

Sri Lanka Thriposha Limited - 2021

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the Sri Lanka Thriposha Limited (“Company”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income and expenditure, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported to the Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Thriposha Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

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

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

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

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

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivables and Payables

1.5.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
According to the age analysis of creditors, a creditor balance amounting to Rs.12,796,471 since 2017 had not been settled even in the year under review.	An amount of Rs. 968,281 included in this creditors balance has been planned to settle in this year. The remaining balance of Rs.11,828,189 is not required to pay back to the relevant suppliers and action will be taken to write off them, subject to the approval of the Board of Directors.	Action should be taken to settle the creditor balances.

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to laws, Rules and Regulations etc.	Non-Compliance	Management Comments	Recommendation
Public Enterprises Circular No. PED /12 dated 02 June 2003			
(i) Paragraph 7.2	Although an operational manual/hand book covering the major aspects of the administrative setting of the Company should be prepared, it had not been prepared.	The Company has an operational manual and action will be taken to update and submit it to the audit.	Action should be taken in terms of the provision of the Circular.

(ii) Paragraph 8.2.2	Although the concurrence of the Minister of Finance and Mass Media should be obtained before investing surplus funds, the Company had invested a sum of Rs.313,316,264 in a state bank without obtaining the concurrence.	According to the circular No. PE circular 02/2018 dated 14.11.2018 issued by the Ministry of Finance and Economic Affairs, it was submitted to the Ministry of Finance for the approval of these investments.	Action should be taken in terms of the provision of the Circular.
(iii) Paragraph 9.1.2	A medical fund had been established and operated without the approval of the Public Enterprises Department and the balance of the fund as of 31 December 2020 was Rs.433,945.	This medical fund had been established before the Thripasha Company was taken over by the government. The agreement of the labour commissioner states that those privileges should be given. However, as per the instructions given by the audit, the approval of the Department of Public Enterprises had been requested by letter dated 13.11.2019 in this regard.	Action should be taken in terms of the provision of the Circular.
(b) Public Finance Circular No. 05/2016 dated 31 March 2016	Although the board of survey reports of the previous year should be submitted to the Auditor General before 31 March of each financial year, the board of surveys of the years 2020 and 2021 were not conducted and the relevant reports were not submitted to the Auditor General.	There was only a limited number of employees were called for office due to the epidemic situation and was not able to carry out the board survey in the years 2020 and 2021.	Action should be taken in terms of the provision of the Circular.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.129,148,125 and the corresponding surplus in the preceding year amounted to Rs.100,725,776 thus observing an improvement of Rs. 28,422,776 in the financial result. The decrease in cost of sales had mainly attributed to the said improvement.

3. Operational Review

3.1 Uneconomical Transactions

Audit Observation

The Thriposha Company had procured a machine manufactured by a Japanese company for Rs. 209,274,588 on the approval of the Cabinet for the production of nutritious biscuits in June 2020. Further, a sum of Rs. 5,348,946 had been spent to travel to Japan for training of 4 officers before importing the machine to Sri Lanka and another sum of Rs.18,979,438 had been spent on constructing a building to install the machine.

But the machine costed for Rs. 228,254,026 and the building were idle even by the date of audit of month of April 2022, and the expenditure of Rs. 5,348,946 spent for training activities was an uneconomical expenditure.

Comments of the Management

It was planned to produce Thriposha after solving the current issue of shortage of raw materials.

The production of these types of biscuits will be started using the thriposha flour obtained from the start of production.

Recommendation

Action should be taken to make procurement as specified in the Government Procurement Guidelines and effective utilization of machine.

3.2 Operational Inefficiencies

Audit Observation

3600 kg of Vitamin (Vitamin Permixon) procured for the production activities in March 2021 at a cost of Rs. 13,468,032 had expired on 10 January 2022.

Comments of the Management

At present, 6,300 kg of vitamins are available in the stores and 100 kg are available as unfinished stock. The value of the expired stock along with this unfinished stock was Rs.13,468,032.

Recommendation

Arrangements should be made to maintain the required stock levels.

4. Accountability and Good Governance

4.1 Annual Report

Audit Observation

Although the annual reports should be tabled in Parliament within 150 days after the end of the financial year according to paragraph 6.5.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the annual reports have not been tabled since 2018.

Comments of the Management

The relevant documents have been handed over to the Ministry of Health for tabling the annual reports of 2018 in Parliament. Informed that the annual reports of 2019 and 2020 will be completed and submitted by June 2022.

Recommendation

Annual reports should be tabled in Parliament as per circular instructions.

4.2 Internal Audit

Audit Observation

As per the paragraph 3 of Management Audit Circular No. DMA/2009/(1) dated 09 June 2009, adequate staff were not assigned to the Internal Audit Division to perform the relevant tasks and internal audit queries were not issued.

Comments of the Management

No reply was made.

Recommendation

Adequate staff should be assigned and arrangements should be made to carry out internal audits regarding the company's affairs.