

Head 300, Food Commissioner's Department

1. Financial Statements

1.1 Qualified Opinion

Head 300 - The audit of the financial statements of the Food Commissioner's Department for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance and the cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. 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 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 16 July 2024 in terms of Section 11(2) of the Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Food Commissioner's Department as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on matters described in paragraph 1.6 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 section of this report. I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

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

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

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

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

I express the following matters in terms of the section 6(1) (d) and Section 38 of the National Audit Act No.19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure and Capital Expenditure

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(i) The personal emoluments and operating expenses of Rs. 1,799,527 had been overstated under the cash flow incurred for operating activities and a capital expense of Rs.1,799,527 had been understated under the cash flow incurred for the investment activities in the cash flow statement. The identification of expenses to be included in the capital expenses under the personal emoluments and operating expenses had caused for this.	The instructions had been given to accurately prepare in the future.	The accounts should be prepared in terms of State Accounts Guideline.
(ii) In accordance with paragraph 8.2 of State Accounts Guidelines 05/2023 dated 30 November 2023, even though the non-financial assets should be accounted either in cost or assessment value, 02 vehicles belonging to the department had not been accounted in that manner.	Since the value of 02 vehicles assigned to department had not been assessed, those 02 vehicles had not been entered into CIGAS system.	It should be taken actions to prepare the accounts as per State Accounts Guideline.

(c) **Reconciliation Statement on the Advances to Public Officers Account**

Audit Observation	Comments of the Accounting Officer	Recommendation
A difference of Rs. 332,249 had prevailed in the opening balances as per the departmental books of Advances to Public Officers Account and the treasury books and no action had been taken to settle this balance which has been prevailing since about 10 years. A receipt of Rs.240,100 had been overstated under the cross notes as per the treasury books owing to write down the loan balance of an officer transferred twice as per treasury books. Accordingly, it was observed a difference of Rs. 572,349 in the closing balance as per departmental books and treasury computer print outs.	It had been identified as a difference occurred prior to 2000 and it had been informed to Department of Wildlife conservation to rectify the error of crediting twice the loan balance of Rs. 240,100 of an officer transferred in 2023 to our Head.	The actions should be taken to accurately account.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
An amount of Rs. 14,888,667 out of the provision of Rs. 124,000,000 allocated under local funds vote No.2104 for Dambulla project had been only incurred and it had been adjusted to rents and work advances account. Under such vote, a recurrent expenditure of Rs.186,464 which are not related to that had been included also.	The relevant expenses had been incurred under the administrative expenses in relation to Dambulla project.	The expenses should be properly managed and accurately accounted.

2.2 Entering into Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
The liabilities of Rs. 715,532 with regard to year under review had not been indicated in the statement of liabilities.	Having made aware all the divisions, it couldn't be noted the liabilities due to non-receipt of vouchers to the Accounts Division before 31 January and non-availability of adequate provision in expenditure head 1402.	It should not be entered into liabilities exceeding the provisions.

2.3 Utilization of the Provision Given by Other Ministries and Departments

In terms of the cabinet decision granted to the cabinet memorandum No. 22/0886/506/008-1 submitted by the Minister of Education under caption of "Providing of rice 5000 metric tons given under China aids to the schools in which the program of providing foods to the students is implemented", transportation of rice 5000 metric tons to the store having carried out the port clearance had been entrusted to the Food Commissioner. Accordingly, the approval had been granted by the cabinet decision (1) (a) dated 16 July 2022 to pay an amount of Rs. 11,828,000 as per the quotations given by Food Commissioner and the under-mentioned facts are observed in relation to the clearance.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It had been decided to award this contract to this clearance company itself which was selected through the quotations for the clearance activities in relation to Indian Humanitarian Aids by department and it had not been entered into the agreements with that institute on that.	In accordance with the quotations submitted, the tender had been awarded to a private company and it had been informed to that institute by the letter dated 22.06.2022 to clear the rice containers received as Chinese aids from the port as per that quotation.	The actions should be taken as per a formal agreement.
(b) An additional amount of Rs.5,260,283 had to be paid exceeding the approved expenditure due to charge of other fees of Rs.3,000,283 in addition to the fee for clearance and transportation to the stores, and an additional amount of Rs.2,260,000 had been paid to the	An amount of Rs.2,260,000 had been paid as additional cost for bringing the rice stock to the stores of Food Commissioner's Department and for	The all expenses should be approved in approving the expenses.

clearance company for additional trips sent 12 rice containers for the distribution in the outskirts without giving instructions to the clearance company to distribute rice in the outskirts and transportation rice to Orugodawatta Stores again owing to not acknowledgement from such provinces. miscellaneous charges including port and ship.

2.4 Certification of the Accounting Officer

Accounting officer should certify the following matters in terms of the provisions of the section 38 of National Audit Act No. 19 of 2018. However it had not been done.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Even though the Chief Accounting Officer should be responsible to table the annual reports related to the audit entity to the parliament, said requirement had not been fulfilled due to the audit observations indicated in paragraph 3.4 of the report.	The answers had not been given.	The actions should be taken as per the provisions of Audit Act.
(b)	Even though the Chief Accounting Officer and Accounting Officer should ensure that there is an effective method for implementation the internal audit task properly, said requirement had not been fulfilled due to the audit observations indicated in paragraph 4.1 of report.	The answers had not been given.	The actions should be taken as per the provisions of Audit Act.

2.5 Non-compliance with Laws, Rules and Regulations & etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed in the sample audit tests are as follows.

	Observation		Comments of the Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value Non-compliances		
		Rs.		
(a)	Paragraph 02 (iv) of Public Administration	1,401,701	Even though the time should be verified by the	The employee arrival and departure of As per the circular the payment should be made after

Circular No.09/2009 dated 16 April 2009 amended by Public Administration Circular No.09/2009 (1) dated 17 June 2009	finger print machines when the time is based for the allowances paid after permanent duty time such as overtime and holidays, an amount of Rs. 1,401,701 had been paid as overtime and holiday pay in 2023 without acting likewise.	Veyangoda, Dambulla and Orugodawatta stores except head office are verified from the attendance registers.	confirming the arrival and departure by fingerprint machines.
(b) Paragraph 3.1 of Public Administration Circular 30/2016 dated 29 December 2016	The vehicle emission test had not been carried out in relation to the vehicles of the department.	The action will be taken to perform a vehicle emission test for the vehicles of the department in due course.	The actions should be taken as per the circulars.

2.6 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
A balance of Rs.121,171,943 had prevailed in relation to 03 General Deposit Accounts as at 31 December 2023. Within such balance, there was a balance of Rs.51,765,801 between 01 to 05 years and a balance of Rs. 54,522,200 more than 05 years and no action had been taken as per Financial Regulations 571 related to that.	The facts such as non-application of the retention money by the relevant institutions for the contract, non-application for the houses and stores due to legal actions and existence of houses and stores which are presently used had affected and the action will be taken as per F.R.571 in due course.	The actions should be taken as per the Financial Regulations.

2.7 Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
As at 31 December 2023, there was unidentified receipt of Rs. 5,108,153 and the balances from 03 years to 01 month had prevailed within that. Furthermore, unsettled receipt of Rs. 737,500 had prevailed and such receipts had exceeded the period of 18 years to 02 years.	The receipt of Rs. 3,375,200 had been identified presently and remaining unidentified receipt will be examined and it had been noted to take actions immediately.	A prompt action should be taken to settle.

3. Operating Review

3.1 Visions and Mission

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though a provision of Rs.100 million had been estimated for maintenance of a special rice buffer stock of 8000 metric tons in accordance with Colombo Declaration and 16 th Conference of South Asian Association for Regional Co-operation (SAARC) as the key functions of the department, said total provision had remained and no buffer stock had maintained. Accordingly, it was not observed that the department had taken action for achievement of the vision named “safe, sustainable, nutritious staple grain foods for every household”.	Even though it had been requested Rs. 1,996 million for maintenance of rice buffer stock of 8000 metric tons, only Rs.100 million had been allocated. Since it was not adequate, the provisions had remained likewise.	The actions should be taken to fulfill the key functions.

3.2 Non Performance of Functions

The progress is as follows in accordance with the action plan of the department as at 31 December in the year under review.

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the construction of Dambulla Temperature Control Building was scheduled to be completed by March in the year under review, it had not been completed even up to the date of audit on 31 May 2024.	It is expected to complete the construction in 2024.	A prompt action should be taken to complete the constructions.

3.3 Non Achieving of Expected Benefits

06 scientific warehouses with storage capacity of 34,300 metric tons had been modernized by the department at a cost of Rs. 296 million in order to prevent the tendency of stocks to become unfit for human consumption while maintaining of rice stocks those as buffer stocks for a long period of time and reduce the use of chemicals and to reduce the cost of maintaining rice stocks at the maximum standard. The under-mentioned facts are observed in this regard.

Audit Observation	Comments of Accounting Officer	Recommendation
(a) These warehouses had not been utilized for the purpose for which they were built and Veyangoda No. 01 store in 28,000 square feet is used for the storage of the medical equipment by the Medical Supplies Division and Veyangoda No.09 store in 28,000 square feet is used by a private company for coconut milk export manufacturing about 04 years.	Veyangoda No.01 store had been given for the storage of the medicines and medical equipment of Medical Supplies Division at a monthly rent of Rs. 420,000 and Veyangoda No.09 store had been given to a private company for a monthly rent of Rs. 400,000 and the rent agreement had ended on 31.12.2021.	If it is not possible to use the warehouse for the purpose for which it was built, action should be taken to earn income by renting out the warehouse in an accepted method and the related rent agreements should be actively negotiated.
(b) Due to the Non – scientific use of warehouses, 06 fumigations had been carried out in the period of storage of 04 warehouses (including the warehouses given to State Trading General Corporation) where rice is stored under World Food Program and an amount of Rs. 3,171,842 had been paid to Ceylon Pest Control Co.(Pvt) Ltd. Accordingly, the objective of reducing the use of chemicals had not been fulfilled.	Though it had been constructed as scientific stores, these stores are being utilized for the storage of food under World Food Program presently. It should be constantly fumigated to remove the pests and insects of the food stored.	The actions should be taken to use the warehouses scientifically and to minimize the maintaining cost.
(c) The foods provided under World Food Program are stored in 03 stores about one year and even though the store capacity of these 03 stores 17600 metric tons, only 8110 metric tons had been utilized. Accordingly, 9490 metric tons of such scientific stores had been underutilized. .	Even though the capacity of the stores is 17,600 metric tons, the food stock provided by World Food Program are safely stocked and accordingly, there may be under-utilization.	The storage utilization should be carried out at maximum level.

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| (d) | The air conditioner system installed for maintenance of scientific stores had been idle. | The actions will be taken as per the instructions of World Food Program. | The assets should be efficiently utilized. |
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3.4 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the Annual Performance Report should be submitted to the Parliament for tabling prior to 150 days from the end of the financial year by all Accounting Officers in terms of paragraph 12.1 of Public Finance Circular No.02/2020 dated 28 August 2020, the Annual Performance Report related to 2022 had not been presented to the parliament even up to 30 April 2024.	The necessary steps are being taken.	The action should be taken as per Public Finance Circulars.

3.5 Procurements

The contract for construction of elephant fence around Kekirawa stores had been awarded to a private company to an amount of Rs. 5,918,926 without VAT on 20 December 2020 and an amount of Rs. 6,640,407 had been paid with VAT. The under-mentioned observations are made in that regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the bids had been called from 11 institutions under limited competitive bidding method contrary to paragraph 3.3 of the Government Procurement Guidelines, the basis of selection of limited competitive bidding method was contradictory, and as per the request made by the selected institutions to extend the bid opening date by 14 days, although the days had been extended, there were no relevant evidences available indicating that such advertisement had been given to 11 institutes which had called bids.	The approval had been granted by Commissioner on 05.11.2021 to call the quotations from 11 institutions selected from registered suppliers and “Rainbow Pages”. Although it is confirmed by the file. that the letters had been sent to the 11 institutes it couldn’t be verified through the registered postal documents	The actions should be taken as per the Government Procurement Guidelines.

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| (b) | Even though the bids had been submitted by only 03 institutes, the bids of 02 institutes had been rejected due to non-availability of a bank guarantee of Rs.40,000 and the selected institute also had only deposited Rs.40,000 in cash. | The selected bidder had kept the guarantee in cash and since other 02 institutes had not kept the bid security, those 02 institutes had been removed in the preliminary evaluation. | The actions should be taken as per the Government Procurement Guidelines. |
| (c) | The period of contract and the contract value had not been indicated in the contract agreement and the letter of acceptance had not been prepared as per to 8.7.1 in the Procurement Guidelines and the essential work items worth of Rs. 182,000 submitted in BOQ had not been performed and a certificate of Technical Officer had not been obtained mentioning that the work had been successfully completed in making the final payments. | The all other information had been inserted into the letter of acceptance and only value and date of the performance security had not been indicated. | The action should be taken as per the Government Procurement Guidelines. |
| (d) | Certain items had been carried out differently to the engineering estimates and an amount of Rs.1,111,323 had been incurred for that. | The action had been taken as per the observation report provided by Central Engineering Consultancy Bureau of Sri Lanka which had given the consultancy service. | The actions should be taken as per the estimate. |

3.6 Assets Management

The under-mentioned observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Only 06 stores out of 17 which had prevailed for the usage of the department had been utilized and remaining 11 stores had been idle.	It had been informed that 03 stores allocated for Paragammana Medical Supplies Division had been obtained on lease rental in 2024 and it is due to be given another 03 stores on lease basis as per the procurement process in the future. A	The actions should be taken to utilize the stores efficiently.

part of another store had been allocated for storage of the foods received as aids and one store is in dilapidated condition.

- (b) 04 stores which are not suitable for use existed with capacity of 16920 metric tons and it was observed that those stores had not been utilized 02 to 11 years. Moreover, there are 08 stores to be renovated and it was observed that there is a possibility of becoming such stores into a non-usable condition owing to no renovations and non-maintenance properly.
- It had been estimated that a large amount of money is incurred for renovations of these stores which had been severely dilapidated and the provisions had not been allocated. The attention had been paid that the institutions who had requested for usage the stores will carry out the renovations.
- The stores should be properly maintained and it should be ensured that all large stores are utilized.
- (c) The office complex and land area of 04 stores had been leased to a private company on 30 years lease basis by a cabinet decision and a building had been constructed in that land area by said company without approval. Furthermore, the 05 stores and premises had been handed over to the same company for 05 years on annually renewal basis and 04 stores out of that had been joined without obtaining the approval.
- It had been informed to the relevant company that the written approval of the Commissioner should be compulsorily obtained for a renovation or new construction.
- A proper control and supervision should be carried out in relation to the stores given on lease basis.
- (d) Even though an amount of Rs. 3,495,536 had been incurred for converting the store No.06 to a laboratory in 2016, said laboratory had been idle even on the date of audit.
- The necessary arrangements will be taken to use this laboratory for the testing of the food items in the year 2024.
- The actions should be taken to utilize the laboratory.

3.7 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) No evidence related to verification the surcharge cooperative loan balance of Rs. 200,637,572 including in the statement of losses and waivers had not been submitted to the audit.	The actions will be taken to investigate and recover.	The actions should be taken to recover the loans immediately
(b) A balance of Rs. 1,387, 731 to be recovered from the officers who died, retired, dismissed and vacated the post in the Advance of Public Officers Account which should not be included into the statement on losses and damages had been indicated in the statement on losses further to be recovered or written off. Further, The recovery of a loan of Rs. 176,800 which had to be recovered from 02 retired officers in 2022 had been indicated under the recovery of losses within the year (i) of statement for losses and waivers Annexure (1).	The necessary arrangements will be expeditiously taken under Financial Regulation 113 for waiver of outstanding loan balances and the reminders had been sent to recover other loan balances.	The actions should be taken as per Financial regulations.

3.8 Management Weaknesses

The under-mentioned observations are made.

Audit Observation	Comments of Accounting Officer	Recommendation
(a) The action had not been taken in relation to the loan balance of Rs.303,749 which is 10 years old and to be recovered from a deceased officer and 02 retired officers as per sections 4.4, 4.2.4 and 4.2.5 of Chapter XXIV of Establishment Code. Furthermore, no action had been taken in relation to loan balance of Rs.1,083,982 to be recovered from 07 officers interdicted and 08 officers vacated the post as per paragraph (e) of Guidelines 01 under Public Finance Circular 01/2020 dated 28 August 2020.	No one had come forward to obtain the pension claim of the deceased officer and since the National Insurance Trust Fund had guaranteed the outstanding loan balance of Rs.154,130.31, the information had been provided to Department of Public Finance on that matter and the necessary actions will be immediately taken in relation to the interdicted officers.	The actions should be taken as per the Establishment Code.

- (b) Based on the joint cabinet memorandum dated 19 July 2018, the approval had been granted for establishment of temperature control stores facility close to Dambulla Economic Centre for minimization of the price fluctuations of fruits, vegetables, onion and other economically advantageous crops as per the cabinet decision dated 31 July 2018. Necessary actions should be taken according to the cabinet decision.
- (i) It had been estimated Rs.4,855,000 for foundation stone laying ceremony for warehouse and an expense of Rs. 5,656,499 had been incurred for that and Rs.2,517,637 represented 44 percent had been incurred for the publication of advertisements in 07 newspapers. Accepted. The expenses should be properly managed.
- (ii) Even though the approval of the cabinet of ministers had been granted to utilize the land belonging to Urban Development Authority for this construction and transfer its ownership to the Food Commissioner's Department, no action had been taken to transfer it after elapse of 05 years. Though the work should be completed within 06 months as per the agreement, the contract had not been completed after elapse of more than 04 years. The constructions couldn't be completed within the planned time period due to court proceedings related to the land and the economic crisis arisen after COVID pandemic. The obtaining the land ownership and the constructions should be expeditiously carried out.
- (iii) In accordance with paragraph 2.3 of Procurement Guidelines on Goods and Work 2006, even though an environment and social impact assessment should be carried out in the pre procurement, the necessity of a waste water treatment plant had been identified while carrying out the construction activities owing to not taking actions likewise. Even though the approval of the cabinet of ministers had been granted after The approval had been granted for the cabinet memorandum in relation to the procurement activities on selection of a suitable institute for the management of temperature control stores complex after construction of the stores. The necessary actions should be promptly taken as per the Procurement Guidelines.

02 years from the commencement of the project for the technology and cost effectiveness proposed to be used for stores and what conditions should be fulfilled for effectively usage of stores suitably to the climatic conditions in accordance with the cabinet decision dated 23 March 2021, said study had not been carried out after elapse of more than 04 years up the date of audit.

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| (c) | As of 31 December 2023, a total of Rs. 111,820,436 had existed as an outstanding rent of Rs. 7,928,378 from 11 private institutions in relation to 28 stores and premises rent out to the private sector by the department, of Rs. 32,267,674 from 06 public institutions in relation to 21 stores rent out to the public institutions, of Rs.20,913,506 from 05 institutes in relation to the stores on which the legal action had been taken for obtaining the possession and recovery of outstanding stores rent and as Rs. 50,710,877 in relation to 30 stores which had been rent out and taken over again. | Accepted. | The actions should be expeditiously taken to recover the outstanding rent by formally collecting the storage rent in each month. |
| (d) | As at 31 December 2023, house rent of Rs.11,527,480 had to be charged from the houses already resided, houses on which legal action is being taken and houses taken over of Danyagama Housing Scheme. | The action is being taken to file the cases in relation to 05 houses and the cases filed on 02 houses are being heard and the possession of remaining 20 houses had been taken back to the department. | The actions should be taken to promptly recover the outstanding house rent. |
| (e) | As per the cabinet decision No.CP/20/0722/218/010 dated 29 April 2020, the following facts were observed with regard to granting of a loan amount of Rs. 423.7 million from 2020 to 2023 through providing of loan concessions immediately to small and medium scale rice millers in order to provide the | | |

necessary facilities for manufacturing the rice by using paddy stock for prevention of a rice shortage in the open market.

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| <p>(i) In accordance with the cabinet decision, though the approval had not been granted to use the loan granted to rice millers as revolving loan, no action had been taken by Food Commissioner to settle that amount to the General Treasury once completion of 06 months from granting loans as per the agreements due to utilization of such loan as revolving loan.</p> | <p>The granting of loans to the co-operative societies had been commenced in 2020 and it had been started the usage of this fund as revolving fund by recovering the loan given and given again to such societies.</p> | <p>The actions should be taken as per the cabinet decision.</p> |
| <p>(ii) Even though the co-operative societies as the third party had agreed to completely pay Provincial Co-operative Development Commissioner and Co-operative Societies Registrar as the second party prior to elapse of 06 months from the date of obtaining the loan as per paragraph (iii) of agreement, a loan balance of Rs. 155.7 million exceeding 06 months had not been completely paid even up to 03 May 2024 which was the date of audit and in accordance with paragraph 3(vii) of the agreement, the delay charges of 1.5 percent per month had also not been charged. Furthermore, even though the Food Commissioner as the first party is obliged to take all legal action relevant to recovery of loans to the government as per section 5(iv) of agreement, no legal actions had been taken related to above loan balance which prevailed from 01 year to 01 year and 11 months.</p> | <p>The instructions had been given to the parties such as Provincial Co-operative Development Commissioner, Provincial Financial Crimes Investigation Division and Officer in Charge of Police in relation to recovery of loans.</p> | <p>The actions should be taken to recover the loans.</p> |
| <p>(iii) Even though the selling of their harvest at a reasonable price by paddy farmers, providing the rice to the consumers at an affordable price</p> | <p>Subsequent to identification of shortcomings and weaknesses of this</p> | <p>The actions should be taken to achieve the expected objectives having</p> |

and uplift the small and medium scale rice millers are the main objectives of granting these loans, it was observed that it couldn't be achieved the objectives on non-recovery of the loans. program, the guidelines and instructions which are suitable to avoid those had been provided through the circulars. recovered the loans.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of section 40 of the National Audit Act No.19 of 2018, no action had been taken to appoint an Internal Auditor for carrying out the internal audit activities of the department.	Since the actions had been taken to restructure the Food Commissioner's Department as per the cabinet decision No. P//24/0497/0627/010, the action on creation of this post had been stopped.	The actions should be taken as per the Act.