

Sri Lanka National Freedom from Hunger Campaign Board

1. Financial Statements -----

1.1 Opinion -----

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka National Freedom from Hunger campaign Board had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Sri Lanka National Freedom from Hunger Campaign Board as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments on Financial Statements -----

1.2.1 Delays in the Presentation of Financial Statements -----

In terms of Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 the financial statements should be presented to the Auditor General within 60 days after the closure of the financial year. However , the financial statements had been Presented after a delay of 92 days.

1.2.2 Accounting Deficiencies -----

As the computation of gratuities had been based on the basic salaries of employees instead of the gross salary an under provision of Rs.253,730 had been made.

1.2.3 Lack of Evidence for Audit

Due to non-availability of evidence indicated against the following items of accounts they could not be satisfactorily vouched or accepted in audit.

Item	Value	Evidence not made available
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	Rs.	
(i) Fixed Assets	44,246,387	Registers of Fixed Assets
(ii) 23 Ledger Accounts	2,227,866	Any information to check the balances brought forward since number of years.

1.2.4 Non-compliance with Laws, Rules, Regulations and Managements Decisions

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to laws, rules, regulation and Management Decisions

Non-compliance

Sri Lanka National Freedom from Hunger Campaign Board Act No. 15 of 1973

The Board had not taken action to achieve the following objectives.

- (i) Ascertainment of assistance from foreign and local non-governmental agencies for the social and economic development in conversant with the development programmes prepared by the government.

- (b) Financial Regulations (F.R.) of the Democratic Socialist Republic of Sri Lanka
F.R. 371 (2)

F.R. 1645
- (c) Paragraph 9.3.1 of the public Administration Circular No. 01/2002 dated 25 February 2002
- (d) Paragraph 4 of the Public Administration Circular No. 13/2008 of 28 July 2008
- (ii) Collaboration with the international freedom from hunger campaign institutions and other similar foreign institutions, Associations or Societies.
- Even though an ad-hoc imprest, not more than Rs.20,000 at a time can be obtained only by a staff officer, advances at Rs.20,000 each had been given to 7 non-executive officer.
- Log books in respect of any vehicle had not been maintained during the year under review.
- The official name of the Board had not been stenciled on the vehicles belonging to the Board.
- (i) Although the fuel allowance of the former chairperson had been Rs.13,140 the fuel allowance of Rs.62,100 had been obtained for the period of 3 months of the year under review at Rs.20,700.

(ii) An additional fuel valued at Rs.107,253 had been obtained by the former chairperson up to the month of July of the year under review, but the approval of the Secretary to the Ministry had not been obtained for it.

(c) Public Enterprises Circular No.
PED/12 of 02 June 2003

Section 5.2.1

The budgeted accounts had not been prepared for the year under review.

Section 4.3

Minutes of the Board of Directors had not been sent to the Line Ministry.

Section 7.4.1

Although four audit committee meetings should be held only 2 meeting were held during the year under review.

Section 6.5.3

Annual reports had not been tabled in Parliament since the year 2000 by the Board.

(f) Paragraph 2.4.1 of the Procurement
Guidelines of 2006

(i) Although it was stated that at least 3 quotations should be obtained for purchases more than Rs.50,000 and less than Rs.100,000 it had not been complied with in respect of purchase of goods valued at Rs.75,355 in 2 instances.

- (ii) Without paying attention to the authority on direct purchases, an executive chair valued at Rs.10,355 had been purchased.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operation of the Board for the year ended 31 December 2010 had resulted in a net surplus of Rs.314,771 as against a deficit of Rs.2,258,334 for the preceding year thus indicating an improvement of the financial results by Rs.2,573,105. Increase in government grants and other operating income by Rs.2,380,902 and Rs.5,564,268 had been the main reason for the improvement of the financial results.

2.2 Operating Review

The following matters were observed.

- (a) The performance report for the year 2010 had not been prepared so as to compare the Action Plan.
- (b) Even though the lime marketing problem resolving project in Monaragala District commenced in the year 2009 had been identified as a major project in the Action Plan for the year 2010 that project had not been implemented during the year under review.

- (c) The following projects which had not been included in the Action Plan had been carried out and incurred expenditure.

Project	Expenditure
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	Rs.
- "One village one crop Programme	973,963
- Commencement of a factory for the manufacture of by products from fruits	794,453

2.3 Operating Inefficiencies

The provision of Rs.454,746 made for the construction of spills canals and dams of the Indikatu Tank and Weli Tank commenced in the year 2007 had been utilised for another projects and as such those works had not been carried out even during the year under review.

2.4 Assets Management

Ten vehicles belonging to the Ministries and Departments had been using by the Board for 7 years action had not been taken to acquire those vehicles in the name of the Board.

2.5 Human Resources Management

Even though the approved cadre amounted to 45 the actual cadre had been 33 and as such the vacancies amounted to 12. In addition 95 casual employees had been recruited without approval.

2.6 Corporate Plan

Even though a Corporate Plan had been prepared for the period 2010 - 2012 , attention had not been paid in respect of the matters stated in Paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

2.7 Budgetary Control

Variances ranging from (4.2%) to 402% were observed between the budgeted expenditure and actual expenditure thus indicating that the budget had not been made use as an effective instrument of management control.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the attention of the Chairman of the Board from time to time from any reports. Special attention is needed in respect of the following areas of control.

- (a) Financial Statements
- (b) Vehicles Control
- (c) Personal Management
- (d) Assets