

Head 116 - Ministry of Trade, Commerce, Food Security and Cooperative Development - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 116 - The audit of the financial statements of the Ministry of Trade, Commerce, Food Security and Cooperative Development for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Trade, Commerce and Food Security was issued to the Chief Accounting Officer on 30 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 30 June 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a fair view of the financial position of the Ministry of Trade, Commerce, Food Security and Cooperative Development as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note. 1 related to the financial statements.

1.2 Basis for Qualified Opinion

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

1.3 Emphasis of Matter – Basis for preparing Financial Statements

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

1.4 Responsibility of the Chief Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per section 16 (1) of the National Audit Act, No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub - Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant, and Equipment

The following deficiencies were revealed in accounting for property, plant, and equipment

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Although a vehicle valued at Rs.40,000,000 belonging to the Ministry of Higher Education and another vehicle of unidentified value belonging to the Presidential Secretariat had been transferred to the Ministry in the previous year and in the year under review respectively, these vehicles had not been accounted for under non-financial assets.	If details of the relevant vehicle numbers are submitted, a sufficient reply in this regard can be given.	The correct values of vehicles transferred to the Ministry should be accounted for.
(ii) Due to the inclusion of three vehicles valued at Rs.51,000,000, which do not belong to the Ministry, in the non-financial assets statement, assets had been overstated by that amount.	Two of these three vehicles have been handed over to Lanka Sathosa, and action will be taken to remove these vehicles from the asset register in due course.	Action should be taken to promptly remove the vehicles not belonging to the Ministry from the asset register.
(iii) Fixed assets valued at Rs.65,524,857, belonging to seven asset classes of the International Trade Promotion Division (Department of Commerce), which was amalgamated with the Ministry in the previous year, had not	In 2024, provisions under this head were allocated to the Department of Commerce (International Trade Promotion Division), and the said Department has not transferred the non-financial assets to this Ministry. Since	All assets belonging to the Ministry should be accurately accounted for.

been included in the financial statements. provisions have again been allocated under Head 295 in 2025, this will be corrected in 2025.

- (iv) During the year under review, 18 items were issued on two occasions to the Co-operative Development Department, and in the previous year, 149 office equipment items, including 99 items valued at Rs.1,193,790 and 50 items of unidentified value, were issued to 10 public institutions. Nevertheless, these assets had not been removed from the financial statements.
- All these items, which were not included in the CIGAS computer system, have now been valued by an Additional Equipment Valuation Committee and entered into the CIGAS system.
- Assets belonging to and not belonging to the Ministry should be correctly identified and either included in or removed from the financial statements accordingly.

2. Report on Other Legal Requirements

In accordance with Section 6(1)(d) of the National Audit Act, No. 19 of 2018, I state the following:

- (a) The financial statements are consistent with the previous year.
- (b) The recommendations I made regarding the financial statements for the previous year have been implemented.

3. Financial Review

3.1 Expenditure Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) During the year under review, the entire total provision of Rs.412,500,000 provided for 17 objects had remained unutilized, while Rs.193,218,401, representing between 50 per cent and 96 per cent of the total net provision of Rs.375,700,000 for 21 objects, had also remained unutilized. Accordingly, in terms of Financial Regulation 50, the estimates had not been prepared as completely and accurately as possible.	Due to the prevailing political situation, the Ministry could not function for several months. In addition, expenditure was managed in line with the Public Expenditure Management Circular, and expected expenditure under certain payments allocated to the Department of Commerce did not arise. Therefore, the provisions remained unutilized.	Expenditure estimates should be prepared as accurately and realistically as possible, and the provisions received based on such estimates should be fully utilized.

- (b) From the total provision of Rs.181,500,000 made for the 08 objects, Rs.23,630,000 was transferred to other expenditure items under FR 66, leaving a net provision of Rs.157,870,000. Even after incurring the related expenditure, a balance of Rs.43,395,489 remained, and it was observed that this reflected overprovision, as the unspent amount ranged between 8 percent and 97 percent of the total net provision for objects.
- Allocations were transferred under FR 66 for payment of salaries and allowances of the new Ministerial staff. However, due to the unavailability of the relevant documents, the salary arrears and allowances for January 2025 were paid. Further, expenditure management in line with the Public Expenditure Management Circulars, officers taking no-pay leave, and the non-occurrence of expected expenditure caused the provisions to remain unutilized.
- Expenditure estimates should be prepared as accurately and realistically as possible, and the allocations received based on such estimates should be fully utilized.

3.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The total liabilities amounting to Rs.1,116,785 related to two objects had not been disclosed in the Statement of Liabilities, while liabilities and commitments amounting to Rs.76,306 relating to two other objects had been understated.	Relevant officers have been informed to take action accurately in future.	All liabilities and commitments should be accurately disclosed in the financial statements.

3.3 Certifications to be Made by the Chief Accounting Officer

In terms of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer should have certified the following matters. However, actions had not been taken accordingly.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Chief Accounting Officer must certify that an effective internal control system for financial control has been established and is being maintained within the Ministry, and that periodic reviews of the effectiveness of such system are conducted and necessary	In future, copies of the written reviews will be submitted to the Auditor General.	Action should be taken in compliance with Section 38 of the National Audit Act No. 19 of 2018 to ensure that effective internal control systems are maintained,

changes made to ensure its efficiency. Copies of such reviews must also be submitted in writing to the Auditor General. However, no evidence of such reviews was submitted for audit.

periodically reviewed, amended as required, and reported accordingly.

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| <p>(b) The Chief Accounting Officer and the Accounting Officer should certify that annual and other financial statements are prepared within the required timeframes. In addition, the Chief Accounting Officer is responsible for ensuring that the annual reports relating to the auditee entity are submitted to Parliament. However, due to the audit observations stated in Paragraph 4.2 of the report, these requirements had not been fulfilled.</p> | <p>Maximum efforts have been taken to expedite the submission of the delayed annual performance reports to Parliament. All institutions responsible for the delays have been informed in writing and verbally.</p> | <p>In accordance with Section 38 of the National Audit Act No. 19 of 2018, annual reports should be submitted to Parliament within the prescribed timeframe</p> |
| <p>(c) The Chief Accounting Officer and the Accounting Officer should certify that an effective mechanism exists to ensure the proper functioning of internal audit duties. However, according to the audit observation in Paragraph 6.1 of the report, this requirement had not been accomplished.</p> | <p>Relevant institutions have been informed to recruit Internal Auditors.</p> | <p>As required by Section 38 of the National Audit Act No. 19 of 2018, Internal Auditors should be appointed and internal audit activities should be carried out properly and continuously.</p> |

3.4 Non-compliance with laws, rules, and regulations

Instances of non-compliance with the provisions of laws, rules, and regulations observed during the audit test checks are analyzed below.

	Observation Reference to Laws, Rules, and Regulations etc.	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	FR 104 (3) and (4)	Full reports had not been issued for the 04 vehicle accidents that occurred during the year under review. Despite having passed 10 months since one accident, not even the preliminary report had been submitted in this regard. In addition, for the 04 vehicles damaged during the 2022 political unrest, about five months had been taken to prepare preliminary reports, while full reports had not been submitted.	An officer has now been appointed to prepare the full reports relating to the 04 vehicles.	Investigations regarding vehicle accidents should be conducted and reports submitted within the prescribed time period as required by the Financial Regulations. Responsible parties should be identified and appropriate action taken accordingly.
(ii)	F.R.110	The total damage amounting to Rs.53,290,469 relating to 02 vehicles damaged during the political unrest had not been recorded in the Losses and Damages Record.	Instructions have been issued to update the Losses and Damages Record properly in the future.	A properly updated record should be maintained for all damages and losses.

(iii) F.R. 571(2) and (3)	As at 31 December of the year under review, action had not been taken in accordance with the Financial Regulations regarding general deposits older than 2 to 5 years, totaling Rs.10,850,886.	Action will be taken in accordance with the Financial Regulations.	Action should be taken in accordance with the Financial Regulations for general deposit balances older than 02 years.
(b) Cabinet Decision No. CD/21/0458/313/015 dated 30 March 2021 II(b) and Paragraph 7.4 of National Budget Circular No. 01/2024 dated 10 January 2024	The lease agreement of the Ministry building, which expired on 02 May 2024, had been extended up to February 2025 without prior Treasury approval and a sum of Rs.58,707,360 had been paid as rent during the year under review.	Cabinet approval was obtained in 2021 to construct a permanent building and to locate the Ministry and several affiliated institutions there. Rent has been paid since 2021 based on the agreement with the lessor.	Approval of the Treasury should be obtained before extending the lease period.
(c) Public Administration Circular No. 09/2009(I) dated 17 June 2009	Salaries, allowances, and overtime totaling Rs.57,943,272 had been paid to Ministerial staff during 2022, 2023, and 2024 without verifying attendance and departure through the fingerprint system.	The Private Secretary to the Hon. Minister has informed the staff to act according to the Public Administration Circular and Establishments Code regarding attendance. Necessary arrangements have been made to obtain fingerprint data.	Salaries and overtime should be paid only after verifying attendance and departure through the fingerprint system.

3.5 Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The following observations are made regarding the shop established on the ground floor of the Ministry building.		

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| <p>(a) The shop, with a floor area of 2,178 sq. ft., had been leased to the Cooperative Wholesale Establishment from October 2022 to August 2023, and thereafter to an institution named Umandawa Green Hut from August 2023 to date. A total sum of Rs.6,226,669 remained outstanding from 2022 up to 31 December of the year under review for rental arrears, electricity bills, and water bills. Although nearly three years had elapsed, action had not been taken to recover the outstanding amounts or to install separate electricity and water meters for the shop and the Ministry.</p> | <p>Letters have been sent to the Chairman of Lanka Sathosa requesting settlement of the outstanding electricity charges of the ground floor. The building manager has also been informed to install separate electricity and water meters for the area where the shop is located.</p> | <p>Action should be taken to recover the outstanding amounts without delay and to install separate electricity and water meters for buildings leased to external parties.</p> |
| <p>(b) A private institution selected without following a formal procurement procedure had been paid Rs. 20 million on 29 December 2021 for purchasing 146 inventory items (deep freezers, televisions, cash machines, racks, computers) for interior designing of the said shop. Further, these items had not been recorded in the inventory registers as required by Financial Regulation 751. As at the audit date of 16 January 2025, a physical inspection revealed that 13 items valued at Rs.3,293,800 were missing.</p> | <p>A letter has been sent to the supplier requesting information regarding the handing over of the inventory items.</p> | <p>Procurement activities should be carried out in accordance with procurement procedures. All inventory items should be recorded in the inventory registers as required by the Financial Regulations. Investigations should be conducted regarding the missing items, and accordingly, responsible parties should be identified.</p> |
| <p>(c) Without following a formal procurement process, the said shop had been leased</p> | <p>The Ministry does not have files relating to this matter. The relevant facts are being</p> | <p>Transactions should be carried out properly in a manner that does not cause</p> |

at Rs.250,000 per month for the period from 01 September 2023 to 31 December 2024. However, the Ministry had been paying the building owner Rs.326,700 per month for that floor area. As a result, a loss of Rs.1,627,200 had been incurred from September 2023 to the end of the year under review.

analyzed, and an adequate explanation will be provided in due course.

losses to the Government when entering into agreements. Investigations should be initiated to recover the loss incurred by the Ministry.

4. Operational Review

4.1 Failure to Perform Duties

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Among the objectives of the Ministry, it had not been possible to achieve the following major objectives even during the year under review		
(i) Formulating a National Trade Policy.	The Draft National Trade Policy has now been prepared and is proposed to be further improved in alignment with the Government's current national economic policies. A mechanism for obtaining data from institutions under the Ministry has been developed and is being further improved. Necessary arrangements are being made to implement a national intellectual property protection mechanism in the year 2025.	Necessary measures should be taken without delay to achieve the objectives.
(ii) Maintaining the data system related to institutions under the Ministry, updating that data system, and establishing a mechanism to link it with external institutions that provide data, as well as guiding the implementation of a protection mechanism for safeguarding national intellectual property rights and establishing an intellectual property system.		

- (iii) Expediting the updating and amending of laws and regulations of institutions under the Ministry to ensure greater consumer protection.
- (b) The Consumer Affairs Authority Act No. 09 of 2003, the National Intellectual Property Act No. 36 of 2003, and the Measurement Units, Standards and Services Act No. 35 of 1995 had not been amended and finalized by the end of the year under review.

4.2 Annual Performance Report

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>According to Section 12.1 of the Public Finance Circular No. 02/2020 dated 28 August 2020, all Accounting Officers are required to submit the Annual Performance Report to Parliament for tabling within 150 days from the end of the financial year. However, out of 11 institutions under the Ministry, the Performance Reports of 4 institutions for the year 2022 had not been tabled, while the reports of 7 institutions had been tabled after delays ranging from 4 months to more than 1½ years. Furthermore, the Performance Reports of 10 institutions for the year 2023 had not yet been tabled even as at 30 April 2025.</p>	<p>All institutions that have caused delays have been informed.</p>	<p>Measures should be taken to ensure that the Annual Performance Reports are tabled in Parliament before the due date.</p>

4.3 Asset Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) As at 30 March 2025, the Ministry was using 32 vehicles, including 21 belonging to other institutions. However, only 7 drivers had been assigned for about two years. Accordingly, about 20 vehicles remained underutilized.	Since some ministries and departments to which these vehicles originally belonged are no longer functioning, a request has been made from the Comptroller to transfer those vehicles under the Ministry. Out of the 11 vehicles currently in the pool, 7 had previously been assigned to the former Minister of Trade, the State Minister, and their staff, and these were reassigned to the pool after 21 September 2024. The vehicle that had been temporarily provided to Lanka Sathosa has also been taken back into the pool.	Only the required number of vehicles should be retained for the Ministry's needs, and vehicles belonging to other institutions should be returned. Drivers should also be deployed according to requirement.
(b) A sum of Rs.76,886,217 had been indicated by the relevant company as the cost required to restore a vehicle damaged during the political unrest in 2022. However, only Rs.24,000,000 had been received from the Sri Lanka Insurance Corporation on 20 September 2023. As the amount was insufficient, no decision had been taken regarding repairs even after about 2½ years from the date of the incident, and the insurance money had been kept in a general deposit account, while the vehicle remained parked at the Cooperative Wholesale Establishment.	Not commented.	Action should be taken to repair the vehicle and put it into use again.

4.4 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) By the Extraordinary Gazette No.2412/08 dated 25 November 2024, the company named the State Trading Co-operative Wholesale Company Ltd, had been published under the purview of the Ministry. However, the recommendation in accordance with of the Cabinet decision No.CD/21/1313/313/045 dated 02 August 2021 made to the Secretary of the Ministry for winding up the company had not been implemented even as of 30 April 2025. Further, details regarding the Settlement of the outstanding balance of Rs.31,485,686 due to the People's Bank on 22 May 2013 for the guarantee provided by the General Treasury on behalf of the said Company were not submitted for audit.	This Ministry was established under Extraordinary Gazette No.2153/12 dated 10 December 2019 as the Ministry of Internal Trade, Food Security and Consumer Welfare, and previous information is not available with the Ministry.	Actions should be taken to wind up the company and information should be submitted for audit.
(b) According to Gazette Notification No. 2412/08 dated 25 November 2024, all dedicated economic centre were assigned under this Ministry, and the matters observed regarding the economic centres are as follows:		
(i) Legal ownership of land on which Ratmalana and Meegoda Dedicated Economic Centers are located had not been	Required information has been called, and replies will be provided upon receipt of such information.	Action should be taken to transfer the legal ownership of land on which the centers are located to the respective centers.

legally transferred to the respective centers.

(ii) In the Dedicated Economic Centers of Ratmalana, Piliyandala, Narahenpita, and Meegoda, 128 stalls had been subleased in violation of agreements with the lessees.	Required information has been called, and replies will be provided upon receipt of such information.	Actions should be taken according to agreements, and a formal procedure should be implemented for leasing the centers.
(iii) Although the lease agreements entered into in respect of 23 shops at the Narahenpita Dedicated Economic Center and 63 shops at the Veyangoda Economic Center had expired on 31 May 2023 and 2018 respectively, formal agreements had not been entered into as of the date of the report.	-Do-	Formal agreements should be entered into before the expiry contracted period.
(iv) Financial statements for Piliyandala Dedicated Economic Center for the period from 2022 to 2024 and Weyangoda Economic Center from 2023 to 2024 were not submitted for audit.	-Do-	Financial statements should be submitted for audit by the prescribed dates.
(v) No proper procedure had been implemented for recruitment to the positions in the economic centers.	-Do-	Positions should be approved, and a proper procedure should be implemented for the recruitments.
(vi) Due to non-payment of lease rent in accordance with the assessment reports, as of December 31, 2024, the outstanding stall rent and fines at the Narahenpita Economic Center amounted to	-Do-	Agreements should be entered into to collect rent in accordance with the new assessment reports.

Rs.68,039,527, and the outstanding warehouse rent amounted to Rs.80,899,820, while the outstanding stall rent and fines at the Ratmalana Economic Center amounted to Rs.2,088,623.

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| <p>(vii) In the construction project of the Bank Complex Building at the Dambulla Dedicated Economic Center at a contracted value of Rs.21,072,873, formal approval had not been obtained using the Variation Order Form for the total contract variations of Rs.7,006,460, consisting of a total excess work of Rs.5,132,543 and a total extra work of Rs.1,873,917. Furthermore, since the value of these contract variations amounted to approximately 33 per cent of the original contract value, no action was taken to revise the total cost estimate.</p> | <p>After examination and report is issued by the Matale District Engineer and the Technical Officer of Dambulla Divisional Secretariat, replies will be submitted.</p> | <p>In such cases, steps should be taken to obtain approval for contract variations and to revise the total cost estimate in accordance with the Procurement Guidelines.</p> |
| <p>(viii) Arrears that remained receivable from previous years at Dambulla economic center for lease, fines, and vehicle access ticket fees amounting to Rs.1,027,978, Rs.7,700,611, and Rs.500,000, respectively totaling Rs.9,228,589, had been written off during the year under review without obtaining</p> | <p>The write-off has been done in accordance with Section 8(a) of the Trust Fund.</p> | <p>Approval from the Establishment Officer should be obtained as sufficient account balances have been written off.</p> |

approval from the Establishment Officer.

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| <p>(ix) A total of 126 stalls out of 157 stalls at Dambulla economic center were operating without lease agreements for periods ranging from 5 to 25 years.</p> | <p>Due to the Ministry not taking a policy decision, the issuance of lease agreements has been delayed, and action will be taken in the future regarding the issuance of such agreements.</p> | <p>Action should be taken to enter into proper lease agreements for all stalls.</p> |
| <p>(x) Due to collection of monthly rent lower than assessed rent by the Government Valuation Department, a loss of Rs.59,359,624 had occurred to the Trust Fund for 157 business units at Dambulla Dedicated Economic Center from 2023 to 31 December 2024. Action had not been taken in accordance with the powers of paragraph 8 (a) of the Declaration of Trust dated 24th January 2017 to recover the assessed rent. Furthermore, although nearly three months had passed since the expiry of the three-year validity period of the 2022 valuation reports, no action had been taken to carry out a reassessment as at 25 March 2025.</p> | <p>Attention will be paid to entering into lease agreements with new assessments as soon as possible. The Valuation Department has been informed regarding the reassessment.</p> | <p>Valuations should be carried out and the assessed rent should be recovered, ensuring that no loss is incurred to the Trust Fund.</p> |
| <p>(xi) Although the mission of Dambulla economic center is to provide quality, damage-free vegetables and fruits at fair and attractive prices to increase farmer</p> | <p>Since the prices of agricultural products are determined by market demand and supply, the management trust has no ability to control them.</p> | <p>Activities should be planned in a manner that fulfills the objectives of the center, and action should be taken accordingly.</p> |

income. Although 26 years had passed since the establishment of the center, the management had failed to implement any program to protect the harvest, control prices or publicize the determined prices.

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| <p>(xii) Out of 7 proposed activities in the 2024 Action Plan of Dambulla Dedicated Economic Center, 6 had been abandoned of implementation. Accordingly, although a sum of Rs.510,000 had been spent in 2022 for the preparation of survey plans, the expenditure became fruitless due to the abandonment of implementation.</p> | <p>A reply will be provided upon receipt of the report following the examination of this matter by the Matale District Engineering and the Technical Officer of the Dambulla Divisional Secretariat.</p> | <p>Action plans should be formulated with due consideration of practical circumstances, and the prepare plans should be carried out.</p> |
| <p>(xiii) At Tambuttegama Dedicated Economic Center, stall rent had been collected until December 2023 based on 09 August 2016 dated assessment report valid for 2 years. Accordingly, due to the failure to re-assess the stalls after two years, the rental income that could have been earned for 05 years based on the revised assessment was lost.</p> | <p>Not replied.</p> | <p>The stalls should be re-assessed before the expiry of the current assessment period, and rent should be charged based on the new assessed value.</p> |
| <p>(xiv) Although approval had been obtained on 16 September 2020 from Mahaweli Authority for 5.07 acres of land in Orugalayaya,</p> | <p>Not replied.</p> | <p>The land should be lawfully taken over and utilized for its intended purpose. An appropriate inquiry should be conducted to recover the</p> |

Tambuttegama Division for waste disposal of the Tambuttegama Dedicated Economic Center, the land had not been legally taken over and used for the intended purpose even as of 5 March 2025. Accordingly, to secure long-term lease rights, a sum of Rs.40,000 as a penalty and Rs.10,000 as interest was paid to the Mahaweli Authority of Sri Lanka due to the failure to pay lease amounts properly from 2020 to 2025.

penalty imposed for the failure to pay lease amounts on the due date from the responsible officers.

(xv) Although approval of Rs. 9,195,162 had been obtained on 26 April 2022 from the Ministry of Agriculture to upgrade the toilet system at Tambuttegama Dedicated Economic Center and to install a gully treatment plant, the management had failed to implement the project. An amount of Rs. 1,218,500 was spent in 2024 for the disposal of gully waste at the center, and due to the non-implementation of the said projects, such a significant amount of expenditure had to be borne.

Not replied.

Action should be taken to promptly implement the approved productive projects.

(xvi) When leasing out 45 shops at Embilipitiya Dedicated Economic Center, no proper leasing agreements had been reached. Furthermore, 40

Agreed. Since the Economic Center did not enter into an agreement with the lessees when it was established in 2003, it has not been possible to resort to legal

Immediate steps should be taken to enter into formal lease agreements with the lessees and prompt action should be taken to recover the arrears.

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| <p>lessees had defaulted on Rs. 3,699,797 in lease rent as of 31 December of the review year, but no legal action was taken thereon.</p> | <p>action and has been informing the lessees from time to time, both in writing and verbally, to pay the outstanding amounts.</p> |
| <p>(xvii) With respect to the stalls under the Embilipitiya Dedicated Economic Center, the 2016 assessment was valid only up to 31 October 2019. As the stalls had been leased for nine years based on that assessment, the revenue that could have been recovered at the present assessed values was lost.</p> | <p>Agreed. A letter dated 1 October 2019 was sent to obtain a new assessment report, and the Ministry was informed on 22 August 2022 regarding the assessment of 15 shops facing the main road. Advance fees have been paid to the Department of Valuation for the assessment process.</p> <p>When leasing properties, they should be assessed, and lease agreements should be reached based on those assessed values.</p> |
| <p>(xviii) According to the 2022 Action Plan of the Kappetipola Dedicated Economic Center, a project was proposed to construct a roof covering the center by spending Rs. 194.6 million from the Management Trust. However, the project had not been implemented by the end of December 2024. For procurement purposes, Rs. 500,000 was provided to the Dambulla District Secretariat on 30 May 2024, and Rs.256,565 was spent for newspaper advertisements.</p> | <p>The Ministry of Trade will take the necessary further steps regarding this matter.</p> <p>Action should be taken to implement the project as planned.</p> |

5. Achievement of Sustainable Development Goals

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) It had been stated that, the overall physical progress of the Dambulla Storage Complex construction carried out with the objective of maintaining food stocks to prevent food shortages under 03 specific targets, had reached 75 per cent to 100 per cent as of December 31 of the reviewed year. The construction and operational process of the cold storage complex for storing vegetables and fruits was identified as the indicator of its successful implementation. However, although this project, which was initiated in 2020, exceeded its estimated timeline and construction activities were completed after 3½ years, its operational processes had not commenced even by the end of April 2025.	The necessary information has been requested, and action will be taken to provide replies once the information is received.	Measures should be taken to promptly commence the operational processes of the cold storage complex for storing and preserving vegetables and fruits, and the progress in achieving the sustainable development goals should be accurately stated.
(b) Under the objective of maintaining a food buffer stock to prevent food shortages, no additional rice stock had been maintained, and no measures were taken to establish an appropriate system for maintaining a buffer stock of locally essential food items.	The necessary information has been requested, and action will be taken to provide replies once the information is received.	Action should be taken to implement an appropriate system for maintaining food buffer stock.

6. Good Governance

6.1 Internal Audit

The following observation is made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In accordance with Section 40(1) of the National Audit Act, No. 19 of 2018, the Chief Accounting Officer of the Ministry is required to appoint an internal auditor for the Ministry, and each institution under the Ministry is required to appoint an internal auditor through its governing board. However, as of 31 January 2025, internal audit positions remained vacant in the Ministry and 07 of its departments and state-owned enterprises for periods ranging from 01 year to 06 years. Furthermore, internal audit positions had not been established in three institutions: the Department of Food Commissioner, the Cooperative Employees' Commission, and the Department of Commerce.	The relevant institutions have been informed to take the necessary steps to recruit internal auditors.	Measures should be taken to establish internal audit positions in institutions where they have not been created, and to ensure the uninterrupted functioning of internal audit throughout the Ministry and all institutions functioning thereunder.