

**Performance of the programme for granting
concessionary loans to Small and Medium Scale Rice
Millers**



Report No. - PER/A/2019/SME/10

National Audit Office



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1. Executive Summary

Paddy crop which provides staple – diet of Sri Lankans is a foremost agricultural crop in Sri Lanka. The annual rice requirement of our country is estimated at 2.4 million metric tons approximately and it equals about 3.6 million metric tons of paddy. The drought prevailed during the 4 seasons prior to the maha season of 2018/ 2019, paddy production had dropped and as such it was adversely affected the farmer as well as the consumer. Similarly, the number of rice millers available by the year 2000 amounting to about 2000 had decreased to about 800 by now. Therefore, the rice production has been limited to a certain group of people, resulting that the rice market had built an oligopolistic situation.

As a remedy to this situation, the programme for granting concessionary loan facilities to small scale and middle scale rice millers very soon had been started by February 2019. This programme had been implemented in selected 8 Districts namely Anuradhapura, Polonnaruwa, Ampara, Kurunegala, Puttalam, Kandy, Hambantota and Batticallo and a sum of Rs.1 billion had been provided to this programme by the Government. The related institutions to implement this programme include the Ministry of Agriculture, non-cabinet Ministry of Economic Reforms and Common supplies, Treasury, District Secretaries of 8 Districts connected with the programme Department of Co-operative Development, Food Commissioner's Department and District Rice producers Co-operative Societies.

The objective of this audit is to evaluate whether the multiplex objectives have been achieved by this programme commenced by the government which include fixing a fair price in the purchase of paddy, upliftment of Small and Medium scale rice millers and to give opportunity the consumers to buy rice at a reasonable price having being demolished the oligopoly of large scale businessmen.

Accordingly the observations mainly made in this audit include the required approval for the implementation of this programme had been requested after beginning the reap of harvest of the 2019 Maha Season and the receipt of provision therefore, existence of delays for releasing funds to the District Secretaries by the government and to District Societies by District Secretaries, for the purchase of paddy existence of

problems in the selection of rice millers for the programme and in taking decision on working capital requirements, existence of problems in distributing funds given to district societies among their members, purchase of paddy from farmers whose names are not included in the fertilizer name list, certain millers had not taken action to handover the expected quantity of rice to the societies, existence of handing over delays and no attention was paid for the marketing methodology of rice at the beginning of the programme. Moreover, it was also observed in audit that non-payment of specific milling charges for rice produced by millers by the societies, non-payment of loan instalments, payable to the banks until then by the member millers or the existence of the payment of loan instalments at a very lower level.

According to the guidelines issued for the Small and Medium scale rice millers programme, the function of the Sri Lanka Rice Producers Co-operative Society Ltd is to supply data to the computer programme prepared by the Food Commissioner but it was observed that this Society had not performed its functions properly. Similarly, it was observed that the sum of Rs.206 million the largest amount of money issued to the District Societies within this program up to now had been paid to the Polonnaruwa District Co-operative Society by which the Chairman of the Sri Lanka Rice Producers Co-operative Society Ltd had represented. The Chairman of the Polonnaruwa District Society had used the loan on his own and private discretion to each miller for the purchase of paddy. In addition, such issues as non-settlement of funds given to each district society by the government within the specific period and non-rendition of data by the member millers required for the data system maintains to monitor the programme reveal that the responsibility of each government institution which need to be contributed to this programme, implemented by incurring government funds as a government policy had been evaded or not sufficiently fulfilled. As a result benefits of the programme to the producers engage in that sector as well as the consumer could not be reached since the anticipated performance of the programme could not be attained.

As stated in this report purchase of paddy by the member societies, sale of rice, remittance of working capital money to the members bank accounts, intervention made by the Sri Lanka Rice producers Co-operative Society Ltd need to be subjected to full and regular supervision of the District Assistance Commissioner of Co-operatives. In addition release of funds to the societies on time for the purchase of

paddy, enabling to maximum utilisation of capacity of Paddy Marketing Board stores and to issue them to the small scale and medium scale rice millers have to be carried out through the District Secretaries.

Instead of granting these provisions to the members as a loan, the money only on the quantity of rice produced needs to be given as per the agreement and the legal action needs to be taken against millers who had not re-settled the loans given to the District Societies at the end of the period of agreement. It is also recommended that rice needs to be marketed through each district level co-operative societies or Sathosa Regional Shops by district societies under the maximum retail price of rice determined by the Government and the market price of rice needs to be regularly followed up and taken remedial action accordingly.

It was observed that only 0.5 per cent of the annual rice requirement of Sri Lanka had been supplied through this programme. Simultaneously, the price of rice in the market had dropped by the last quarter of the year 2019 as compared with the previous price on the direct intervention of the government to reduce the price of rice, having being imposed a maximum retail price of rice by the government. Nevertheless this type of programmes need to be strengthened, enabling all parties to be benefited being uplifted small and medium scale rice millers sustainably by controlling the rice market.

2. Introduction

2.1 Background

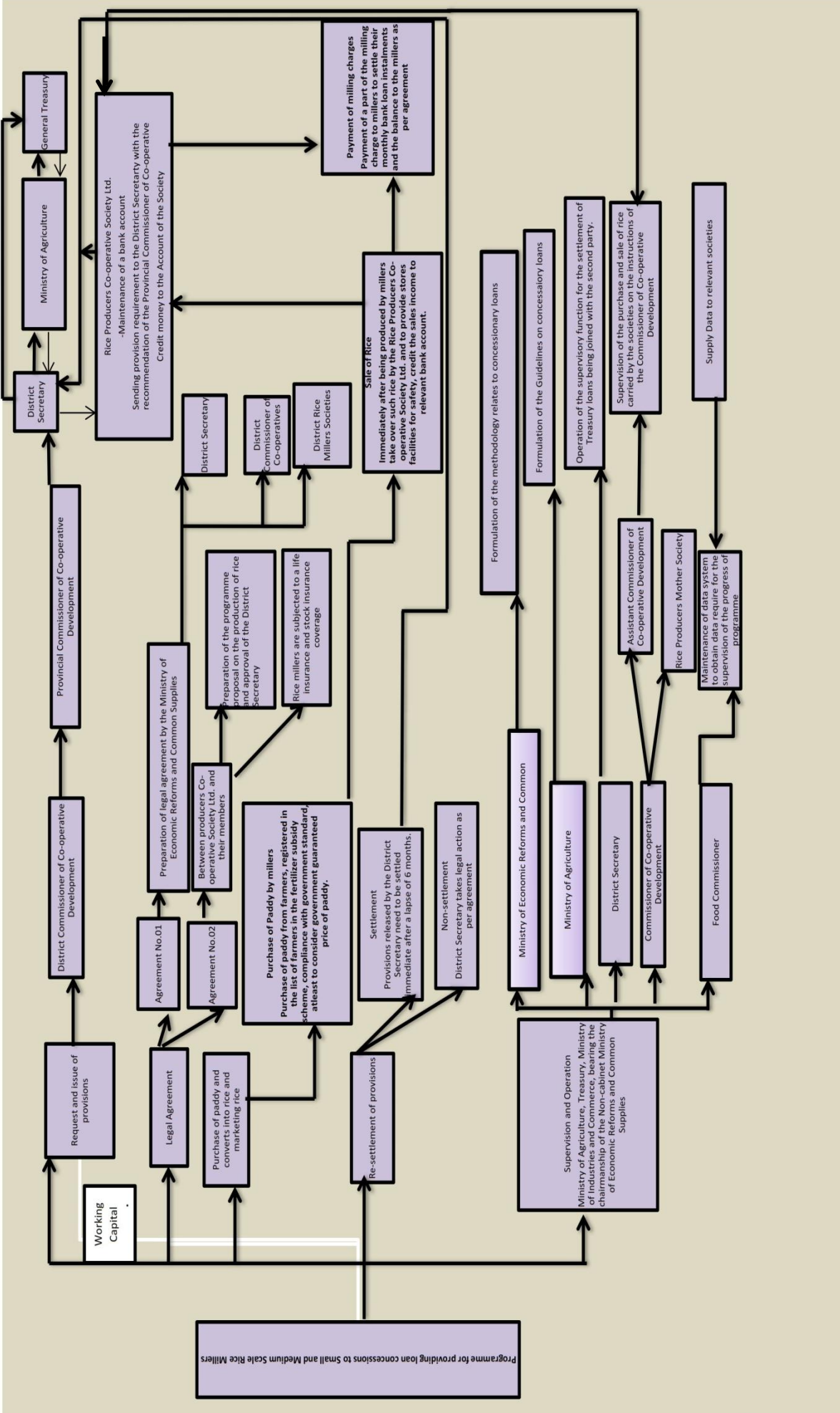
Since the drought prevailed during the past 4 seasons, adversely affected the agriculture in Sri Lanka, the Paddy Production in these seasons had drastically decreased resulting that the farmer as well as the consumer had been adversely affected. According to the data obtained from the Hector Kobbekaduwa Agrarian Research and Training Institute the wholesale price of nadu rice and samba rice per kg in the market had gone up to Rs.94.00 and Rs.112.00 respectively by January 2019. Creation of a limited number of rice producers in the market had badly affected the price of rice.

As stated in the cabinet memorandum No.PS/HC-4/CP/41/2019 presented on 11 February 2019, the number of rice millers in Sri Lanka in the year 2000 amounted to about 2000 but it had been limited to 800 millers at present due to various reasons faced by them in the operation of the industry. The foremost financial difficulties they faced include inability to settle their loan instalments and non-availability of sufficient working capital requirements. Their inactivity had caused to grasp the production of rice in the market by a limited person and also caused to raise the price of rice adversely.

Accordingly, creation of a competition in the rice market by upliftment of small and medium scale rice millers and to stabilize the retail price of rice therefrom and to give a reasonable price to paddy farmers have been identified as a current requirement. As a result the President presented a cabinet memorandum on 11 January 2019 expecting to establish a reasonable price to paddy farmers by the upliftment of small scale and medium scale rice millers and to fix a fair retail price to the consumers. In terms of the approval given to the above cabinet memorandum, this programme for granting concessionary loans very soon to Small and Medium scale rice millers has been instituted. Here in a Sustainable methodology had been proposed by the Ministry of Economic Reforms and Common supplies having being discussed with the General

Treasury, Ministry of Agriculture, Paddy Marketing Board, Commissioner of Co-operative Development, Government and Private banks and Small and Medium scale rice millers. This discussion is an extension of the activities carried out by the Ministry of Economic Reforms and Common Supplies from time to time.

Accordingly, this concessionary loan scheme is operated, being targeted at Polonnaruwa, Anuradhapura, Hambantota, Ampara, Batticallow, Kandy, Kurunegala and Puttalam Districts. Under this loan scheme, 228 small and medium scale rice millers inherited in these 8 districts are benefited. Transactions belong to this concessionary loan scheme are carried out by these millers through the Districts Rice Producers Co-operative Societies established in each district. Through an agreement prepared by the Government the District Rice Manufacturers Co-operative Society is personally and collectively obliged the responsibility under the agreed conditions and has been joined with the concessionary loan scheme as a third party. The first Part of the relevant agreement is the District Secretary whereas the second party is the District Assistant Commissioner of Co-operative Development in charge of the Division.



2.2 Authority for Audit

This audit 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 in conjunction with sections 3(1)(d), 5(2) and 12(h) of the National Audit Act No.19 of 2018.

2.3 Reason for choosing the topic

Being gradually diminished the number of Small and Medium Scale rice millers engage in the production of rice in Sri Lanka, rice production has been apprehended by few persons and as such it has been adversely affected by paddy producers as well as rice consumers. This has caused to choose this topic.

2.4 Audit Methodology

The following methodologies have been applied in carrying out this performance audit.

- (a) Use of relevant cabinet memorandums and decisions
- (b) Use of related agreements.
- (c) Use of the decisions of cost of living committees, policies of other relevant government institutions, decisions and information.
- (d) Obtaining information, being met members by visiting rice manufacturers societies.

2.5 Audit Approach

Since the number of Small and Medium Scale rice millers in Sri Lanka is diminished annually the government had an issue in the creation of an oligopoly by few persons in the rice market. In order to minimise this problem and to minimise the oligopolistic level in the rice market getting the contribution of Small Scale and Medium Scale Rice Millers through the Co-operative Societies established in district level and to create an optimum level in the rice market, enabling the farmers to get a fair price for paddy and the consumer to buy rice at a concessionary price this programme has

been implemented. Function of various government institutions and societies can be specifically identified as partners. Accordingly it is intended to carry out a performance audit under this topic in order to evaluate whether such functions are fulfilled to reach the expected objectives of the programme.

2.6 Main Audit Objective and Criteria

To evaluate whether the intended objectives had been reached through the concessionary loan scheme given to the Small and Medium Scale rice millers.

Audit Criteria

- i. After the commencement of the programme rice millers continuously engage in the production process.
- ii. Production capacity and stores facilities of Small and Medium Scale rice millers.
- iii. Cabinet Memorandum No.19/0549/101/030 of 11.02.2019 and related cabinet decision of 12.02.2019
- iv. The agreements entered into with the District Assistant Commissioner of Co-operative Development in charge of the division and District rice producers Co-operative Society by the District Secretary.
- v. The agreement entered into between District rice producers Co-operative Society and Rice Millers.
- vi. Decision of the cost of living committee meetings.
- vii. Guideline No.4/3/11-4 dated 20.03.2019 of the Ministry of Agricultural Rural Economic Affairs, Livestock Development, Irrigation, Fisheries and Aquatic Resources Development.
- viii. Government Financial Regulations
- ix. Control Price of Rice.

3. Main Audit Observations

3.1 Organization Structure

(a) Main parties connect with this loan scheme and their functions appear below.

	Party -----	Function in brief -----
i	Ministry of Agriculture	Integral supervision
ii.	District Secretaries of 8 Districts join with the programme.	Release of funds provided by the Treasury to District rice millers societies and such funds have to be recovered from the relevant societies and settle to the Treasury immediately after the lapse of 6 months.
iii.	Department of Co-operative Development (District Assistant Commissioner of Co-operative Development)	Supervision of the activities carried out by District rice millers Co-operative Societies.
iv.	Food Commissioner	Maintenance of the computerized data system and total supervision.
v.	District Rice producers Co-operative Societies	i Payment of money so given by the government back to the Treasury after a lapse of 6 months from the date given through the District Assistant Commissioner of Co-operative Development and the District Secretary.

- ii Production of rice through the member rice millers
- iii. Marketing rice under the government minimum guaranteed price as planned by societies and payment of milling charges to members.

(b) Functions performed by related institutions

In the evaluation of whether the functions performed by the institutions stated above relating to the concessionary loan programme operated for Small and Medium Scale rice millers had been carried out in accordance with relevant legal agreements and guidelines, instances where such parties had not fulfilled the relevant functions sufficiently are discussed below in this report.

3.2 Selection of rice millers for the programme and the determination of working capital requirement

According to the guidelines relevant to the above programme the amount of working capital to be supplied to the rice millers needs to be determined by the District Assistant Commissioner of Co-operative Development or the Assistant Commissioner of Co-operative Development in charge of the Division being considered the amount of loans of such millers, capacity of the rice mills and facilities. According to such decisions in granting concessionary loans to Small and Medium Scale rice millers the working capital required for 228 members of the rice producers co-operative societies in 8 Districts of 5 provinces has been estimated at Rs.1,215 million. Even though, a sum of Rs.1,215 million had been requested from the Ministry of Agriculture for 8 Societies by the Assistant Commissioner of Co-operative Development only Rs.1000 million had been approved by the government for this programme. Details appear below.

Name of Co-operative Society	No.of members	Amount Requested Rs.mn	Amount allocated by government Rs.mn
-----	-----	-----	-----
- Kurunegala District Producers Co-operative Society Ltd.	16	90	65
- Puttalam District Producers Co-operative Society Ltd.	39	120	80
- Anuradhapura District Producers Co-operative Society Ltd.	26	200	140
- Polonnaruwa District Producers Co-operative Society Ltd.	58	400	425
- Ampara District Producers Co-operative Society Ltd.	13	25	20
- Batticaloa District Producers Co-operative Society Ltd.	14	150	100
- Kandy District Producers Co-operative Society Ltd.	13	30	20
- Hambantota District Producers Co-operative Society Ltd.	49	200	150
Total	<u>228</u>	<u>1,215</u>	<u>1,000</u>

The following observations are made in this regard.

(a) **Polonnaruwa District**

According to the guideline on concessionary loan methodology for Small and Medium Scale rice millers issued by the Secretary to the Ministry of Agriculture on 20 March 2019 the full amount of loan being considered the debt burden, production capacity and loan repayment ability of each Small and Medium Scale rice miller who bears the membership of the Society is determined and the loan is released to the District Co-operative Societies by the government through the District Secretary. Accordingly a sum of Rs.206 million the highest amount released to District Societies had been issued to the

Polonnaruwa District rice millers society. However the chairman of the Polonnaruwa District Co-operative Society had given the amount of loan to each rice miller of his own and private desecration for the purchase of Paddy. The chairman of this Polonnaruwa District Co-operative Society is the chairman represents the all island Small and Medium scale rice millers society as well.

(b) **Hambantota District**

Of Rs.38 million received by the Hambantota District Rice producers Society on 05 April 2019, 48 per cent had been given to 3 members of that Society out of the total number of 15 members in the Society for the purchase of paddy. These members are the office bearers of this Society, holding the posts of Chairman, Secretary, Treasurer etc of the Society. It was not established that other members were not qualified for not granting concessionary loans.

(c) **Kandy District**

A project report needs to be prepared for the request of loans under the programme for providing concessions to Small and Medium Scale rice producers. It was stated in the letter dated 12 January 2019 issued to the Kandy District Rice Producers Co-operative Society that it should be prepared by the Sri Lanka Rice Producers Co-operative Society Ltd. The following observations are made in this connection.

- i. Money amounting to Rs.30,000 relevant to obtain this project report had been obtained by the Sri Lanka Rice Producers Co-operative Society Ltd on 17 January 2019. According to this project report the working capital required by the Society was stated as Rs.30 million but the details of distribution of money among each rice miller had not been included therein. Similarly as a condition which is not stated in guideline No.01 on the methodology related to the concessionary loans to be given to the Small and Medium Scale rice millers issued by the Ministry of Agriculture the expected interest rate for funds was stated as 12 per cent.

- ii. Information to establish the correctness of loan balances of members had not been obtained from the related banks even by 05 November 2019 the date of audit.
- iii. Having being considered the amount of loans to be paid to banks by rice millers and being checked the rice mills of members and considered the capacity of rice mills the working capital requirement for such rice millers needs to be determined. However when determined the working capital requirement of the members of Kandy District Rice producers Co-operative Society Ltd the Kandy Assistant Commissioner of Co-operative Development had check the rice mills of members and considered only the capacity of the rice mills of members but it was observed that the loan balances to be paid to the banks by such rice millers had not been considered.
- iv. The distribution percentage of working capital if the amount of loan and the capacity are considered when determining the required working capital in accordance with the guidelines on the methodology relates to the concessionary loans to be given to the Small and Medium Scale rice millers and the percentage given by the Assistant Commissioner of Co-operative Development, Kandy is considered it was observed in audit that predominant variances ranging from 5.36 per cent to 19.52 per cent had existed between 3 members.

3.3 Release of provisions

- (a) Under the concessionary loan scheme to Small and Medium scale rice millers when provisions are released to the District rice millers societies provisions are requested by the Ministry of Agriculture from the Treasury and the provisions so received from the Treasury are released to the relevant societies through the District secretaries.

Accordingly the government had taken action to provide concessionary loans to District Rice Millers Societies under this programme in few stages According to the agreement entered into with the Assistant Commissioner of Co-operative Development and the District Rice Millers by the District Secretary this money needs to be settled to the General Treasury through the District Assistant Commissioner of Co-operative Development and the District Secretary immediately after the lapse of 6 months since the date of receipt of relevant provisions to the District Societies.

- (b) A provision of Rs.1000 million had been made for this programme and the total funds released during the audit period (by 01 November 2019) amounted to Rs.434.87 million as per details below.

Name of the District Co-operative Society	Amount given
-----	-----
	Rs.Mn
- Kurunegala District Rice Producers Co-operative Society Ltd.	16
- Puttalam District Rice Producers Co-operative Society Ltd.	64
- Anuradhapura District Rice Producers Co-operative Society Ltd.	59.87
- Polonnaruwa District Rice Producers Co-operative Society Ltd.	206
- Ampara District Rice Producers Co-operative Society Ltd.	16
- Batticalow District Rice Producers Co-operative Society Ltd.	25
- Kandy District Rice Producers Co-operative Society Ltd.	10
- Hambantota District Rice Producers Co-operative Society Ltd.	38

	<u>434.87</u>

When this money amounting to Rs.147.87 million thereof was released to 5 district societies, considerable delays ranging from 21 days to 87 days were observed from the date of receipt of provisions by District Secretaries. It was further observed that reasons for such delays include even though the cabinet approval for the implementation of this programme was received on 12 February 2019 receipt of guidelines had delays by certain District Secretaries delays in the fulfilment of certain activities in the guidelines and certain District Societies had not handed over the documents as specified.

The main objective of this programme is to give concessionary loans to Small and Medium scale rice millers very soon and to uplift them but since the money so remains in the custody of the District Secretaries, the rice millers do not have the required financial provisions on time to purchase paddy. This was observed as per the information obtained from certain societies.

District	Release of provisions to the District Secretaries by the Treasury as at 01.11.2019		Receipt of provisions by District Societies		No.of days Delay in releasing money
	Date	Amount	Date	Amount	
		Rs.Mn		Rs.Mn	
Batticalow	18.03.2019	25	22.05.2019	25	64
Kurunegala	11.03.2019	16	10.04.2019	16	29
Ampara	11.03.2019	5	11.04.2019	05	30
	09.07.2019	11	15.08.2019 25.09.2019	5.50 5.50	37
Anuradhapura	11.03.2019	35	17.04.2019	35	37
	03.07.2019	24.87	30.09.2019	24.87	87
Polonnaruwa	04.04.2019	} 25 06	25.04.2019	31	21

3.4 Re-settlement of Loans

As mentioned in paragraph 3.3 (b) above, provisions released to the District Societies need to be refunded to the District Secretaries by those societies after the lapse of 6 months from the relevant date. Nevertheless, of the provision amounting to Rs.206 million released to the Polonnaruwa Society a provision of Rs.67 million of the provision of Rs.38 million released to the Hambantota Society a provision of Rs.27.38 million and of the provision of Rs.10 million released to the Kandy Society a provision of Rs.5 million had not been so refunded to the relevant District Secretaries by those societies. Of the total provision of Rs.434.87 million so released, a sum of Rs.99.38 million, equals to 22.85 per cent had not been paid to the District Secretaries during the specific period by those societies. The period of delay by the date of completing 6 months ranged from the minimum of 5 days and the maximum of 35 days. Accordingly it was observed that the relevant societies had retained the money in their hands unnecessarily being breached the agreement. Action to be taken when the societies breach the agreement in the re-settlement of loans are stated in paragraphs 5(i), 5(ii) and 5(iii) in the agreement. Accordingly necessary legal action had not been taken by the Hambantota and Polonnaruwa District Secretaries against the Hambantota and Polonnaruwa District Rice millers societies by whom a high percentage of outstanding loan balances are recorded even by 20 July 2020.

3.5 Implementation of the loan programme

3.5.1 Purchase of Paddy

3.5.1.1 Use of loan provision for the purchase of paddy

The total provision allocated for this programme amounts to Rs.1000 million and the total amount given to the District Rice Producers Co-operative Societies for the implementation of the programme was Rs.434.87 million. Being used cyclically these funds the value of paddy purchased by District Societies as at 27 November 2019 at Rs.38 per kg of Nadu and Rs.41 per kg of Samba variety amounted to Rs.691.57 million and the quantity of paddy amounted to 16,000 metric tons (16 million kg) as per details below.

District	Provision given	Value of paddy purchased	Quantity of paddy purchased
-----	-----	-----	-----
	Rs.	Rs.	Kg
Polonnaruwa	206,000,000	387,140,964	8,788,591
Anuradhapura	59,870,000	38,801,388	952,273
Kandy	10,000,000	19,383,374	471,110
Puttalam	64,000,000	113,412,975	2,615,955
Kurunegala	16,000,000	28,554,134	685,223
Ampara	16,000,000	20,488,719	499,946
Hambantota	38,000,000	52,063,655	1,327,624
Batticaloa	<u>25,000,000</u>	<u>31,728,487</u>	<u>758,396</u>
Total	<u>434,870,000</u>	<u>691,573,696</u>	<u>16,099,118</u>

Source: Food Commissioner's Department

3.5.1.2 Paddy needs to be purchased from farmers registered in the fertilizer list of names

As stated in paragraph 3 in this guidelines the rice producers Co-operative Society Ltd needs to purchase paddy from farmers registered in the list of farmer's name of the subsidiary fertilizer programme implemented by the Government at the guaranteed price in terms of provisions in the agreement entered into with each member rice miller. However 1,187 occasions were revealed in 8 districts not acted accordingly.

Society	Number of instances where paddy was purchased from farmers not registered under the fertilizer subsidy programme
-----	-----
Polonnaruwa	602
Puttalam	350
Kandy	44
Anuradhapura	48
Ampara	17
Hambantota	63
Batticaloa	20
Kurunegala	<u>43</u>
	<u>1187</u>

3.5.1.3 Observations identified at society level on the purchase of paddy

(a) Kandy District Rice producers Co-operative Society

According to the statistics of the Department of Census and Statistics, the average paddy harvest per kg in the Maha season of 2018/ 2019 in Kandy District amounted to 4289 kg. However as compared the extent of cultivation with the crop of 4 farmers from whom the members of Kandy District Rice Producers Co-operative Society had purchased paddy it was observed an abnormal quantity of 108,551 kg of paddy had been purchased.

(b) **Polonnaruwa District Rice Producers Co-operative Society**

According to the information made available to audit by the Polonnaruwa District Rice Producers Co-operative Society loans had been obtained for 62 rice millers as at 01 October 2019 and only 53 of them had purchased paddy. Accordingly loans obtained by 8 millers had not utilized the loans for the intended purpose. Moreover of paddy valued at Rs.388 million purchased, paddy valued at Rs.292.6 million had been purchased on behalf of 19 paddy millers representing more than 75 per cent of the total value of paddy purchased. Paddy valued at Rs.96 million had been purchased between the balance 34 millers. The basis of selecting each member in respect of this paddy purchase had been problematic and it was established at the investigation carried out by the District Co-operative Society but the matters based thereon were not made available for audit.

3.5.2 Production of Rice

3.5.2.1 Purchase of paddy and the quantity of rice expected to be produced

- (a) Under the programme for granting quick loan concession to Small and Medium scale rice millers need to engage rice production process by using funds provide by the government and the rice produced by them needs to be handed over to their societies. Similarly in terms of the agreement entered into by the district societies with their members from the date of supply of paddy stock to its member rice miller raw rice within 3 days and the boiled rice within 5 days need to be handed over. Observations in this regard are as follows.
- (b) According to the data made available by the Food Commissioner the total quantity of paddy (Samba, Nadu Raw) purchased by such societies as at 27 November 2019 by utilising the funds received under this programme amounted to 16,099,118 kg and the rice obtained from this paddy amounted to 10,558,420 kg as per details below.

District Society	Quantity of paddy	Quantity of rice produced
-----	-----	-----
	Kg	Kg
Polonnaruwa	8,788,591	6,668,330
Ampara	499,946	370,580
Kurunegala	685,223	192,265
Hambantota	1,327,624	767,625
Batticaloa	758,396	440,920
Anuradhapura	952,273	297,435
Puttalama	2,615,955	1,559,700
Kandy	471,110	261,565
	-----	-----
Total	<u>16,099,118</u>	<u>10,558,420</u>

- (c) According to the information obtained from the Sri Lanka Rice Producers Co-operative Society as at 31 October 2019 under the relevant loan scheme 17,217,999 kg of paddy had been issued to the member rice millers through the 8 District Societies and 10,761,247 kg of rice needs to be received by the relevant 8 societies comparatively with the paddy supplied but only 9,206,825 kg of rice had been handed over to the societies by the member rice millers. Accordingly a shortage of 1,554,425 kg of rice was observed in audit when rice was handed over to the societies as per details below.

District Co-operative Society	Quantity of paddy purchased	Quantity of rice to be received	Quantity of rice received	Difference	Quantity of rice received as a percentage of quantity of rice to be received
-----	-----	-----	-----	-----	-----
	Kg.	Kg	Kg.	Kg.	%
Polonnaruwa	9,341,091	5,838,181	5,749,520	88,661	98
Puttalama	2,751,215	1,719,509	1,560,755	158,755	90
Anuradhapura	1,143,551	714,719	365,925	348,794	51
Batticaloa	1,009,186	630,741	530,455	100,286	84
Kandy	370,630	231,644	220,560	11,084	95
Ampara	566,585	354,115	311,425	42,691	87
Hambantota	1,362,368	851,480	233,750	617,730	27
Kurunegala	673,373	420,858	234,435	186,423	55
Total	<u>17,217,999</u>	<u>10,761,247</u>	<u>9,206,825</u>	<u>1,554,424</u>	

Accordingly it was observed that member rice millers of each district society had not handed over the quantity of rice to their societies as expected and it was mostly immoral in Hambantota, Kurunegala and Anuradhapura Districts.

Massive differences were observed between the data presented by the Food Commissioner as stated in paragraph 3.6.2.1 (a) above in respect of the purchase of paddy and the quantity of rice receivable relating thereto and the information presented by the Rice Producers Co-Operative Society as stated in this paragraph (b), relating to that matter itself.

(c) **Society level observations on the production of rice**

Information on the purchase of paddy by each District Society and production of rice obtained through the Sri Lanka Rice Producers Co-operative Society is as follows.

(i) **Kurunegala District Rice Producers Co-operative Society**

Even though the member rice millers belong to the Kurunegala District Rice Millers Society the rice produced by them needs to be handed over to the Society on the specific date audit observed that the time delay for handing over rice ranged from 21 days to 76 days.

According to the agreement entered into between the District Secretary District Assistant Commissioner of Co-operative Development and rice millers, the purchase and sale of rice affected by District Societies should be supervised by the District Assistant Commissioner of Co-operative Development. However it was observed that the weakness in the supervision had caused this situation.

(ii) **Ampara District Rice Producers Co-operative Society**

Paddy issued to the millers by the district societies has to be converted into rice and the quantity of rice expected from one kilogram needs to be handed over back to the society but it was observed that certain rice millers in Ampara District had not handed over the expected rice percentage. Even though the rice percentage to be given by rice millers therein was 62 the quantity of rice given by certain rice millers was observed as low value as 34.6 per cent.

3.5.3 Marketing of rice produced

3.5.3.1 Fulfilment of condition on the maximum guaranteed price

Under this programme by using the working capital provides by the government the member millers need to convert paddy into rice and send it to their District Society. It is stated that the District Society needs to market such rice at the government maximum retail price Differences existed between the data given by the Food Commissioner in respect of the quantity of rice produced by each society by 27 November 2019 and the data provided by the Sri Lanka Rice Producers Co-operative Society. According to the information on the quantity of rice sold the details of quantity of rice produced and the value appear below.

District Society	Quantity	Value
-----	-----	-----
	Kg	Rs.
Polonnaruwa	6,741,211	535,283,330
Ampara	548,790	39,200,317
Kurunegala	106,095	7,908,689
Hambantota	237,450	15,393,040
Batticaloa	415,670	32,145,702
Anuradhapura	298,455	22,166,979
Puttalama	3,898,770	300,740,507
Kandy	228,399	16,563,623
Total	-----	-----
	12,474,840	969,402,187
	=====	=====

The following observations are made on marketing of rice

(a) Under this programme the total rice sales in 8 Districts amounted to 12,474,840 kg Even though, it is stated that rice needs to be sold at the government maximum retail price under this programme according to the relevant agreements, It was observed that the attention of the responsible parties was not paid in respect of the methodology to be applied by the rice millers for the sale of such rice at the time of entering into agreements and at the beginning of the programme.

(b) **Marketing rice through Sathosa and Super Markets**

(i) Of the quantity of rice produced by Co-operative Societies as at 27 November 2019 amounting to 12,474,840 Kg a quantity of 3,771,598 kg had been sold to super markets and a government supplier including sathosa as at 31 October 2019 and the balance quantity of rice had been sold at various methods under the brand names to the rice market by the relevant societies but such details could not be obtained in audit from the societies. Particulars appear below.

Entity -----	As at 31.10.2019 -----	
	Quantity sold -----	Value -----
	Kg	Rs.
Sathosa	2,485,240	197,939,270
Super Market (1)	794,380	64,003,974
Super Market (2)	74,960	5,996,800
Super Market (3)	104,393	8,201,180
Super Market (4)	14,250	1,099,025
Super Market (5)	35,500	2,866,500
A government supplier (private)	262,875	20,884,150
Total	----- <u>3,771,598</u>	----- <u>300,990,899</u>

- (ii) According to the above information the quantity of rice marketed to Sathosa represented 21 per cent of the total requirement of Sathosa. Accordingly the consumers had arisen the opportunity of buying rice at the government guaranteed price.
- (iii) A quantity of 262,875 kg of rice valued at Rs.20,884,150 had been issued to a government supplier which is a private entity. Since it is a government supplier the rice issued to him is not issued to the open market and as such it was observed that the objective of the creation of a competition within the rice market and the stabilization of the price of rice expected by this programme had not been reached.

3.5.3.2 Observations relate to Kandy and Polonnaruwa District Societies on sale of rice

(a) Kandy District Rice Producers Co-operative Society

A method of marketing rice had been followed by the member millers of the Kandy District Rice Producers Co-operative Society Ltd having being received a cheque to the value of rice. The following matters were further observed in this connection.

- (i) Nineteen cheques valued at Rs.2,537,375 had been retained in hand as at 05 November 2019 out of which 10 cheques valued at Rs.1,080,960 had been anti-dated cheques and it included a cheques valued at Rs.1,456,415 the maturity days of which ranged from 3 to 120 days.
- (ii) During the relevant period the society had sold the stock of rice to 13 members valued at Rs.12,555,473 Four cheques given by 4 members valued at Rs.412,610 had been dishonoured.
- (iii) Since there was no method of marketing rice for the members of the Kandy District Rice producers Co-operative Society instead of selling rice through the society the members themselves had marketed rice on credit basis. Accordingly it is not observed whether the consumer had got the benefit of control price. Since the recovery of loans of the Co-operative Society had delayed therein the funds given by the

government could not be repeatedly used as the working capital for the purchase of paddy. The total quantity of paddy purchased during the period April to September 2019 amounted to 356,724 kg and its value is Rs.14,710,976. As per the circular without handing over the rice within 3 days the member sells rice being retained by him. Since he gives more than 20 days advanced cheques and matured cheques not banked up to 120 days the working capital of Rs.10 million given by the government had not been efficiently, effectively and cyclically used.

(b) **Polonnaruwa District Rice Producers Co-operatives Society, representing the chairmanship of Mother Society**

In the examination carried out in respect of the manner how the rice is produced and sold through the small and medium scale rice millers who bear the membership of the society being purchased paddy from farmers by using a sum of Rs.206 million given by the government, the following matters were observed.

- i. According to the circular instructions of releasing loans and the agreements the money receives from sale of rice needs to be deposited in a separate account and transacted. Accordingly this money had been deposited in an account opened in a private bank. According to the North Central Province Co-operative Statute the account should be opened in a government bank but the account was opened in a private bank.
- ii. A sum of Rs.170,055,000 had been withdrawn from the account No.100450004581 opened in a private bank by 70 cheques during the period from 01 April 2019 to 01 October 2019 as given below. The related payment vouchers had not been prepared and it was failed to make available any documents whatsoever relating to the issue of cheques. It was explained to audit that all those transactions had been operated by the Chairman but the General Manager did not know anything about it. Accordingly since the internal control systems

become weakness, it was observed that such transactions have been carried out. Details of such cheques are given below.

Period	Number of cheques	Value
		(Rs)
04/04/2019- 30/04/2019	4	1,745,000
02/05/2019 - 31/05/2019	11	25,025,000
01/06/2019 - 28/06/2019	16	18,720,000
01/07/2019 - 31/07/2019	11	32,750,000
01/08/2019 - 31/08/2019	6	36,400,000
01/09/2019 - 30/09/2019	10	29,100,000
01/10/2019 - 31/10/2019	125	26,315,000
Total	<u>183</u>	<u>170,055,000</u>

Furthermore at the time of physical verification carried out in this regard the cheque bearing No.516630 valued at Rs.100,000 had been written in the name of the Manager Sanasa Development Bank but any document whatsoever or a payment voucher was not made available.

- iii. All transactions of the Society had been operated by using the quick book software and all functions were done by the Chairman himself.
- iv. Bank transactions were operated through 3 bank accounts consisting of 2 current accounts in the People's Bank and the private bank and one savings account in the Sanasa Development Bank but no cash books had been maintained therefore.
- v. A net balance of Rs.239,267 existed in the 3 bank accounts as at 30 September 2019 as detailed below.

	Rs.
- People's Bank	(605,048)
- Current Account in a Private Bank	385,566
- Sanasa Development Bank	458,749

- vi. It was observed that a sum of Rs.112 million was receivable from rice marketed by the society as at 06 December 2019. It was also observed that those transactions had been carried out without entering into written agreements with the related customers or keeping a security deposit legitimacy to the amount of loan.
- vii. Credit sales effected by the Polonnaruwa District Co-operative Society Ltd with 4 private companies had been carried out through the Sri Lanka Rice Producers Co-operative Society and the audit observed abnormalities in the loan balances of such customers. According to the debtors register of the Polonnaruwa District Co-operative Society the amount receivable to the Society from 4 companies as at 06 December 2019 was Rs.57,245,677 whereas according to the debtors register of the Sri Lanka Rice Producers Co-operative Society the amount receivable from such customers was Rs.3,851,065 as at that date. Accordingly a sum of Rs.53,394,612 was observed as unmatched balances in audit and the reasons for differences were not made available to audit. Details appear below.

Customer	Balance as per debtors register of the Polonnaruwa District Rice Producers Co-operative Society Ltd.	Balance as per debtors register of the Sri Lanka Rice Producers Co-operative Society Ltd.	Difference
-----	-----	-----	-----
	Rs.	Rs.	Rs.
(i) Super Market	8,295,420	984,165	7,311,255
(ii) Super Market	5,996,400	400	5,996,000
(iii) Super Market	3,200,000	2,866,500	333,500
(iv) Super Market	39,753,857	—	39,753,857
Total	<u>57,245,677</u>	<u>3,851,065</u>	<u>53,394,612</u>

- viii According to the Bank Statement, cheques valued at Rs.18,077,488 were dishonoured one cheque valued at Rs.60,000 lapsed as at 30 September 2019 and 45 cheques valued at Rs.18,077,488 lapsed for periods 01 month to 5 months had existed therein. It was failed to make available these cheques to audit and the General Manageress stated that those cheques are under the custody of the Chairman.
- ix. All cheque transactions were operated by the Chairman and got the signature of the Treasurer for blank cheques on the discretion of the Chairman and 9 blank cheques had been signed as at the date of audit as given below.
- There were 4 blank cheques of the current account No.100450004581 in the private bank being signed by both the Chairman and the Treasurer.
 - One cheque signed by both the Chairman and the Treasurer and 5 cheques signed only by the Treasurer in the current account No.005-001-4-0091283 of the state bank had existed. It is observed that signing blank cheques is a weakness in the internal control system on financial control.
- x. All functions such as inclusion of payment transactions into the computer, making payments, taking bank reconciliations from the computer have been performed by the Chairman. On the weakest internal control system in respect of accounting there may be room for discrepancies.

3.5.3.3 Maximum retail price of rice in the Market

- (a) One objective of the programme for granting quicker loan concessions to Small and Medium Scale rice millers is to provide concessions to consumers having being stabilized the price in the rice market. In order to create this situation a maximum retail price for rice had been imposed by the Government from the gazette notification No.2125/66 of 31 May 2019 with effect from 31 May 2019 as given follows.

Variety of Rice	Maximum retail price Rs.
White Samba (boiled by steam) boiled local keeri samba and suduru samba	85
White Nadu – boiled by steam – Local (except mottaika-rupan and Attakari)	80
Red Nadu – boiled/ boiled by steam – Local (except mottaikarupan and Attakari)	74

(b) Accordingly, any person, distributor or trader should not sell presented for sale exhibited for sale higher than the specified maximum retail price of the above types of rice. However except marketing of rice through the Sathosa and Super markets the above variety of rice are sold in the open market more than the specified prices as observed according to the following matters.

- i. During the period ranging from 31.05.2019 to 30.11.2019, 457 market stalls which sold rice in excess of the maximum price limit in 21 districts had been raided in terms of section 20(5) of the Consumer Affairs Authority Act No.09 of 2003 and a fine of Rs.1,852,500 had been recovered.
- ii. Five districts of the above 21 districts a minimum number of raids had been carried out. According to the information of the Hector Kobbekaduwa Agrarian Research and Training Institute, the rice in the market in those districts had been sold in excess of the control price stated in the above gazette notification. The hyper price ranged from Rs.1.19 to Rs.19.25 as per detail below.

District	No.of raids carried out	Variety of rice	June	July	August	September	October	November
			Hyper Price Rs.	Hyper Price Rs.	Hyper Price Rs.	Hyper Price Rs.	Hyper Price Rs.	Hyper Price Rs.
Polonnaruwa	01	Samba	12.31	10.50	-	11.35	13.45	14.65
		Nadu	9.81	9.70	-	14.40	12.70	19.25
Kaluthara	03	Samba	-	2.33	3.00	6.47	10.25	11.00
		Nadu	-	4.00	-	-	10.00	10.00
Anuradhapura	04	Samba	4.91	1.65	1.19	2.60	9.67	11.00
		Nadu	4.96	5.07	5.17	7.25	11.58	16.00
Kurunegala	05	Samba	3.88	2.85	5.00	-	8.33	9.63
		Nadu	4.60	3.00	5.00	-	11.00	14.17
Kandy	07	Samba	6.70	2.60	2.95	4.96	-	12.60
		Nadu	4.50	3.88	7.75	9.84	-	17.00

Accordingly it is observed that the control price imposed for rice by the government had not been implemented within the country and sufficient raids had not been carried out by the consumer Affairs Authority whereas the intervention of the government on rice market is insufficient.

3.5.3.4 Payment of milling charges

Guideline (3) iv on the methodology relating to the concessionary loans to be given to the Small and Medium Scale rice millers bearing No.4/3/11-4 issued on 20.03.2019 by the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation, Fisheries and Aquatic Resources Development, states that according to the agreement between the Rice producers Co-operative Society Ltd and the miller paddy given to the rice millers for the conversion into rice, a part of the milling charge should be paid to the relevant bank as the monthly instalment payable in respect of the loan obtained from the bank by the miller and the balance should be paid to the miller. In terms of information made available to audit the manner this milling charge is used in respect of bank loans payable by the rice miller is as follows.

Name of Society			No.of members to whom loans were given for the programme	Amount of loan given	Value of paddy obtained	No.of members paid loan instalments	Value of loan instalments paid
				Rs.Mn	Rs.		Rs.
Kandy	District	Rice	13	9	19,383,375	09	388,457
Producer's	Co-operative	Society					
Hambantota	District	Rice	15	38	52,063,656	Information not made available	Information not made available
Producers	Co-operative	Society					
Kurunegala	District	Rice	19	16	28,554,134	08	992,312
Producers	Co-operative	Society					
Ampara	District	Rice	13	16	20,488,719	Information not made available	Information not made available
Producers	Co-operative	Society					
Batticaloa	District	Rice	12	25	31,728,488	05	1,226,157
Producers	Co-operative	Society					
Puttalama	District	Rice	30	64	113,412,976	30	5,686,635
Producers	Co-operative	Society					
Anuradhapura	District	Rice	25	59	38,801,389	21	2,247,595
Producers	Co-operative	Society					
Polonnaruwa	District	Rice	62	206	387,140,964	Information not made available	Information not made available
Producers	Co-operative	Society					

According to the above information during the period from April to 30 November 2019 bank loans instalments of Rs.10,541,156 had been paid to 73 members in 5 District Rice Producers Co-operative Societies Ltd connected with this programme.

Observations made at District Level are as follows.

(a) **Ampara District**

According to the agreement the milling charge needs to be paid to the member millers by the Ampara District Rice Producers Co-operative Society based on the quantity of paddy milled. However milling charge of Rs.1,106,170 relating to 553,085 Kg of paddy milled had not been paid to the related millers even by 06 November 2019.

(b) **Polonnaruwa District**

Paddy purchased on behalf of millers converts into rice and handover to the Co-operative Society in accordance with the percentage prescribed. Even though a milling charge needs to be paid to the millers therefore in terms of the Ministry guidelines this society had defaulted the payment of milling charges amounting to Rs.52,918,596 for 8,819,766 kg of paddy at Rs.6 per kg to the millers as at 01 October 2019 the date of audit.

This situation is unsatisfactory in the upliftment of small and medium scale rice millers.

3.5.3.5 Assistance to settle outstanding bank loan balances of rice millers by the programme

As stated under item No.3 in the memorandum No.PS/NC-04/CP/41/2019 presented for granting quick loan concessions to Small and Medium Scale rice millers for the purpose of providing facilities to Small and Medium Scale rice millers through a new method to enter into the market again (to a considerable extent) and to provide funds to Small and Medium Scale Co-operative Societies for the purchase of paddy and using the working capital received therefrom, it was proposed that through the earnings generated by them when converting paddy into rice they could be able to settle the loans.

Nevertheless, in considering the outstanding bank loans of rice millers joined with this programme and the amount of money deposited in the bank accounts under this programme (through the earnings being converted paddy into rice); It was observed in audit that this objective was not achieved in respect of certain rice millers.

- (a) Of the payable average loan instalments amounting to Rs.11,737,362 payable by the rice millers during the period April to October 2019 in the Kandy District a sum of Rs.11,348,906 equals to 97 per cent could not be paid. Accordingly, audit observed that in the implementation of the above programme in Kandy District expected objectives were not achieved.
- (b) Furthermore according to the paddy purchases registers of the Kandy District Rice Producers Co-operative Society Ltd 3 millers had purchased 23,754 kg of paddy for a sum of Rs.1,008,651 they had failed to settle any loan instalments whatsoever. Accordingly the milling charge received from the paddy purchased had not been used for the settlement of loan as per the agreement.

3.6 Functions performed by related institutions

3.6.1 Data system maintained by the Food Commissioner

According to the programme for granting concessionary loans to Small and Medium Scale rice millers a computer programme needs to be prepared for the supervision of all rice producers Co-operative Societies and rice millers. Transactions carried out relating to this programme including transactions between the secretaries of District rice producers Co-operative Society and the Paddy Marketing Board as well as the paddy purchasing process of the rice millers and the evaluation of progress are expected from this programme. The maintenance and the total supervision of this computer programme belong to the Food Commissioner.

The following observations are made in this connection.

- (a) Information on the overall progress of the programme obtained from the data system maintained by the Food Commissioner and from Sri Lanka Rice Producers Co-operative Society Ltd is as follows.

i. Particulars relate to the paddy purchasing process are as follows.

District Co-operative Society	As per information obtained from the Food Department		As per information obtained from the Sri Lanka Rice Producers Co-operative Society Ltd.	
	Purchase of Paddy		Purchase of Paddy	
	Quantity (Kg)	Value (Rs.)	Quantity (Kg)	Value (Rs.)
Polonnaruwa	8,788,591	387,140,964	9,341,091	413,043,335
Ampara	499,946	20,488,719	566,585	22,775,586
Kurunegala	685,223	28,554,134	673,373	28,056,434
Hambantota	1,327,624	52,063,656	1,362,368	53,420,621
Batticaloa	758,396	31,728,488	1,009,186	42,216,097
Anuradhapura	952,273	38,801,389	1,143,551	46,622,112
Puttalama	2,615,955	113,412,976	2,751,215	119,581,988
Kandy	471,110	19,383,375	370,630	15,643,745
Total	<u>16,099,118</u>	<u>691,573,701</u>	<u>17,217,999</u>	<u>741,359,918</u>

According to the information obtained from the Food Department the quantity of paddy purchased by 8 Districts under this programme amounted to 16,099,118 kg and its value was Rs.691,573,701. However according to the information obtained from the Sri Lanka Rice Producers Co-operative Society Ltd the quantity of paddy purchased from 8 districts amounted to 17,217,999 kg and its value was Rs.741,359,918. Accordingly a difference of 1,118,881 kg valued at Rs.49,786,217 between the information of the Food Department and the relevant society was observed in the purchase of paddy.

- ii. Information on the sale of rice effected under the whole programme appears below.

District Co-operative Society	As per information received from the Food Department		As per information of the Sri Lanka Rice Producers Co-operative Society Ltd.	
	Sale of Rice		Sale of Rice	
	Quantity (Kg)	Value (Rs.)	Quantity (Kg)	Value (Rs.)
Polonnaruwa	6,741,211	535,283,331	5,759,520	454,239,060
Ampara	548,790	39,200,318	1,569,590	121,991,132
Kurunegala	106,095	7,908,690	361,275	26,796,092
Hambantota	237,450	15,393,040	530,455	40,802,075
Batticaloa	415,670	32,145,703	229,850	16,722,353
Anuradhapura	298,455	22,166,980	297,760	21,218,310
Puttalama	3,898,770	300,740,507	252,800	16,481,440
Kandy	228,399	16,563,624	220,830	16,407,155
Total	<u>12,474,840</u>	<u>969,402,193</u>	<u>9,222,080</u>	<u>714,657,617</u>

According to the information received from the Food Department the total quantity of rice sold under this programme amounted to 12,474,840 kg and its value was Rs.969,402,193 but according to the information obtained from the Sri Lanka Rice Producers Co-operative Society Ltd., sale of the quantity of rice amounted to 9,222,080 kg and its value was Rs.714,657,617. Accordingly according to the information obtained from the above 2 institutions, a quantity difference of 3,252,760 kg and a value difference of Rs.254,744,576 was observed. Therefore this matter would be strongly affected the progress review of the programme as well as for correct decision making.

- (b) Likewise when data are presented to the Food Commissioner by the Sri Lanka Rice Producers Co-operative Society Ltd., they are furnished with varied errors which include, using same data several times, batch numbers use as stock, non-use of one name for one variety of rice, posting code numbers of member societies erroneously etc.
- (c) After being coordinated the compute system by the Food Commissioner to rectify the discrepancies and errors exist in the operation of computer system, it should be referred to the relevant parties expeditiously and the progress of overall programme needs to be reported to the steering committee. Nevertheless since the Sri Lanka Rice Producers Co-operative Society Ltd had not taken action to send the information relating to the affairs of its District Societies as specified, it was observed in audit that it would be a hindrance for the progress review functions.
- (d) According to the agreement entered into by the District Secretary with the District Assistant Commissioner of Co-operate Development and the District Rice Millers Societies for granting quick concessionary loans to Small and Medium Scale Rice Millers the District Rice Millers are bound to provide appropriate information for supervision purposes. Since they do not provide appropriate information as above it was further observed that rice millers had not taken action in compliance with the agreement.

3.6.2 Sri Lanka Rice Producers Co-operative Society Ltd

Sri Lanka Rice Producers Co-operative Society Ltd is a Co-operative Society registered the under Co-operatives Act No.5 of 1972 and registered under the No.CO/60 on 08.08.2018. The Board of Directors of this society consists of 9 directors and at the beginning it had consisted with an officer appointed by the Commissioner of Co-operatives and one representative each from 8 districts.

The following observations are made in respect of the manner how Sri Lanka Rice Producers Co-operative Society Ltd joined with the programme for granting loan concessions to Small and Medium Scale rice millers.

(a) **Action in accordance with relevant guidelines**

According to the guidelines issued by the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation, Fisheries and Aquatic Resources on granting concessionary loans to Small and Medium Scale Rice Millers programme the function to be performed by the above society is stated as the supply of data to the computer programme prepared by the Food Commissioner.

Nevertheless, this Sri Lanka Rice Producers Co-operative Society Ltd. transacts under separate agreement entered into with its District members but any conditions whatsoever in the guidelines issued in respect of the Small and Medium Scale rice millers are not mentioned. In addition there is no any conditions in the agreement entered into by the District Secretary with the Assistant Commissioner of Co-operative Development and the District Rice Millers. The following observations are made in respect of the agreement entered into by the above Society with the Small and Medium Scale Rice Millers.

- i. Both parties had agreed in respect of the issue of rice to the market having being purchased paddy of the maha season and converted into rice effective for the period from 23.03.2019 to 20.10.2019.
- ii. It was stated that when deciding the price of rice produced by all member societies, including the 2nd party the full power belongs the first party (Mother Society) and the rice should be sold only at price determined by the first party.

iii. Money retained by the Society

In terms of Section 30 of the agreement entered into with the District Rice Producers Co-operative Societies by the Sri Lanka Rice Producers Co-operative Society the government provides interest free capital in the maha season of 2019 on behalf of the above project. It was stated in this agreement that on behalf of the capital obtained by the second party payment of a service charge of 10 per cent per annum to the first party is agreed by the second party from this agreement.

Accordingly, 2 Co-operative Societies out of 8 which have taken the membership of the Co-operative Society had paid a sum of Rs.458,333 as one month interest on the basis of annual interest rate of 10 per cent to the Sri Lanka Rice Producers Co-operative Society Ltd. As per details below.

<u>Name of Society</u>			<u>Date of Payment</u>	<u>Computation</u>	<u>Amount Paid</u> Rs.
i. Puttalam District Rice Producers Co-operative Society Ltd.	District	Rice	12.06.2019	20,000,000 x 10/100 x 1/12	166,687
ii. Anuradhapura District Rice Producers Co-operative Society Ltd	District	Rice	03.07.2019	35,000,000x10/100x1/12	291,666
					----- 458,353 =====

Nevertheless, in terms of section 31 of the second agreement effective from 28 October 2019 both parties had agreed to pay a monthly fee of Rs.100,000.

(c) **Payments and other cash transactions**

At the field inspection carried out on 29 November 2019 in the Sri Lanka Rice Producers Co-operative Society Ltd. the following matters were observed.

- (i) Paid vouchers valued at Rs.51,026,288 in 25 instances on 30 November 2019 were not made available to audit (Annexe 1)
- (ii) Payment vouchers prepared by the Society were not consecutively numbered.
- (iii) A credit balance of Rs.1,298,325 had existed in the suspense account as at 30 November 2019 and it consisted of cash deposits made in the bank but not identified.
- (iv) Even though the receipts relevant to the cash receipt of Rs.80,000 on 09 April 2019 were issued it had not been accounted to the bank account.
- (v) Even though cash deposit of Rs.2,370,265 was posted to the bank account of the Society the related cash acknowledgment receipt was not made available to audit.

(d) **Management functions of the Sri Lanka Rice Producers Co-operative Society Ltd.**

- i. The person who functions as the Chairman of the Polonnaruwa District Rice Producers Co-operative Society also functions as the Chairman of the All Ceylon Rice Producers Co-operative Society Holding the posts of Secretary and the member of the Board of Directors of the Polonnaruwa District Co-operative Society are also the Secretary and the Treasurer of the All Ceylon Rice Producers Co-operative Society respectively. Accordingly same 3 persons holding the posts of Chairman Secretary and the member of the Board of Directors of the Polonnaruwa District Co-operative Society and holding 3 key posts of the All Ceylon Rice Producers Co-operative Society both 2 Societies are controlled.

- ii. It was observed that after being released the loans from the District Secretary to the Chairman of the Polonnaruwa District Co-operative Society he handled this money on his own desecration exterior to the instructions of the District Secretary and the Polonnaruwa Assistant Commissioner of Co-operative Development.
- iii. As the Chairman of this society had violated by laws Co-operative law and the common law as revealed the North Central Commissioner of Co-operatives had taken action to conduct an inquiry in accordance with the Co-operative Society Statute.

(e) **Recover of penalties due to non-supply of rice in terms of conditions**

Rice produced by 8 District Societies is supplied to the Lanka Sathosa Ltd through the Sri Lanka Rice Producers Co-operative Society Ltd. Since rice was not given to the Lanka Sathosa Ltd in terms of agreed conditions in selling rice by the Society a sum of Rs.3,517,502 had been recovered as penalties. Since the Sri Lanka Rice Producers Co-operative Society Ltd intervenes the procurement functions of the Sathosa Ltd without any co-ordination with the District Co-operative Society all 8 District Societies sustained a loss of Rs.3,517,502 as per details below.

<u>Tender No.</u>	<u>Supplied by</u>	<u>Amount</u>
		<u>Rs.</u>
Q/PRO/P/19/020	Sri Lanka Rice Producers Co-operative Society	918,524
Q/PRO/P/19/021	Sri Lanka Rice Producers Co-operative Society	2,154,685
Q/PRO/P/19/026	Sri Lanka Rice Producers Co-operative Society	257,871
Q/PRO/P/19/036	Sri Lanka Rice Producers Co-operative Society	101,858
Q/PRO/P/19/039	Sri Lanka Rice Producers Co-operative Society	84,564
Total		<u>3,517,502</u>

3.6.3 To have an effect on formal agreements entered into

In terms of guideline (2) vii on the methodology related to the concessionary loans to Small and Medium Scale Rice Millers, a formal agreement between the Sri Lanka Rice producers Co-operative Society Ltd and the members has been prepared. The following observations are made in this connection.

- (a) In terms of (3) iv of the guideline, a as part of the milling charge needs to be paid to the relevant bank the monthly loan instalment payable to the bank in respect of loans obtained from the bank and the balance part needs to be paid to the miller. However in the agreements entered into by the Rice Producers Co-operative Societies with their members conditions on the payment of bank instalments and payment of the balance money to the member are not included.
- (b) In terms of guideline 2 (vii) on the methodology relating to the concessionary loans to be granted to the Small and Medium Scale Rice Millers issued by the Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resource Development the formal agreement had been signed between the Rice producers Co-operative Societies Ltd and the members. Details appear below.
 - i. As stated in the agreement,raw rice within 3 days from the date of handling over the paddy to the miller and boiled rice within 5 days need to be given back. However the methods of marketing the stock of rice handed over by the members to the society very soon had not been formulated by the District Rice Producer Societies.
 - ii. As stated in (1) above members had not handed over rice within the period stated in the agreement. Had the rice been so handed over 6 times per month after being converted paddy into rice is received by the Society has an appropriate method been arranged, the working capital provided to the societies could be able to utilize at a maximum efficiently. Since such a methodology is not available it was observed that the number of turns utilized the money given as working capital is minimal as per details below.

Name of Society	Working capital granted	Quantity of paddy purchased	Value of paddy purchased	No.of turns used the given money
-----	-----	-----	-----	-----
	Rs.	Kg	Rs.	
Kandy Society	10,000,000	471,110	19,383,374	1.93
Anuradhapura Society	59,870,000	952,273	38,801,388	0.64
Polonnaruwa Society	206,000,000	8,788,591	387,140,964	1.87
Hambantota Society	38,000,000	1,327,624	52,063,655	1.37
Ampara Society	16,000,000	499,946	20,488,719	1.28
Batticaloa Society	25,000,000	758,396	31,728,487	1.26
Kurunegala Society	16,000,000	685,223	28,554,134	1.78
Puttalama Society	64,000,000	2,615,955	113,412,975	1.77

- iii. Rice Producers Co-operative Society had sold rice to Sathosa Ltd in terms of procurement procedure but it was failed to formulate a methodology to obtain stock of rice within the specified period as agreed and to market rice.

3.6.4 Utilisation of stores facilities belong to the Paddy Marketing Board

- (a) According to the cabinet memorandum No.PS/NC-4/CP/41/2019 presented on 11 February 2019 by the then Hon.President for providing quick loan concessionaries to Small and Medium Scale rice millers the annual rice requirement of the country was estimated as 2.4 million metric tons and it equals to 3.6 million metric tons of paddy approximately. Accordingly with the intention of controlling the increase in price of rice as a result of being declined Paddy Production in the year 2018 this programme had been commenced.
- (b) As stated in Section 3 of the Paddy Marketing Board Act No.14 of 1971 purchase of paddy and sale rice of supply and distribution need to be effected. Similarly its services include maintenance of a buffer stock for food security arrange a programme for the supply of high quality cereal, upliftment of livelihood of farmers by giving a guaranteed price for paddy etc. In the examination about how the paddy marketing Board have performed its functions in respect of the Maha season of 2018/2019 in reaching the above objectives the following matters were observed.

- (c) Stores capacity of the Paddy Marketing Board exists in each area and the quantity of paddy purchased in the Maha season of 2018/2019 are as follows.

Zone	No. of stores	Capacity	Quantity of paddy purchased	Percentage purchased from the capacity	Rice requirement for this programme	Percentage
		MT	MT	(%)	MT	(%)
East	37	23,505	3,923	17	3583	91
North	39	25,200	11,643	46	797	7
Polonnaruwa	36	41,460	1,489	4	1489	100
Anuradhapura	74	77,125	7,399	10	7200	97
Ampara	65	75,020	11,635	16	835	7
North Western	27	36,020	1,724	5	1723	99
Southern	<u>37</u>	<u>39,550</u>	<u>10,456</u>	26	<u>5083</u>	48
	<u>315</u>	<u>317,880</u>	<u>48,269</u>		<u>20,710</u>	

According to the above information the stores capacity of the Paddy Marketing Board is 317, 880 metric tons and the paddy harvest of Maha season of 2018/2019 amounted to 3,072,572 metric tons. Accordingly the Paddy Marketing Board can be able to purchase 10 per cent of the whole harvest but only 48,269 metric tons or 1.6 per cent had been bought. Of the quantity so purchased, the rice requirement of the programme for upliftment of Small and Medium Scale rice millers amounted to 20,710 metric tons representing 43 per cent of the quantity purchased by the Paddy Marketing Board. Accordingly the following observations are made.

- i. Since the Paddy Marketing Board had purchased less than 2 per cent of the entire paddy harvest of the country the quantity of paddy purchased from farmers at a fair price had been at a minimum level.
- ii. As a secured stock of paddy or rice was not maintained within the country the food safety of the people had become risky at an hazardous condition.

3.7 Overall performance of the programme

3.7.1 Consumer expenditure on rice

According to the previous data of the house hold unit income and expenditure survey conducted by the Department of Census and Statistics, it is implied that the highest percentage of the monthly average expenditure incurred on food by a household unit in Sri Lanka is for rice as per details below.

Percentage of Average monthly Expenditure

Expenditure on	2002	2005	2006/7	2009/10	2012/13	2016
Food	-----	-----	-----	-----	-----	-----
Rice	18.0	13.8	13.9	17.3	13.6	12.8
Wheat Flour	1.2	1.2	1.1	1.4	1.3	1.0
Bread	4.3	3.6	3.5	3.2	3.0	2.4
Spices	9.1	9.0	9.3	9.1	9.0	9.8
Pulses Plants	3.2	3.4	3.5	4.1	3.5	3.6
Vegetable	7.9	8.1	8.4	7.6	8.2	8.0
Coconut	7.3	5.6	5.5	5.6	6.1	5.7
Meat	3.2	4.4	4.2	3.9	4.3	4.8
Fish	6.3	8.5	8.6	8.8	9.1	9.5
Dirtied Fish	3.7	3.8	4.0	3.7	4.2	4.0
Milk and Milk Products	8.4	9.9	8.7	7.8	8.9	8.2
Eggs	0.8	1.0	1.0	1.0	1.0	1.1
Fruits	3.6	3.9	3.4	2.9	2.9	3.2
Sugar	3.3	3.3	3.6	3.4	2.9	2.2
Other Food items and bevarages	19.6	20.3	21.2	20.1	21.8	23.6
Total	100	100	100	100	100	100

Accordingly about 21 million population in Sri Lanka Spends about 13 per cent of the monthly average expenses for the consumption of rice which is the staple diet in the country.

As such this mechanism can be strengthened so as to give a reasonable price to consumer by giving a reasonable price to farmers and the upliftment of Small and Medium scale rice millers being increased the market share belongs to them.

Even though certain issues had arisen in the implementation of this programme the expected objectives could not be completely reached since the programme was not properly supervised.

3.7.2 Contribution to the control of price of rice

The government had released a sum of Rs.434.87 million to this programme from time to time. Being utilized such money out of the entire paddy harvest of 3,072,581 metric tons in the Maha Season of 2018/19, 16,099.11 metric tons or 0.52 per cent had been purchased from 8 districts. Of the quantity of paddy so purchased the supply of rice amounted to 10,558.42 metric tons from the market requirement. Simultaneously to this quantity a sum of Rs.85 as a maximum price for rice had been determined by the cost of living sub-committee with effect from 01 April 2019 and the Consumer Services Authority had raided the sellers who sell rice in excess of the control price. Thereafter, the price of rice in the local market had dropped less than Rs.100 per kg. only for a short period.

Details appear below.

		Jan	Feb	March	April	May	June	July	Aug.	Sep.	Octo.	Nove.	Dec.
Colombo	2017	97	96	94	96	97	98	98	102	102	105	106	109
	2018	111	110	110	113	114	113	113	111	112	114	115	115
	2019	108	107	105	101	96	95	91	90	93	98	100	105
Kandy	2017	99	91	89	91	94	98	99	99	103	104	104	108
	2018	111	111	111	112	111	112	115	115	115	111	110	112
	2019	111	109	107	108	105	100	92	93	93	96	99	100
Matara	2017	109	106	105	99	103	104	102	106	104	106	104	105
	2018	107	100	103	110	115	118	107	108	120	118	122	120
	2019	-	-	107	-	99	-	90	97	91	92	97	100
Anuradhapura	2017	97	90	92	91	93	98	99	98	102	104	107	108
	2018	108	109	109	108	109	110	108	110	111	109	112	114
	2019	110	110	109	97	94	93	94	93	93	95	99	100

3.7.3 Effect on the price of rice from the programme

3.7.3.1 Data in the Central Bank report for 2019 on the behaviour of the price of rice

- (a) According to the data of the Central Bank of Sri Lanka for 2019 during the period of 5 years from 2009 to 2013 price of samba rice had increased by 0.52 per cent in the year 2010 as compared with that of the year 2009 whereas prices in other years had decreased. However during the period of 5 years from 2014 to 2018 the price of samba rice had continuously increased and it had come to the maximum up to Rs.112.67 per Kg in the year 2018. As compared with the recorded price of Rs.83.83 per kg in the year 2014 the price increase in the year 2018 had been 34.40 per cent.
- (b) Furthermore according to the data of the Central Bank of Sri Lanka the price of raw rice per kg in the year amounted to Rs.61.65 but the maximum price recorded during the period up to 2013 amounted to Rs.58.33 per kg. Accordingly a decrease of price of raw rice was depicted as compared with the year 2009 but the price of Rs.71.92 per kg recorded in the year 2014 was recorded as Rs.86 per kg in the year 2017. When it compares with the price in the year 2009 the increase was 19.57 per cent.
- (c) Even though the average price of par boiled rice amounting to Rs.63.24 in the year 2009 had continuously decreased up to the year 2012, it had continuously increased from the year 2013 to 2017.

3.7.3.2 Current Tendencies on the price of rice

- (a) According to the data gathered by the Hector Kobbekaduwa Agrarian Research and Training Institute on the price of rice during the period 2017 to 2019, the price of samba rice during the period August 2017 to April 2019 in 4 Districts of Colombo, Kandy, Matara and Anuradhapura had ranged from Rs.102 to Rs.115 Per kg. However since May in which the implementation of this programme in the year 2019 the price of samba rice was recorded less than Rs.100 per kg. and it was observed that it came down upto the minimum of Rs.90 in certain instances.

- (b) According to the data on the price of rice gathered by the Hector Kobbekaduwa Agrarian Research and Training Institute the price of rice in 18 main cities in Sri Lanka ranged between Rs.97- 116 up to April 2019 but since May 2019 it had recorded a lower value up to Rs.105 and the minimum price recorded as Rs.90. It is observed that since the District Co-operative Societies had presented for the sale of rice subject to the maximum price limit imposed by the government the price of rice had decreased to a certain extent.

	<u>Area</u>	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
1.	Colombo	108	107	105	101	96	95	91	90	93	98	100	105
2.	Gampaha	108	109	109	97	93	-	-	-	92	95	97	-
3.	Kandy	111	109	107	108	105	100	92	93	93	96	99	100
4.	Dehiattakandiya	108	108	108	86	106	96	92	93	93	95	97	-
5.	Hanguranketha	110	110	110	-	-	-	95	98	94	96	98	-
6.	Kurunegala	110	110	110	98	95	95	94	93	-	94	96	-
7.	Jaffna	116	116	-	100	95	96	88	-	-	-	98	-
8.	Anuradhapura	110	110	109	97	94	95	94	93	93	95	99	100
9.	Hambantota	112	112	108	97	95	94	93	93	92	99	101	-
10.	Ratnapura	110	107	111	97	95	93	89	96	94	96	99	-
11.	Badulla	108	109	106	98	99	95	91	-	-	-	-	-
12.	Galle	110	109	108	111	99	95	95	92	91	94	-	-
13.	Ampara	109	105	104	109	98	96	95	-	-	-	-	-
14.	Dambulla	109	109	107	97	93	94	92	91	92	-	-	-
15.	Batticaloa	117	116	105	105	103	99	-	-	-	-	-	--
16.	Kegalle	113	112	109	107	97	95	92	91	92	-	-	-
17.	Embilipitiya	106	106	102	101	101	99	93	94	96	-	-	-
18.	Tissamaharamaya	113	112	107	111	100	97	95	-	-	-	-	-

3.7.4 Competition in the rice market

It was identified that the rice market in Sri Lanka are controlled by a few businessmen. Therefore, one objective of this programme is to provide opportunity the consumer to buy rice, subject to the government maximum retail price. Accordingly the rice produced under this programme had been sold to Lanka Sathosa and 4 other super markets. Similarly, sale of rice in the market in excess of the maximum retail price of rice imposed by the Consumer Affairs Authority was seen in plentifully, but 1,286,358 kg of rice valued at Rs.103,051,629 had been presented to be sold in 5 super markets, subject to the maximum retail price imposed under this programme.

3.7.5 Intervention of Government for the purchase of paddy

At the initial stage of this programme instructions have been issued to buy paddy from farmers at Rs.41 per kg. Since the large scale rice millers buy paddy from farmers more than the guaranteed price, District Societies could not buy paddy for the production of rice.

On this reason, the opportunity had been given to buy paddy from the stores of the Paddy Marketing Board that had existed under the supervision of the District Secretaries, being intervened by the government at Rs.48 per kg.

The government incurs a large amount of money for the supply of required seed-grain to farmers to uplift the Paddy Cultivation, Supply of Water for cultivation and provides fertilizer subsidy and grants loan facilities. Likewise Paddy produced by farmers is purchased at a guaranteed price and as such this concession needs to be gone to the farmers as well as to the consumer.

The government had incurred an expenditure ranging from Rs.9,795 million to Rs.39,787 million from the year 2009 to 2017 (As per statistics made available) for fertilizer and an expenditure ranging from Rs.5.1 million to Rs.184.6 million on insurance indemnities. During that period the government had incurred expenditure ranging from Rs.1,918 million to Rs.6,879 million as loan reliefs for Paddy Cultivation. Even though, the government had made such a contribution to increase the rice production 3 sectors comprising the farmer consumer as well as the producer of rice had lost a legitimate market, since the paddy harvest is controlled by a few large scale rice millers. Therefore in addition to incur the above expenditure the requirement of the government intervention for the formulation of a rice market management mechanism to control the rice market in respect of the advancement of the above parties is predominated herein. Details appear below.

Year	Quantity of fertilizer	Expenditure for fertilizer	Loans given for paddy cultivation	Payment of insurance indemnities
	MT (in thousands)	Rs.Mn	Rs.Mn	Rs.Mn
2009	423	23,117.92	1,918	15.4
2010	490	20,277.69	2,541	15.3
2011	453	37,444.33	4,418	184.6
2012	412	31,942.85	5,527	78.3
2013	363	9,795.54	5,427	136.2
2014	272	15,170.75	4,762	55.2
2015	341	39,787.65	5,582	154.7
2016	202	10,934.61	6,384	67.7
2017	-	16,463.03	5,562	8.8
2018	111	-	6,879	5.1

3.7.6 Contributions made by sale of rice

Under this programme rice had been sold to a few institutions one of which was the Lanka Sathosa Under this programme 21 per cent of its monthly rice requirement had been supplied.

Being increased the quantity of paddy purchased under this programme at the guaranteed price implemented by the government, it was observed in audit that the rice produced therefrom can be issued to the market through the Small and Medium Scale rice millers in terms of the upliftment of Small and Medium Scale Rice millers programme. It is also easy to take such action like selling rice, subject to the maximum retail price.

3.7.7 Present position of the programme

- (a) The approval of the Cabinet of Ministers had been granted to release a sum of Rs.300 million for the implementation of this programme in the year 2020 and it was observed that of this money, a sum of Rs.107 million had been released to the Provincial Commissioner of Co-operative Development to be given to the relevant societies by 14 September 2020. (Letter No.CO/Dev/De/Bus/01/OS(1) dated 18 September 2020 of the Commissioner of Co-operative Development.

- (b) This programme had made a considerable contribution during the period under review for the achievement of primary objective, comprising the price control of rice, creation of a competition in the rice market, uplifting Small and Medium Scale rice miller etc. It is observed that by rectifying the deficiencies shown in this audit report, it may be possible to reach the objectives anticipated in the establishment of the programme. Nevertheless, as compared with the previous year the financial provisions made for this programme in the year 2020 had decreased to one third and the policy decision in respect of the implementation of this programme in future years had not still been taken. Therefore the requirement of an appropriate mechanism needs to be dominated herein for the maintenance of a control price for rice and to achieve the objectives intended from this programme.

4. Recommendations

4.1 Selection of members and granting loans

- (a) Determination of which items to be included as the working capital in deciding the working capital requirement of rice millers (cash, stock, debtors and creditors)

- (b) In the selection of co-group relating to the programme the suitable group should be selected after evaluation and establishment of the correctness of such factors as capacity of their rice millers, indebtedness, ability to store etc. and maintenance of a data system.

- (c) Having being used the loans granted in the first stage as a scrolling fund loans to be issued in other stages only to the members who performed the process of converting paddy into rice efficiently and those who had settled the previous loans and action needs to be taken to minimise the risk of loans granted by the programme therefrom.

4.2 Re-settlement of loans

- (a) In deciding the period of resettlement of working capital, action needs to be taken to recover the loan being computed the working capital cycle in terms of norms related to the industry.

- (b) Take necessary legal action against rice millers who do not take action to re-settle the loans given to the District Societies at the end of the agreement period.

4.3 Purchase of paddy

- (a) Release of money to the societies through District Secretaries for the purchase of paddy during harvesting period itself.
- (b) Purchase of paddy having being emptied the stocks remain in the stores of the Paddy Marketing Board during the harvesting period so as to maximise the utilization of stores capacity and issue such paddy to small and medium scale rice millers through District Secretariat, putting up silos in line with modern Technology, enabling to maintain a buffer stock, purchase of paddy dryers and to facilitate the millers, enabling them to purchase sufficient quantity of paddy.
- (c) Increase the quantity of paddy purchased from farmers, and to give a sustainable guaranteed price to them maintenance of data by farmers associations and the Department of Agrarian Development therefore and proper supervision.

4.4 Sale of Rice

Rice needs to be sold through District level multi-purpose Co-operative Societies, Sathosa Regional shops by the relevant District Societies under the maximum retail price determined by the Government.

4.5 Supervision of Societies

All district societies are subjected to integral supervision of the District Assistant Commissioner of Co-operative Development regularly. Supervision of the purchase of paddy, sale of rice, remittance of working capital to members' bank accounts intervention made to the District Societies by the Sri Lanka Rice Producers Co-operative Society Ltd as well as the frequent supervision of transactions and events at every stage of the programme.

4.6 Maintenance of Data

- (a) Since their differences between the data in the data system maintained by the Food Commissioner's Department in respect of purchase of paddy, production of rice, sale of rice etc. relating to this programme as stated in this report and the data obtained from the Sri Lanka Rice Producers Co-operative Society Ltd necessary steps need to be taken to rectify them after being inquired if necessary.
- (b) Taking action to obtain daily transactions at society level by the Food Commissioner's Department daily and being analysed such data, necessary action need to be taken through the Assistant Commissioners' of Co-operative Development if there are any differences immediately.

Sgd./W.P.C. Wickramaratne
Auditor General

W.P.C. Wickramarathne

Auditor General

Annex 01

Payments made without being prepared vouchers by the Sri Lanka Rice Producers Co-operative Society Ltd.

Date	Particulars	Value (Rs.)
28.05.2019	Petty Cash	5,000.00
04.06.2019	Salaries	36,667.00
04.06.2019	Salaries	35,742.00
04.06.2019	Petty Cash	25,000.00
26.06.2019	Petty Cash	25,000.00
09.07.2019	Salaries	691,218.84
06.09.2019	RPCS Polonnaruwa	7,000,000.00
10.09.2019	Salaries	642,335.63
24.09.2019	Fuel - Chairman	25,000.00
30.09.2019	Travelling - Chairman	25,000.00
10.10.2019	-	347,834.18
14.10.2019	RPCS Polonnaruwa	5,800,000.00
14.10.2019	Cash Exchange	50,000.00
16.10.2019	Cash Exchange	200,000.00
18.10.2019	Salaries	158,223.35
18.10.2019	Lodging Fees	90,000.00
31.10.2019	RPCS Polonnaruwa	15,000,000.00
31.10.2019	-	80,000.00
04.11.2019	Chairman allowances	22,500.00
14.11.2019	District Secretary	20,000,000.00
13.11.2019	Salaries	720,266.80
20.11.2019	-	2,250.00
21.11.2019	-	2,250.00
27.11.2019	Petty Cash	25,000.00
27.11.2019	Fuel	17,000.00
	Total	----- <u>51,026,287.80</u>

Cash Receipts not made available to audit

<u>Date</u>	<u>Particulars</u>	<u>Value</u>
		Rs.
21/06/2019	RPCS Anuradhapura	400,000
05/07/2019	RPCS Anuradhapura	445,015
23/08/2019	-	20,000
16/10/2019	Suspense Account	105,825
30/10/2019	Suspense Account	1,192,500
04/11/2019	Sales Outlet	45,430
06/11/2019	Sales Outlet	19,700
06/11/2019	Sales Outlet	1,100
07/11/2019	Sales Outlet	23,075
09/11/2019	Sales Outlet	13,900
09/11/2019	Sales Outlet	1,200
14/11/2019	Sales Outlet	27,050
22/11/2019	Sales Outlet	24,500
22/11/2019	RPCS Puttalam	10,250
25/11/2019	Sales Outlet	8,660
26/11/2019	Sales Outlet	11,000
27/11/2019	Sales Outlet	21,060
	Total	----- <u>2,370,265</u>