

Report of the Auditor General on Head 300 - Department of Food Commissioner - Year 2015

The audit of the Appropriation Account, Advance Account under Liquidation and the Reconciliation Statements including the financial records, books, registers and other records of the Head 300 - Department of Food Commissioner for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commissioner of the Department on 26 September 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and the Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Advance Account under Liquidation and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs. 228.37 million and out of that, a sum of Rs. 194.65 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs. 33.72 million or 14.77 per cent. Details appear below.

Expenditure	As at 31 December 2015		Savings	Savings as a Percentage of Net Provision
	Net Provision	Utilization		
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	206.69	192.64	14.05	6.80
Capital	21.68	2.01	19.67	90.73
Total	228.37	194.65	33.72	14.77

2.2 Advance Account

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.30001 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
7.64	4.10	3.64	4.63	40.00	16.59

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0107/0015/000 of the Department as at 31 December 2015 amounted to Rs.36.23 million.

2.4 General Deposit Account

The balance of the 04 Deposit Accounts of the Department as at 31 December 2015 totalled to Rs. 150.4 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6000/0000/00/0008/0013/000	76.67
6000/0000/00/0016/0120/000	5.57
6000/0000/00/0013/0131/000	66.35
6000/0000/00/0001/0125/000	1.81
Total	150.4

2.5 Audit Observation

The Appropriation Account, Advance Account under Liquidation and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Food Commissioner had

been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations, out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observation

3.1 Appropriation Account

3.1.1 Budgetary Variance

The following observations are made.

- (i) The entire net provision amounting to Rs. 10,200,000 made for 02 Objects had been saved.
- (ii) Excess provisions had been made for 10 Objects and as such the savings, after the utilization of provisions ranged between 25 per cent to 93 per cent of the net provisions relating to the respective Objects.

3.2 Non – maintenance of Registers and Books

In terms of the Treasury Circular No. 842 dated 19 December 1978 the Register of Fixed Assets had not been maintained in the proper and updated manner.

3.3 Lack of Evidence for Audit

Eleven items of accounts amounting to Rs.1,099,644,390 could not be satisfactorily vouched in audit due to non-availability of required evidence such as detailed schedules, balance confirmations, age analysis and Boards of Survey Reports etc.

3.4 General Deposit Account

The following observations are made.

- (a) The Abstract Statement of Deposits prepared in Form General 71 in terms of Financial Regulation 565(5) had not been furnished to the Auditor General.
- (b) Action in terms of the Financial Regulation 571 had not been taken on deposits remaining from the year 1989 included in the balance of the Deposit Account No. 6000/0000/00/0013/0131/000 amounting to Rs.66,346,411 as at 31 December 2015.

3.5 Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 30001.

According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.3,217,808 and those outstanding balances had remained over periods ranging from 01 year to 10 years. A sum of Rs.94,810 out of those balances only had been recovered by 31 August 2016. Accordingly loan balances of Rs.3,122,998 were remained outstanding further, while the Department had failed to recover those outstanding balances.

3.6 Advance Account under Liquidation

In terms of the Decision of the Cabinet of Ministers No. ৭৩৮/03/1176/126/017/EPC/445 dated 10 December 2003 and the letter No. BD/ADAC/COM/FC/FD of the Additional Director General of Budget dated 23 August 2004, it was instructed to wind up the Food purchase and Distribution Advance Account Activity operated under the Department of Food Commissioner on 31 December 2004 and to implement a liquidation unit under the Department or Ministry for the liquidation activities. The evidence was not made available that such a unit had been established while those liquidation activities had been carried out by the Food Commissioner. Despite, that 11 years had elapsed the liquidation activities had not been completed.

Following observations are made in this connection.

- (a) Even though, there was no evidence made available that a liquidation unit had been established, the Food Commissioner had carried out all the adjustments and realisation of the assets amounting to Rs. 45,351,746 and adjustments and settlement of liabilities amounting to Rs. 75,902 from 01 January 2005 to 31 December 2015, but no evidence whatsoever had been made available that an approval thereon was obtained.
- (b) This Advance Account is being liquidated since 01 January 2005 and the overall loss amounted to Rs.981,398,869. The approval of the Cabinet of Ministers, to write off the loss, taking into account and to grant required provisions for the relevant activity had been received on 04 November 2010. Accordingly a sum of Rs. 342,396,972 had been written off since the year 2012 to 2015. Even though, the balance to be written off further amounted to Rs. 639,001,897, it had been shown in the financial statements as Rs. 598,640,879 understating by Rs.40,361,018.
- (c) The outstanding rental recoverable as at 31 December 2015 from 61 stores leased out to external institutions by the Department of Food totalled Rs.77,029,282. Even though, 21 stores out of that had been vested, the outstanding rent totalling Rs.34,003,346 recoverable from the lease holders had not been recovered even by 31 July 2016.

- (d) Out of the outstanding electricity and water charges totalling Rs. 2,860,238 remained recoverable as at 31 December 2015 from the buildings given on lease basis for 13 institutions and persons, a sum of Rs. 1,445,725 had remained recoverable further even by 31 August 2016.
- (e) The progress of the recovery of debtor balances totalling Rs. 337,331,750 recoverable as at 31 December 2015 had remained at a very weak level.

3.7 Transactions of Contentious Nature

The monthly assessment value of the Chief Valuer for the land plot in extent of 4.05 hectares in the Orugodawatta Stores Complex and the stores in extent of 84,840 square feet constructed in that premises had been Rs. 4,500,000. Nevertheless, the lease holder had informed that the amount is very expensive and as such he had requested a reasonable assessment for these stores. A re-assessment had been made as Rs.2,465,000 on 17 December 2009 stating that it was only for buildings, and the buildings had been leased out for 30 years to the same lease holder and a sum of Rs.2,465,000 had been recovered monthly. As such a large amount of rental income for the land had been deprived by the Government. Similarly the land in extent of 4.05 hectares also could not be utilized for a period of 30 years. Even though, it was informed at the final assessment to revise the above rent once in 03 years, the rent had not been revised even by 31 March 2016.

3.8 Performance

The observations according to the Action Plan 2015 are given below.

Planning

According to the Corporate Plan prepared for the period from the year 2013 to 2016 by the Department, it was planned to maintain a buffer rice stock of 50,000 metric tones by the Department. According to the Action Plan prepared for the year under review in line with the Corporate Plan, one of the main activity of the Department is to maintain a buffer rice stock of 28,000 metric tones only for the year 2015. Nevertheless, the Department had not maintain a buffer rice stock as at 31 December 2015.

3.9 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) The objective of the Department was to maintain a rice stocks with quality standards with the expectations such as to supply rice to the market when an emergency situations and in the market fluctuations of the price and to export the excessive stock which could be identified in local rice consumption. Accordingly, Veyangoda stores No. 10 had been converted to a scientific stores by spending Rs.22,897,575 in the year 2012. The following observations are made in this regard.

- (i) Out of the total capacity of the stores of 5,400 metric tones, 668 metric tones of rice or 12 per cent had been stored in the first year. After the stock sold out in April 2014, the stores had remained idle up to 15 October 2014. Thereafter the stores had been leased out to the Co-operative Wholesale Establishment on a monthly lease basis amounting to Rs.200,000 from 16 October 2014 to 21 October 2015. Nevertheless action had not been taken to recover the outstanding rental and recoverable amount for ground racks amounting to Rs.1,159,401 from that Corporation even by 31 August 2016.
 - (ii) The stores had remained idle since 22 October 2015 up to the date of this report. Even though nearly 04 years had elapsed after converting to the scientific stores, the Department had failed to achieve the objective of establishment of this stores, and to obtain effective results from the money spent even by 31 December 2015.
- (b) Stores No. 11 of the Stores Complex at Veyangoda, had been leased out to a private company for a sum of Rs.50,000 per month since 2005 without obtaining a Government Valuation Report. The court cases had been filed against the company to recover the arrears of rental and to obtain the possession to the stores due to non-payment of rental continuously by the company. Even though a sum of Rs.2.5 million only had been paid after the case filed, a sum of Rs. 1,861,493 had to be recovered further even by 31 August 2016.
- (c) Stores No. 02 Gattuwana had been leased out to a private company from the year 2003 up to 09 April 2018. The rental had not been recovered on the basis of the valuation reports obtaining in every 3 years and a sum of Rs.1,178,304 had to be recovered from that company even by 31 December 2015. A sum of Rs. 954,216 had to be recovered as at 31 July 2016.
- (d) The stores at Katugastota had been leased out to a private institution from 01 April 2010 to 31 July 2018. As the monthly rental had not been paid duly, a sum of Rs. 3,633,680 had to be recovered for the Department from that institution by 31 December 2015. That sum had been Rs. 4,320,720 as at 31 July 2016. But action had not been taken either to recover this outstanding amount or to take legal actions thereon.
- (e) Even though, the stores No. 03 of Orugodawatta had been leased out to the Department of Education Publication from 03 December 2003 to 31 December 2015, the leasing period was not extended after the year 2005. A sum of Rs. 4,464,426 had to be recovered from the Department of Education Publications by 31 December 2015 and that amount had been Rs. 7,551,922 by 31 July 2016.
- (f) Even though, the Pallekele food stores had been leased out to a private owner from 02 August 2013 to 31 December 2015, no any amount whatsoever had been paid by him up to the date since the date of handing over the stores. Accordingly, a sum of Rs. 4,858,832 had to be recovered by the Department as at 31 December 2015 and the recoverable amount had been Rs. 6,139,953 by 31 July 2016. Nevertheless, action had not been taken either to take legal actions or to take over the stores.

- (g) Even though, the stores No. 04 of Veyangoda had been leased out to a private company on the extension basis every year from 12 May 2010, the lease agreement had not been extended after 11 May 2012 even up to 31 August 2016. The lease rental recoverable from the company as at 31 December 2015 amounted to Rs.878,832. Even though, the rental had been Rs.1,119,042 by 31 July 2016, no action had been taken to recover the rental.
- (h) Eight stores of the Department had been given to Lanka Sathosa without recovering any rental and as such a rental income amounting to Rs. 7,326,000 had been deprived by the Department for the year 2015.
- (i) Twelve stores belonging to the Department had been given to the Government and private institutions while the rental of the stores to be recoverable as at 31 December 2015 thereon amounted to Rs. 23,937,273, and that amount had been Rs. 21,998,629 by 31 July 2016.
- (j) Thirty nine stores and 04 office premises had been given to the Government institutions without recovering rental and as such no rental income whatsoever had been received by the Department.
- (k) Sums of Rs.6,724,121 and Rs.79,567 had not been recovered even by 31 August 2016 for the paddy issued to two private rice mills owners in the years 2012 and 2013 on the basis of providing rice and to store in the scientific stores of Veyangoda and for the polysack bags which were not returned respectively.
- (l) Action had not been taken to recover a sum Rs.21,959,744 recoverable from the lease holder company of No. 15 and 16 stores at Orugodawatta taken on lease prior to the year 2009 and to settle the amount payable of Rs.20,255,600 to that company.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i)	Senior Level	05	03	02	-
(ii)	Tertiary Level	115	46	69	-
(iii)	Secondary Level	03	01	02	-
(iv)	Primary Level	107	62	45	-
(v)	Other (Casual/Temporary/ Contract Basis)	-	02	-	02
	Total	230	114	118	02