirement of preparation of financial statements by the Food Commissioner's Department for the preceding year, recommendations on financial statements had not been made by the Department.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though the capital loss of Rs.2,158,234 in the Advance Account for Winding up of Purchase and Distribution of Food had been settled by making provisions in the year under review, that settlement had not been shown in the statement of financial performance as receipts of advances.	Action should be taken in terms of provisions of the States Accounts Circular No.267/2018 of 21 November 2018.	-
(b) According to observation mentioned above, the balance of the Imprest Account of the statement of financial performance should have been a beneficiary balance of Rs.1,045,475. However, it had been shown as a non-beneficiary balance of Rs.1,112,755.	Action should be taken in terms of provisions of the States Accounts Circular No.267/2018 of 21 November 2018.	

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) In terms of paragraph 3.1 of the State Accounts Circular No.267/2018 of 21 November 2018, the balance of the Advance Account in the final Treasury accounting statements had been Rs.20,638,304. However, it had been overstated as Rs.22,182,659 by Rs.1,544,355.	Action should be taken in terms of provisions of the States Accounts Circular No.267/2018 of 21 November 2018.	I rectify and submit later.
(b) According to the said Circular, the balance of the Deposit Account in the final Treasury accounting statements had been Rs.168,057,463. However, it been understated as Rs.22,592,730 by Rs.145,464,733.	-do-	I rectify and submit later.
(c) According to above observations, the value of net assets(non-beneficiary) had been Rs.147,419,158 due to failure in including figures in the statement of financial position. However, it had been shown as a minus balance of Rs.410,070.	-do-	
(d) Lands and buildings of the Department had not been valued and taken into accounts in the year 2018 and they had been brought to account based on valuation reports of the year 2013. As such, a sum of Rs.353,426,143 spent for construction of buildings	-do-	I rectify them in the ensuing year.

and stores after the year 2013 had not been included in the value of property, plant and equipment of the statement of non-financial assets of the financial statement of the year under review.

- | | | |
|--|---|---|
| <p>(e) The value of the land of 0.7145 hectares in extent and buildings located thereon, lands of 1.5 hectares in extent and buildings, lands of 8.42 hectares in extent and buildings had been included in the Register of Lands and Buildings of the Department. Those lands and buildings had not been valued and shown in the statement of financial position.</p> | <p>Action should be taken in terms of provisions of the States Accounts Circular No.267/2018 of 21 November 2018.</p> | <p>Action is taken to complete accounts according to new valuation reports in the future.</p> |
| <p>(f) According to the valuation report of the year 2013, the extent of the Veyangoda Stores Complex stood at 51 hectares. The value of lands and buildings thereof had been computed as Rs.350,470,000. However, out of the said extent, 10 acres (4.208 hectares) had been vested with Government institutions and as such, only a land of 40 acres in extent had been owned by the Department. Accordingly, the value of lands and buildings located in the Veyangoda Stores Complex mentioned in the statement of financial position was not accurate.</p> | <p>Lands and buildings owned by the Department should be valued and brought to account.</p> | <p>Accounting activities had been carried out according to the valuation report of the Valuation Board and action will be taken to accurate according to the new valuation of the Valuation Department.</p> |
| <p>(g) Even though the value of other machinery and equipment as at 01 January</p> | <p>Opening balances should be adjusted and brought to account accurately.</p> | <p>This difference has occurred due to taking action to rectify accounts books by identifying</p> |

2018 amounted to Rs.18,127,612, it had been shown as Rs.3,455,744 in the financial statement in the year under review, thus understating the value of other machinery and equipment by Rs.14,671,868.

balances removed from auctions and written off from books for many years.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the information presented to Audit, a sum of Rs.241,485,195 had been shown as receipts of the cash flow generated from operating activities. However, it had been shown in the cash flow statement as Rs.230,385,933 understated by Rs.11,099,262.	Action should be taken in terms of provisions of the States Accounts Circular No.267/2018 of 21 November 2018.	-
(b) According to the information presented to Audit, payments for deposits amounting to Rs.23,915,197 had not been shown in the cash flow spent for operating activities.	-do-	-
(c) Receipts and payments for advances should have been included in the cash flow generated from investment activities. However, receipts for advances amounting to Rs.7,877,884 and payments for advances amounting to Rs.7,999,920	-do-	-

had not been shown therein.

- (d) According to the information presented to Audit, a sum of Rs.212,839,344 had been spent for personal emoluments, operating expenditure, subsidies, transfers, construction or purchase of physical assets and for acquisition of other investments. However, the said value had been shown as Rs.225,777,009 overstated by Rs.12,937,665. -do-

1.6.4 Advance Account for Winding up Activities

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Instructions had been given in terms of the Cabinet Decision dated 10 December 2003 to maintain a liquidation unit under the Department or Ministry for winding up and liquidating activities of the Advance Account for Purchasing and Distribution of Food as at 31 December 2004, operated under the Food Commissioner's Department. However, there was no evidence of the establishment of such a unit even by 31 May 2019 and those liquidating activities had been carried out by the Food Commissioner. Despite the elapse of 14 years,	Activities of the Advance Account had not been carried out in terms of the Cabinet Decision.	I agree.

liquidating activities had not been completed and a specific date for completing those activities had not been stated.

- (b) Two motor vehicles valued at Rs.1,072,198 had been handed over to the Ministry of Agricultural Development and the Ministry of Co-operatives in the years 2002 and 2003. Even though 15 years had elapsed after handing over these 02 motor vehicles, that value had been debited to the Accumulated Profit and Loss Account without the proper approval in the preceding year instead of taking action to recover them.
- Proper approval should be obtained therefor before debiting to the Accumulated Profit and Loss Account
- I agree. Even though institutions had been made aware of the recovery of relevant values, those institutions had not taken future action thereon. Moreover, when using motor vehicles, it is assumed that assets are removed, due to their depreciation and as such, those values were debited to the Accumulated Profit and Loss Account due to failure in finding out information of the Winding Up Board.
- (c) The value of Drought Subsidies Debtors of Social Services Director amounting to Rs.88,501,884 recoverable as at 01 January 2017 from Ministries, Departments and Corporations had been debited to the Accumulated Profit and Loss Account without proper approval. As such, the accumulated loss had increased.
- Proper approval should be obtained therefor before debiting to the Accumulated Profit and Loss Account.
- I agree. Moreover, action had been taken to settle balances for a long period. However, I inform that I made these notes due to failure in making positive feedback by institutions, difficulties in finding out information on transactions, lack of information of the Winding Up Board and for simplifying the process of winding up of the account.
- (d) Despite not having a balance in the Account for Termination of Assets in the financial statements, it had been informed that the value of realization of fixed assets in the Preface 04, had been credited to the Account for Termination.
- Information of financial statements should be included accurately in the Preface.
- I agree. Winding up activities could not be completed due to inaccuracy of accounts over a period of 14 years. I inform that the said action had been taken due to utilization of assets in the Advance Account by the Department and non-maintenance of the Register of

Fixed Assets properly relating to the Advance Account.

- (e) The value of debtors balances recoverable as at 31 December 2018 had been Rs.217,457,314. A sum of Rs.645,170 had been recovered from cooperative debtors in the year under review and a sum of Rs.1,636,746 had been written off from stock debtors on the approval of the Commissioner. Effective measures had not been taken to recover other loans.
- Action should be taken to recover other loans.
- I agree therefor. I inform that recovery of loans is at a weak level due to taking follow up action on recovery of loans and the progress review is at a weak level and lack of proper documents for taking legal action for recovery of loans. I further inform that action will be taken to hold discussions with cooperative societies in future.

1.6.5 Responsibilities of the Accounting Officer

In terms of provisions of Section 38 of the National Audit Act, No. 19 of 2018, the Accounting Officer shall ensure on following matters. However, action had not been taken accordingly.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and periodic reviews are carried out to monitor the effectiveness of such systems and accordingly make any alterations as regard for such systems to be effectively carried out. Those reviews shall be in writing and copies of the same shall be made available to the Auditor General. However, statements for such reviews had not been made available to Audit.	Action should be taken in terms of provisions of Section 38 of the National Audit Act, No.19 of 2018.	I accept it.

1.6.6 Non-compliances with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Observation Non-compliance	Recommendation	Comments of the Accounting Officer
Paragraph 06 of the Assets Management Circular No.01/2017 of 28 June 2017 of the Ministry of Finance and Mass Media	Details on all assets belonging to the Department and details on assets purchased and disposed of in the year 2018 had not been presented even by 31 May 2019 to the Comptroller General's Office.	Action should be taken in terms of relevant circulars.	Action is taken to submit due reports in future.

2. Financial Review

2.1 Management of Income

The following observations are made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Action had not been taken even by 31 May 2019 to recover a sum of Rs.11,474,219 spent by the Food Commissioner's Department for storing rice in the Department, imported by the Cooperative Wholesale Establishment.	Due moneys should be recovered as soon as possible.	I agree therefor. According to the Directive given by the Cabinet Subcommittee on Cost of Living, action had been taken to hand over these stores and a concessionary period of 03 months (excluding rent) had been granted therefor. However, action had not been taken to distribute rice stored within the said period and as such, store rent should have been computed on the extension of the period. Action will be taken to solve this problem by summoning the said institutions in future.

2.2 Advances to Public Officers Account

The following observations are made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) The loan balance of Rs.30,080 recoverable as at 31 December 2018 from two officers who had gone on transfers from the Department had remained unrecovered over a period of 5 years. Action had not been taken to recover those loan balances.	Action should be taken in terms of Budget Circular No.118 of 24 October 2004.	Inadequate information on officers and action will be taken to write off from books in future.
(b) Action had not been taken in terms of Sections 4.2.4 and 4.2.5 of Chapter XXIV of the Establishments Code relating to loan balances older than 05 years amounting to Rs.213,581 recoverable as at 31 December 2018 from 04 retired officers.	Action should be taken in terms of provisions in the Establishments Code.	Taking action to write off from books as information of officers is inadequate.
(c) Action had not been taken in terms of Section 4.4 of Chapter XXIV of the Establishments Code relating to loan balances older than 05 years amounting to Rs.397,366 recoverable from 06 officers deceased during the period from the year 1999 to the year 2014.	-do-	Taking action to write off from books as information of officers is inadequate.
(d) Necessary measures had not been taken to recover loan balances older than 05 years amounting to	-do-	Taking action to write off from books as information of officers is inadequate.

Rs.449,880 recoverable as at 31 December 2018 from 12 interdicted officers.

- | | | |
|--|-------------|--|
| <p>(e) Action had not been taken in terms of Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code relating to loan balances older than 05 years amounting to Rs.910,474 recoverable as at 31 December 2017 from 16 officers who had left the service.</p> | <p>-do-</p> | <p>Taking action to write off from books as information of officers is inadequate.</p> |
|--|-------------|--|

2.3 Deposits

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Even though 02 lapsed deposit accounts totalling Rs.89,863,823 is brought forward for over a period of 02 years, action had not been taken in terms of Financial Regulation 571 to settle the said deposits or take it to the income.</p>	<p>Action should be taken in terms of Financial Regulations.</p>	<p>I agree</p>

3. Operating Review

3.1 Planning

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) The vision and mission of the</p>	<p>Action should be taken to perform the functions so as to</p>	<p>I will take action to revise the vision and mission to suit the</p>

Department had not reach the vision and mission. present situation.
been reached due to
failure in
achievement of
expected results
which should be
achieved by the
Department.

- (b) A sum of Rs.380,262,779 had been spent from the year 2012 to 31 December 2018 for modernization of 06 stores at Veyangoda stores complex and 05 stores at Shravasthipura, Boossa and Meddawatte for maintaining buffer stocks with the objective of performing the key functions of the Department and promoting implementation of purchase of local rice subject to required standards with the expectation of exportation. However, after the exhaustion of the stock of 668 metric tons of rice stored in the No.10 store at Veyangoda with a capacity of 5,400 metric tons of rice for the evaluation of the effectiveness of the Pilot Project of 2018, no buffer stocks of rice whatsoever of the
- Action should be taken to perform the key functions of the Department.
- As provisions were not made in the purchase of rice from the Food Department, action had been taken to stock rice imported by SATHOSA in these stores.

Food Department had been available in the stores from 01 January 2014 to 31 December 2018.

- (c) Six stores at Veyangoda where 22,500 metric tons could be stored and 05 stores at Shravasthipura, Boossa and Meddawatte where 15,390 metric tons could be stored had been modernized by 31 December 2018. However, no proper contribution whatsoever could be earned from these stores to the Revenue even by 31 December 2018. Moreover, plans had not been prepared on using these stores to the maximum efficiency and obtaining contributions to the Revenue in the year 2019.
- Plans should be prepared on using these stores to the maximum efficiency and obtaining contributions to the Revenue.
- These stores had been repaired on the approval of the Cabinet in the years 2018, 2019 and 2020 by obtaining provisions in installments for modernization. The activities of these projects are concluded in the year 2020 and after the year 2020, it is expected to utilize for anticipated purposes.
- (d) The Action Plan had not been prepared in a manner so as to adapt to the vision, mission and the 5 key functions of the Department and to achieve those functions. Moreover, the Action Plan had not included plans on utilization of scientific stores in a
- The Action Plan should be prepared to adapt to the key functions of the Department.
- The repairing of stores of the Department in a manner for storing of rice had been included in the Action Plan for the year 2018. The training of employees had been included in the Action Plan for the year 2018 with the motive of maintaining proper management of human resources of the Department. The Action Plan for the year 2018 had also included purchase of motor vehicles,

manner to achieve the mission of the Department and to contribute to the Revenue.

office equipment and machinery with the motive of supplying infrastructure facilities required for achievement of the vision, mission and key functions.

3.2 Assets Management

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) The stores bearing numbers 01, 02 and 03 of Black Pool Stores of which the rent had been estimated by the Valuation Department on the basis of “Buildings are used for storing.”, had been used as well for storing food and as accommodation for tourists by the lessees. Moreover, according to conditions in the lease agreements entered into on 25 January 2018, the lessee should use these stores for storing of food. Nevertheless, the lessee had not taken action in terms of the said conditions.</p>	<p>Action should be taken according to lease agreement.</p>	<p>Agreements had been entered into with the Society only for providing the stores on rental basis.</p>
<p>(b) According to the valuation of the Valuation Department, the extent of land enjoyed by the lessee had been valued as 3 stores of 6,426 square feet. However, at the physical verification, the relevant society had used 9,135 square feet.</p>	<p>-do-</p>	<p>Agreements had been entered into with the Society only for providing the stores on rental basis.</p>

- (c) A sum totalling Rs.22,608,580 comprising of Rs.21,700,546 and Rs.908,034 recoverable as outstanding rents and for ground shelves respectively as at 31 December 2018, had been receivable due to renting out 09 stores of the Department to the Lanka SATHOSA from September 2014 to December 2016. Action should be taken to recover outstanding rents. As Lanka Sathosa is a 100 per cent statutory institute, discussions are in progress to settle this outstanding rent with the management of that institute.
- (d) Nine stores of the Department had been rented out to the Co-operative Wholesale Establishment and in renting out stores, a deposit had not been obtained. Moreover, a total of Rs.26,202,918 comprising of Rs.22,716,858 and Rs.3,486,060 as outstanding rents and water and electricity had been recoverable as at 31 December 2018. Action should be taken to recover outstanding rents. I agree.

3.3 Losses and Damage

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Losses to be further recovered or written off as at 31 December 2018 had been Rs.3,588,015,224. However, it has been shown as Rs.219,386,273 in the statement of Losses and Omissions presented along with the financial statements.	Action should be taken to recover losses and damage in terms of Financial Regulations.	It had been prepared again and presented to Audit.

3.4 Management Weaknesses

 The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer	
-----	-----	-----	
(a) It was confirmed by the Survey Plan No.Co.8392 that 08 buildings had existed on the land of 1.5 acres in extent located at Barnes Place, Colombo 07. The Valuation Department had estimated the monthly rental of those 08 buildings as Rs.1,002,500 on 02 March 2007. The said property had remained idle due to failure in non-removal of buildings located on the land, as planned.	The land and buildings should be utilized in an economic purpose.	I agree. Could not solve the problems existed.	
(b)	(c) The National Water Supply and Drainage Board had informed the Department by the letter dated 16 July 2018 that legal action will be taken in terms of National Water Supply and Drainage Board Law, No.02 of 1974, if the outstanding charges for water amounting to Rs.473,871 in the building used by the Paddy Marketing Board from September 2014 to February 2016 is not settled speedily. The Department had not taken action to make the payments to the National Water Supply and Drainage Board by recovering the said amount	The payment should be made speedily by recovering the relevant moneys from the Paddy Marketing Board.	I agree. As existing problems could not be solved, the payment could not be made.

from the Paddy Marketing Board.

(d)

(e) The approval granted to the Legal Advisor of the Ministry for acting in the post of Legal Officer of the Department in the year 2010 had been cancelled from 15 March 2017 by the letter dated 09 March 2017 of the Secretary to the Ministry of Rural Economy. However, a sum of Rs.101,158 had been paid by the Department for acting in the post of Legal Officer from 16 March 2017 to 30 September 2018 without formal approval.

Formal approval should be obtained for acting in the post.

It had been informed that the Ministry was notified on 22.10.2018 to obtain approval.

(f) The store bearing No.08 of the Veyangoda stores complex modernized as a scientific store by controlling humidity for storing of rice for about one year without using chemicals, had been provided to a consumer society for storing potatoes. This store with an extent of 28,860 square feet and a capacity of 5,400 metric tons, had been modernized as a scientific store by spending a sum of Rs.57,235,982. The said store had been used to store potatoes instead of storing rice. The potatoes stored in such manner had rotted. As such, the machinery and accessories installed in the store had been damaged due to leakage of water. Even

In renting out modernized stores to external institutions for a specific purpose, attention should be paid to the **condition** of the store.

The Engineering Design Centre had been informed to obtain a report on the present function of the machinery and **electric system** installed by Iceman Technologies, to carry out a test and to submit a report thereon to the Food Department, with copies to Iceman Technologies. Requests had been made to reduce the relevant service cost based on their response. Moreover, it had been requested to reimburse all charges from the COOPFED.

though 6 months had lapsed after the said machinery and accessories were damaged, necessary action had not been taken even by 31 May 2019 to assess the loss of the store and to recover the same from the relevant institution.

- | | | | |
|-----|---|---|---|
| (g) | A sum of Rs.724,776 was recoverable by 30 September 2018 from institutions and persons to whom the canteen had been leased out before the year 2017. The Department had failed to recover the said monies even by 31 May 2019. | Taking action for the immediate recovery of outstanding monies and for avoiding such situations in future. | Out of the monies outstanding as at 30 September 2018, a sum of Rs.36,192 had been recovered. The outstanding sum as at 30.05.2019 is Rs.688,584. Legal action had been taken therefor and court proceedings are in progress. |
| (h) | A sum of Rs.1,442,300 was recoverable from a consumers' cooperative society under the programme on sale of Myanmar rice implemented in the year 2008. | In renting out stores to external parties, a proper arrangement should be made to recover the lease rent timely. | I agree. Action had been taken to recover a sum of Rs.0.5 million in the year 2018. |
| (i) | Even though legal action had been taken in the year 2008 to recover a sum totalling Rs.1,029,624 for 03 stores used by a consumers' cooperative society, the recovery of relevant outstanding rental income had failed even by 31 May 2019. | A common set of rules should be formulated when renting out stores to external parties. | Legal action has been taken. |
| (j) | Store No.2 and 1/3 of store No.12, ground shelves and 03 floor scales of the Orugodawatte Stores Complex had been rented out to a subsidiary of a cooperative society under the Department of Cooperative Development. | A common set of rules should be formulated when renting out stores to external parties and entering into agreements properly. | Taking legal action |

The said store had been rented out improperly to the subsidiary based on an informal letter without mentioning the institution to be rented out, duration, space and payments to be made and without obtaining a cash deposit. A store rental of Rs.1,941,000 had been deprived of due to renting out the store to the subsidiary. The attention of the Department had not been drawn to monies outstanding for over a period of 10 years from the cooperative society in renting out the store and not including cases filed relating to recovery of those monies

- | | | |
|--|--|----------------------------|
| <p>(k) The store No.2 in Veyangoda had been rented out to a private company from the year 2011 to the year 2016 and to another company from 01 January to 31 December of the year 2018 without extending the lease agreements and without a deposit. A sum of Rs.1,957,413 was recoverable to the Department from those companies by 31 December 2018. Penalties of Rs.1,196,460 imposed due to non-payment of rentals had been written off without proper approval.</p> | <p>A common set of rules should be formulated when renting out stores to external parties and entering into agreements properly.</p> | <p>Taking legal action</p> |
|--|--|----------------------------|