

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka National Freedom from Hunger Campaign Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 and Finance Act, No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Corps as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Sub Section 16(1) of the National Audit Act, No. 19 of 2018, the Board 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 of the Board.

1.4 Scope of Audit

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 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, they could reasonably be expected to influence the economic decisions of users taken 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of the Financial Statements

1.5.1 Non- compliance with the Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Management Comment	Recommendation
(a) In accordance with paragraph 71 of the Sri Lanka Public Sector Accounting Standards No. 1, the Board had not taken action to separate the employee loans of Rs.8,933,879 into current and non-current and indicate them in the financial statements.	Action will be taken to disclose the amount of Rs.8,933,879 in employee loans that are due to be recovered in more than 12 months in the financial statements from the year 2025.	In accordance with the Accounting Standards, employee loans should be separated into current and non-current and disclosed in the financial statements.
(b) Contrary to paragraph 54 of the Sri Lanka Public Sector Accounting Standards 2, the accumulated depreciation of Rs.378,520 was added to the cash flow generated from operating activities instead of the loss of Rs.425,479 on the disposal of an asset costing Rs.800,000 as temporary buildings in the year under review, which resulted in a decrease of Rs.46,959. Further, the cost of the disposed asset of Rs.800,000 was indicated as a cash flow generated from investing activities in the cash flow statement, thereby overstating the cash flow generated from investing activities by that amount.	Accepted. Action will be taken to prevent this from happening in the future.	The cash flow statement should be prepared in accordance with the Accounting Standard.
(c) In accordance with paragraphs 28 and 29 of the Sri Lanka Public Sector Accounting Standard 7, the amount of Rs.1,859,868 paid for the supervision of the construction of the building at the Kalankuttiya Rice Processing Plant had been debited to legal and consultancy expenses without taking steps to capitalize it. Accordingly, the value of work in progress and the profit for the year under review were also understated by the same amount.	Accepted. Action will be taken to capitalize the amount of Rs.1,859,868 paid for the supervision of the building construction work of the Kalankuttiya factory in the year 2025.	Capital expenditures should be accounted in accordance with the Accounting Standard.

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| (d) | Even though the Board had chosen the cost model for accounting fixed assets as per paragraph 40 of the Sri Lanka Public Sector Accounting Standard No. 7, action had not been taken to disclose it in the financial statements in accordance with Section 86 of the Standard. | Accepted.
Action will be taken to disclose whether the model used for property, plant and equipment is at cost or at revaluation in the preparation of financial statements from the year 2025. | The format for accounting fixed assets in accordance with the Accounting Standard should be disclosed. |
| (e) | Even though, as per paragraph 49 of the Sri Lanka Public Sector Accounting Standard No. 7, in revaluing items of property, plant and equipment, the entire class of property, plant and equipment to which that asset belongs should be re-valued, during the revaluation of machinery and motor vehicles in the year 2024, machinery worth Rs.6,556,793 and 2 tractors worth Rs.1,875,000 had not been re-valued. | Accepted.
Since all the machines in the Kalankuttiya factory was dismantled and the building was renovated and new buildings were constructed, it was not possible to re-evaluate the machinery. Since the two tractors are scheduled to be disposed, action will be taken to dispose them in the year 2025. | In accordance with the Accounting Standard, in revaluing assets, the entire class of property, plant and equipment to which the asset belongs must be re-valued. |
| (f) | Even though it was required to disclose the provision for depreciation at the beginning and end of the period as per paragraph 86 (d) of the Sri Lanka Public Sector Accounting Standards No. 7, the Board had not disclosed the provision for depreciation at the beginning of the year. | Action will be taken to record and show the opening balances according to that format in preparing financial statements from the year 2025. | In accordance with the Accounting Standard, provision for depreciation should be disclosed at the beginning and end of the period. |
| (g) | In accordance with paragraphs 95 and 96 of the Sri Lanka Public Sector Accounting Standard No.11, assets worth Rs.10,968,500 received by the Board in the year under review had not been recognized as revenue and had been credited to the Fund. As a result, the surplus for the year under review had been understated by that amount and the Fund had been overstated. Furthermore, grants -in-kind of Rs.3,136,689 received in years prior to 2010 and not credited to revenue as per the Standard as at 31 December 2024 had not been recognized and credited to accumulated revenue. | It is accepted that the property, plant and equipment donation has been recorded as a fund in the year 2024. It has been identified as revenue and actions have been taken to rectify it in the year 2025. | In accordance with the Accounting Standard, asset revenue should be accounted. |

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| (h) | Disclosures in the financial statements as per paragraphs 141 (b), (c), (d), (n) of the Sri Lanka Public Sector Accounting Standards 19 regarding employee benefits had not been made. | Accepted.
Action will be taken to disclose under (b), (c), (d), (n) of paragraph 141 of the Sri Lanka Public Sector Accounting Standard No. 19. | Disclosures regarding employee benefits should be made in the financial statements in accordance with the Accounting Standard. |
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1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Even though the revaluation surplus occurred due to revaluation of the motor vehicles worth of Rs.12,672,300 fully depreciated in the year under review and machineries worth of Rs.19,945,700 should be credited to the revaluation reserve, only Rs.13,153,900 out of that had been credited to the revaluation reserve and an amount of Rs.6,791,800 had been credited to the cumulative fund. Accordingly, the revaluation reserve had been understated by same amount and the cumulative fund had been overstated by that amount.	Accepted. The action will be taken to rectify the credit of Rs.6,791,800 to the cumulative fund which should be credited to the revaluation reserve in 2025.	The revaluation surplus should be credited to the revaluation reserve.
(b) Work-in –progress worth of Rs.12,960,776 in main ledger had not been debited to work-in progress account and debited to building account. Consequently, the value of land and building had been overstated by same account as at 31 December 2024.	Having opened an account for work-in- progress in main ledger since 2025, the action will be taken to separately show work-in-progress, lands and buildings in the financial statements.	Work-in –progress should be accurately accounted.
(c) No step had been taken to allocate adequate impairment losses for trade debtors balance of Rs.691,211 elapsed more than 10 years indicated under current liabilities in the statement of financial position.	Accepted. It is accepted that adequate impairment losses had not been allocated. Up to 2024, an amount of Rs.4,348.41 had been allocated and the action had been taken to rectify balance amount of Rs.686,863 in 2025.	The provision should be made for the impairment losses as per the accounting standard.

1.6 Non-compliance with laws, rules, regulations and management decisions etc.

	Reference to laws, rules and regulations	Non-compliance	Management Comment	Recommendation
(a)	Section 2(1) of Sri Lanka National Freedom From Hunger Campaign Board Act No.15 of 1973 of National State Assembly	The Sri Lanka National Freedom From Hunger Campaign Board had been established under Sri Lanka National Freedom From Hunger Campaign Board Act. The name assigned to board under said Act is Sri Lanka National Freedom From Hunger Campaign Board and the activities of the board are maintained under letter head as Food Promotion Board. Accordingly, it was observed in the audit that the board is maintained by another name without a Act passed by the parliament of Democratic Socialist Republic of Sri Lanka.	The name of board had been revised as National Food Promotion Board by the Cabinet Paper No.09/1913/315/042-I and the instructions had been given to prepare the act correspondingly. As per said Cabinet Paper, National Food Promotion Board is used in the letter heads and the name of Sri Lanka national Freedom From Hunger Campaign Board is also used with that.	Subsequent to amendment of the act, the relevant name should be used.
(b)	Section 38(1) (c) and 38(2) of the National Audit Act No.19 of 2018	Even though it should be ensured that effective internal control systems for the financial control exists in each such entity and carry out periodic reviews to monitor the effectiveness of such systems and a copy of that should be presented to Auditor General, no action had been taken by board accordingly.	An effective internal control system will be prepared for the finance control and taken action accordingly and the step will be taken to make aware Auditor General.	An effective internal control system should be carried out for finance control.
(c)	Public Enterprises Circular No.01/2021 dated 16 November 2021 of Department of Public Enterprises	In accordance with section 6.7 of Operational Manual of State Owned Enterprises, fixed assets and stores goods should be annually verified and though the outdate items should be disposed after carrying out such survey, a survey on assets had not been carried out by board within the year under review.	Accepted. The board of survey with regard to 2024 is being performed presently and once it will be completed, it will be forwarded to you.	A survey should be carried out on assets annually.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.57,179,787 and the corresponding surplus in the preceding year amounted to Rs.59,970,689. Accordingly, a deterioration amounting to Rs.2,790,902 of the financial result was observed. The reasons for deterioration are the increase of transport, communication, utilities and other expenses by Rs.12,260,225 in the year under review as compared with the preceding year.

2.2 Trend Analysis of Major Income and Expenditure Items

As compared with the preceding year, the Treasury/ministry grants had increased by 148 percent and other operating income by 22 percent in the year under review and the interest income had decreased by 47 percent and the employee remuneration expense and supplies and requirement expenses had increased by 32 percent and 60 percent respectively. The transport, communication, utilities and other expenses and fixed assets renovation and maintenance expenses had increased by 66 percent and 10 percent.

2.3 Ratio Analysis

Compared to the previous year, the current ratio and quick asset ratio in the year under review had increased by 0.31 and 0.4 respectively.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) An income of Rs.81,134,631 had been received during 2017-2019 from sale of soil to the expressways by removing soil from the tanks which is not an objective of the Act. In accordance with the project report in relation to this, even though it had been indicated that the money had been obtained to the board from the relevant farmer organizations for the soil provided and the small tanks should be developed under the engineering consultancy of Department of Agrarian Development to the proper standard by utilizing such money with the government provisions, an amount of Rs.76,085,636 from the money received had been invested in a fixed deposit without doing so.	As per common objective No.02 in terms of the Act, this development activity had been carried out by board in 2017/2018 in order to fulfil the objectives of board in No.04 under the powers of board. The funds received from this have been retained in a fixed deposit.	The income received from the sale of soil to expressways should be remitted to the Treasury.

(b)	A loss of Rs.23,973,301 had occurred from Rice Empowerment Project commenced in the year under review and overhead expenses of Rs.18,052,819 had caused for that.	Accepted. In implementation Rice Empowerment Project in 2024, numerous programs had been conducted for making aware the relevant parties including Education Offices, Health Sector, Ministry of Agriculture and World Food Program. In addition, it had been made aware in these school levels including principal, teacher in charge of nutrition and Regional Health Officers of all districts in which rice is distributed and the attendance allowances entitled to them had been provided. The entertainment expenses had to be incurred for the participants for such programs. Apart from that, it was observed that this money had been incurred for the officers and employees of board participated for carrying out these tasks.	The project should be implemented and maintained as minimized the overhead expenses.
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3.2 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
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(a)	03 private institutions had been selected without open tender procedure for import of 25,000 metric tonnes maize at concessionary price for animal farms in Sri Lanka in 2024 and assigned the distribution activities to such institutions. Even though 9,917 metric tonnes had been imported as at 31 December 2024 and distributed to small scale manufactures. The board had not monitored that such maize had been distributed to small scale manufactures at concessionary price. An administrative fee of Rs.3 had been only charged for 01 kg and an administrative fee of Rs.9,739,370 had to be further received to the board.	A supplier had been selected under Rs.137 which was the minimum price submitted in accordance with the quotations of the registered suppliers for import of maize in 2024. Two other suppliers who had agreed to import maize under such prices itself had been permitted to import on concurrence of the Technical Evaluation Committee and the Procurement Committee. The Maize Imports Project is not a project implemented by government funds and the action is being taken to import by the selected importer by incurring his money for board and distribute to the manufacturers. The all money receivable had been received.	Having imported under the license received to board, the distribution activities should be formally monitored.
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| <p>(b) The approval of the Cabinet of Ministers had been granted to purchase 5,000 metric tonnes of Soya Beans from local farmers to board and sell to Threeposha Company. On the approval of Board of Directors, the co-ordination of this purchase activity had been carried out by a member of Board of Directors. Since such activity had not been performed properly, it had been identified that 14,766.1 kg of Soya Beans had been misplaced and accordingly, no step had been taken to recover the loss of Rs.3,013,532 occurred to board from the relevant officer.</p> | <p>It had been informed on 20.08.2024 to the officer who is the responsible for the misplacement of Soya Beans Stock to pay an amount of Rs.3,013,532 which was the value of Soya Beans stock and a letter had been submitted to Attorney General's Department on 22.10.2024 and an inquiry had been made whether the money can be recovered through a court proceeding again on this recovery.</p> | <p>The loss should be recovered from the relevant officer.</p> |
| <p>(c) No action had been taken to sell rice and beverages stocks worth of Rs.1,228,361 in relation to 03 projects completed in 2023 which was mentioned in the statement of financial position before expiry or utilize for other project even up to the date of this report.</p> | <p>There was 527 kg of Kuruluthuda paddy in Traditional Rice Project under the projects not implemented presently. The preparedness of selling that had delayed due to the negligence of the staff and now such paddy had been converted into rice and kept in Dehiwela Sales Centre for sale. There are empty containers in the other projects and the suitable action will be taken.</p> | <p>The relevant stock should be sold before expiry or utilized for other project.</p> |

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
(a) A net loss of Rs.29,067,786 had occurred for 08 projects out of 09 implemented within the year under review by board. As compared with 2023, the loss in 2024 had increased by 219 percent and it was observed that a proper attention of higher management had not been paid in relation to this matter.	It is accepted that Maize Imports Project out of the projects implemented in 2024 is profitable. The necessary action had been taken to minimize the loss in 2025.	The projects should be implemented taking into consideration costs benefits.

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| (b) | Even though Rs.878.15 million had been estimated for import of 1,000 metric tonnes of black gram for human consumption and it was expected a net income of Rs.16 million by Rs.16 for 01 kg from that, this project had not been implemented in the year under review. | Since the Ministry of Agriculture had informed to provide a quota for import of black gram, the necessary action had been taken to import black gram in 2024. As the quota had not been provided to our board as agreed, said project couldn't be carried out. | The follow-up activities should be carried out in relation to preparation of approved project estimates and implementation of those projects. |
| (c) | The land located in Buttala in extent of 10 acres received to board for agricultural activities for 30 years lease had been idle without utilization for any purpose and an expense of Rs.849,582 had been incurred for the maintenance of land including the salaries and allowances for two employees within the year under review. | Since Buttala Farm had been given to board on 30 year lease, the expression of interest had been called for development of farm with the assistance of private sector for improvement efficiently. Accordingly, Buttala Farm had been selected in accordance with the interest of two investors in private sector for future income generation in the future and utilized for maize cultivation. | The lands obtained on lease basis for agricultural purposes should be utilized for effective projects. |