

**Report of the Auditor General on Head 300 – Department of Food Commissioner  
Year 2016**

The audit of the Appropriation Account including the financial records, books, registers and other records and the Advance Account under Liquidation and the Reconciliation Statements of the Head 300 – Department of Food Commissioner for the year ended 31 December 2016 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 27 July 2017. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and 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 and 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.358.30 million and out of that, a sum of Rs.343.86 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions amounted to Rs.14.44 million or 4.03 per cent. Details are given below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	298.87	294.28	4.59	1.54
Capital	59.43	49.58	9.85	16.57
<b>Total</b>	<b>358.30</b>	<b>343.86</b>	<b>14.44</b>	<b>4.03</b>

## 2.2 Advances to Public Officers Account

### Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officers Account, Item No.30001 relating to the Department 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
6.00	6.00	3.40	3.42	42.00	18.66

## 2.3 General Deposit Accounts

The balances of 04 Deposit Accounts of the Department as at 31 December 2016 totalled Rs. 155.60 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.Millions
6000/0000/00/0008/0013/000	76.67
6000/0000/00/0016/0120/000	6.20
6000/0000/00/0013/0131/000	71.83
6000/0000/00/0001/0125/000	0.90
<b>Total</b>	<b>155.60</b>

## 2.4 Audit Observation

The Appropriation Account, Advance Account under Liquidation and Reconciliation Statements of the Department of Food Commissioner for the year ended 31 December 2016 have been prepared satisfactorily, 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 that Management Audit Report appear in paragraph 3.

## 3. Material and Significant Audit Observations

### 3.1 Appropriation Account

Even though a saving of 15 per cent should have been made from the provision for fuel in terms of paragraph 2 of the National Budget Circular No.7/2015 of 29 December 2015, only 9.5 per cent of that Object had been saved.

### **3.2 Non-maintenance of Registers and Books**

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The Register of Fixed Assets had not been maintained in an updated manner in terms of Treasury Circular No.842 of 19 December 1978.

### **3.3 Lack of Evidence for Audit**

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Eleven Items of Accounts totalling Rs.1,072 million could not be satisfactorily vouched in audit due to the unavailability of necessary evidence such as detailed schedules, confirmation of balances, age analyses and reports on Boards of Survey.

### **3.4 General Deposit Account**

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A balance of Rs. 71,830,173 existed as at 31 December 2016 in the General Deposit Account Number 6000/0000/00/0013/0131/000. Those balances comprised of deposits received from the year 1989 up to the end of the year under review and action had not been taken in terms of Financial Regulation 571 by finding out in respect of the income that could be credited to the State Revenue.

### **3.5 Reconciliation Statement on Advances to Public Officers' Account**

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In terms of the Reconciliation Statement on Advances to Public officers' Account Item No.30001 as at 31 December 2016, the outstanding balances recoverable as at that date totalled Rs.3.65 million. Those outstanding balances ranged from a period of 01 to 10 years and a sum of Rs.1.12 million out of that had been recovered by 15 August 2017.

### **3.6 Advance Account under Liquidation**

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In terms of the Decision of the Cabinet of Ministers dated 10 December 2003, it had been instructed to operate a unit for liquidation under the Department or the Ministry for terminating the Food Purchase and Distribution Advance Account and liquidating activities as at 31 December 2004 operated under the Department of Food Commissioner by Letter No.BD/ADAC/COM/FC/FD dated 23 August 2004 of the Additional Director General of Budget. No evidence was made available to audit that such a unit had been operated and those liquidation activities had been carried out by the Food Commissioner. However, liquidation activities had not been completed despite the lapse of 12 years therefor.

The following observations are made in that connection.

- (a) Even though there was no evidence that a unit for liquidation had been established, adjustments and realization of assets totalling Rs.45,351,746, adjustments and settlement of liabilities of Rs.75,902 from 01 January 2005 up to 31 December 2016 had been carried out by the Food Commissioner.
- (b) The Advance Account had been under liquidation from 01 January 2005 and its entire capital loss had been Rs.981,398,869. The approval of the Cabinet of Ministers had been received on 04 November 2010 for making provisions necessary for the relevant

procedure in writing off and accounting that amount. Accordingly, a sum of Rs.342,396,972 out of that had been written off from the year 2012 up to the year 2016 and the balance to be further written off had been Rs.639,001,897. Nevertheless, it had been understated by Rs.40,361,018 and shown as Rs.598,640,879 in the financial statements.

- (c) The outstanding stores rent recoverable as at 31 December 2016 of 59 stores rented out to external institutions by the Food Department had totalled Rs.68,291,040. The outstanding rent further recoverable by 30 June 2017 had been Rs.44,577,761. Twenty two stores out of those stores had been re-vested by the end of the year under review and out of them, the recoverable amount by 30 June 2017 totalled Rs.32,005,603.
- (d) The outstanding electricity and water charges recoverable by 31 December 2016 for buildings given on lease basis for institutions and 5 persons totalled Rs.1,394,807.
- (e) The recovery of Debtors balances by 31 December 2016 totalling Rs.309,680,825 had been at an extremely weak level.

### **3.7 Performance**

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The following deficiencies were revealed during the course of audit in respect of the performance obtained according to the Action Plan of the year 2016.

- (a) According to the Corporate Plan prepared by the Department of Food Commissioner for the period from the year 2013 up to the year 2016, it had been planned to maintain a buffer stock of 50,000 metric tons of rice in the Department. According to the Action Plan prepared for the year under review in compliance with the Corporate Plan, it had been planned to maintain a buffer stock of 50,000 metric tons of rice in the year 2016. As such, a sum of Rs.43,724,305 had been spent to convert stores bearing numbers 9 and 10 of Veyangoda into scientific stores, so as to store 10,800 metric tons of rice. However, no buffer stocks of rice whatsoever had been available in the stores belonging to the Food Department from 01 January 2016 up to 30 June 2017. Nevertheless, the projects submitted by the Department were not approved. As such, the Commissioner of Food had informed the audit that the projects could not be implemented as proposed.
- (b) Even though action had not been taken to achieve objectives mentioned in the Action Plan of the year 2016, five stores in the Veyangoda stores premises belonging to the Food Department had been improved as scientific stores. A sum of Rs.214 million had been approved under Cabinet Paper No.16/0619/723/016 of 27 April 2016 therefor and out of that, a sum of Rs.38.22 million had been spent by 31 December 2016.
- (c) Even though buffer stocks of rice were not available in the stores in the year 2016, belonging to the Food Department, a sum of Rs.387,100 had been spent from January 2016 up to May 2017 for electricity required for maintaining the suitable temperature in modernized stores bearing numbers 9 and 10 in Veyangoda.

### **3.8 Management Weaknesses**

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

- (a) A sum of Rs.14,834,093 was recoverable by 30 June 2017 to the Department from a private company who had leased stores bearing numbers 15 and 16 in Orugodawatte before the year 2009. The Government Valuer had assessed the value of roads, offices and creation of container checking shelves constructed in the stores premises as Rs.13,100,000. Even though that amount had been recovered from another private institution who is the next lessee, the transactions with the previous company had not been settled.
- (b) Even though 10 stores belonging to the Food Department had been rented out to Lanka Sathosa, agreements had not been entered into in respect of 08 stores out of them. Even though the period of agreement relating to 2 stores for which agreements had been entered into, had expired, the agreements had not been renewed. The outstanding rental value recoverable by 31 December 2016 from these stores amounted to Rs.19,432,103 and adequate steps had not been taken to recover those outstanding rentals. In renting out stores, initial deposits had not been obtained and as such, the outstanding rentals could not be set off even from those deposits.
- (c) The National Housing Development Authority had vested 352 houses in writing, in the Food Department on 12 March 1982 in the Dhanyagama Housing Complex on which China Bay of Trincomalee is located. The ownership of the land on which that housing complex is located, had not been vested with the Commissioner of Food. Those houses had been rented out to the employees of Prima Ceylon (Pvt) Ltd. and to Government and Semi- Government employees in the Trincomalee District and a rental of Rs.1,787,742 should have been receivable by 31 December 2016 from those Government Quarters. A sum of Rs.411,688 out of that, had been recovered by 15 August 2017.
- (d) References had been made to the Attorney General's Department in the year 2014 to recover a sum of Rs.7,190,700 recoverable from two millers for rice not given out of paddy issued on the basis of providing rice to two private rice millers in the year 2012 for storing at the Veyangoda scientific store. Those amounts could not be recovered by the Department even by 30 June 2107.

### **3.9 Losses and Damage**

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In the full payment of rates for the whole year before 31 January 2016, a 10 per cent discount is given out of the total rates and taxes. However, the cheque valued at Rs.1,275,397 relevant to rates and taxes for the year 2016 had not been submitted to the Colombo Municipal Council as at the due date. As such, the benefit of a discount of Rs.88,569 could not be obtained.

### 3.10 Human Resources Management

#### Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	05	03	02	-
(ii) Secondary Level	116	47	69	-
(iii) Tertiary Level	03	01	02	-
(iv) Primary Level	106	59	54	07
(v) Other- (Casual/Temporary/Contract basis)	-	02	-	02
<b>Total</b>	<b>230</b>	<b>112</b>	<b>127</b>	<b>09</b>