Contents

2015 – Annual Report

Vision

Generation of the economic independence and self confidence through the implementation of the Programmes for re-establishment of the Dignity of the farmers and less privileged persons

Mission

To implement participatory development Programmes to develop competencies in agriculture, livestock and the other fields in order to establish the economic independence of the benefiaciaries and to alleviate the culture of dependency of the benefiaciaries.

Board of Directors for the Year 2015

Name	Designation	Work Station
Mr. Dhammika Peiris	Chairman	Sri Lanka National freedom from Hunger Campaign Board
Mr. Ravi Krishan Jayawardene	Assistant Chairman	Sri Lanka National freedom from Hunger Campaign Board
Mr. D.M.L. Bandaranayaike	Additional Secretary (Development)	Mnistry of Plantation Industries
Mrs. W.M. Deepthi Fernando	Additional Secretary (Home Affairs)	Ministry of Home Affairs and Fisheries
Mr. P.S.S. wijerathne	Senior Assistant secretaty	Mnistry of Irrigation and Agriculture
Mr. H.G.G.J. Dharmasena	Director General	Department of Manpower and Employment
Mrs. M.F.K. Nisa	Assitant Director	Deaprtment of National Budget
Mr. Wijayasiri Wickremasinghe	Member of the Board of Directors	No. 409/3 C, Mahaiyawawatte, Kalapuwawa, Mulleriyawa Town
Mr. P.W. Dharamasiri Welikala	Member of the Board of Directors	No. 95, Bandaranayaike Mawatha, Mihindupura, Anuradhapura
Mr. A.T.M. Ekanayake	Member of the Board of Directors	No. 121, Yasasiripura, Anuradhapura
Mr. Krishan Nilanga	Member of the Board of Directors	No. 898/A4, diyathera, Pahalawela Road, Pelwatte.

Dates of Conducting theMeetings of the Board of Directors in the Year 2015

363rd Meeting of the Board of Directors – 19.03.2015

364th Meeting of the Board of Directors – 30.06.2015

365th Meeting of the Board of Directors – 09.10.2015

366th Meeting of the Board of Directors – 30.12.2015

Number of Days of conducting the Meetings of the Board of Directors during the year 2015 is 04

Review of the Chairman

I am very much pleased to forward the performance with a review for the Annual Report of the Year 2015 as the Chairman of the National Food Promotion Board.

Action is being taken to promote traditional healthy foods that are free of poisonous substances through giving priority to the concept of the sustainable development in Agriculture through a local agri-economy free of poisonous substances introduced by His Excellency the President, Maithripala Sirisena and the guidance and the blessing of Hon. Dumnida Dissanayake, the Minister of Agriculture is of utmost importance.

The following major projects were implemented by the Board for the Year 2015.

1. Project for the manufacture and promotion of nutritious food items such as Mawposha and Suwaposha.
2. Project for developing Buttala and Thanamalvila Farms.
3. Project for the establishment of Sales Centres on agricultural products.
4. Our Food Free of Poisonous Substances – Healthy Food Project
5. Project for publicizing the manufacture and consumption of the local traditional rice varieties.
6. Pilot Project on the manufacture of special rice flour mixed with Soya.
7. Pilot Project on Kurakkan Cereal Flakes.

In addition to these major Projects, Sales Centres on Agricultural Products have been established in Dehiwala and Narahenpita to provide the maximum uprightness to the manufacuturer and the consumer in order to meet the modern requirements and thereby, the urban community is also benefitted through this Project. Moreover, Urbanists are instructed on the methods of cultivating agricultural crops to obtain a maximum harvest from a low space and vegetable, flowers, medicinal herbs and fruit plants can be purchased for concessionary price levels and instructions can be provided on the methods of cultivating crops through plant nurseries located in the Urban areas such as Dehiwala and Narahenpita.

We are able to market products such as indegeneous rice varieties free of poisonous substances, thosai flour, special rice flour, Mauposha, Suwaposha, and Sisuposha from our manufactories located at Kalankuttiya and Gannoruwa.

The publicization of indegeneous rice varieties and traditional rice varieties that are hygienic and free from poisonous substances and thereby provision of a maximum income to the farmers. Likely, we have contributed in uplifting the nutritious status of Sri Lankans through the issuance of our cereal products such as Mauposha, Suwaposha, special rice flour mixture, special thosai flour mixture to the Markets.

Moreover, various Research Institutions launch noval nutritious food items and undertaking the promotion of such food items by any government institution is a very rare occurrence. Accordingly, Kurakkan mixed cereal flakes and soya mixed special rice mixture was launched as an initiative for conducting such a task. Food Research Unit of the Department of Agriculture has constantly conducted researches on that. It is expected to conduct such projects continuously and to provide food items free of poisonuous substances to the people.

Thereby, it is expected to extend these tasks and thereby to promote the production of food items free of poisonous substances, to introduce new products, to make them abundant among the public and to make the manufacturer as well as the consumer benefitted from the endeavour.

Dhammika Peiris,
Chairman,
National Fod Promotion Board.
(Sri Lanka National Freedom from Hunger Campaign Board)

Information of the Board

Name of the Board:

National Food Promotion Board (Earlier Sri Lanka Freedom from Hunger Campaign Board)

Location and Legal Entity:

This has been incorporated by the Sri Lanka Freedom from Hunger Act No. 15 of 1973. The approval of the Cabinet of Ministers was granted to change the name as Natinoal Food Promotion Board. The Head Offcie is located at No. 45 in Kirimandala Mawatha of Colombo 5.

Fundamental Activities and Objectives:

An entity that serve the people who have undergone economic inequality to a great degree. The Objectives are:

- Obtaining donations from foreign and local representatives for the social and economic development in compliance with the developmental programme prepared by the Government.
- Assisting in the institutions and the other Boards in the implementation of the social and economic developmental schemes.
- Providing aids to specified schemes that are focused on the agricultural and technical development and development and coordination of such schemes.
- Making the Non-governmental representatives interested in the implementation of proposals in the increase in the agricultural and technical production.
- Establishments of cooperation with the International Freedom from Hunger Campaigns and the other similar foreign Institutions, Associations and Societies.

Line Mnistry – Ministry of Agriculture

Office:
No. 45, Kirimandala Mawatha,
Colombo 5
Telephone: 0112506895
Fax: 0112506907
E. Mail Address: ffhc.srilanka@gmail.com

Auditors:
Auditor General’s Department

Bankers:
Bank of Ceylon – Borella
People’s Bank – Dehiwela

Strategies:

- Integration of the developmental bases in order to direct them towards the achievement of a collective objective.
- Providing opportunities for the rural people to collaborate in the economic and social development.
- Empowering the rural community to participate in the developmental process.
- Changing towards the values that can be achieved with the establishment of self confidence of the traditional rural people in order to generate self propelled sustainable development.
- Use of local food items and promotion of the production
- Extending the technology of minimizing the post harvest loss up to the ground level.

Overall performance - 2015

Sri Lanka National Freedom from Hunger Campaign Board has conducted 09 projects in the year 2015 and the summarized details of these Projects are given below.

1. Plant Sales Centre - Narahenpita

The Plant Nursery was commenced in the Head Office at Narahenpita with the objective of providing opportunity for the urbanists to purchase materials at concessionary rates required for the publicization of the home gardening of the urban population. It is possible to purchase all types of flower plants, plants of rare fruit varieties, vegetable plants and types of seeds from this plant nursery.

In addition to such plant types, fertilizer for vegetables and flowers, organic fertilizers, insect repellents and agricultural equipment can also be purchased from this place. Further, the instructions pertaining to crop cultivation can be obtained from this place. The operating expenditure for this project in this year is Rs. 7.085 million and earned a sum of Rs. 7.828 million as the operating income. Likely, the net profit for the year is 1.346 million and thereby, according to data, it is obvious that the project has achieved a progress in this year when compared with the progress achieved in the previous year.

2. Sales Centre for Agricultural Products - Dehiwela

This Project was initiated with the objective of publicizing foods that are free of poisonous subtances among the general public. Processed food items of local food manufacturers, traditional rice varieties, and Mauposha, Suwaposha, Thosai Flour and special rice flour are available for sale at this Sales Centre. In addition, facilities are provided at this Sales Centre to buy breakfast and lunch prepared according to the local recipes at affordable price levels. A Sales Centre has been established within the Zoological Gardens, Dehiwela. A valuable service is being rendered to the people residing in that area through these Sales Centres. The operating income of the project in this year is Rs. 44.427 million and the expenditure is Rs. 43.079 million. Accordingly, the net profit in the year is Rs. 1.449 million.

3. Development of Buttala Farm

This project was initiated in the year 1986 with the objective of experimenting as a model cultivation. The Institution invested money and cultivated crops until June 2014 and a sum of Rs. 1.9443 million was received by the Mnistry of Agriculture for the development of Buttala Farm in the month of August. A sum of Rs. 1.0173 million was incurred to construct an electric fence to protect the farm from the wild elephants.

The cultivation of maize was initiated in 3 ½ acres using the remaining amount of money. 4550 kg of maize was harvested as the yield of the maize cultivation in January 2015 and an income of Rs.150,018.00 was earned by selling the yield. Likely, 2 cultivation wells were renovated by incurring a sum of Rs. 0.4739 million and Rs. 0.095 million was earned by cultivating vegetable crops such as brinjal, beans, tomato and ladies fingers in minor scale.

In addition, an income to the value of Rs.0.27 million has been earned from marketing Organic fertilizer produced in the Buttala farms and this Project was launched for rendering a valuable service to the public rather than earning profits. This year the operating income of this Project in this year is Rs. 0.463 million and the expenditure is Rs. 1.44 million.

4. Development of Thanamalwila Farm

The Thanamalwila farm has been conducted for a long period of time as a model cultivation.

The institution incurred money until August 2014 and cultivated traditional paddy varieties in this Farm. An amount of Rs. 1.39 million was received by the institution in the year 2105 and one cultivation wellswere renovated incurring Rs. 0.34 million out of the amount. Likely, a sum of Rs. 0.141 million was incurred for cultivating the paddy variety “Suwadel” and 3100 kg of Suwadel paddy was harvested as the yield and an income of Rs. 0.217 million was earned. Crops such as Drumstick, maize and pumpkin were cultivated in minor scale.

5. Plant Nursery – Dehiwela

This Sales Centre has been initiated for obtaining every thing required by the urbanists for subsidized prices for the development of home gardening. It is possible to purchase all types of flower plants, plants of rare fruit varieties, vegetable plants and types of seeds from this plant nursery at a concessionary price levels. In addition to such plant types, fertilizer for vegetables and flowers, organic fertilizers, insect repellents and agricultural equipment can also be purchased from this place. An amount of Rs. 3.417 million has been earned as the income of this year and sum of Rs. 3.33 million has been incurred.

6. Project of Processing Soya related Products

This Project is a research Project initiated with the objective of controlling the Non Contageous Diseases including Diabetics and reducing the consumption of wheat flour and enhancing the nutritious level of the public by publicizing soya related products among the general public. These researches were conducted at the Food Research Unit of Gannoruwa which is under the purview of the Department of Agriculture and a sum of Rs. 4 million was incurred on these research activities. Initiatives have already been taken to introduce these products to the market in collaboration with the private partenership.

7. Healthy Food Restaurant - Narahenpita

This Project was initiated on 01.04.2014 with the objective of providing local food items to the urban consumers at concessionary price levels. Food is prepared according to local recipes. Additionally, local products manufactured by the institution and by the small land medium scale entreprenuers are marketed at this place. The operating income of this Project is Rs.14.936 million and the operating expenditure is Rs.19.154 million.

Likewise, the net loss of the year 2014 related to the project is Rs. 4.218 and action has been taken to reduce the loss in the year 2016.

8. Suwaposha Nutritional Food, Rice Flour, Thosai Flour and Mauposha Project

The Rice Flour and Thosai Flour Project has been inintiated with the objective of publicizing the use of rice flour in the planatation sector and this project is being implemted in the Kalankuttiya Factory. The rice Flour and Thosai Flour Projects and the project for the provision of nutritious pack to low weighted pregnant women are initiated according to the Concept of Mihinda Chinthana.

These manufacturing activities are being conducted at the Food Research Unit under the purview of the Department of Agriculture and at the Kalankuttiya Factory. Provisions were received for these products from the Divi Neguma Department until the end of the year 2014 and the distribution was donethrough Samurdhi Banks of the selected Districts. Since Provisions were not received from these institutions fro the year 2015, these prodcuts were manufacured only for our showrooms and for healthy Food restaurants.

10. Provisions from the General Treasury

	Budgetary Provisions 2014 (Rs. Million)	Received Grants (Rs. Million)	Actual Expenditure (Rs. Million)	Additional Expenditure (Rs. Million)
Recurrent	46.1766	37.274	42.772	3.403
Capital	5.00	5.0	5.04	(0.039)
Total	51.1766	42.274	47.81	3.364

Annual Accounts Report 2015

Sri Lanka National Freedom from Hunger Campaign Board

The Statements of Financial Position and the Financial Performance have been preprared caccording to the Generally Accepted Accounting Principles on Historic Cost Basis and in compliance with the Sri Lanka Public Sector Accounting Standards.

Accounting Policies:

1. Newly purchased assets have been stated at their newly purchased value (Cost) and the other assets have been stated at the revaluation value (fair value).
   The Assets that are revalued are deprecited over the useful life of assets and the value that existed prior to the revaluation date has been depreciated by the following percentages of depreciation.
   Depreciation has been computed to the following depreciation percentages from the date of purchasing up to the date of revaluing assets.

Depreciation ratios

Lands and Buildings	5%
Motor Vehicles	20%
Furniture and Fittings	10%
Machinery and Machines	20%
Photographs and Cinematic Equipment	10%
Agricultural Instruments	20%
Equipment used for Gardening	10%
Other Equipment	20%
Office Equipment	10%
Minor Equipment and Measuring Equipment	20%
Temporary Buildings	5%
Computers and Software	20%

2. Balances receivable have been accounted for the net amount receivable after allocated for Bad and Doubtful Debt.
3. Allocations have been made for all identified liabilities.

4. Allocations for gratuities have been calculated based on the years of each employee who are entitled to gratuities.
5. Income that has exceeded the expenditure has been computed after making allocations for all the known liabilities.
6. Stocks are computed at the least value of cost and net realized value and the cost for the following stocks are computed under the following methods.
   a. Raw materials – Raw materials are stated at the actual cost using First In First Out method.
   b. Unfinished Stocks – Direct raw materials are stated at cost.
   c. Finished Stocks – Direct raw Materials, variable Overhead Cost and Direct Salries are stated at actual cost.
   d. Consumables – Consumables are stated at actual cost.

7. The Provisions received from the Government are forwarded separately as an income in the income Statement and expenditure items have been submitted separately.

1. The following Projects had been impletmed by the Sri Lanka National Freedom from Hunger Campaign Board during the year 2015.

Project	**Funded by**	**Location of the Project**
Development of the Farm – Thanamalwila	Self generated funds and the Ministry of Agriculture	Thanamalwila
fDevelopment of the Farm – Buttala	Self generated funds and the Ministry of Agriculture	Buttala
Excrude Flake Development	Ministry of Agriculture	Gannoruwa
Soya Based Rice flour Production	Ministry of Agriculture	Gannoruwa
Local Rice Project	Ministry of Agriculture	Kalankuttiya
Nursery - Head Offcie	Self generated funds	Narahenpita
Development of the Farm – Ambalantota	Self generated funds	Ambalantota
Programme on the promotion of the consumption of rice flour in the Plantation Sector.	Self generated funds	Kalankuttiya
Suwaposha Nutritious Food Packet	Self generated funds	Gannoruwa
Mauposha Nutritious Food packet	Self generated funds	Gannoruwa
Publicizing the use of Carbonic Fertilizer	Self generated funds	Buttala
Sales Centre of Agricultural products – Dehiwela	Self generated funds	Dehiwela
Healthy Food Restaurant	Self generated funds	Narahenpita

2. The following current Accounts were being maintained in this year too under the Sri Lanka National Freedom from Hunger Campaign Board.

194125 - Provisions received from the Geenral Treasury

Provisions received from the Mnistry of Agriculture, Development of Farm – Buttala, Development of Farm – Thanamalwila, Ambalantota Farm, Suwaposha Project, Mauposha Project, the Project for promoting the consumption of rice flour in the Plantation Sector, Plant Nursery, Dehiwela Sales Centre, Healthy Food Restaurant, Compost Project

138295 - Income earned from the Sales Centre at Dehiwela

3. Separate ledgers are being maintained for each Project.

Sri Lanka National Freedom from Hunger Campaign Board
Statement on Financial Position as at 31 December 2015

Particulars	Note	2015 Rs.	2014 Rs.
Assets			
Non Current Assets			
Property Plant and Equipment	1	***342,006,088.38***	***343,497,339.56***
Lands		307,200,000.00	307,200,000.00
Buildings		16,373,609.27	13,039,577.17
Motor Vehicles		5,875,000.00	8,707,000.00
Machinery and Machines		2,177,383.41	3,371,800.00
Furniture and Fittings		1,346,928.26	1,328,520.00
Office Equipment		1,962,203.81	2,016,165.50
Agricultural Equipment		443,000.00	639,500.00
Gardening Equipment		200,000.00	-
Other Equipment		2,146,815,.37	2,439,350.00
Photographic and Cinema Equipment		-	3,540.00
Computer Accessories		1,084,277.38	1,292,160.00
Temporary Buildings		2,127,987.55	2,239,986.89
Measuring Equipment		100,183.33	130,740.00
Intangible assets			
Software		968,700.00	1,089,000.00
Financial Assets		***855,088.71***	***826,984.98***
Saving Deposits		774,478.21	746,374.48
Loans		80,610.50	80,610.50
Current Assets		***8,064,308.68***	***11,495,780.47***
Deposits		201,816.50	201,816.50
Inventory		4,874,033.32	9,609,552.48
Debtors		979,476.77	999,476.77
Advances		21,900.00	33,400.00
Cash Receivable		317,900.51	581,768.31
Cash in Hand and Cash in Bank		1,669,181.58	69,766.41
Total Assets		**350,925,485.77**	**355,820,105.01**
Equities and Liabilites			
Capital and Reserves		***334,367,991.14***	***343,255,663.66***
Balance of Funds		375,001,390.22	370,001,390.22
Consolidated Fund		(40,633,399.08)	(26,745,726.56)
Non Current Liabilities		***10,245,455.80***	***5,426,693.20***
Retirement Gratuity Liabilites		4,845,455.80	2,926,693.20
Mid-term Loans		5,400,000.00	2,500,000.00
Current Liabilites		***6,312,038.83***	***7,137,748.15***
Short Term loans		187,500.06	375,000.03
Retained Amounts		668,747.75	256,669.35
Accrued Expenditure		5,455,791.02	6,506,078.77
Total Equities and Liabilites		**350,925,485.77**	**355,820,105.01**

Sri Lanka National Freedom from Hunger Campaign Board
Statement on Financial Position as at 31 December 2015

Particulars	Note	2015 Rs.	2014 Rs.
Income		**41,753,482.54**	**50,048,316.74**
Grant of General Treasury/ Ministry		38,720,477.23	25,516,568.00
Other Operating Income	2	2,507,011.58	23,968,173.48
Interest of Savings Accounts		28,103.73	122,366.70
Proceeds obtaibned from the Disposal of Assets		1,773,392.00	68,383.56
Remitting proceeds obtained from selling the assets to the General Treasury		(1,771,892.00)	-
Other Income		496,390.00	372,825.00
Expenditure		**55,678,542.06**	**48,126,802.63**
Personal Salaries		34,085,445.29	20,237,177.46
Travelling Expenditure		148,900.95	79,955.00
Supplies and requisites		1,257,729.96	1,669,799.53
Repair and Maintenance of Fixed Assets		4,312,188.80	6,463,475.08
Translations, Communications, Utilities and the other Services		15,874,277.06	19,676,395.56
Income that Exceeded Expenditure/ Surplus (Deficit)		**(13,925,059.52)**	**1,921,514.11**

Sri Lanka National Freedom from Hunger Campaign Board
Cash Flow Statement as at 31 December 2015

	Note	2015 Rs.	2014 Rs.
Cash flows used/received from Operational Activities			
Net Profit/Loss before income taxes		(13,925,059.52)	1,921,514.11
Adjustments			
Depreciations	1	5,360,214.21	4,322,664.08
Interest Income earned from Investment Activites		(28,103.73)	(122,366.70)
Allocations for Retirement Gratuity		1,918,762.60	750,109.60
Revaluation Profit/Loss		-	328,671,316.14
Operational Profit before Working Capital Changes		**(6,674,186.44)**	**335,543,237.23**
(Increases)/ decreases in Stocks		4,735,519.16	(5,134,402.52)
Trade and Other Receivables (Increases)/ decreases		295,367.80	576,316.65
Increase in Trade and Other payables		(638,209.35)	(946,477.66)
Cash Flows generated from Operations		4,392,677.61	(5,504,563.53)
Cash flows received/ (used) from Operational Activities		**(2,281,508.83)**	**330,038,673.70**
Acquisition of Property, Plant and Equipment	1	(5,527,463.03)	(7,325,206.63)
Revaluation of Property, Plant and Equipment		-	(328,671,316.14)
Disposals/Transfers of Property, Plant and Equipment		1,658,500.00	6,129,390.12
Interest income received from Investment Activities		-	(415,890.20)
Net Cash flows received/ (used) from Investment Activities		**(3,868,963.03)**	**(330,283,022.85)**
Cash flows received/ (used) from Financial Activities			
Receipts of Funds		43,720,477.23	30,516,568.00
Donations		(38,720,477.23)	(25,516,568.00)
Adjustments fro earlier Periods		37,387.00	(5,581,822.95)
Receipts of Loans		3,000,000.00	-
Repayment of Loans		(287,499.97)	(104,166.65)
Net Cash flows received/ (used) from Financial Activities		**7,749,887.03**	**(685,989.60)**
Net Increase/ (Decrease) in Cash and Cash Equivalents		1,599,415.17	(930,338.74)
Cash and Cash Equivalents at the beginning of the Year		69,766.41	1,000,105.15
Cash and Cash Equivalents at the end of the Year		**1,669,181.58**	**69,766.41**
Note - A			
Bank Balance		69,766.41	918,739.46
Petty Cash Imprest		-	80,214.96
Cash in Hand		-	1,150.73
		69,766.41	**1,000,105.15**

Sri Lanka National Freedom from Hunger Campaign Board
Change in Equities Statement for the Year ended on 31 December 2015

	Revaluation Fund Rs.	Balance in Fund Rs.	Consolidated Fund Rs.	Total Rs.
Balance as at 01.01.2015	328,671,316.14	41,330,074.08	(26,745,726.56)	343,255,663.66
Funds Received		43,720,477.23		43,720,477.23
Donations		(38,720,477.23)		(38,720,477.23)
Adjustments for prior Periods			37,387.00	37,387.00
Under Allocations				
Net Surplus (Deficit) for the Year			(13,925,059.52)	(13,925,059.52)
	328,671,316.14	**46,330,074.08**	**(40,633,399.08)**	**334,367,991.14**

Note 01
Non Current Assets

Type of Assets	Lands and Buildings	Motor Vehicles	Machinery and Equipment	Office Equipment	Furniture and fittings	Agri equipment	Gardening Equipment	Other Equipment	Photographic and Cinema Equipment	Temporary Buildings	Measuring Equipment	Computers and Software	Other Investment	Total
Balance as at 01.01.2015	320,239,577.17	8,707,000.00	3,371,800.00	2,016,165.50	1,328,520.00	639,500.00	-	2,439,350.00	3,540.00	2,239,986.89	130,740.00	1,292,160.00	1,089,000.00	343,497,339.56
Additions	4,000,000.00	-	166,980.00	340,056.28	350,826.75	-	200,000.00	174,000.00	-	-	-	295,600.00	-	5,527,463.03
Disposals/Transfers (Fixed Assets)	-	(1,007,000.00)	(650,000.00)	-	-	-	-	-	-	-	-	(1,500.00)	-	(1,658,500.00)
Disposals/Transfers (Values already Depreciated)	-	1,007,000.00	650,000.00	-	-	-	-	-	-	-	-	1,500.00	-	1,658,500.00
depreciations for Year	(665,967.90)	(2,832,000.00)	(1,361,396.59)	(394,017.97)	(332,418.49)	(196,500.00)	-	(466,534.63)	(3,540.00)	(111,999.34)	(30,556.67)	(503,482.62)	(120,300.00)	(7,018,714.21)
Net Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Value as at 31.12.2015	323,573,609.27	5,875,000.00	2,177,383.41	1,962,203.81	1,346,928.26	443,000.00	200,000.00	2,146,815.37	-	2,127,987.55	100,183.33	1,084,277.38	968,700.00	342,006,088.38
Total of the Revaluation Surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total of the Revaluation Deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Carrying Value	324,519,357.99	7,700,000.00	2,888,780.00	2,356,221.78	1,679,346.75	639,500.00	200,000.00	2,613,350.00	3,540.00	2,239,986.89	130,740.00	1,586,260.00	1,089,000.00	347,646,083.41
Accumulated Depreciations	(945,748.72)	(1,825,000.00)	(711,396.59)	(394,017.97)	(332,418.49)	(196,500.00)	-	(466,534.63)	(3,540.00)	(111,999.34)	(30,556.67)	(501,982.62)	(120,300.00)	(5,639,995.03)
Net Carrying Value	323,573,609.27	5,875,000.00	2,177,383.41	1,962,203.81	1,346,928.26	443,000.00	200,000.00	2,146,815.37	-	2,127,987.55	100,183.33	1,084,277.38	968,700.00	342,006,088.38

Note 02: Trade, Profit and Loss Account

2.1 Dehiwela Sales Centre

Trade, Profit and Loss Account for the Year Ended on 31.12.2015

Items	2015 Rs.	2014 Rs.
Trade Income	**44,427,486.94**	**47,285,238.21**
Less: Sales Cost		
Opening Stock	1,481,735.70	1,620,879.72
Purchases	36,489,702.80	38,830,172.31
Transport	62,060.00	60,780.00
Loss of Stocks	-	-
Closing Stock	(1,574,895.14)	(1,832,983.42)
	36,458,603.36	38,678,848.61
Gross Profit/Loss	**7,968,883.58**	**8,606,389.60**
Overhead Cost	6,519,382.34	6,121,579.19
Net Profit/Loss	**1,449,501.24**	**2,484,810.41**

2.2 Plant Nursery – Head Office

Trade, Profit and Loss Account for the Year Ended on 31.12.2015

Items	2015 Rs.	2014 Rs.
Trade Income	**7,828,601.61**	**6,378,381.02**
Less: Sales Cost		
Opening Stock	456,182.00	403,350.00
Purchases	5,073,167.50	4,411,191.00
Loss of Stocks	-	
Closing Stock	(1,059,868.78)	(456,182.00)
	4,469,480.72	4,358,359.00
Gross Profit/Loss	**3,359,120.89**	**2,020,022.02**
Overhead Cost	2,012,214.42	1,708,337.83

	Net Profit/Loss	**1,346,906.47**	**311,684.19**

2.3	**Plant Nursery – Dehiwela**	
	Trade, Profit and Loss Account for the Year Ended on 31.12.2015	
	Gross Profit/Loss	**Gross Profit/Loss**
	Trade Income	**3,417,684.50**
	Less: Sales Cost	
	Opening Stock	351,247.72
	Purchases	2,426,249.00
	Loss of Stocks	-
	Closing Stock	(126,271.80)
		2,651,224.92
	Gross Profit/Loss	**766,459.58**
	Overhead Cost	906,810.10
	Net Profit/Loss	**140,350.52**

2.4 Project of publicizing the use of Rice Flour in the Plantation Sector – Kalankuttiya

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2015

Items	2015 Rs.	2014 Rs.
Opening Stock	3,352,991.90	750,058.10
Purchases	454,560.73	11,307,072.72
Loss of Stocks	(3,546.00)	(59,612.60)
Closing Stock - Materials	(442,681.10)	(3,352,991.90)
Expenditure on Raw Materials	3,361,325.53	8,644,526.32
Direct Salaries	-	1,383,456.67
Expenditure on Transport	-	20,231.42
Opening Stock - Work in Progress	-	-

Closing Stock - Work in Progress	-	-
Expenditure on Manufacture	3,361,325.53	10,048,214.41
Sales Income	**665,226.03**	**14,300,287.00**
Less: Sales Cost		
Opening Stock	67,400.00	11,204.00
Expenditure on Manufacture	3,361,325.53	10,048,214.41
	3,428,725.53	10,059,418.41
Closing Stock	(33,724.50)	(67,400.00)
	3,395,001.03	9,992,018.41
Gross Profit/Loss	**(2,729,775.00)**	**4,308,268.59**
Overhead Cost	2,540,635.19	180,347.14
Net Profit/Loss	**(5,270,410.19)**	**4,127,921.45**

2.5	**Suwaposha Manufactories – Gannoruwa**		
	Trade, Profit and Loss Account for the Year ended 31.12.2015		
	Items	**2015 Rs.**	**2014 Rs.**
	Opening Stock	999,592.55	458,574.00
	Purchases	132,516.72	6,513,780.35
	Closing Stock – Raw Materials	(140,000.00)	(999,592.55)
	Expenditure on Raw Materials	992,109.27	5,972,761.80
	Direct Salaries	-	358,378.45
	Expenditure on Transport	-	22,100.00
	Opening Stock - Work in Progress	-	-
	Closing Stock - Work in Progress	-	-
	Manufacturing Cost	992,109.27	6,353,240.25
	Sales Income	**255,544.00**	**8,493,152.50**
	Less: Sales Cost		
	Opening Stock	155,950.00	10,000.00

	Manufacturing Cost	992,109.27	6,353,240.25
		1,148,059.27	6,363,240.25
	Closing Stock	(10,000.00)	(155,950.00)
		1,138,059.27	6,207,290.25
	Gross Profit/Loss	**(882,515.27)**	**2,285,862.25**
	Overhead Cost	219,654.70	295,328.89
	Net Profit/Loss	**(1,102,169.97)**	**1,990,533.36**

2.6 Healthy Food Restaurant

Trade, Profit and Loss Account for the Year ended 31.12.2015

	Items	**2015 Rs.**	**2014 Rs.**
	Sales Income	**14,936,207.64**	**16,395,350.08**
	Less: Sales Cost		
	Opening Stock	212,587.15	-
	Purchases	12,068,008.05	14,308,582.42
	Salaries	6,216,845.79	2,793,551.79
	Closing Stock	(237,898.50)	(212,587.15)
		18,259,542.49	16,889,547.06
	Gross Profit/Loss	**(3,323,334.85)**	**(494,196.98)**
	Overhead Cost	869,198.24	1,008,816.88
	Net Profit/Loss	**(4,192,533.09)**	**(1,503,013.86)**

2.7 Mauposha Project

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2015

Items	**2015 Rs.**	**2014 Rs.**
Opening Stock	1,681,715.46	576,998.00
Purchases	1,350,865.10	9,439,396.43
Direct Salaries	-	3,966,875.34
Transport	-	752,393.00
Closing Stock - Raw Materials		

	(482,774.50)	(1,681,715.46)
	2,549,806.06	13,053,947.31
Closing Stock - Work in Progress		-
Sales Cost	2,549,806.06	13,053,947.31
Sales Income	**347,307.50**	**19,201,680.00**
Less: Sales Cost		
Opening Stock	671,040.00	14,220.00
Sales Cost	2,549,806.06	13,053,947.31
	3,220,846.06	13,068,167.31
Closing Stock	(295,460.00)	(671,040.00)
	2,925,386.06	12,397,127.31
Gross Profit/Loss	**(2,578,078.56)**	**6,804,552.69**
Overhead Cost	**3,862,981.49**	1,323,082.08
Net Profit/Loss	**(6,441,060.05)**	**5,481,470.61**

2.8 Buttala Compost Project

	2015 **Rs.**	**2014** **Rs.**
Opening Stock	136,460.00	-
Cultivating Cost	43,879.00	217,924.69
Direct Salaries	109,568.40	-
Transport	-	-
Closing Stock - Raw Materials	-	(136,460.00)
	289,907.40	81,464.69
Opening Stock - Work in Progress	-	-
Closing Stock - Work in Progress	-	-
Sales Cost		

	289,907.40	81,464.69
Sales Income	**272,885.00**	**476,090.00**
Less: Sales Cost		
Opening Stock	42,650.00	-
Sales Cost	289,907.40	81,464.69
Closing Stock	-	(42,650.00)
	332,557.40	**38,814.69**
Gross Profit/Loss	**(59,672.40)**	**437,275.31**
Overhead Cost	**79,201.33**	**280,381.43**
Net Profit	**(138,873.73)**	**156,893.88**

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2015.

2.9 Traditional Rice Project
Trading Account for the Year ended 31.12.2015

Items	2015 Rs.
Opening Stock	-
Purchases	988,703.09
Transport	-
Closing Stock	(313,509.00)
	675,194.09
Income earned from Sales	**105,710.00**
Less: Sales Cost	
Opening Stock	-
Manufacturing Cost	675,194.09
	675,194.09
Closing Stock	(156,950.00)
	518,244.09

Gross Profit/Loss	**(412,534.09)**
Overhead Cost	1,075,732.36
Net Profit/Loss	**(1,488,266.45)**

2.10 Buttala Farm

Trading Account for the Year ended 31.12.2015

Items	2015 Rs.
Opening Stock	-
Cost of Cultivation	46,338.80
Direct salaries	-
Transport	-
Closing Stock - Raw Materials	-
	46,338.80
Opening Stock - Work in Progress	-
Closing Stock - Work in Progress	-
Manufacturing Cost	46,338.80
Income earned from Sales	**190,656.50**
Less: Sales Cost	
Opening Stock	-
Manufacturing Cost	46,338.80
Closing Stock	-
	46,338.80
Gross Profit/Loss	**144,317.70**
Overhead Cost	1,161,944.24
Net Profit/Loss	**(1,017,626.54)**

2.11 Thanamalwila Farm

Trading Account for the Year ended 31.12.2015

Opening Stock	-
Cost of Cultivation	48,120.00
Direct salaries	-
Transport	-
Closing Stock - Raw Materials	-
	48,120.00
Opening Stock - Work in Progress	-
Closing Stock - Work in Progress	-
Manufacturing Cost	48,120.00
Income earned from Sales	**302,260.00**
Less: Sales Cost	
Opening Stock	
Manufacturing Cost	48,120.00
Closing Stock	-
	48,120.00
Gross Profit/Loss	**254,140.00**
Overhead Cost	869,010.37
Net Profit/Loss	**(614,870.37)**

Trading, Profit and Loss Account	
Dehiwela Sales Centre	7,968,883.58
Narahenpita Plant Nursery	3,359,120.89
Dehiwela Plant Nursery	766,459.58
Kalankuttiya Rice Flour Project	(2,729,775.00)
Suwaposha Project	(882,515.27)
Healthy Food Restaurant	(3,323,334.85)
Mauposha Project	(2,578,078.56)
Buttala Compost Project	(59,672.40)
Traditional Rice Project	(412,534.09)
Buttala Farm	144,317.70
Thanamalwila Farm	254,140.00

Total	**2,507,011.58**

03' Direct Developmental Expenditure has been indicated under donations

04. All the expenditure incurred for the administration of the Head Office has been indicated under the Treasury Funds.

05.	**Funds of the Treasurty**				
	Description	**2015 Budgetery Allocations**	**Actual Expenditure 2015**	**Provisions obtained from the General Treasury in the Year 2015**	**Excess/ Deficit**
	Recurrent	46,176,600.00	42,772,763.04	37,274,725.00	3,403,836.96
	Capital	5,000,000.00	5,039,251.75	5,000,000.00	(39,251.75)
				42,274,725.00	

06.The Funds received from the Ministry of Agriculture for the Projects have been used as recurrent and capital Expenditure.

	Description	**Capirtal**	**Recurrent**	**Ttoal**	
	Project	-	1,445,752.23	1,445,752.23	
				1,445,752.23	

07. The decision of the Case No. DMR02401-13 filed at the Colombo District Court on the amount of Rs. 3,209,728.53 scheduled to be paid for the fence constructed for the Farm at Ambalantota is still pending.

Audit Report 2015

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. } AGL/HCB/01/16/01

ඔබේ අංකය / உமது இல. / Your No. }

දිනය / திகதி / Date } 31 May 2017

The Chairman
Sri Lanka National Freedom from Hunger Campain Board

Report of the Auditor General on the Financial Statements of Sri Lanka National Freedom from Hunger Campain Board for the year ended 31 December 2016 in terms of the Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of Sri Lanka National Freedom from Hunger Campain Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act No.38 of 1971 and Section 14 of the Sri Lanka National Freedom from Hunger Campain Board Act No.15 of 1973. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

අංක 306/72, පොල්දුව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, .- இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.- No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-section (3) and (4) of Section 13 of the Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Sri Lanka National Freedom from Hunger Campain Board as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Public Sector Accounting Standard 07

The depreciation rates used for the depreciation on buildings and motor vehicles had not been disclosed in terms of Paragraph 86(c) of the standard.

(b) Sri Lanka Public Sector Accounting Standard 09

Contrary to the Paragraph 09 of the standard, the damaged stock, costing Rs.3,481,290 had been included in the closing stock of the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) The cash flow statement had not been prepared by identifying the activities, reflecting cash inflows and cash outflows during the year under review. The following deficiencies had existed in the cash flow statement presented.

(i) In adjusting for the computation of operational profit, the provision for employees gratuity had been understated by Rs.371,989 and the payment of gratuity amounting to Rs.569,140 made during the year under review had not been shown in the financial statements.

(ii) The re-investment of savings interest of Rs.31,641 for the year under review had not been shown under cash flows from investing activities.

(iii) Write off of farmers debts relating to the previous years amounting to Rs.80,601 had been posted twice to the cash flow statement.

(b) According to the revaluation report, the useful life of the Temporary buildings had been shown as 10 years whereas when it was depreciated the useful life had been taken as 19 years and as such the depreciation in the year under review had been understated by Rs.100,799.

(c) The closing stock of the year under review had been overstated by Rs.1,938,769 in the financial statements.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Although a former officer had obtained packets of Suwaposha and Mawposha valued at Rs.64,500 on credit basis in the year 2011, action had not been taken to recover the dues even by the end of the year under review.

(b) In spite of the fact that a sum of Rs.3,300,000 had been shown in the accounts as an expenditure payable to the Paddy Marketing Board since 2011, according to the financial statements of the Paddy Marketing Board, there was no such a receivable amount.

(c) Debtor balances brought forward from the years 2011, 2012 and 2013 totalled Rs.878,842. Action had not been taken to recover same.

(d) Total creditors balances brought forward from 2 to 5 years and over 5 years amounted to Rs.390,560 and Rs.199,757 respectively. Action had not been taken to recover them.

(e) The loan of Rs.5,500,000 obtained from the Farmers Trust Fund in 3 instances during the periods from 2010 to 2015 by the Board should have been settled in full by the end of the year under review. However, a balance of Rs.4,900,000 had been payable even by the end of the year under review.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following Non-compliances with regulations were observed.

Reference of Regulations	Non-compliance
Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(a) Financial Regulation 177(1) and 371	Although the collection money should be banked daily, cash collected at trade stall, Dehiwala and the Plant Nursery at Narahenpita had been banked after a delay of 6 to 12 days. Further, the approved Petty Cash Imprest of the Dehiwala shop amounted to 70,000, but sums of Rs.131,092 to 271,946 had been retained in hand by exceeding that limit.
(b) Financial Regulation 751(1)	Inventory and stock books had not been maintained by the Dehiwala Shop.

3. Financial Review

3.1 Financial Results

According to the Financial Statement presented, the financial results for the year ended 31 December 2016 had been a deficit of Rs.2,343,342 as compared with the corresponding deficit of Rs.13,925,060 thus indicating an improvement of Rs.11,581,718 in the financial results for the year under review as compared with the preceding year. Although the increase in transport, communication, utilisation and other services expenditure by Rs.17,608,143, increase of provisions received from the Treasury and the Ministry of Agriculture by Rs.22,391,535 and the increase of other income by Rs.9,018,043 during the year under review had mainly attributed to improve the financial results.

In analysing the financial results of the year under review and the preceding 4 years, a surplus in the year 2014 and deficit in the years 2012, 2013, 2015 and 2016 had existed in the financial results. In considering employees remuneration and the depreciation on non-current assets the contribution of Rs.17,768,473 in the year 2012 had increased to Rs.37,019,044 in the year under review.

3.2 Legal Cases Initiated Against the Board

A contract had been awarded to put up a fence in the year 2012 in a land without the legal ownership of the Board and without the approval of the Board of Directors and an agreed valued by deviating from procurement procedure. As the payment had not been made to the contractor, he had filed a case asking for a compensation of Rs.3,209,728 and it had not yet finalised even by the end of the year under review.

3.3 Utilisation of resources of the other government institutions

It was observed that 3 motor vehicles, 3 tractors, 01 motor vehicle and one motor vehicle belonging to the Ministry of Agriculture, Ministry of Economic Development, Mahaweli Authority and the Minor Crops Promotion Board respectively had been utilised by the Board without taking action to aquire them to the Board.

4. Operating Review

4.1 Performance

In terms of Sri Lanka National Freedom from Hunger Campain Board Act No.15 of 1973, objectives of the Board include obtaining assistance of the non-governmental foreign and local agencies for the Social and Economic Development, assisting to institution and other Boards in the implementation of development programmes, assisting, improving and coordinating to schemes inclined to agricultural and industrial development and encouraging non-governmental agencies in the implementation and to Co-operate with International Freedom from Hunger Campain Institutions and other similar foreign institutions.

(a) In order to achieve the afore-said objectives estimates for the implementation of 12 projects, by spending a sum of Rs.617.91 million had been prepared by the Board in accordance with the Action Plan prepared for the year under review. Nevertheless, any of those projects whatsoever had not been implemented during the year under review.

(b) Although it was expected to earn Rs.274 million worth of income during the year under review from 12 projects being implemented by the Funds of the Board, the income earned during the year under review was only Rs.75 million. The performance of the project implemented is as follows.

(i) **Thanamalwilla Farm**

Any cultivation activity whatsoever had not been effected in this farm, consisting of 16 acres, and a sum of Rs.128,000 had been earned as rent income and the total expenditure of the year amounted to Rs.655,412.

(ii) **Buttala Compost Fertilizer Project**

Compost fertilizer is processed in this land, 10 acres in extent and marketed. The quantity manufactured during the year under review amounted to 87,650 kg. However, a SLS certificate had not been obtained for this product.

(iii) **Consumer sales outlet at Dehiwala**

The profit of the Dehiwala outlet had dropped by 83 per cent as compared with the previous year. Decrease in sales income by Rs.2,005,531 and increase in overhead expenses had attributed to this drop.

(iv) **Healthy Food Cafeteria**

The Healthy Food Cafeteria, opened somewhere in Narahenpita with the objective of creating a non-poisonous traditional indigenous food consumer pattern had not sold any such food. In considering its income and expenditure, the loss of Rs.406,765 in the year 2012 had gradually increased up to Rs.4,192,533 in the year 2015 and it was Rs.3,812,515 in the year 2016.

According to the physical verification carried out in audit in this cafeteria, considerable differences between the commodities purchased and the foods prepared were observed. Details appear below.

Commodity	Quantity	Foods to be Processed	Foods Processed	Variance
	Kg	(No.of packets)	(No.of packets)	(No.of packets)
Rice	1762	10,551	7,233	3,318
Fish	210	5,215	1,945	3,461
Meat	188	2,774	1,046	1,728

(v) Narahenpital Plant Nursery

More percentage of the income of this plant nursery was obtained from the sale of various kinds of plants. At a physical verification carried out on 08 August 2016, there was a shortage of 102 plants valued at Rs.14,425 between the physical balance and the stock book balance.

(vi) Rice Flour Promotion Project – Kalankuttiya

This project had incurred a loss of Rs.226,394 in the year under review and 83 per cent of the total cost had been spent for salaries and allowances.

4.2 Management Activities

The following observations are made.

(a) A directive had been given by the Committee on Public Enterprises met on 01 October 2012 to submit amendments to the Act of the Board but that directive had not been implemented as yet.

(b) Although the draft charge sheet and the primary inquiry report in respect of the cash theft of Rs.77,352 occurred in the Narahenpita sales outlet in the year 2012 had been presented on 05 May 2015, action in that regard had not been taken even up to 25 May 2017, the date of audit.

(c) According to the primary inquiry conducted by a Board of Enquiry in the Ministry of Agriculture on 28 July 2016 in respect of a fraud of Rs.73,415 ocuured in the Healthy Foods Cafeteria at Narahenpita during the year under review, it was recommended to recover that money from the relevant employees but that money had not been recovered even up to 25 May 2017.

4.3 Uneconomic Transactions

A sum of Rs.486,110 had been spent by the Board as expenditure incurred on name bonds, information boards, Logos and exhibition expenses for the non-poisonous National fair held in Colombo. Despite there was a possibility of using these name boards, information boards etc. in the second fair held in Ampara District, an another sum of Rs.550,000 had been spent therefor.

4.4 Transactions of Contentious Nature

Away from the objectives of the Board, a sum of Rs.1,878,318 for 7 newspaper advertisements and live telecasting of "Govithenata Hari Magak" national programme on awarding fertilizer subsidy money and a sum of Rs.2,543,200 for the publication of advertisements in 8 newspapers relating to the media publicity of "Gamdora" program had been spent.

4.5 Idle and Underutilised Assets

The following observations are made.

(a) Two machines valued at Rs.452,000 purchased in the year 2012 for the maintenance of a bakery in the Dehiwala sales outlet had not been used and kept idle in the stores.

(b) Attention had not been paid to invest a sum of Rs.806,008 existed in 3 savings accounts as at the end of the year under review in a useful investment.

4.6 Personnel Administration

The following observations are made.

(a) Although the approved cadre amounted to 28, the actual cadre stood at 71 due to recruitment of 43 employees in terms of Public Administration Circular No.25/2014 dated 12 November 2014. However, the approval of the Department of Management Services had not been obtained for the excess cadre.

(b) In terms of Paragraph 7 of the afore-said circular, employees should be recruited on temporary, casual, substitute or contract basis after the prior approval of the Department of Management Services, after 12 November 2014. Contrary to that, 4 employees had been recruited on contract and daily paid basis.

(c) Although the Department of Management Services had approved to recruit the Post of Deputy Director as a promotional grade, a newspaper advertisement had been published by incurring an expenditure of Rs.43,412 and an interview had been held to recruit the Post of Deputy Director (Development) externally, during the year under review.

5. Accountability and Good Governance

5.1 Budgetary Control

In comparing the budgeted income and expenditure and the actual income and expenditure in the year under review, variances ranging from 15 to 98 percent were observed thus indicating that the Budget had not been made use of as an effective instrument of Management Control.

5.2 Procurement Plan

Although a provision of Rs.26,117,000 had been allocated for the 5 items included in the Procurement Plan purchases had not been made. A provision of Rs.3,310,000 had been made for the 3 items but purchase had been made only for the value of Rs.878,860.

6. Systems and Control

Weaknesses in systems and controls were brought to the attention of the Chairmen of the Board from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Control	Observations
(a) Financial Control	Revelation of variances between the budgeted and actual expenditure, not taking action to settle loans.
(b) Assets control	Vehicles not property acquired.
(c) Personnel Administration	Recruitments made not in compliance with circular instructions.
(d) Project Management	Non-implementation of projects as mentioned in the action plan and incurring losses by projects continuously being operated.

H.M.Gamini Wijesinghe
Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General