Annual Report - 2016

SRI LANKA NATIONAL FREEDOM FROM HUNGER CAMPAIGN BOARD

Contents

2016 – 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 beneficiaries and to alleviate the culture of dependency of the beneficiaries.

Board of Directors for the Year 2016

Name	Designation	Work Station
Mr. DhammikaPeiris	Chairman	Sri Lanka National freedom from Hunger Campaign Board
Mr. Ravi KrishanJayawardene	Assistant Chairman	Sri Lanka National freedom from Hunger Campaign Board
Mr. K.Maheson	Additional Secretary (Development)	Ministry of National Policies and Economic Affairs
Mrs. W.M. Deepthi Fernando	Additional Secretary (Home Affairs)	Ministry of Home Affairs and Fisheries
Mr. P.S.S. Wijerathne	Senior Assistant Secretary	Ministry of Agriculture
Mr. H.G.G.J. Dharmasena	Director General	Department of Manpower and Employment
Mr.W.A.D.D.M.Priyantha	Chief Internal Auditor	Department of Plantation Industries
Mr. WijayasiriWickremasingh e	Member of the Board of Directors	No. 409/3 C, Mahaiyawawatte, Kalapuwawa, Mulleriyawa Town
Mr. P.W. DharamasiriWelikala	Member of the Board of Directors	No. 95, BandaranayaikeMawatha, Mihindupura, Anuradhapura
Mr. A.T.M. Ekanayake	Member of the Board of Directors	No. 121, Yasasiripura, Anuradhapura
Mr. KrishanNilanga	Member of the Board of Directors	No. 898/A4, diyathera, Pahalawela Road, Pelwatte.

Dates of ConductingtheMeetings of the Board of Directors in the Year 2016.

367th Meeting of the Board of Directors – 05.04.2016

368th Meeting of the Board of Directors – 09.06.2016

369th Meeting of the Board of Directors – 28.07.2016

370th Meeting of the Board of Directors – 31.08.2016

371st Meeting of the Board of Directors – 29.09.2016

372nd Meeting of the Board of Directors – 10.11.2016

373rd Meeting of the Board of Directors – 29.12.2016

Number of Days of conducting the Meetings of the Board of Directors during the year 2016 was 07

Review of the Chairman

I am very much pleased to forward the performance with a review for the Annual Report of the Year 2016 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, MaithripalaSirisena and the guidance and the blessing of Hon. DumnidaDissanayake, the Minister of Agriculture is of utmost importance.

The following major projects were implemented by the Board for the Year 2016.

1. Our Food Free of Poisonous Substances – Healthy Food Sales outlet network
2. Project for Encouraging Maize Farmers.
3. Food Festival of "*Sithamu-2016*" for publicizing national foods.
4. Rice Fortification Project
5. Helping to Home-Garden – Distribution of chilie saplings.
6. Producing Fruit juice (Ready to serve drink) using less consumed fruits.
7. Project for the manufacture and promotion of nutritious food items such as Mawposha and Suwaposha
8. Project for developing Buttala and Thanamalvila Farms
9. Project for the establishment of Sales outlets on agricultural products
10. Project for publicizing the manufacture and consumption of the local traditional rice varieties

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 manufacturer and the consumer in order to meet the modern requirements and thereby, the urban community is also benefitted through this Project. Moreover, Urbanites 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.

In addition, we are able to produce and market products such as traditionalindegeneous rice varieties free of poisonous substances, thosai flour, special rice flour, Mawposha, Suwaposha, and Sisuposha from our manufactories located at Kalankuttiya and Gannoruwa.

Further, various Research Institutions launch noval food items and undertaking the promotion of such food items by any government institution is a very rare occurrence. Accordingly, as a preliminary step it is expected to establish 100 Healthy Food Sales outlet network in order to facilitatethe people to buy local food items free of poisonous substances.

Further more, thepublicization of indegeneous rice varieties and traditional rice varieties that are hygienic and free of poisonous substances and thereby providing a maximum income to the small scale producers. Likely, we have contributed in uplifting the nutritious status of Sri Lankans.

The Project for encouraging Maize Farmerswas initiated with the objective of providing higher prices for maize cultivated in Anuradhapura district. Their harvest was purchased by us at the reasonable price.

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.

DhammikaPeiris,
Chairman,
National Food Promotion Board.
(Sri Lanka National Freedom from Hunger Campaign Board)

Information of the Board

Name of the Board:

National Food Promotion Board (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,KirimandalaMawatha, 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, KirimandalaMawatha,
Colombo 5
Telephone: 0112506895/0113085378
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 - 2016

Sri Lanka National Freedom from Hunger Campaign Board has conducted 13 projects in the year 2016 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. 7.696 million and earned a sum of Rs. 9.504 million as the operating income. Likely, the net profit for the year is 1.465 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.


(Plant Nursery and Free advice service to customers)

2. Plant Nursery – Dehiwela

This Plant Nursery has been initiated for obtaining every thing required by the urbanites 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. 4.275 million has been earned as the operating income of this year and sum of Rs. 3.796 million has been incurred as an operating expenditure. Net profit for the year was Rs. 1.309 million

3. Sales Outlet for Agricultural Products - Dehiwela

This Project was initiated with the objective of yielding more harvest for the urbanites with use of limited space and publicizing foods that are free of poisonous substances among the general public. Processed food items of local food manufacturers, traditional rice varieties, and Mawposha, Suwaposha, Thosai Flour and special rice flour are available for sale at this Sales outlet. In addition, facilities are provided at this Sales outlet 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. Quality foods with low price are being supplied to the customersthrough these Sales outlets. The operating expenditure of the project in this year was Rs. 42.57 million and the operating income was Rs. 42.421 million. Accordingly, the net profit in the year was Rs. 0.245 million.

3. Development of Buttala Farm

This project was initiated in the year 1986 and male and female farmers were trained in this farm for cultivation activities. Later, training programmes for producing organic fertilizer were also conducted. In 2016, the main activity in the Buttalafarm was to produce organic fertilizers. This year the operating income of this Project in this year was Rs. 9.16 million and the operating expenditure was Rs. 1.09 million. In addition to organic fertilizers, it is expected to produce coirpith and pot mixture and to sell the people at the concessionary prices through our sales outlets in future.

4. Development of Thanamalwila Farm

The Thanamalwila farm has also been cultivatedin minor scale for a long period of time, it is expected to launch producing organic fertilizer from next year onwards.

6. 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. In addition, local products manufactured by the small and medium scale entrepreneurs are marketed by the institution. In 2016, the operating income of this Project was Rs.11.015 million and the operating expenditure was Rs.14.634 million. Likewise, the net loss for the year 2016 related to this project was Rs. 3.812. Since this project has been experiencing loss, it is expected to do necessary reformation with new dimension so as to gain profit.

7. Suwaposha Nutritional Food, Rice Flour, Thosai Flour and Mawposha Project

The Rice Flour and Thosai Flour Project has been initiated with the objective of publicizing the use of rice flour in the plantation sector and this project is being implemented in the Kalankuttiya Factory. Mawposha, suwaposha, rice flour and thosai flour Projects are initiated with the purpose of providing of nutritious pack to low weighted pregnant women according to the Concept of MihindaChinthana.These manufacturing activities are being conducted at the Food Research Unit under the purview of the Department of Agriculture and at the Kalankuttiya Factory.

8.Project for encouraging maize farmers

This Project was initiated with the objective of encouraging maize farmers as an additional food crop in Anuradhapura district. The main purposes of this Projectare to enhance maize harvest in Anuradhapura district through publicizingofseed varieties, approved by Department of Agriculture among farmers and to make aware on the methods of conserving sand among farmers. Here, maize harvest was purchased through Agriculture Organization under the supervision of officers of our institution. The operating expenditure of this Project was Rs.16.08 million and the income was Rs.16.14 million. Accordingly, the net profit of the year was Rs. 0.11 million.

(Purchasing of maize through by Organization and issuing of cheques)

9. Rice Fortification Pilot Project

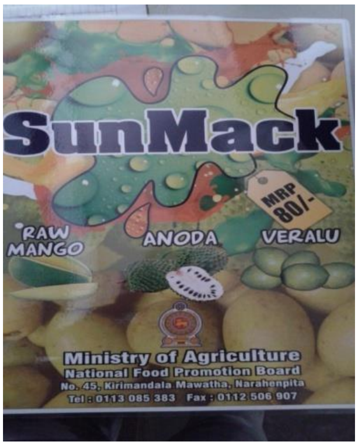
With the objectives of achieving the confirmation of a healthy life, promotion of good conduct for every person in all ages, alleviation of hunger, Food safety, high nutrition and promotion of sustainable agriculture, the Rice Fortification Pilot Project has been implemented by the National Food Promotion Board under the Supervision of the Ministry of Health with the financial contribution of the World Food Organization.

Sensation Test was implemented for the school children of MonaragalaandKandyby our Board and the University of Peradeniya. Rice is the staple food in Sri Lanka and it is fortified by adding iron and folic acid and minimizing anaemia disease thereby creating healthy nation are the main purposes of this pilot Project. For this project, a sum of Rs. 0.479 million was provided by the World Food Organization and Rs.0.12 million has been spent in this year. This project is being implemented as a pilot Project with the purpose of enhancing nutrition rather than gaining profit.

(Signing the Agreement with World Food Organization)

10. Producing of Juices RTS (Ready to Serve drink) using less consumed fruits

This Project was commenced as a pilot project with the objective of publicizing the consumption of less consumed fruits among people and of introducing value added products. Custard apple (Anoda), veralu and mango are utilized basically as fruits and the fruit drinks are manufactured in the Food Research Unit located at Gannoruwa. For this purpose, a sum of Rs. 0.14 million was provided by theBio Diversity, Food and Nutrition Organization and an amount of Rs.0.085 million has been spent. A sum of Rs.0.034 million has been gained as income.



(Manufacturing of Custard apple, veralu juices and Finished Products)

11.Project for Purchasing Traditional Paddy

The Project for producing traditional rice was initiated with the objective of achieving Sustainable Development Goals such as healthy life and nutritious food for all. The consumption of this rice is important for preventing people from Non Contagious Diseases which are spreading throughout the country. This paddy is purchased from the farmers who cultivate traditional paddy in Anuradhapura district, and is converted as rice at the Kalankuttiya factory. And this rice is sold through Dehiwala,Narahenpity outlets and Healthy Food shops. The operating expenditure of this Project was Rs.6.54 million and the income was Rs.4.467 million. Accordingly, the net profit of the year was Rs. 0.42 million.

12.Contributing to Home gardening(Chilie sapling Project)

With the objectives of the Provision of opportunity to the urbanites who have limited area for cultivation and Provision of a mental satisfaction to all the members of the family by enjoying a crop cultivated and harvested by themselves, chilie saplings have been distributedfree of chargeto 1500 houses -the urbanites and the people who live in flatsas

6chiliesaplings for each house. For this project, a sum of Rs. 0.618 million was provided by theMinistry of Agriculture and an amount of Rs.0.519 million has been spent.

(Various stages of Chilie sapling Project)

13. Establishment of Franchise Sales outlets (Healthy Food Shops)

The purpose of this project is to facilitate consumers to buy high quality local food items free of poisonous substance and traditional rice, grains, and nearly 200 various products of small, medium scale producers are being sold to consumers through this sales outlet. It was expected to open nearly 100 sales outlets through out the country and at the moment 09 sales outlets have been opened.

(The mannerthe products are kept atsales outlet& the opening of Battaramullasales outlet)

14. Food Festival (2016-“Sri Lanka Food Festival”)

Sri Lanka Food Festival was organized at the Green Path close to Viharamaha Devi Park in 2016 under the Sustainable Development Goal of alleviating poverty. With the purpose of consuming national foods which are free from poisonous substance instead of harmful foods, this festival was held representing 9 Provinces in Sri Lanka, the manner of preparing old food varieties peculiar to each and every Province and an opportunity to taste the same were given to the general public .

(Providingnational foods which are free from poisonous substance to people who came for the Exhibition)

In addition, Healthy Food Sales outlet was also opened facilitating the public to buy traditional rice and products of small, medium scale producers that are free of poisonous substance. Further, several awareness programmes were organized in order to enlighten school students about these food items.

(Hon.Minister of Agriculture was observing the premises of Exhibition)

15. Provisions from the General Treasury

	Budgetary Provisions 2015 (Rs. Million)	Received Grants (Rs. Million)	Actual Expenditure (Rs. Million)	Additional Expenditure (Rs. Million)
Recurrent	54.154	38.00	44.063	16.154
Capital	Allocation was not received from the General Treasury			
Total	54.154	38.00	44.063	16.154

Annual Accounts Report 2016

Sri Lanka National Freedom from Hunger Campaign Board

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

Accounting Policies:

1. Depreciation has been computed from the purchasing date and all Assets are depreciated over the useful life of assets.
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 Salaries 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.

Sri Lanka National Freedom from Hunger Campaign Board

1. The following Projects had been implemented by the Sri Lanka National Freedom from Hunger Campaign Board during the year 2016.

Project	Funded by	Location of the Project
Development of the Farm – Thanamalwila	Self funds	Thanamalwila
Development of the Farm – Buttala	Self funds	Buttala
Traditional Rice Project	Self funds	Kalankuttiya
Plant Nursery – Dehiwela	Self funds	Dehiwela
Plant Nursery - Head Office	Self funds	Narahenpita
Chillie Plant Project	Ministry of Agriculture	Colombo
Development of City Home Gardening	Department of Agriculture	Narahenpita
Rice Fortification Project	World Food Organization	Kalankuttiya
Producing fruit drinks usingless consumed fruit	Department of Agriculture	Gannoruwa
Farmers Week	Ministry of Agriculture	Green Path
Healthy Food outlets and Healthy Food Bazaar	Self funds	Colombo
Maize Project	Ministry of Agriculture	Kalankuttiya
Rice FlourProject	Self funds	Kalankuttiya
Soya Project	Farmers Trust Fund	Upuldeniya
Suwaposha Nutritious Food Packet	Self funds	Gannoruwa
Mawposha Nutritious Food packet	Self funds	Gannoruwa
Publicizing the use of organic Fertilizer	Self funds	Buttala
Agricultural Products outlet – Dehiwela	Self funds	Dehiwela
Healthy Food Restaurant	Self 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 General Treasury

Provisionsreceived from the Ministry of Agriculture,World Food Organization&Department of Agriculture

Buttala FarmDevelopment,ThanamalwilaFarmDevelopment, AmbalantotaFarmDevelopment , Suwaposha Project, Mawposha Project, the Project for promoting the consumption of rice flour in the Plantation Sector, Plant Nursery, Dehiwela Sales outlet, Healthy Food Restaurant, Compost Project

337100196138295 - Income earned from the Sales outlet at Dehiwela

78641885 - Healthy Food Bazaar

3. Separate ledgers are being maintained for each Project.

Sri Lanka National Freedom from Hunger Campaign Board
Statement on Financial Position as at 31December 2016

Particulars	Note	2016Rs.	2015Rs.
Assets			
Non Current Assets			
Property Plant and Equipment	1	***337,395,749.18***	***342,006,088.38***
Lands		307,200,000.00	307,200,000.00
Buildings		16,078,696.90	16,373,609.27
Motor Vehicles		3,900,000.00	5,875,000.00
Machinery and Machines		1,587,339.79	2,177,383.41
Furniture and Fittings		992,168.92	1,346,928.26
Office Equipment		1,690,775.58	1,962,203.81
Agricultural Equipment		281,000.00	443,000.00
Gardening Equipment		331,302.03	200,000.00
Other Equipment		1,675,256.08	2,146,815,.37
Computer Accessories		725,195.01	1,084,277.38
Temporary Buildings		2,015,988.21	2,127,987.55
Measuring Equipment		69,626.66	100,183.33
Intangible assets			
Software		848,400.00	968,700.00
Financial Assets		***806,118.84***	***855,088.71***
Saving Deposits		806,118.84	774,478.21
Loans		-	80,610.50
Current Assets		***28,230,216.97***	***8,064,308.68***
Deposits		201,816.50	201,816.50
Stocks		16,262,291.19	4,874,033.32
Debtors		938,993.77	979,476.77
Advances		-	21,900.00
Cash Receivable		10,606,619.17	317,900.51

Cash in Hand and Cash in Bank		220,496.34	1,669,181.58
Total Assets		**366,432,084.99**	**350,925,485.77**
Equities and Liabilities			
Capital and Reserves		***333,666,727.38***	***334,367,991.14***
Balance of Funds		374,870,896.72	375,001,390.22
Consolidated Fund		(41,204,169.34)	(40,633,399.08)
Non Current Liabilities		***10,245,455.80***	***10,245,455.80***
Retirement Gratuity Liabilities		4,845,455.80	4,845,455.80
Mid-term Loans		5,400,000.00	5,400,000.00
Current Liabilities		***6,312,038.83***	***6,312,038.83***
Short Term loans		187,500.06	187,500.06
Retention Money		668,747.75	668,747.75
Deposit Repayable			-
Accrued Expenditure		5,455,791.02	5,455,791.02
Total Equities and Liabilities		**350,925,485.77**	**350,925,485.77**

Sri Lanka National Freedom from Hunger Campaign Board
Statement on Financial Position as at 31December 2016

Particulars	Note	2016Rs.	2015Rs.
Income		**73,426,388.30**	**41,753,482.54**
Grants from General Treasury/ Ministry		61,112,012.18	38,720,477.23
Other Operating Income	2	11,525,055.49	2,507,011.58
Interest from Savings Accounts		31,640.63	28,103.73
Proceeds obtained from the Disposal of Assets		2,314,950.00	1,773,392.00
Remitting proceeds obtained from selling the assets to the General Treasury		(2,508,700.00)	(1,771,892.00)
Other Income		951,430.00	496,390.00

Expenditure		**75,769,730.36**	**55,678,542.06**
Personal Salaries		33,912,586.68	34,085,445.29
Travelling Expenditure		681,562.05	148,900.95
Supplies and requisites		5,339,316.35	1,257,729.96
Repair and Maintenance of Fixed Assets		4,272,608.03	4,312,188.80
Translations, Communications,Utilities and the other Services		31,563,657.25	15,874,277.06
Income over the Expenditure/ Surplus (Deficit)		**(2,343,342.06)**	**(13,925,059.52)**

Sri Lanka National Freedom from Hunger Campaign Board
Cash Flow Statement as at 31December 2016

	Note	**2016Rs.**	**2015Rs.**
Cash flows used/received from Operational Activities			
Net Profit/Loss before income taxes		(2,343,342.06)	(13,925,059.52)
Adjustments			
Depreciations	1	5,449,799.62	7,018,714.21
Depreciation on Vehicle disposals/transfers		(1,006,250.00)	(1,658,500.00)
Disposals/Transfers ofProperty, Plant and Equipment		1,200,000.00	1,658,500.00
Write off farmers' loan		80,610.50	-
Interest Income earned from Investment Activities		(31,640.63)	(28,103.73)
Prior Periods Adjustments		1,642,078.30	37,387.00
Allocations for Retirement Gratuity		(970,170.98)	1,918,762.60

Operational Profit before Working Capital Changes		**4,021,084.75**	**(4,978,299.44)**
(Increases)/ decreases in Stocks		(11,388,257.87)	4,735,519.16
Trade and Other Receivables(Increases)/ decreases		(10,226,335.66)	295,367.80
Increase in Trade and Other payables		12,865,534.02	(638,209.35)
Cash Flows generated from Operations		(8,749,059.51)	4,392,677.61
Net Cash flows received from Operational Activities		**(4,727,974.76)**	**(585,621.83)**
Acquisition of Property, Plant and Equipment	1	(1,033,210.42)	(5,527,463.03)
Disposals/Transfers ofProperty, Plant and Equipment		2,508,700.00	-
Remitting proceeds obtained from selling of vehicle to the General Treasury		(2,508,700.00)	-
Net Cash flows received/ (used) from Investment Activities		**(1,033,210.42)**	**(5,527,463.03)**
Cash flows received/ (used) from Financial Activities			
Receipts of Funds		61,112,012.18	43,720,477.23
Donations		(61,112,012.18)	(38,720,477.23)
Receipts of Loans		20,000,000.00	3,000,000.00
Repayment of Loans		(15,687,500.06)	(287,499.97)
Net Cash flows received/ (used) from Financial Activities		**4,312,499.94**	**7,712,500.03**
Net Increase/ (Decrease) in Cash and Cash Equivalents		(1,448,685.24)	1,599,415.17
Cash and Cash Equivalents at the beginning of the Year		1,669,181.58	69,766.41
Cash and Cash Equivalents at the end of the Year		**220,496.34**	**1,669,181.58**
Note - A			
Bank Balance		1,669,181.58	69,766.41
Cash in Hand		-	-
		1,669,181.58	**69,766.41**

Sri Lanka National Freedom from Hunger Campaign Board
Change in Equities Statement for the Year ended on 31December 2016

	Revaluation Fund Rs.	**Balance in Fund Rs.**	**Consolidated Fund Rs.**	**Total Rs.**
Balance as at 01.01.2016	328,671,316.14	46,330,074.08	(40,633,399.08)	334,367,991.14
Funds Received		61,112,012.18		61,112,012.18
Donations		(61,112,012.18)		(61,112,012.18)
Prior Periods Adjustments		(130,493.50)	1,772,571.80	1,642,078.30
Under Allocations		-	-	-
Net Surplus (Deficit) for the Year			(2,343,342.06)	(2,343,342.06
	328,671,316.14	**46,199,580.58**	**(41,204,169.34)**	**333,666,727.38**

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 01.01.2016	**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**
Additions	590,970.42	-	-	149,850.00	4,500.00	-	197,990.00	-	-	-	-	89,900.00	-	1,033,210.42
Disposals/Transfers (Fixed Assets)	-	(1,200,000.00)	-	-	-	-	-	-	-	-	-	-	-	(1,200,000.00)
Disposals/Transfers (Values already Depreciated)	-	1,006,250.00	-	-	-	-	-	-	-	-	-	-	-	1,006,250.00
depreciations for Year	(885,882.79)	(1,781,250.00)	(590,043.62)	(421,278.23)	(359,259.34)	(162,000.00)	(66,687.97)	(471,559.29)	-	(111,999.34)	(30,556.67)	(448,982.37)	(120,300.00)	(5,449,799.62)
Net Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Value as at 31.12.2016	323,278,696.90	3,900,000.00	1,587,339.79	1,690,775.58	992,168.92	281,000.00	331,302.03	1,675,256.08	-	2,015,988.21	69,626.66	725,195.01	848,400.00	337,395,749.18
Total of the Revaluation Surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total of the Revaluation Deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Carrying Value	325,110,328.42	6,500,000.00	2,888,780.00	2,506,071.78	1,683,846.75	639,500.00	397,990.00	2,613,350.00	3,540.00	2,239,986.89	130,740.00	1,676,160.00	1,089,000.00	347,479,293.84
Accumulated						(358,500.00				(223,998.68)				

Depreciations	(1,831,631.51)	(2,600,000.00)	(1,301,440.21)	(815,296.20)	(691,677.83)	)	(66,687.97)	(938,093.92)	(3,540.00)		(61,113.34)	(950,964.99)	(240,600.00)	(10,083,544.65)
Net Carrying Value	**323,278,696.90**	**3,900,000.00**	**1,587,339.79**	**1,690,775.58**	**992,168.92**	**281,000.00**	**331,302.03**	**1,675,256.08**	**-**	**2,015,988.21**	**69,626.66**	**725,195.01**	**848,400.00**	**337,395,749.18**

Note 02: Trade, Profit and Loss Account

2.1 Dehiwela Sales outlet

Trade, Profit and Loss Account for the Year Ended on 31.12.2016

Items	2016Rs.	2015Rs.
Trade Income	**42,421,955.67**	**44,427,486.94**
Less: Sales Cost		
Opening Stock	1,574,895.14	1,481,735.70
Purchases	35,564,265.13	36,489,702.80
Transport	64,422.00	62,060.00
Closing Stock	(1,971,127.64)	(1,574,895.14)
	35,232,454.63	36,458,603.36
Gross Profit/Loss	**7,189,501.04**	**7,968,883.58**
Overhead Cost	6,944,136.70	6,519,382.34
Net Profit/Loss	**245,364.34**	**1,449,501.24**

2.2 Plant Nursery – Head Office

Trade, Profit and Loss Account for the Year Ended on 31.12.2016

Items	2016Rs.	2015Rs.
Trade Income	**9,504,277.40**	**7,828,601.61**
Less: Sales Cost		
Opening Stock	1,059,868.78	456,182.00
Purchases	5,885,065.35	5,073,167.50
Closing Stock	(717,087.84)	(1,059,868.78)
	6,227,846.29	4,469,480.72
Gross Profit/Loss	**3,276,431.11**	**3,359,120.89**
Overhead Cost	1,810,963.94	2,012,214.42
Net Profit/Loss	**1,465,467.17**	**1,346,906.47**

2.3 Plant Nursery – Dehiwela

Trade, Profit and Loss Account for the Year Ended on 31.12.2016

Items	2016 Rs.	2015 Rs.
Trade Income	**4,275,431.00**	**3,417,684.50**
Less: Sales Cost		
Opening Stocks	126,271.80	351,247.72
Purchases	2,872,271.00	2,426,249.00
Loss of Stocks	-	-
Closing Stocks	(956,813.78)	(126,271.80)
	2,041,729.02	2,651,224.92
Gross Profit/Loss	**2,233,701.98**	**766,459.58**
Overhead Cost	924,270.40	906,810.10
Net Profit/Loss	**1,309,431.58**	**(140,350.52)**

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

Manufacturing, Trade, Profit and Loss Account forthe Year ended 31.12.2016

Items	2016Rs.	2015Rs.
Opening Stocks	442,681.10	3,352,991.90
Purchases	1,237,135.00	454,560.73
Loss of Stocks	(18,525.00)	(3,546.00)
Closing Stock - Materials	-	(442,681.10)
Expenditure on Raw Materials	1,661,291.10	3,361,325.53
Direct Salaries	-	-
Expenditure on Transport	-	-
Opening Stock - Work in Progress		
	(124,440.00)	-

Loss of stocks		
Closing Stock - Work in Progress	-	-
Production cost	1,536,851.10	3,361,325.53
Sales Income	**1,412,650.32**	**665,226.03**
<u>Less: Sales Cost</u>		
Opening Stock	33,724.50	67,400.00
Production cost	1,536,851.10	3,361,325.53
	1,570,575.60	
Loss of stocks	(42,900.00)	3,428,725.53
Closing Stock	(27,329.80)	(33,724.50)
	1,500,345.80	3,395,001.03
Gross Profit/Loss	**(87,695.48)**	**(2,729,775.00)**
Overhead Cost	**2,138,698.64**	2,540,635.19
Net Profit/Loss	**(2,226,394.12)**	**(5,270,410.19)**

2.5 Suwaposha Manufactories – Gannoruwa

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016Rs.	2015Rs.
Opening Stocks	140,000.00	999,592.55
Purchases	337,756.00	132,516.72
Loss of stocks	(130,000.00)	
Closing Stock– RawMaterials	-	(140,000.00)
Expenditure on Raw Materials	347,756.00	992,109.27
Direct Salaries	-	-
Opening Stock - Work in Progress	-	-

Closing Stock - Work in Progress	-	-
Production cost	347,756.00	992,109.27
	261,036.60	**255,544.00**
Sales Income		
Less: Sales Cost		
Opening Stocks	10,000.00	155,950.00
Production cost	347,756.00	992,109.27
	357,756.00	1,148,059.27
Closing Stocks	(233.25)	(10,000.00)
	357,522.75	1,138,059.27
Gross Profit/Loss	**(96,486.15)**	**(882,515.27)**
Overhead Cost	642,622.40	219,654.70
Net Profit/Loss	**(739,108.55)**	**(1,102,169.97)**

2.6Healthy Food Restaurant

Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016Rs.	2015Rs.
Sales Income	**14,936,207.64**	**14,936,207.64**
Less: Sales Cost		
Opening Stock	237,898.50	212,587.15
Purchases	9,298,610.39	12,068,008.05
Salaries	4,367,587.34	6,216,845.79
Closing Stock	(44,718.50)	(237,898.50)
	13,859,377.73	18,259,542.49
Gross Profit/Loss	**(2,843,868.09)**	**(3,323,334.85)**
Overhead Cost	968,647.85	869,198.24
Net Profit/Loss	**(3,812,515.94)**	**(4,192,533.09)**

2.7Mawposha Project

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016Rs.	2015Rs.
Opening Stock	482,774.50	1,681,715.46
Purchases	396,250.00	1,350,865.10
Transport	26,300.00	-
Loss of stocks	(265,000.00)	-
Closing Stock-Raw Materials	(6,555.00)	(482,774.50)
	633,769.50	2,549,806.06
Production cost	633,769.50	2,549,806.06
Sales Income	**773,995.35**	**347,307.50**
Less: Sales Cost		
Opening Stocks	295,460.00	671,040.00
Production cost	633,769.50	2,549,806.06
	929,229.50	3,220,846.06
Loss of stocks	(67,797.62)	
Closing Stocks	(596.46)	(295,460.00)
	860,835.42	2,925,386.06
Gross Profit/Loss	**(86,840.07)**	**(2,578,078.56)**
Overhead Cost	1,570,957.20	3,862,981.49
Net Profit/Loss	**(1,657,797.27)**	**(6,441,060.05)**

2.8Buttala Compost Project

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016.

Items	2016 Rs.	2015 Rs.
Opening Stocks	-	136,460.00
Cultivating Cost	946,553.60	43,879.00
Direct Salaries	-	109,568.40
Transport	-	-
Closing Stocks-Raw Materials	(234,349.80)	-
	712,203.80	289,907.40
Opening Stocks - Work in Progress	-	-
Closing Stocks - Work in Progress	-	-
Production Cost	712,203.80	289,907.40
Sales Income	**916,206.25**	**272,885.00**
<u>Less: Sales Cost</u>		
Opening Stock	-	42,650.00
Sales Cost	712,203.80	289,907.40
Closing Stock	-	-
	712,203.80	**332,557.40**
Gross Profit/Loss	**204,002.45**	**(59,672.40)**
Overhead Cost	**147,408.90**	**79,201.33**
Net Profit/Loss	**56,593.55**	**(138,873.73)**

2.9 Traditional Rice Project

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.	2015 Rs.
Opening Stocks	313,509.90	-
Purchases	5,559,276.40	988,703.09
Transport	33,915.00	-
Grinding expense	124,380.00	-
Direct Salaries	659,448.00	-
Loss of Stocks	(732,375.00)	-
Closing Stocks	(122,520.00)	(313,509.00)
	5,835633.40	675,194.09
Opening Stocks - Work in Progress	**-**	**-**
Loss of Stocks	(1,013,841.00)	-
Closing Stocks - Work in Progress	**-**	**-**
Production Cost	4,821,792.40	675,194.09
Sales Income	**4,467,445.00**	**105,710.00**
<u>Less: Sales Cost</u>		
Opening Stocks	156,950.00	-
Production Cost	4,821,792.40	675,194.09
	4,978,742.40	675,194.09
Loss of Stocks	(1,029,860.00)	
Closing Stocks	(67,940.00)	(156,950.00)
	3,880,942.40	**518,244.09**
Gross Profit/Loss	**586,502.60**	**(412,534.09)**
Overhead cost	**167,822.40**	**1,075,732.36**
Net Profit	**418,680.20**	**(1,488,266.45)**

2.10 Buttala Farm

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.	2015 Rs.
Opening Stocks	-	-
Cultivating Cost	3,575.00	46,338.80
Direct Salaries	-	-
Closing Stocks-Raw Materials	- -	-
	3,575.00	46,338.80
Opening Stocks - Work in Progress	-	-
Closing Stocks - Work in Progress	-	-
Production Cost	3,575.00	46,338.80
Sales income	**4,000.00**	**190,656.50**
Less: Sales Cost		
Opening Stocks		
Production Cost	3,575.00	46,338.80
Closing Stocks	-	-
	3,575.00	46,338.80
Gross Profit/Loss	**425.00**	**144,317.70**
Overhead cost	542,637.75	1,161,944.24
Net Profit/Loss	**(542,212.75)**	**(1,017,626.54)**

2.11 Thanamalwila Farm

Manufacturing, Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.	2015 Rs.
Opening Stocks	-	-
Cultivating Cost	-	48,120.00
Closing Stocks - Raw material	- -	-
	-	48,120.00

Opening Stocks - Work in Progress	-	-
Closing Stocks - Work in Progress	-	-
Production Cost		48,120.00
Sales Income	**128,000.00**	**302,260.00**
Less: Sales Cost	**-**	**-**
Opening Stocks		
Production Cost	-	48,120.00
Closing Stocks	-	-
	-	48,120.00
Gross Profit/Loss	**128,000.00**	**254,140.00**
Overhead cost	655,412.52	869,010.37
Net Profit/Loss	**(527,412.52)**	**(614,870.37)**

2.12 **Soya Project**

Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.
Sales Income	**-**
Less: Sales Cost	
Opening Stocks	-
Purchases	8,574,519.50
Packaging expense	72,756.68
Grinding expense	90,258.10
Storage	55,140.00
Closing Stocks	(8,631,729.50)
	160,944.78
Gross Profit/Loss	**(160,944.78)**

Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.
Sales Income	**16,137,660.00**
Less: Sales Cost	
Opening Stocks	-
Purchases	15,189,871.25
Packaging	132,812.50
Transport	115,000.00
Loss of Stocks	(56,551.00)
Closing Stocks	-
	15,381,132.75
Gross Profit/Loss	**756,527.25**
Overhead cost	638,345.69
Net Profit/Loss	**118,181.56**

Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.
Sales Income	**1,483,475.00**
Less: Sales Cost	
Opening Stocks	-
Purchases	1,207,800.00
Packaging expense	-
Transport	-
Loss of stocks	-
Closing Stocks	-
	1,207,800.00
Gross Profit/Loss	**275,675.00**

2.15 Healthy Food Bazaar Project

Trade, Profit and Loss Account for the Year ended 31.12.2016

Items	2016 Rs.
Sales Income	**3,274,892.13**
Less: Sales Cost	
Opening Stocks	-
Purchases	3,124,768.50
Packaging expense	-
Closing Stocks	-
	3,124,768.50
Gross Profit/Loss	**150,123.63**
Overhead cost	14,810.00
Net Profit/Loss	**135,313.63**

Trading, Profit and Loss Account	**2016 Rs.**	**2015 Rs.**
Dehiwela Sales outlet	7,189,501.04	7,968,883.58
Narahenpity Plant Nursary	3,276,431.11	3,359,120.89
Dehiwela Plant Nursary	2,233,701.98	766,459.58
Kalankutiya RiceFlour Project	(87,695.48)	(2,729,775.00)
Suvaposha Project	(96,486.15)	(882,515.27)
Healthy Food Restaurant	(2,843,868.09)	(3,323,334.85)
Mawposha Project	(86,840.07)	(2,578,078.56)
Buttala Compost	204,002.45	(59,672.40)
Traditional Rice Project	586,502.60	(412,534.09)
Buttala Farm	425.00	144,317.70
Thanamalwila Farm	128,000.00	254,140.00
Soya Project	(160,944.78)	-
Maize Project	756,527.25	-
Green Gram Project	275,675.00	-
Healthy Food Bazaar	150,123.63	-
Total	**11,525,055.49**	**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 Treasury

Description	2016 Budgetary Allocations	Actual Expenditure 2016	Provisions obtained from the General Treasury in 2016	Excess/ Deficit
Recurrent	54,154,100.00	44,063,624.61	38,000,000.00	16,154,100.00
Capital	-	-	-	-
			38,000,000.00	

06. The Funds receivedfrom the Ministry of Agriculture for the Projects, have been used as recurrent and capital Expenditure as given below.

Description	Capital	Recurrent	Total	
Projects	-	23,112,012.18	23,112,012.18	
			23,112,012.18	

07. The decision of the Case No. DMR 02401-13 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 2016

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. AGL/HCB/01/16/01 | මබේ 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, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை.- No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

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