

**SRI LANKA NATIONAL FREEDOM FROM
HUNGER CAMPAIGN BOARD**

Annual Report - 2017



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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

Implementing 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 dependency culture of the beneficiaries on others.



Board of Directors in the Year 2017

(From 01.01.2017 to 30.06.2017)

Name	Designation	Place of work
Mr Dhammika Peiris	Chairman	Sri Lanka National Freedom from Hunger Campaign Board (National Food Promotion Board)
Mr Ravi Krishan Jayawardene	Vice Chairman	Sri Lanka National Freedom from Hunger Campaign Board(National Food Promotion Board)
Mr K.Maheson	Additional Secretary (Development)	Ministry of National Policies and Economic Affairs
Mr H.P.J. Dharmasena	Director General	Department of Manpower and Employment
Mr P.S.S. Wijerathne	Senior Assistant Secretary	Ministry of Agriculture
Mr W.A.D.D.M.Priyantha	Chief Internal Auditor	Ministry of Plantation Industries
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



Board of Directors in the Year 2017

(From 30.06.2017 to 31.12.2017)

Name	Designation	Place of work
Mr Dhammika Peiris	Chairman	Sri Lanka National Freedom from Hunger Campaign Board (National Food Promotion Board)
Mr K.A.Bandara	Vice Chairman	Sri Lanka National Freedom from Hunger Campaign Board(National Food Promotion Board)
Mr K.Maheson	Additional Secretary (Development)	Ministry of National Policies and Economic Affairs
Mr H.P.J. Dharmasena	Director General	Department of Manpower and Employment
Mr P.S.S. Wijerathne	Senior Assistant Secretary	Ministry of Agriculture
Mr W.A.D.D.M.Priyantha	Chief Internal Auditor	Ministry of Plantation Industries
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 H.R.Krishan Nilanga	Member of the Board of Directors	No. 898/A4, diyathera, Pahalawela Road, Pelwatte.



Dates of Conducting the Meetings of the Board of Directors in the Year 2017

- 374th Meeting of the Board of Directors - 31.01.2017
- 375th Meeting of the Board of Directors - 23.02.2017
- 376th Meeting of the Board of Directors - 31.03.2017
- 377th Meeting of the Board of Directors - 26.04.2017
- 378th Meeting of the Board of Directors - 06.06.2017
- 379th Meeting of the Board of Directors - 30.06.2017
- 380th Meeting of the Board of Directors - 31.07.2017
- 381st Meeting of the Board of Directors - 28.08.2017
- 382nd Meeting of the Board of Directors - 29.09.2017
- 383rd Meeting of the Board of Directors - 31.10.2017
- 384th Meeting of the Board of Directors - 17.11.2017

Number of Days of conducting the Meetings of the Board of Directors during the year 2017 was 11.



Review of the Chairman

I have great pleasure to present the Annual Report for the Year 2017 as a major institution that is promoting local food pattern.

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 2017.

1. Plant Nursery Project.
2. Our Food Free of Poisonous Substances – Healthy Food Sales outlet network.
3. Traditional Paddy Purchasing Project.
4. Rice Fortification Project.
5. Project for producing Fruit juice using less consumed fruits.
6. Project for manufacturing nutritious cereal food items (*Mawposha*, *Suwaposha* and rice flour *thosai*).
7. Project for developing Buttala and Thanamalvila Farms.
8. Farmers' Produce Sales outlet Project.
9. Project for manufacturing value added soya related food items.
10. Project for renovating minor irrigation.
11. Importation of maize.
12. Project for purchasing local soya beans.

Sales Centres on Agricultural Products have been established in Dehiwala and Narahenpita for the purposes of providing the maximum uprightness to the manufacturer and the consumer to meet the modern requirements and facilitating people to consume national food items and thereby attracting the urban community towards national foods. In addition, 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 saplings can be purchased at 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.

Further, we are able to produce and market products such as traditional indigenous rice varieties free of poisonous substances, *thosai* flour, special rice flour, *Mawposha*, and *Suwaposha* from our manufactories located at Kalankuttiya and Gannoruwa.

Further more, although various Research Institutions launch novel nutritious food items, undertaking the promotion of such food items by any government institution is a very rare occurrence. Accordingly, as a preliminary step of doing such work, Healthy Food Sales outlet network has been already established enabling to facilitate the people to buy local food items free of poisonous substances, and it is expected to improve them further.

Moreover, through these it is expected to publicize of indigenous rice varieties and traditional rice varieties that are free from 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.

Actions are being taken to provide higher price to maize farmers who are cultivating maize in Anuradhapura and Monaragala districts, and thereby encouraging them by purchasing their harvest at reasonable price.

In addition, price of maize required for poultry farms has been regulated by importing maize. And we were able to upgrade the economic level of the soya bean cultivators by purchasing soya beans at higher price from them.

So, 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 efforts.

Dhammika Peiris,
Chairman,

National Food Promotion Board.

(Sri Lanka National Freedom from Hunger Campaign Board)



Information on 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 National Food Promotion Board in 2009.

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 Ministry – Ministry of Agriculture

Office:

No. 45, Kirimandala Mawatha,
Colombo 5.

Telephone: 0112506895/0113085378

Fax: 0112506907

E- mail Address: ffhc.srilanka@gmail.com

Auditors:

Auditor General's Department
Internal Audit Division
Ministry of Agriculture

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 - 2017

The Development Division of Sri Lanka National Freedom from Hunger Campaign Board has conducted 12 projects in the year 2017 and the summarized details of these Projects are given below.

Main objectives of these Projects are; providing indigenous foods that are free from poisonous substances, value added foods and local plant (saplings) varieties at concessionary price to consumers thereby uplifting economic status of local farmers directly and indirectly, and empowering the small and medium scale manufacturers by encouraging their products.

1. Plant Sales Centre - Narahenpita

This 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 seeds varieties from this Plant Sales Centre at concessionary prices.

In addition, 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 for free of charge. In this year, the operating expenditure for this project was Rs. 9.491 million and earned a sum of Rs. 10.707 million as the operating income. Similarly, the net profit for the year is 1.536 million and thereby, according to data, it is obvious that this project has achieved a progress in this year when comparing with previous year.



Plant Nursery



Plant Sales outlet



2. Plant Sales Centre – Dehiwala

In this year, an amount of Rs. 5.828 million has been earned as the operating income and sum of Rs. 4.894 million has been incurred as an operating expenditure. Net profit for the year was Rs. 0.612 million.

Dehiwala Sales Centre also performed similar functions that of performed by Narahenpita Sales Centre.

3. Sales Outlet for Agricultural Products - Dehiwala

This Project was initiated with the objective of publicizing foods that are free of poisonous substances among the general public. Value added food items prepared by local food manufacturers, traditional rice varieties, and our products such as *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 and traditional recipes at reasonable price. Similar Sales Centre was established within the Zoological Gardens, Dehiwala. Quality foods with low price are being supplied to the customers through these Sales outlets. The operating expenditure of the project in this year was Rs. 36.968 million and the operating income was Rs. 35.142 million.

4. Developments of Buttala & Thanamalwila Farms

This Buttala Farm project was initiated in the year 1986 and still going on. A Project for producing organic fertilizers was initiated within the year 2017 as a pilot project. The operating income of this Project in this year was Rs. 1.612 million and the operating expenditure was Rs. 1.792 million. In addition to organic fertilizers, it is expected to produce coir pith and pot mixture and to sell the people at the concessionary prices through our sales outlets in future.

Thanamalwila farm has been maintained as a model farm and also engaged in producing organic fertilizer with the participation of *sagini* families in the area. In 2017, the operating expenditure of Thanamalwila farm Project was Rs. 0.483 million and the operating income was Rs. 0.155 million.

5. 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. Here, foods are prepared according to local recipes and provided to customers. In addition, indigenous food items manufactured by the small and medium scale entrepreneurs and our Institution are marketed through this restaurant. In 2017, the operating income of this Project was Rs.2.447 million and the operating expenditure was Rs.3.297 million. So, the net loss for the year 2017 related to this project was Rs. 0.894 million. Since this project has been experiencing loss, it is expected to do necessary reorganization.



6. Project for *Suwaposha* Nutritional Food, Rice Flour, *Thosai* Flour and *Mawposha*

The Rice Flour and *Thosai* Flour Project has been initiated with the objective of publicizing the use of rice flour and food processing in the plantation sector and this project is being implemented in Gannoruwa and Kalankuttiya factories. Rice flour and *thosai* flour Project is initiated with the purpose of providing of nutritious pack to low weighted pregnant women according to the Concept of Mihinda Chinthana.

7. Rice Fortification Project

The World Food Organization donated Rs.3.659 million for this Project which is implemented focusing on social welfare rather than earning profit.

With the purpose of promoting Rice that is fortified by adding iron and folic acid Island wide as a preliminary step to eradicate micro nutritious deficiency of children in Sri Lanka, this Project was implemented by the National Food Promotion Board under the guidance of Nutritious Unit of the Presidential Secretariat, on the advice of the Ministry of Health with the participation of the Ministry of Education under the sponsorship of the World Food Programme.

This Project was implemented as a pilot project for the lunch providing schools in Kandy and Monaragala under the supervision of the University of Peradeniya. On the results of the test, it is expected to implement this Project Island wide in future under the sponsorship of the World Food Programme.



Signed and handed over the Agreement with regard to Rice Fortification Project

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

This Project was commenced with the objectives of publicizing the consumption of less consumed fruits among people and of introducing value added products. Here, veralu, custard apple (Anoda) 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 the Bio Diversity, Food and Nutrition Organization and a sum of Rs.0.106 million was earned as an operating income.



RTS Processing



Bottled RTS

9. 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 Communicable Diseases which are spreading all over the Island. By consuming this rice leads building up healthy people and empowering domestic farmers. 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.1.956 million and the income was Rs.1.936 million.

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

It is expected from this project is to facilitate consumers to buy high quality local food items free of poisonous substance. Nearly two hundred products including local rice, grain varieties and different products of small & medium scale manufacturers, are provided to consumers through these outlets. It is expected to open about 100 outlets through out the country and so far 09 sales outlets have already been opened.



Manner of displaying products within sales outlet



11. Project for manufacturing value added soya related food items

The objectives of this Project are to supply nutritious soya related value added food items to the community especially to children, youth and adults who are suffering from Non-Communicable Diseases including high blood pressure diabetics by providing soya bean related foods that contain protein, lipid, minerals and vitamins. This artificial food is provided by removing its unpleasant taste and smell scientifically. For this purpose, a provision of Rs.0.670 million was granted from the Ministry of Agriculture.

It is expected to expand these products Island wide under Public and Private Partnership.



12. Importation of Maize

As per high demand, maize is necessary as a main component of poultry feeds for the production of chicken and eggs in Sri Lanka. However, when considering prevailing situation, 200,000 M.T. of maize is produced in Sri Lanka and there is a vacuum for importation in order to produce animal feeds. Such vacuum is approximately 50% of annual demand.

At present, the importation of maize is done through private companies and since there is a monopoly among few importers, prices of poultry feeds have gone up. As a result, customers faced very difficult situation. In order to regulate this situation, the permission was granted import 50,000 M.T. of maize for the animal feeds under the guidance of Hon. Ministry of Agriculture. For this purpose, 37,000 M.T. of maize was imported and Rs.1754.28 million was earned as income and net profit was Rs.35.08 million.



13. Project for purchasing local soya beans

This Project was initiated with the objectives of encouraging farmers who are cultivating soya bean, empowering them, protecting their financial position and expanding soya bean cultivation further as a main source of protein. As per the Decision of the Cabinet held on 01.11.2016, steps were taken to purchase 5000 M.T. of soya bean from the farmers and supply to the *Thripasa* institute.

Here, National Food Promotion Board purchased 01 k.g. of soya bean for Rs.95.00 through Upuldeniya government stores and cleaned them at the Upuldeniya stores and supplied to the *Thripasa* institute for Rs.110.00. In addition, since adequate quantity of soya beans was not received, this project was proceeded with the collaboration of private sector. The total quantity of soya beans purchased was 786,185.60 K.g. and for this a sum of Rs. 75.40 million was earned as an income.

14. Provisions from the General Treasury

	Budgetary Provisions 2017 (Rs. Mn.)	Grants Received (Rs. Mn.)	Actual Expenditure (Rs. Mn.)	Additional Expenditure (Rs. Mn.)
Recurrent	61.702	40.000	47.601	7.601
Capital	2.800	2.800	2.830	0.030
Total	64.502	42.800	50.431	7.631

15. Other Provisions

(Ministry of Agriculture, Department of Agriculture and World Food Programme)

	Amount (Rs. Mn.)
Recurrent	4.532
Capital	0.108
Total	4.640



Annual Accounts Report - 2017



Sri Lanka National Freedom from Hunger Campaign Board

The Statements of Financial Position and the Financial Performance have been prepared in accordance with 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 date of purchased 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.
 - Raw materials – Raw materials are stated at the actual cost using First In First Out method.
 - Unfinished Stocks – Direct raw materials are stated at cost.
 - Finished Stocks – Direct raw Materials, variable Overhead Cost and Direct Salaries are stated at actual cost.
 - 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 were implemented by the Sri Lanka National Freedom from Hunger Campaign Board during the year 2017.

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 – Dehiwala	Self funds	Dehiwala
Plant Nursery - Head Office	Self funds	Narahenpita
Project for renovating minor irrigation	Farmer Development	Hambantota
Soya related by product Project	Ministry of Agriculture	Gannoruwa
Rice Fortification Project	World Food Programme	Kalankuttiya
Producing fruit drinks using less consumed fruit	Department of Agriculture	Gannoruwa
Healthy Food outlets and Healthy Food Bazaar	Self funds	Colombo
Project for purchasing local maize	Self funds	Head office
Rice Flour Project	Self funds	Kalankuttiya
Soya Project	Farmers Trust Fund	Upuldeniya
<i>Suwaposha</i> Nutritious Food Packet	Self funds	Gannoruwa
<i>Mawposha</i> Nutritious Food packet	Self funds	Gannoruwa
Publicizing the use of organic Fertilizer	Self funds	Buttala
Agricultural Products outlet – Dehiwala	Self funds	Dehiwala
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
 Provisions received from the Ministry of Agriculture, World Food Programme & Department of Agriculture
 Buttala Farm Development, Thanamalwila Farm Development, Ambalantota Farm Development , *Suwaposha* Project, *Mawposha* Project, the Project for promoting the consumption of rice flour in the Plantation Sector, Plant Nursery, Dehiwala Sales outlet, Healthy Food Restaurant, Compost Project

- 337100196138295 - Income earned from the Sales outlet at Dehiwala
- 78641885 - Healthy Food Bazaar
- 80681636 - Project for renovating minor irrigation

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 2017**

Particulars	Note	2017 Rs.	2016 Rs.
Assets			
Non Current Assets			
Property Plant and Inputs	1	339,966,422.68	337,395,749.18
Lands		307,200,000.00	307,200,000.00
Buildings		15,505,012.13	16,078,696.90
Motor Vehicles		3,376,116.44	3,900,000.00
Plant & Machinery		5,829,684.51	1,587,339.79
Furniture and Fittings		1,095,382.81	992,168.92
Office Equipment		1,388,060.88	1,690,775.58
Agricultural Equipment		1,44,000.00	281,000.00
Gardening Equipment		251,704.03	331,302.03
Other Equipment		1,346,999.33	1,675,256.08
Computer Accessories		1,012,612.21	725,195.01
Temporary Buildings		1,903,988.87	2,015,988.21
Measuring Equipment		184,761.47	69,626.66
Intangible assets			
Software		728,100.00	848,400.00
Financial Assets		93,969,576.67	806,118.84
Saving Deposits		196,000.16	806,118.84
Fixed Deposits		93,553,075.19	-
Distress loans		220,501.32	-
Current Assets		47,118,804.59	28,230,216.97
Deposits		111,816.50	201,816.50
Stocks		15,225,417.73	16,262,291.19
Debtors		716,862.77	938,993.77
Pre-paid		1,445,668.16	-
Cash Receivable		16,082,465.12	10,606,619.17
Cash in Hand and Cash in Bank		13,536,574.31	220,496.34
Total Assets		481,054,803.94	366,432,084.99
Equities and Liabilities			
Capital and Reserves		377,315,712.04	333,666,727.38
Balance in Funds		377,703,946.72	374,870,896.72
Accumulated Fund		(388,234,68)	(41,204,169.34)
Non Current Liabilities		6,898,935.50	13,775,284.82
Retirement Gratuity Liabilities		5,198,935.50	3,875,284.82
Mid-term Loans		1,700,000.00	9,900,000.00
Current Liabilities		96,840,156.40	18,990,072.79
Retention Fund		395,852.40	145,701.45
Refundable Deposits		83,248,149.90	1,073,000.00
Accrued Expenditure		13,196,154.10	17,771,371.34
Total Equities and Liabilities		481,054,803.94	366,432,084.99



Sri Lanka National Freedom from Hunger Campaign Board
Statement on Financial Performance as at 31 December 2017

Particulars	Note	2017 Rs.	2016 Rs.
Income		100,221,233.87	73,426,388.30
Treasury/ Ministry Grants	5,6	44,532,882.42	61,112,012.18
Other Operating Income	2	49,578,684.51	11,525,055.49
Interest from Savings Accounts		4,902,736.94	31,640.63
Proceeds obtained from the Disposal of Assets		-	2,314,950.00
Remitting proceeds obtained from selling the assets to the General Treasury		-	(2,508,700.00)
Other Income		1,206,930.00	951,430.00
Expenditure		62,748,852.41	75,769,730.36
Personal Emoluments		37,404,501.50	33,912,586.68
Travelling Expenditure		697,189.09	681,562.05
Supplies and requisites		2,340,711.10	5,339,316.35
Repair and Maintenance of Fixed Assets		7,602,947.76	4,272,608.03
Transformations, Communications, Utilities and the other Services		14,703,502.96	31,563,657.25
Income over the Expenditure/ Surplus (Deficit)		37,472,381.46	(2,343,342.06)



**Sri Lanka National Freedom from Hunger Campaign Board
Cash Flow Statement as at 31 December 2017**

	Note	2017 Rs.	2016 Rs.
Cash flows used/received from Operational Activities			
Net Profit/Loss before income taxes		37,472,381.46	(2,343,342.06)
Adjustments			
Depreciations	1	4,800,502.63	5,449,799.62
Depreciation on Vehicle disposals/transfers		-	(1,006,250.00)
Disposals/Transfers of Property, Plant and Equipment			1,200,000.00
Write off farmers' loans		-	80,610.50
Interest Income earned from Investment Activities		4,902,736.94	-
Deposits		90,000.00	-
Prior Periods Adjustments		3,268,553.20	1,642,078.30
Allocations for Retirement Gratuity			(1,743,191.80)
Allocations for Retirement Benefits		1,323,650.68	1,342,160.32
Operational Profit before Working Capital Changes		<u>51,857,824.91</u>	<u>4,621,864.88</u>
(Increases)/ decreases in Stocks		1,036,873.46	(11,388,257.87)
Gratuity Payment			(569,139.50)
(Increases)/decreases in Trade and Other Receivables		(6,699,383.11)	(10,226,335.66)
Increases/decreases in Trade and Other Payables		77,850,083.61	12,865,534.02
Cash generated from Operations		72,187,573.96	(9,318,199.01)
Net Cash flows received from Operational Activities		<u>124,045,398.87</u>	<u>(4,696,334.13)</u>
Cash flows received/ (used) from Investment Activities			
Acquisition of Property, Plant and Equipment	1	(7,371,176.13)	(1,033,210.42)
Disposals/Transfers of Property, Plant and Equipment		-	2,508,700.00
Net Cash flows received/ (used) from Investment Activities		<u>(4,902,736.94)</u>	<u>(31,640.63)</u>
Increases/decreases in Saving Deposits		610,118.68	-
Increases/decreases in Fixed Deposits		(397,303,075.19)	-
Increases/decreases in Fixed Deposits		303,750,000.00	-
Remitting proceeds obtained from selling of vehicle to the General Treasury		-	(2,508,700.00)
Net Cash flows received/ (used) from Investment Activities		<u>(105,216,869.58)</u>	<u>(1,064,851.05)</u>
Cash flows received/ (used) from Financial Activities			
Receipts of Funds		47,440,932.42	61,112,012.18
Donations		(44,532,882.42)	(61,112,012.18)
Receipts of Distress loans		(248,064.00)	



Repayment of Distress loans		27,562.68	-
Repayment of loans		(13,200,000.00)	20,000,000.00
Received of loans		5,000,000.00	(15,687,500.06)
		(5,512,451.32)	4,312,499.94
Net Increase/ (Decrease) in Cash and Cash Equivalents		13,316,077.97	(1,448,685.24)
Cash and Cash Equivalents at the beginning of the Year		220,496.34	1,669,181.58
Cash and Cash Equivalents at the end of the Year		13,536,574.31	220,496.34
Note - A			
Bank Balance		220,496.34	1,669,181.58
Petty Cash		-	
Cash in Hand		-	-
		220,496.34	1,669,181.58



**Sri Lanka National Freedom from Hunger Campaign Board
Statement on Change in Equities for the Year ended on 31 December 2017**

	Revaluation Fund Rs.	Balance in Fund Rs.	Acumulated Fund Rs.	Total Rs.
Balance as at 01.01.2017	328,671,316.14	46,199,580.58	(41,204,169.34)	333,666,727.38
Funds Received		47,440,932.42		47,440,932.42
Donations		(44,532,882.42)		(44,532,882.42)
Prior Periods Adjustments		(75,000.00)	3,343,553.20	3,268,553.20
Under Allocations		-	-	-
Net Surplus (Deficit) for the Year			37,472,381.46	37,472,381.46
	328,671,316.14	49,032,630.58	(388,234.68)	377,315,712.04



Note - 01
Non Current Assets

Type of Assets	Lands and Buildings	Motor Vehicles	Machinery and Equipment	Office Equipment	Furniture and fittings	Agri equipment	Gardenin g Equipment	Other Equipment	Photogra phic and Cinema Equipme nt	Temporary Buildings	Measuring Equipment	Computers and Accessories	Software	Total
Balance as at 01.01.2017	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
Additions	346,514.90	802,500.00	4,821,030.00	111,550.00	384,059.23	-	-	127,050.00	-	-	148,672.00	629,800.00	-	7,371,176.13
Disposals/Transfers (Fixed Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/Transfers (Values already Depreciated)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
depreciations for Year	(920,199.67)	(1,326,383.56)	(578,685.28)	(414,264.70)	(280,845.34)	(137,000.00)	(79,598.00)	(455,306.75)	-	(111,999.34)	(33,537.19)	(342,382.80)	(120,300.00)	(4,800,502.63)
Net Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Value as at 31.12.2017	322,705,012.13	3,376,116.44	5,829,684.51	1,388,060.88	1,095,382.81	144,000.00	251,704.03	1,346,999.33	-	1,903,988.87	184,761.47	1,012,612.21	728,100.00	339,966,422.68
Total of the Revaluation Surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total of the Revaluation Deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Carrying Value	325,456,843.31	7,302,500.00	7,709,810.00	2,617,621.78	2,067,905.98	639,500.00	397,990.00	2,740,400.00	3,540.00	2,239,986.89	279,412.00	2,305,960.00	1,089,000.00	354,850,469.96
Accumulated Depreciations	(2,751,831.18)	(3,926,383.56)	(1,880,125.49)	(1,229,560.90)	(972,523.17)	(495,500.00)	(146,285.97)	(1,393,400.67)	(3,540.00)	(335,998.02)	(94,650.53)	(1,293,347.79)	(360,900.00)	(14,884,047.28)
Net Carrying Value	322,705,012.13	3,376,116.44	5,829,684.51	1,388,060.88	1,095,382.81	144,000.00	251,704.03	1,346,999.33	-	1,903,988.87	184,761.47	1,012,612.21	728,100.00	339,966,422.68



Note 02 : Trading, and Profit & Loss Accounts

2.1

Sales outlet - Dehiwala

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	35,142,766.23	30,681,101.67
<u>Less: Cost of Sales</u>		
Opening Stock	1,768,921.58	1,370,466.62
Purchases	30,448,180.84	26,262,266.37
Transport	-	64,422.00
Closing Stock	(1,925,528.72)	(1,768,921.58)
	30,291,573.70	25,928,233.41
Gross Profit/Loss	4,851,192.53	4,752,868.26
Overhead Cost	(6,520,792.54)	(5,227,963.20)
Net Profit/Loss	(1,669,600.01)	(475,094.94)



2.2

Restaurant – Dehiwela

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	5,913,736.63	4,968,368.00
<u>Less: Cost of Sales</u>		
Opening Stock	39,498.30	23,792.60
Purchases	4,998,735.19	4,746,710.84
Transport	-	
Closing Stock	(48,541.36)	(39,498.30)
	4,989,692.13	4,731,005.14
Gross Profit/Loss	924,044.50	237,362.86
Overhead Cost	(725,741.20)	(573,689.76)
Net Profit/Loss	198,303.30	(336,326.90)

2.3

Restaurant – Zoological Garden Dehiwela

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	5,620,143.00	6,772,486.00
<u>Less: Cost of Sales</u>		
Opening Stock	162,707.76	180,635.92
Purchases	4,358,703.34	4,555,287.92



Closing Stock	-	(162,707.76)
	4,521,411.10	4,573,216.08
Gross Profit/Loss	1,098,731.90	2,199,269.92
Overhead Cost	(1,258,076.50)	(1,142,483.74)
Net Profit/Loss	(159,344.60)	1,056,786.18

2.4

Plant Sales Outlet - Narahenpita
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	10,707,540.40	9,504,277.40
<u>Less:</u> Cost of Sales		
Opening Stock	717,087.84	1,059,868.78
Purchases	7,577,655.59	5,885,065.35
Closing Stock	(1,037,884.50)	(717,087.84)
	7,256,858.93	6,227,846.29
Gross Profit/Loss	3,450,681.47	3,276,431.11
Overhead Cost	(1,913,891.19)	(1,810,963.94)
Net Profit/Loss	1,536,790.28	1,465,467.17



2.5 Plant Sales Outlet - Dehiwala
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income (Saplings & fertilizer)	5,828,989.49	4,275,431.00
<u>Less: Cost of Sales</u>		
Opening Stock	956,813.78	126,271.80
Purchases	3,830,118.64	2,872,271.00
Loss of Stocks	-	-
Closing Stock	(634,626.65)	(956,813.78)
	4,152,305.77	2,041,729.02
Gross Profit/Loss	1,676,683.72	2,233,701.98
Overhead Cost	(1,063,950.10)	(924,270.40)
Net Profit/Loss	612,733.62	1,309,431.58



2.6

**Project for promoting Rice Flour
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017**

Item	2017 Rs.	2016 Rs.
Opening Stock	18,525.00	442,681.10
Purchases	187,875.00	1,237,135.00
Loss of Stocks	-	(18,525.00)
Closing Stock - Raw Materials	-	-
Expenditure on Raw Materials	206,400.00	1,661,291.10
Opening Stock - Work in Progress	124,440.00	-
Loss of Stocks	-	(124,440.00)
Closing Stock - Work in Progress	-	-
Production cost	330,840.00	1,536,851.10
Sales Income	364,770.00	1,412,650.32
<u>Less: Cost of Sales</u>		
Opening Stock	70,229.80	33,724.50
Production cost	330,840.00	1,536,851.10
	401,069.80	1,570,575.60
Loss of Stocks	-	(42,900.00)
Closing Stock	(71,167.84)	(27,329.80)
	329,901.96	1,500,345.80
Gross Profit/Loss	34,868.04	(87,695.48)
Overhead Cost	(455,380.20)	(2,138,698.64)
Net Profit/Loss	(420,512.16)	(2,226,394.12)



2.7

Suwaposha
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Opening Stock	130,000.00	140,000.00
Purchases	97,225.00	337,756.00
Loss of Stocks	-	(130,000.00)
Closing Stock - Raw Materials	(90,250.00)	-
Expenditure on Raw Materials	136,975.00	347,756.00
Opening Stock - Work in Progress	-	-
Closing Stock - Work in Progress	-	-
Production cost	136,975.00	347,756.00
Sales Income	190,610.00	261,036.60
<u>Less: Cost of Sales</u>		
Opening Stock	233.25	10,000.00
Production cost	136,975.00	347,756.00
	137,208.25	357,756.00
Closing Stock	(31,535.40)	(233.25)
	105,672.85	357,522.75
Gross Profit/Loss	84,937.15	(96,486.15)
Overhead Cost	(440,335.70)	(642,622.40)
Net Profit/Loss	(355,398.55)	(739,108.55)



2.8

**Healthy Food Restaurant
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017**

Item	2017 Rs.	2016 Rs.
Trade Income	2,447,941.11	11,015,509.64
<u>Less: Cost of Sales</u>		
Opening Stock	44,718.50	237,898.50
Purchases	2,106,560.95	9,298,610.39
Salaries	968,608.28	4,367,587.34
Closing Stock	-	(44,718.50)
	3,119,887.73	13,859,377.73
Gross Profit/Loss	(671,946.62)	(2,843,868.09)
Overhead Cost	(222,162.79)	(968,647.85)
Net Profit/Loss	(894,109.41)	(3,812,515.94)

2.9

**Mawposha
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017**

Item	2017 Rs.	2016 Rs.
Opening Stock	271,555.00	482,774.50
Purchases	1,832,714.50	396,250.00
Direct Salaries	-	-
Transport	-	26,300.00
Loss of Stocks	-	(265,000.00)
Closing Stock - Raw Materials	(842,150.00)	(6,555.00)
	1,262,119.50	633,769.50
Opening Stock - Work in Progress	-	-
Closing Stock - Work in Progress	-	-
Production cost	1,262,119.50	633,769.50



Trade Income	922,260.00	773,995.35
<u>Less: Cost of Sales</u>		
Opening Stock	68,394.08	295,460.00
Production cost	1,262,119.50	633,769.50
	1,330,513.58	929,229.50
Loss of Stocks	-	(67,797.62)
Closing Stock	(56,266.06)	(596.46)
	1,274,247.52	860,835.42
Gross Profit/Loss	(351,987.52)	(86,840.07)
Overhead Cost	(1,039,062.89)	(1,570,957.20)
Net Profit/Loss	(1,391,050.41)	(1,657,797.27)

2.10

Compost Project - Buttala
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Opening Stock	234,349.80	-
Purchases	1,536,260.68	946,553.60
Direct Salaries	-	-
Transport	-	-
Closing Stock - Raw Materials	(356,342.20)	(234,349.80)
	1,414,268.28	712,203.80
Opening Stock - Work in Progress	-	-
Closing Stock - Work in Progress	-	-
Production cost	1,414,268.28	712,203.80
Trade Income	1,612,750.00	916,206.25
<u>Less: Cost of Sales</u>		



Opening Stock	-	-
Production cost	1,414,268.28	712,203.80
Closing Stock	-	-
	1,414,268.28	712,203.80
Gross Profit/Loss	198,481.72	204,002.45
Overhead Cost	(256,247.00)	(147,408.90)
Net Profit/Loss	(57,765.28)	56,593.55

2.11

Traditional Rice Project

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Opening Stock	854,895.00	313,509.00
Purchases	424,843.55	5,559,276.40
Transport	-	33,915.00
Grinding cost	-	124,380.00
Direct Salaries	-	659,448.00
Loss of Stocks	-	(732,375.00)
Closing Stock	-	(122,520.00)
	1,279,738.55	5,835,633.40
Opening Stock - Work in Progress	1,013,841.00	-
Loss of Stocks	-	(1,013,841.00)
Closing Stock - Work in Progress	-	-
Production cost	2,293,579.55	4,821,792.40
Trade Income	1,936,915.00	4,467,445.00
<u>Less: Cost of Sales</u>		
Opening Stock	1,097,800.00	156,950.00
Production cost	2,293,579.55	4,821,792.40
	3,391,379.55	4,978,742.40
Loss of Stocks	-	(1,029,860.00)
Closing Stock	-	-



		(67,940.00)
	3,391,379.55	3,880,942.40
Gross Profit/Loss	(1,454,464.55)	586,502.60
Overhead Cost	(1,531,660.91)	(167,822.40)
Net Profit/Loss	(2,986,125.46)	418,680.20

2.12

Buttala Farm

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Opening Stock	-	-
Purchases		3,575.00
Closing Stock - Raw Materials	-	-
	-	3,575.00
Opening Stock - Work in Progress	-	-
Closing Stock - Work in Progress	-	-
Production cost	-	3,575.00
Trade Income	9,201.00	4,000.00
<u>Less: Cost of Sales</u>		
Opening Stock	-	-
Production cost	-	3,575.00
Closing Stock	-	-
	-	3,575.00
Gross Profit/Loss	9,201.00	425.00
Overhead Cost	525,407.80	542,637.75
Net Profit/Loss	(516,206.80)	(542,212.75)



Thanamalwila Farm

2.13

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Farm income	155,000.00	128,000.00
<u>Less: Cost of Sales</u>		
Opening Stock		
Production cost	-	-
Closing Stock	-	-
	-	-
Gross Profit/Loss	155,000.00	128,000.00
Overhead Cost	(483,239.76)	(655,412.52)
Net Profit/Loss	(328,239.76)	(527,412.52)

2.14

Soya Project

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	75,404,780.00	-
<u>Less: Cost of Sales</u>		
Opening Stock	8,631,729.50	-
Purchases	72,656,438.72	8,574,519.50
Packaging	116,301.00	72,756.68
Stock Processing fees	439,757.50	90,258.10
Fumigation expense	109,983.75	55,140.00
Loss of Stocks	-	-



Closing Stock	(10,130,705.00)	(8,631,729.50)
	71,823,505.47	160,944.78
Gross Profit/Loss	3,581,274.53	(160,944.78)
Overhead Cost	(1,284,839.70)	-
Net Profit/Loss	2,296,434.83	-

2.15

Project for Purchasing Local Maize
Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.	2016 Rs.
Trade Income	13,860.00	16,137,660.00
<u>Less: Cost of Sales</u>		
Opening Stock	56,551.00	
Purchases	-	15,189,871.25
Transport	-	115,000.00
Packaging	-	132,812.50
Loss of Stocks	-	(56,551.00)
Closing Stock	-	
	56,551.00	15,381,132.75
Gross Profit/Loss	(42,691.00)	756,527.25
Overhead Cost	-	(638,345.69)
Net Profit/Loss	(42,691.00)	118,181.56



2.16

BFN Project

Trading, and Profit & Loss Account for the Year Ended on 31.12.2017

Item	2017 Rs.
Trade Income	106,500.00
<u>Less: Cost of Sales</u>	
Opening Stock	-
Purchases	54,480.00
Transport	-
Loss of Stocks	-
Closing Stock	(420.00)
	54,060.00
Gross Profit/Loss	52,440.00
Overhead Cost	180,272.55
Net Profit/Loss	(127,832.55)



2.17

Maize (Importing) Project
Trading, and Profit & Loss Account for the Year Ended on 31.12.20

Item	2017 Rs.
Trade Income	1,754,284,010.64
<u>Less: Cost of Sales</u>	
Opening Stock	-
Purchases	1,718,240,745.73
Transport	-
Packaging	61,027.27
Loss of Stocks	-
Closing Stock	-
	1,718,301,773.00
Gross Profit/Loss	35,982,237.64
Overhead Cost	895,090.74
Net Profit/Loss	35,087,146.90



Note 02 - Trading, and Profit/Loss Account(Summary)

Project	2017		2016	
	Gross Profit/(Loss)	Net Profit/(Loss)	Gross Profit/(Loss)	Net Profit/(Loss)
	Rs.	Rs.	Rs.	Rs.
Sales outlet - Dehiwala	4,851,192.53	(1,669,600.01)	4,752,868.26	(475,094.94)
Restaurant - Dehiwala	924,044.50	198,303.30	237,362.86	(336,326.90)
Restaurant – Zoological Garden Dehiwala	1,098,731.90	(159,344.60)	2,199,269.92	1,056,786.18
Plant Sales outlet - Narahenpita	3,450,681.47	1,536,790.28	3,276,431.11	1,465,467.17
Plant Sales outlet - Dehiwala	1,676,683.72	612,733.62	2,233,701.98	1,309,431.58
Rice Flour Project - Kalankuttiya	34,868.04	(420,512.16)	(87,695.48)	(2,226,394.12)
Suwaposha Project	84,937.15	(355,398.55)	(96,486.15)	(739,108.55)
Healthy Food Restaurant - Narahenpita	(671,946.62)	(894,109.41)	(2,843,868.09)	(3,812,515.94)
Mawposha Project	(351,987.52)	(1,391,050.41)	(86,840.07)	(1,657,797.27)
Buttala Compost	198,481.72	(57,765.28)	204,002.45	56,593.55
Traditional Rice Project	(1,454,464.55)	(2,986,125.46)	586,502.60	418,680.20
Buttala Farm	9,201.00	(516,206.80)	425.00	(542,212.75)
Thanamalwila Farm	155,000.00	(328,239.76)	128,000.00	(527,412.52)
Soya Project	3,581,274.53	2,296,434.83	(160,944.78)	-
Local Maize Purchasing Project	(42,691.00)	(42,691.00)	756,527.25	118,181.56
BFN Project	52,440.00	(127,832.55)	-	-
Maize (Importing) Project	35,982,237.64	35,087,146.90	-	-
Green Gram Project	-	-	275,675.00	-
Healthy Food Bazaar	-	-	150,123.63	-
Total	49,578,684.51	30,782,532.94	11,525,055.49	(5,891,722.75)



03 Direct Developmental Expenditure was shown under Donations.

04 All the expenditure incurred for the administration of Head Office was shown under the Treasury Funds.

05 Treasury Funds

Description	Budgetary Allocations	Actual Expenditure 2017	Provisions obtained from the General Treasury in 2017	Excess/ Deficit
Recurrent	61,702,155.00	47,601,770.36	40,000,000.00	21,702,155.00
Capital	2,800,000.00	2,830,250.00	2,800,000.00	-

42,800,000.00

06 The Funds received from the Ministry of Agriculture for the Projects, were utilized as recurrent and capital Expenditure as given below.

Description	Capital	Recurrent	Total
ව්‍යාපෘති	108,050.00	4,532,882.42	4,640,932.42

4,640,932.42

Treasury Provision (Recurrent)	40,000,000.00
Ministry Provision	982,233.50
World Food Programme	<u>3,550,648.92</u>
	<u>44,532,882.42</u>

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 payable for the fence constructed for the Farm at Ambalantota is still pending.

08. The amount of Rs. 72,975,100.00 was gained by selling sand for Small Tank Development Project and such amount was entered under Deposits. In addition, since said Project has not been completed Rs.1,445,668.16 expenditure was carried forward.

09. Accounts for the Dehiwala Sales Outlet and Dehiwala Zoological Garden Sales Outlet were shown separately.

10. Steps were taken to write off the following balances that had been entering last few years.

- The sum of Rs.3,300,000.00 was payable to the Paddy Marketing Board.
- The sum of Rs.7,800.00 was payable to the National Aquatic Development Authority.
 - The sum of Rs.15,000.00 was payable to the Ministry of Agriculture.
- The sum of Rs.64,500.00 was to be charged from Mr.S.K.Dammika Solomon and the sum of Rs. 127,303.00 was to be charged from Mrs.Kumudini Gunasekara.



Report of the Auditor General - 2017



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } AGL/D/HCB/01/17/17
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 19 July 2018
திகதி }
Date }

The Chairman
Sri Lanka National Freedom from Hunger Campaign Board

Report of the Auditor General on the Financial Statements of Sri Lanka National Freedom from Hunger Campaign Board for the year ended 31 December 2017 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 Campaign Board for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 Campaign 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairmen of the Board on 31 May 2018.

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.



9.35



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கணக்காய்வகம்
Auditor General's Department

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 Campaign 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 Accounting Deficiencies

The following observations are made.

- (a) Even though, a sum of Rs.11,773,265 had to be paid to a private entity as at 31 December 2017, for the import of 237,937 kg of maize in the year under review, it had been stated in the financial statements as Rs.11,163,064 and as such current assets and the surplus had been under stated and overstated by Rs.610,201 respectively.
- (b) As the physical stock of packing material valued at Rs.192,404 as at 31 December 2017 had not been brought to accounts, the stock of packing materials and the years surplus had been understated by that amount.
- (c) An advance of Rs.4,821,030 paid for the purchase of rice milling and lifting machine at the end of the year under review had been brought to accounts as assets instead of being accounted as an advance and as such the cost of assets by that amount and the depreciation of Rs.2,642 thereon had been overstated.

2.2.2 Unexplained Differences

According to the ledger account, the closing stock of Soya beans as at 31 December 2017 had been Rs.9,442,810 whereas according to the verification report, the physical stock stood at Rs.10,130,705 and as such there was an unexplained difference of Rs.687,895.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken to recover the debtor balances totalling Rs.691,211 brought forward since the years 2011 and 2012.
- (b) Even though, the loan of Rs.2,500,000 obtained from the Farmers Trust Fund in the years 2011 and 2012 should have been fully settled during the year 2013, action had not been taken to settle a further balance of Rs.2,101,315, including the interest of Rs.401,315, remained as at the end of the year under review.



- (c) Action had not been taken to settle the creditors balance of Rs.410,293 brought forward for more than 6 years.

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

The following Non-compliances with Laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations etc.

Non-compliance

- (a) Public Finance Circular No.03/2015 of 14 July 2015.

- (i) Even though, the ad-hoc sub imprests should be settled immediately after the completion of the purpose for which it was given, sub-imprests totalling Rs.676,400 given on 46 instances during the year under review had been settled after delays ranging from 32 days to 210 days. Similarly, ad-hoc sub-imprests had been granted to officers who kept government money in hand continuously and settled after long delays and 117 instances were observed where sub-imprests were obtained before being settled the previous imprests obtained.

- (ii) Five officers had obtained sub-imprests totalling Rs.164,000 in 9 instances and settled them with delays ranging from 72 days to 168 days without being completed the relevant purpose by retaining in hand.



(b) Assets Management Circular No.02/2017 of 21 December 2017. Motor vehicles used without having the registered ownership should be registered formally in the name of the Board with the concurrence of the entity, the registered ownership of which belonged to. Nevertheless, 3 motor vehicles belonged to the Ministry of Agriculture and 3 vehicles belonged to the Mahaweli Authority, Minor Crops Promotion Board and the Ministry of National Policies and Economic Affairs without being so registered in the name of the Board.

3. Financial Review

3.1 Financial Results

According to the Financial Statement presented, the financial result of the Board for the year under review had been a surplus of Rs.37,472,381 as against the deficit of Rs.2,343,342 for the preceding year, thus indicating an improvement of Rs.39,815,723 in the financial result of the year under review as compared with the preceding year. Decrease of expenditure on transport, communication, utility and other services by Rs.16,860,155 in the year under review and earning of income of Rs.35,087,146 from imported maize project had mainly attributed to this improvement of financial result.

In analysing the financial results of the year under review and the preceding 4 years, even though there was a deficit of Rs.5,077,456 in the year 2013, there was a surplus of Rs.1,921,514 in the year 2014. Similar deficits were reported again in the years 2015 and 2016 but a surplus of Rs.37,472,381 was earned again in the year under review, representing an increase of 1950 per cent. However, in re-adjusting employees remuneration and depreciation on non-current assets to the financial results, the contribution of the Board amounting to Rs.17,172,617 in the year 2013 had continuously improved up to Rs.79,677,384 by the end of the year under review.



3.2 Analytical Financial Review

As compared with the previous year, the current ratio had increased by one and the increase of payable deposits of Rs.82,175,150 had been the main reason therefor.

3.3 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 which was not belonged to the Board without the approval of the Board of Directors and deviating from procurement procedure. An external party had filled a case against the Board, asking for a compensation of Rs.3,209,728, due to non-payment of dues.

4. Operating Review

4.1 Performance

4.1.1 Operations and Review

According to the Action Plan prepared by the Board for the year under review, implementation of 14 projects by spending a sum of Rs.3,713.24 million had been estimated and the following observations are made in that connection.

(a) Thanamalwila and Buttala Farms

Lands belonging to the Thanamalwila and Buttala farms 16 acres and 10 acres in extent respectively had not been utilized for plantation works effectively even by the end of the year under review.

(b) Fruit Consumption Promotion Project (BFN)

Even though, it was planned to manufacture 3,600 bottles of beverage during the year under review, by the project implemented with the object of supplying value added fruits, being shortages locally and to promote local fruit consumption, only 1420 bottles were produced.

(c) Mauposha Project and Traditional Rice Project

According to the Action Plan for the year under review, it was planned to produce 4000 packets of Mauposha and 48,000 packets of rice flour but only 1685 packets and 1316 packets respectively had been produced. It was not



properly planned, having being identified the demand and the stock of raw materials purchased for the Mauposha Project valued at Rs.842,150 and the balance stock of packing materials valued at Rs.192,404 purchased for the rice project had remained in the stock as at 31 December of the year under review.

(d) Hela Bojun Hala

Even though the approval of the Board of Directors had been granted to open the Hela Bojun Hala on 17 November 2017 it had not been opened even by the end of the year under review.

(e) Small tanks development Project

Without getting the approval of the Board of Directors for the project report relevant to the renovation of tanks, being deepened in the Dry Zone Project it had been implemented. Even though, it was expected to develop 36 tanks during the year under review according to the action plan, only 27 tanks had been deepened.

(f) According to the Action Plan, a sum of Rs.72.10 million had been provided for the formalization of street food project with the objective of extending anti-poisonous foods island wide. Even though, it was planned to start 100 carts of street foods in the Anuradhapura District as the initial step, it had not been fulfilled during the year under review.

4.2 Operating Activities

The following observations are made.

- (a) A Healthy Food Market had been commenced in the year 2016 in order to marketing of Small Entrepreneurs' Products registered with the Board. Accordingly, an external party had been selected to market such products and entered into an agreement without following the Procurement Guidelines. In terms of Section V of the agreement, the maximum value of products to be issued for sale at a time was only Rs.500,000. Nevertheless, products valued at Rs.1,966,824 had been issued in excess of the above limit. Furthermore, cash



in respect of sales should be remitted within 15 days in terms of Section VI of the agreement. However, despite sales cash was not received within that period the Board had issued him products continuously and as such a sum of Rs.590,919 was due as at the end of the year under review. Action had not been taken to recover surcharges in terms of Section VI of the agreement. In addition, due to return of food products valued at Rs.375,905 during the year under review the Board had sustained a loss for the same value.

- (b) The Healthy Food Cafeteria commenced in the year 2012 with the objective of creating consumption pattern of indigenous traditional foods had incurred a loss of Rs.406,765 in the year 2012 and the loss had increased to Rs.4,192,533 by the end of the year 2015. The loss then had gradually decreased and it had been Rs.894,109 in the year under review. Despite it was informed the Chairmen by the Board of Directors that a targeted programme be prepared so as to decrease the loss since March 2017, the then Chairmen and the Vice Chairmen had taken action to close down the cafeteria.

4.3 Idle and Under-utilized Assets

Equipment valued at Rs.452,000 purchased in the year 2012 to operate a bakery at the Dehiwala Shop had remained idle in the stores without being used.

4.4 Personnel Administration

The following observations are made.

- (a) The approved cadre stood at 28. As 37 employees had been recruited in terms of Public Administration Circular No.25/2014 of 12 November 2014, the actual cadre had increased to 65 and action had not been taken to get them approved.



- (b) In terms of Paragraph 7 of the above circular, employees on temporary, casual, substitute and contract basis should be recruited only on the prior approval of the Department of Management Services. Contrary to that, 3 employees had been recruited on contract basis and a sum of Rs.798,566 had been paid as salaries and allowances in the year under review.

5. Sustainable Development

Reaching Sustainable Development Objectives

According to the United Nations year 2030 on Sustainable Development, every public entity should act in accordance with that “agenda”. The Board had made aware how it would perform its functions within the scope of the Board and had identified Sustainable Development Objectives and targets.

6. Accountability and Good Governance

6.1 Procurement and Contract Process

6.1.1 Procurements

The following observations are made.

- (a) Three motor cycles valued at Rs.802,500 and 2 Global Processing System Units valued at Rs.148,672 had been purchased which had neither been included in the Procurement Plan nor in the Capital expenditure estimates.
- (b) A feasibility study had been carried out by the Institute of Post Harvest Technology for the purchase of a rice milling machine and lifting equipment by spending a sum of Rs.4,821,030 and to purchase electrical fittings by spending a sum of Rs.50,000 to the Board. Accordingly, 8 suppliers had been proposed by that feasibility report but bids were called only from 3 suppliers and 5 outside suppliers. Furthermore, even though 7 days should be given for calling bids by the shopping method in terms of Procurement Guideline 6.2.2, only 5 days had been given by the Board. Entering into an agreement in terms of Section 8.9.1 and obtaining a Performance Bond in terms of Section 5.4.10 had not been done.



- (c) Action had been taken by the Board to import and distribute maize among the essentially required small and middle scale entrepreneurs who produce animal foods in order to control high prices in the market and meet the market shortages of maize. Accordingly, the Board had taken action to import 50,000 kg of maize for the year 2017. The following observations are made in that connection.
- (i) A total cost estimate had not been prepared in terms of Guideline 4.3.1 (a) of the Government Procurement Guidelines.
 - (ii) Even though at least a minimum of 5 members should be appointed to the Technical Evaluation Committee in terms of Section 2.8.2 of the Procurement Manual of 2006, only 3 members had been appointed by the Chairmen of the Procurement Committee.
 - (iii) As the value of stock of maize for which bids were called for the import amounted to Rs.2,474 million, according to the price of the selected bidder, calling for bids for the selection of the supplier should have been published through the national competitive bidding, in terms of Section 2.14.1 of supplementary 28 of Government Procurement Guidelines. Contrary to that, bids were called for from the registered suppliers. In addition to that even though decisions should be taken by the Cabinet Appointed Procurement Committee for supplies over the value of Rs.200 million, the decisions on the above supply had been taken by the Departmental minor Procurement Committee in contrary.
 - (iv) The Performance Bond to be produced in terms of Guideline 5.4.10 of the Government Procurement Guideline of 2006 and condition 10 included in the bidding documents issued to suppliers had not been produced and no evidence was made available to ensure whether financial viability of suppliers had been established.



- (v) Even though bids were opened by the opening Committee on 24 January 2017, prior to that date, the Chairmen of the Board had informed the supplier who had been awarded the contract by his letter dated 25 November 2016 to import 50,000 MT of maize at Rs.44 per kg. Furthermore, without adducing any reasons for price changes 25,000 MT at Rs.49.485 per kg had been ordered subsequently again on 09 January 2017 by the letter No.PD/16/M-Import dated 09 January 2017. Accordingly, it was observed in audit that this Procurement Process had been carried out without transparency, as orders had been placed before calling for prices.
- (vi) According to the undated agreement entered into with the supplier, the supplier had been informed that 25,000 Metric tons of the total stock should be imported by 31 March 2017 but only 2500 metric tons or 10 per cent had been imported even by 31 May 2017 and as such stock could not be issued to the entrepreneurs. Accordingly, the achievement of the objectives of the import of stock had been doubtful in audit.
- (vii) Even though, the quality of imported stock of maize was indicated in the bidding documents, the Board had not taken action to check the quality of stock after receipt of stock and issued to the entrepreneurs directly. Even though, the maximum content of "afalatoxin" available in the stock of the specification should be 20 PPB, according to the bid document, it was observed at audit test check that such content had been 58 PPB to 310 PPB in 4 instances.

6.2 Budgetary Control

As compared the budgeted income and expenditure with actuals of the year under review, variations ranging from 26 per cent to 489 per cent were observed and as such the Budget had not been made use of an effective instrument of management control.



6.3 Tabling the annual reports

Annual reports of the Board for the years 2015 and 2016 had not been tabled in parliament even by 10 April 2018 in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

6.4 Unresolved Audit Paragraphs

Even though, the following observations were made in the previous audit report, a sufficient attention had not been made to rectify them even up to the date of this report.

- (a) A directive had been given by the Committee on Public Enterprises met on 01 October 2012 to present amendments to be made to the existing Act of the Board, it had not been implemented up to now.
- (b) Preliminary investigations or the formal disciplinary inquiries in respect of cash misappropriation of Rs.77,352 and Rs.73,415 occurred at Narahenpita shop in the year 2012 and Healthy Food restaurant in the year 2016 respectively and Dehiwala shop had not been carried out even up to the date of this report.

7. Systems and Control

Weaknesses in systems and controls observed in audit had been of the Board from time to time. Special attention is needed in respect of the following areas of control.

<u>Areas of Systems and Control</u>	<u>Observations</u>
(a) Financial Control	Income and expenditure not managed, through the Budget.
(b) Assets control	Motor vehicles not formally vested in the Board.
(c) Personnel Administration	Recruitments made without being complied with circular provisions.



- (d) Project Management Non-implementation of projects as planned and projects not maintained efficiency and economically.
- (e) Maintenance of Files Procurement files not maintained in accordance with provisions in the Procurement Guidelines.

W.P.C.Wickramaratne
Auditor General (Acting)