

## **Head 300 - Food Commissioner's Department - 2024**

### **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 2024 comprising the statement of financial position as at 31 December 2024 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 30 May 2025 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 26 June 2025 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 of the Section 10 of the National Audit Act, No.19 of 2018 read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a fair view of the financial position of the Food Commissioner's Department as at 31 December 2024, and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Emphasis of Matter – Basis for preparing Financial Statements**

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Food Commissioner's Department, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is intended only for the use of the Food Commissioner's Department, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

#### **1.4 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 the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for determining such internal control as 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 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 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 systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.5 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 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 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 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 identified during my audit.

## **1.6 Comments on the Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Recurrent Expenditure**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
When the Value Added Tax (VAT) was accounted, input VAT amounting to Rs.34,952,232 had been mentioned under recurrent expenditure and output VAT amounting to Rs. 21,144,509 had been mentioned under non-revenue receipts in the statement of financial performance instead of setting off input tax and output tax and presenting net VAT amounting to Rs. 13,807,723 under financial assets.	It was recorded to present the difference between VAT inputs and outputs in the statement of financial position in the future.	The value added tax asset or liability should be properly identified and disclosed in the financial statements.

#### **(b) Reconciliation Statement on the Advance B Account of the Public Officers**

Following Observations are made;

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) A balance amounting to Rs. 332,249 existed in the Public Officers' Advance B Account as per the departmental books and treasury books had not been settled even as at 31 December 2024.	Upon examining the old files and books, the difference of Rs. 332,249 has been identified as a disparity occurred before the year 2000.	The balance of the Advance B Account should be reconciled with the balances in the treasury books.

- |  |  |  |
|--|--|--|
| (ii) As included in a loan balance of Rs. 706,935 due from 08 officers who vacated the service, the loan balance of Rs.366,160 of 03 officers was more than 10 years old and the balance of Rs. 168,695 of 04 officers was more than 20 years old, and had not been recovered even as at 31 December of the year under review. | The Attorney General's Department has been informed to take the required legal actions to recover the outstanding loan balance from one officer. The steps are being taken to recover the outstanding loan of another officer from his guarantors, and since personal files relating to the remaining 06 loan balances could not be found, a committee has been appointed by the Ministry of Trade, Commerce, Food Security and Cooperative Development to take further actions. | The steps should be taken to recover the outstanding employee loan balances. |
|--|--|--|

## 2. Report on Other Legal Requirements

I express the following matters in terms of the section 6(1) (d) 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

## 3. Financial Review

### 3.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As there were savings ranging from 53 percent to 100 percent in the revised budget provisions for 11 objects, it was observed that the estimates had not been prepared as completely and accurately as possible in accordance with Financial Regulation 50.	The disparities have occurred between the original estimate and the revised estimate since the provision was transferred as per F.R.66 from 05 objects; for which the expected expenditures were not incurred, to 06 objects of which the provision was not adequate.	The cost estimates should be prepared as accurately and completely as possible.

### 3.2 Entering into Liabilities and Commitments

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The liabilities amounting to Rs. 2,132,706 relating to the year under review had not been mentioned in the statement of liabilities. Further, the commitments amounting to Rs.460,575 had been incurred in excess of the balance regarding two objects.	Since it is possible to pay the liabilities up to March 31 as per Financial Regulation No. 115(2), the arrangements have been made to pay the vouchers with liabilities submitted to the Accounts Division thereafter.	All liabilities should be accurately mentioned in the statement of liabilities. The liabilities should be entered with attention about the remaining of provision.

### 3.3 Certification of the Accounting Officer

Although the Accounting Officer should provide assurances on the following matters in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018, the proceedings had not been made accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The Chief Accounting Officer and the Accounting Officer should ensure that annual and other financial statements are prepared within the required time frames, and additionally, even if the Chief Accounting Officer should ensure that the annual reports of the audited entities are submitted to the Parliament, those requirements had not been fulfilled due to the audit observations mentioned in paragraph 4.4 of the report.	The performance reports for the years 2022 and 2023 have been referred to the line ministry for approval.	As per the provisions of Section 38 of the National Audit Act No. 19 of 2018, the steps should be taken to table the annual reports in Parliament on the due date.
(b) Although the Chief Accounting Officer and the Accounting Officer are required to ensure that there is an effective methodology to properly implement the internal audit functions, the said requirement	Since this Department had been decided to be liquidated as per the Cabinet Decision dated 18 March 2024, the process of creating this post had not been initiated, and however the approval for the post was	An internal auditor should be appointed in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

had not been fulfilled according to the audit observations mentioned in paragraph 5.1 of the report. obtained and it was noted to proceed with further actions.

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

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

Observations					
	Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(a)	Sections 4.2.4, 4.2.5 and 4.4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	303,749	The actions had not been taken to recover a distress loan balance amounting to Rs.149,619 over 10 years to be collected from two retired officers from the converted pension or gratuity or monthly pension and related allowances. Further, the Director General of Pensions had not been requested to deduct the loan balance of Rs.154,130 over 10 years; that is to be collected from a deceased officer, from any amount to be paid to his heirs.	The letters dated 24 January 2025 have been sent to the Divisional Secretariats from which the pension is obtained regarding the possibility of recovering the loan balance. A letter dated 20 March 2025 has been sent to the Secretary to the Ministry of Public Administration, Provincial Councils and Local Government regarding the possibility of recovering the loan balance of the deceased officer.	The actions should be taken to recover the loan balance as per the provisions of the Establishments Code.

(b) Financial Regulations  
of the Democratic  
Socialist Republic of  
Sri Lanka

(i) Fincial Regulation 110		A damage and loss register had not been maintained systematically by the Department.	A damage and loss register is being maintained.	A damage and loss register should be maintained up to date.
(ii) Financial Regulations 756 (6) amended by Public Finance Circular No. 01/2020 dated 28 August 2020.		A delay of about 5 months had occurred to submit the Board of Survey report for the year 2023 to the Auditor General. Further, the Board of Survey report for the year 2024 had not been submitted to the Auditor General even by 30 April 2025.	The officers have been instructed to complete the board of survey activities immediately.	As per the Financial Regulations, the arrangements should be made to submit the board of survey reports to the Auditor General on the due date.
(iii) F.R.113 (6) (b) amended by Public Finance Circular No. 01/2020 dated 28 August 2020	365,547	No action had been taken to recover the outstanding debt balances of Rs.365,547 aged more than 20 years and aged from 03 to 20 years to be recovered from 05 interdicted officers.	Since the personal files of the 06 loan balances could not be found, it was recommended by a committee that it was appropriate to write off as loan balances that could be proceeded under the limitations of 04(i) according to the interim provisions of the Public Finance Circular 01/2024. However, the Chief Accounting Officer has informed that the	The loans should be recovered by proceeding in accordance with the circulars.

destruction of the files cannot be accepted as a reason for writing off the loan. Accordingly, a committee has been appointed to look into the possibility of writing off the loan.

### 3.5 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
There was a balance of Rs. 191,600,190 related to 3 general deposit accounts as at 31 December 2024. The said balance included a balance of Rs. 32,825,394 aged between 2 and 5 years, a balance of Rs. 27,031,903 between 5 and 10 years and a balance of Rs. 27,442,800 above 10 years, and the actions had not been taken in accordance with Financial Regulations 571(2) and 571(3).	The proceedings are being done as per Sections 571(2) and 571(3) for the deposits.	The deposit accounts should be settled by proceedings as per the financial regulations.

### 3.6 Operating the Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
Non-identified receipt was Rs.3,120,233 with regard to 80 incidents as at 31 December 2024 in the statement of bank reconciliation and the balances old 04 years to 01 month had existed within that balance. Furthermore, two receipts of Rs.737, 500 not settled had existed and those receipts had exceeded 19 years and 03 years.	Since these deposits had been shown in the bank reconciliations without identification since long time, the action is being taken to identify those with the assistance of Union Place Branch in which the official bank account of the Department is maintained.	The measures should be taken to immediately identify and account the unidentified receipts.



#### 4. Operational Review

##### 4.1 Non-performing the key functions

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the function of maintenance a specialized rice buffer stock of 8000 metric tons had been included into the Action Plan in accordance with Colombo Declaration and 16 <sup>th</sup> Conference of South Asian Association for Regional Co-operation identified as a key function of Department and, no provision had been made in relation to that in the year under review and no rice buffer stock had been maintained.	Though it had been requested Rs.1,996 million for the maintenance of rice buffer stock of 8,000 metric tons in the preceding year, only Rs.100 million had been allocated and granted. Since it was not adequate, the expected rice reserve had not been maintained.	The action should be taken to perform the key tasks of the Department and achieve the objectives.

##### 4.2 Non-achievement of expected results

	Audit Observation	Comments of the Management	Recommendation
(a)	Even though the scientific warehouses had been constructed with an objective of minimizing or zero the usage of chemicals and the minimization or zero the cost incurred for the usage of chemicals, 10 fumigations had been carried out in 2024 for the food stored in the warehouses received as aids under World Food Program until distribution and a sum of Rs.1,633,372 had been paid to a private company for that. Accordingly, the objectives such as usage of chemicals and minimization of the cost for that had not been fulfilled.	Since the World Food Program and the Partnership Secretariat for the co-operation of World Food Program has the ownership of the goods of such stores, the action will be taken as per their instructions and orders.	The action should be taken to achieve the objective of minimizing the usage of chemicals.

- |     |  |  |  |
|-----|--|--|--|
| (b) | The food such as rice, dhal, dates, vegetable oil had been stored in 03 scientific warehouses in Veyangoda under aforesaid program for distribution among the school children and low-income earned families and those goods had been stored for a period of 01 year and 08 months to 08 months up to 19 November 2024 as per the period of receipt of the goods without distribution and since it couldn't be utilized, the expected objectives can't be fulfilled. | The relevant activities had been performed on the instructions of World Food Program and Partnership Secretariat for Co-Operation of World Food Program. | The condition of the good stored in the warehouses should be inspected from time to time and the steps should be taken to distribute those within specified period in proper manner. |
|-----|--|--|--|

### 4.3 Annual performance Report

The under-mentioned observations are made.

	Audit Observation	Comments of the Management	Recommendation
(a)	Even though the Annual Performance Report should be tabled in the Parliament before lapse of 150 days after the end of the financial year by all Accounting Officers as per the paragraph 12.1 of Public Finance Circular No.02/2020 dated 28 August 2020, the Annual Performance Reports for the years 2022 and 2023 had not been tabled in the Parliament even up to 30 April 2025.	The Performance Reports for the years 2022 and 2023 had been forwarded to obtain the approval of the line ministry.	The measures should be taken to immediately table the Performance Reports for the years 2022 and 2023 in the Parliament.
(b)	In terms of section 16(2) of the National Audit Act No.19 of 2018, the draft Performance Report in relation to the year under review had not been submitted to the audit with the annual financial statements.	It is agreed with the audit observation.	The draft Annual Report should be submitted to the audit with accounts.

#### 4.4 Asset Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though Veyangoda No.06 warehouse had been transformed to a laboratory by incurring Rs.3,495,536 in 2016, said laboratory had been idle since many years and the laboratory equipment existed in it had been auctioned on 06 November 2024.	The action had been taken to auction only old equipment which was not suitable for use except the equipment directly used for the activities when checking the samples.	The action should be taken to utilize the laboratory for the expected objectives under a plan.
(b) The weigh bridge existing in Vayangoda warehouse complex had been idle since many years and it had not been planned to renovate and use. The roof of the room contained its accessories had detached and it had a threat to the safety and existence to its accessories.	It is expected to carry out the renovations through the provision approved by the budget 2025.	The steps should be taken to renovate the weigh bridge and use or provide to another party.
(c) 43 years had elapsed from not taking over the land with 366 houses belonging to Danyagama housing complex and more than 03 years had elapsed from carrying out the surveying activities of this land on 07 July 2021. 28 houses in the housing complex had been dilapidated for a period 01 year-14 years and no measures had been taken to repair and utilize those.	It is agreed with the audit. It is noted to take over the land belonging to housing complex and renovate the dilapidated houses.	The necessary action should be expeditiously taken to take over the land belonging to the housing complex and renovate the dilapidated houses and use.

#### 4.5 Losses and Damages

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A balance of Rs.154,855,604 had been recoverable as at 31 December 2024 from the loan amounts provided to 156 co-operative societies such as food coupons, kerosene coupons, rice, flour, sugar and others and these loan amounts are old than 10 years as per the financial statements. Presently, the	It was noted that the payment of money is not carried out properly from the co-operative societies and to prepare a methodology in relation to recovery of such loan amounts.	The steps should be taken to recover the loans not recovered.

installments are being recovered only from one co-operative society and no measures had been taken to recover the loan amounts from other co-operative societies.

- |     |   |   |  |
|-----|---|---|--|
| (b) | The surcharge value to be recovered from 225 store keepers which had not been recovered more than 10 years was Rs.45,721,968 as at 31 December 2024 and no step had been taken to recover said money.   | It is noted to take action to write-off the surcharge of the store keepers from whom the recovery can't be made at any means out of the store keepers from whom the surcharge had not been recovered.         | A formal method should be prepared to recover surcharge and the legal action should be taken to recover the surcharge not paid.  |
| (c) | A delay charges of Rs.398,909 had to be paid to Sri Lanka Ports Authority by the Department owing to inability for clearance of stock of dates received under World Food Program on due date.   | The Ports Authority had informed that an amount of Rs.398,909 was not a penalty fee but a ground rent paid as an answer to the request to pay back the delay charge to us.                                    | After identifying the responsible parties for payments of relevant charge, the step should be taken to recover from that parties.  |
| (d) | 297 kg of rice, 3385 kg of dhal and 152 cans of vegetable oil received under World Food Program had been issued to the Department of Animal Production and Health as animal foods and 40 kg of rice, 600 kg of dhal and 21 cans of vegetable oil had been identified as perished. | It is decided whether issuance as animal foods or to be destructed the foods items belonging to World Food Program which is suitable for consumption in accordance with the guidelines of World Food Program. | Even though the measures should be taken to distribute the foods before the specified date as per the objectives of aid program, it should be examined whether the loss had occurred due to negligence through not taking action so. |

#### 4.6 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the bills related to water, telephone and electricity should be paid by the lessee as per agreement in leasing out the stores building of the Department to the external parties, a sum of Rs.37,426,506 as electricity bills of Rs.35,719,639 in relation to a period range of 50 months to 02 months and water bills of Rs.1,706,867 in relation	The action will be taken to inform to reimburse the bills which had not been reimbursed.	The steps should be taken to promptly recover the money receivable for the bills paid.

to a period range of 47 months to 02 months in relation to 08 institutions had not been recovered.

- (b) As per the Cabinet Decision dated 31 July 2018, the approval had been granted for the establishment of a temperature control stores facility with a capacity of 5000 metric tons for minimization the price fluctuations of fruits, vegetables, onion and other crops which are economically advantageous. The under-mentioned observations are made in that regard.

- (i) Even though more than 05 years had elapsed for the project which should be completed by 06 months as per the agreement entered into with Food Commissioner and the contractor on 26 June 2019, those projects had not been completed and handed over even up to the end of April 2025. Similarly, though an amount of Rs.261,287 had been paid by publishing the paper advertisements on 28 July 2024 and 23 August 2024 in 06 newspapers for the selection of an institute for the maintenance and management of the store activities, no institute had been selected for even up to 30 April 2025 which was the date of audit. Furthermore, a specific methodology had not been prepared for the disposal of sewerage water issued from the stores utilization even up to the date of audit.

It had been informed to the contractor that the relevant project will be completed and handed over by 15 June 2025 otherwise the action will be taken as per the agreements. After that, the action will be taken to select a suitable institute for the maintenance and management of the stores activities.

The project should be duly taken over and the operating activities should be commenced after promptly selecting a suitable institute for the management.

- (ii) Even though about 06 years had elapsed for granting the approval of Cabinet of Ministers for usage the land belonging to Urban Development Authority for this construction and transfer its ownership to Food Commissioner's Department, no action had been taken to take over even up to 30 April 2025.

A sum of Rs.21.4 million had been paid to Urban Development Authority in December 2024 for taking over said land. The activities on taking over are being carried out.

The taking over of the relevant land should be expedited.

- |  |   |   |
|--|---|---|
| <p>(iii) Even though it had been recommended to pay attention on fixing of solar panels for this warehouse complex by the Committee on Public Accounts held on 22 October 2022, 02 years had elapsed up to now and no relevant action had been taken in this regard.</p>   | <p>It had been noted to fix the solar panels.</p>                       | <p>The attention should be paid to commencement of a project for fixing solar panels as per the recommendation of the Committee on Public Accounts.</p> |
| <p>(iv) Only 06 weigh bridges which can measure 02 metric tons at one time had been established for the measurement of the weight of the goods of this warehouse with total capacity of 5000 metric tons and though the goods should be kept for a period of 4 to 5 hours in the cooling unit before issuance of stores item to main warehouse and in post heating unit before issuance, the capacity of those 02 units is only 12 metric tons. As a result of that, it was observed that a long period such as minimum 83 days takes for completely filling the warehouse and the attention of the Department had not been paid to that matter.</p> | <p>It had been noted to pay the attention to the facts pointed out.</p> | <p>The action should be taken to manage the assets by paying attention to the warehouse, warehouse capacity and time period.</p>                        |
- (c) A loan amount of Rs.423.7 million had been provided from 2020 to 2024 through the speedy loan facilities providing program to small and medium scale rice millers in order to provide the required facilities for production rice by using the paddy stock for preventing the creation of rice shortage within the open market as per the Cabinet Decision No.CP /20/0722/218/010 dated 29 April 2020. The following matters had been observed in this regard.
- |  |  |   |
|--|--|---|
| <p>(i) Even though the co-operative societies had agreed to completely pay the loan before the lapse of 06 months from the date of obtaining the loan as per paragraph iii of agreement, the loan balances of Rs.301.387 million had not been completely paid up to April 2025. The delay charges had not been</p> | <p>The balance not paid is Rs.301.387 million presently.</p> | <p>The action should be taken to immediately recover loan amount or further step should be taken about non-payment of loan amount as per the agreement.</p> |
|--|--|---|

also charged by 1.5 percent per month as per paragraph 3 vii of the agreement.

- |   |  |  |
|---|--|--|
| <p>(ii) Though the Food Commissioner who is the first party should be responsible to carry out all legal action related to recovery of loans to the Government as per section 1 (ii) of agreement, no legal proceedings had been taken to recover above loan balance which had not been paid from 03 years 07 months to 05 months.</p>  | <p>The Provincial Cooperative Development Commissioner is bound to take legal proceedings for recovery the loans and it had been informed to Chairman of each societies to promptly settle the loans by the letter No. FC/09/02/11 dated 30 December 2024.</p>   | <p>In accordance with the agreement, the legal proceedings should be taken to recover the loans.</p>   |
| <p>(iii) Though the approval had not been granted to use the loans granted to the rice millers by the Cabinet Decision as revolving loans, no steps had been taken to settle such amount to the General Treasury upon completion of the 06 months from granting the loans as per the agreement by utilizing such loans as revolving loans. Consequently, a sum of Rs.72,109,209 had been deposited in the General Deposit Account as at 31 December 2024.</p>   | <p>The period of time for recovery the loans or information on using or not using as revolving loans had not been mentioned in the Cabinet Paper. But since it had been indicated that the guidelines related to this project and relevant methods should be prepared by the Department, the action had been taken to utilize such money as revolving loans.</p> | <p>The action should be taken as per the Cabinet Decision and the approval of the Treasury should be obtained for maintenance of revolving loan schemes.</p> |
| <p>(d) The canteen had been leased out for a period of two years from 01 January 2024 to 31 December 2025 and a lease rental of Rs.354,000 for 03 months had lost to the Department due to handing over of the canteen to the lessor on 01 April 2024 after 03 months delay. Furthermore, the lease rental of Rs.995,330 (with tax) for 07 months for the canteen from April 2024 to October 2024 had not been recovered and the delay charges to be charged for outstanding rental as per the agreement had not been calculated and charged. Moreover, no step had been taken to recover the bills for electricity, telephone and water consumed in the canteen premises from the lessee as per section 09 of the agreement.</p> | <p>Since the much time had been taken to auction the goods belonging to such institute and recover the outstanding lease rental from the lessee who had maintained the canteen previously, it had been decided to charge the lease rental since the date of handing over to new lessee. It had been informed to the lessor to pay the outstanding rent.</p>      | <p>The steps should be immediately taken to recover outstanding rent and outstanding bills.</p>  |

(e) A total house rent of Rs.3,493,567 from 121 houses in Danyagama Housing Scheme presently resided and 10 houses on which legal action had been get and taken over as at 31 October 2024 and a house rent of Rs.1,552,156 from 23 houses on which legal actions are being taken as at 30 June 2024 had not been recovered from the residents.	It is noted to take action to recover outstanding rent without delay.	The steps should be taken to immediately recover outstanding house rents and taken legal proceedings as required.
(f) The total outstanding warehouse rent of Rs. 190,275,506 as Rs.36,634,171 from 15 institutions in the private sector for rent of 32 warehouses and premises rent by the Department, Rs.75,767,880 from 07 public institutions for 21 warehouses, Rs.30,751,840 from 04 institutes in relation to 04 warehouses on which the legal action had been taken to recover outstanding rent and obtain the possession and Rs.47,121,615 in relation to 27 warehouses rent and taken over as at 31 December 2024 had not been recovered.	The step had been taken to recover an outstanding amount of Rs.27,591,117 from the private institutions. The action is being taken to recover outstanding from the public institutions. It had been informed to Sathosa on 22 April 2025 to pay the outstanding amount.	The steps should be taken to immediately recover outstanding warehouse rents and taken legal proceedings as required.
(g) 03 warehouse buildings to the private sector and 02 warehouses to 02 public institutions had been provided on rent basis without agreements and 18 warehouses with a capacity of 43,645 metric tons and 250,701 square feet had been provided to 07 public institutions without agreements and charging rent.	It is informed that an answer will be provided after examination.	The measures should be taken to provide the warehouses on formal rent agreements and charge the rent as specified.
(h) The overall outstanding rent recoverable for the warehouses and houses in 2023 was Rs.116,346,863 and it had increased up to Rs.196,946,397 in 2024 by Rs.80,599,534 and said increase is 69 percent as compared with the preceding year.	The total outstanding rent recoverable for the warehouses and houses in 2023 was Rs.14,818,351 and it was Rs.183,450,813 as at 31 December 2024 and the difference was Rs.168,632,462. The default of payment of rent had caused for this increase in the prevailed economic crisis as per the agreement. It had been informed to immediately pay the rents and the necessary legal action had been taken also.	The step should be taken to recover outstanding rent by taking necessary legal action.



- |     |  |   |   |
|-----|--|---|---|
| (i) | 06 warehouses located in Veyangoda warehouse complex belonging to the Department with a capacity of 16,330 metric tons had been idle even up to 30 April 2025.           | The ministry had decided to utilize these warehouses in accordance with the new program of the Government for purchase paddy and keeping the price of rice stable by keeping buffer stocks.         | The necessary methodologies should be prepared to utilize the capacity of the warehouses. |
| (j) | 04 warehouses with a capacity of 16,920 metric tons and 78,000 square feet which are not suitable for usage had existed from 04 years to 12 years without modernization. | The ministry had decided to utilize these warehouses in accordance with the new program of the Government for purchasing of paddy and keeping of the price of rice stable by keeping buffer stocks. | The action should be taken to modernize the warehouses as suitable for usage and utilize. |

## 5. Good Governance

### 5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of the section 40(1) of the National Audit Act No.19 of 2018, no steps had been taken to appoint an Internal Auditor to carry out the internal audit activities.	Since it had been decided to liquidate this Department as per the Cabinet Decision dated 18 March 2024, the activities for creation of these posts had not been started. It is noted to take further action after approving the post.	In terms of the provisions of Audit Act, the action should be taken to appoint an Internal Auditor and continuously carry out the internal audit activities.

## 6. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The approved cadre of the Department is 208 and the actual cadre is 53. Therefore, 159 employee vacancies had existed.	Even though it had been requested to the Ministry of Public Administration for filling the vacancies, no officers had been provided for that.	The action should be taken to immediately recruit the essential number of employees for performing the functions of the Department without interruption.