

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka State Trading (General) Corporation Ltd. (“Company”) for the year ended 31 March 2023 comprising the statement of financial position as at 31 March 2023 and the statement of comprehensive income, 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 Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, 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 Qualified Opinion**

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 intend 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 Audit Observation on the Preparation of Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non-Compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a) Although assets and liabilities should not be offset according to paragraph 32 of Sri Lanka Accounting Standard 01, the trade debtor balance amounted to Rs.338,829,077, which was shown in the financial statements after deducting the advance balance of Rs.15,230,311 from 2 years to 5 years. Thereby, trade debtors balance had been understated by Rs.15,230,311. Also, a trade creditors balance of Rs.290,036,187 had been shown in the financial statements after deducting Rs.9,050,348, which was the amount due from creditors, and thereby creditors had been understated by Rs.9,050,348.	The debtor balance is accounted as net debtor balance by deducting the advances received from debtors from the balance due from debtors. An advance of Rs.345 million is an advance received from the Sri Lanka Army and sales have been completed based on an order received from them. Also Rs.14 million advance has been received from Lanka Sathosa Limited and the sales for that have also been completed. Action will be taken to show the advances received from debtors in separate accounts. Assets and liabilities have not been set off in relation to creditors and in the debtors ledger the amount due to creditors is shown as a credit at the time of purchase of stock and the said credit amount has been correctly accounted as a debit at the time of payment to the creditors.	Action should be taken in accordance with the Sri Lanka Accounting Standards.
(b) Although inventory should be measured at the lower of cost and net realizable value according to the Sri Lanka Accounting Standard 2, the total stock amounting to Rs.1,467,189,374 had been accounted at cost and the stock had not been calculated for the net realizable value.	Calculating the net realisable value of trading stock is difficult in practice and an impairment provision of 5% is made for stock older than one year.	Action should be taken in accordance with the Sri Lanka Accounting Standards.

- (c) According to paragraph 42 of Sri Lanka Accounting Standard 8, material prior period errors should be corrected retrospectively in the financial statements of the year under review and comparative restated values should be shown for the prior period in which the error occurred. Also, according to paragraph 49 of the standard, information related to correction of errors should be disclosed in the financial statements. But contrary to the standard, the company had stated in the financial statements the government grant value of Rs.22,924,908 received during the financial year 2021/2022 for the Batticaloa Rajawasa project as government grant receipts for the year under review.
- Action will be taken to follow your observations and suggestions hereafter and the relevant accounting policies will be disclosed in the financial statements according to the Sri Lanka Accounting Standards.
- Do-
- (d) According to paragraph 34 of Sri Lanka Accounting Standard 16, property, plant and equipment should be revalue in every 3 to 5 years, but as at 31 March of the year under review, the cost of land amounted to Rs.226,240,000, furniture and fittings amounted to Rs.76,650,751 computer amounted to Rs.53,311,892 tools and equipment amounted to Rs.4,604,753, and office equipment amounted to Rs.46,498,023 had not been revalue after the year 2012.
- Necessary steps have been taken to carry out revaluation of assets and in the year 2023/2024 it will be arranged to show the revaluation of assets in the financial statements according to the accounting standard. This has been mentioned under note No. 2.2.2 of the 2022/2023 statements of accounts.
- Do-
- (e) According to paragraph 51 of Sri Lanka Accounting Standard 16, the residual value and useful life of an asset should be reviewed at least at the end of each financial year and if the expected conditions differ from the above estimates, the change should be accounted for as a change in accounting estimate according to Sri Lanka Accounting Standard 08. But the useful life of assets which were fully depreciated as at 31 March 2023 amounted to Rs.125,382,242 had not been reviewed.
- The entity has included all the costs and expenses incurred in accounting for the asset. Buildings costing Rs.125,382,242, furniture and fixtures, office equipment - computers, office equipment - other and tools and equipment, were fully depreciated but still in use as the assets are in a reusable condition. In the year 2022/2023, steps have been taken to carry out physical verification of all assets and conduct a revaluation.
- Action should be taken in accordance with the Sri Lanka Accounting Standards.

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| (f) | According to paragraph 28 of Sri Lanka Accounting Standard 20, the receipt of government grants should be disclosed separately in the cash flow statement, but the capital grant amounting to Rs.1,379,052 received during the year was not shown in the cash flow statement and the accounting policy related to accounting for government grants had not been disclosed in the financial statements according to paragraph 39 (a). | Capital grants received during the year amounted to Rs.1,379,052 are shown under the capital grants increase and decrease in the cash flow statement. When preparation of accounts in the next year, government grant receipts will be shown separately in the cash flow statement in accordance with paragraph 28 of Sri Lanka Accounting Standard No. 20. | -Do-                                                                          |
| (g) | The accounting policy including information such as the basis of identification of intangible assets, useful life, depreciation rate used, etc. had not been disclosed in the financial statements according to Sri Lanka Accounting Standard 38, for intangible assets (computer software) amounted to Rs.9,330,001, as at 31 March 2023.                                                                                           | This asset has been revalued at the end of the year 2022/2023 and the value is shown in the accounts and accordingly steps will be taken to disclose the relevant information in the notes to the financial statements when preparing the accounts for the year 2023/2024.                                                                                  | Action should be taken in accordance with the Sri Lanka Accounting Standards. |
| (h) | Although the assets pledged as collateral should be disclosed in the financial statements as per Sri Lanka Financial Reporting Standard No.07 (SLFRS 07), Rs.1,008,700,000 worth fixed deposits of Peoples Bank pledged for obtaining banking facilities had not been disclosed in the financial statements.                                                                                                                         | Taking into account your observations and suggestions, necessary steps will be taken to disclose the relevant disclosures in the financial statements.                                                                                                                                                                                                      | -Do-                                                                          |

## 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The stock shortage amounted to Rs.42,167,379, and the excess stock amounted to Rs.9,689,479, which was shown under the cost of sales without being disclosed separately. These stock losses, continuing for a long period, had increased by 262 percent compared to the previous year.	During the annual stock verification carried out by the company, items with excess stock and items with stock shortages are identified separately. In this regard, the necessary corrections have been made based on the explanations given by the relevant departments and the necessary activities are underway to recover the recovered amount as per the stock control policy.	Stock shortages and excess stock should be correctly stated in the accounts.

- (b) Although the value after deduction of withholding tax should be accounted for in accounting for interest income receivable on fixed deposits, the company had accounted for the interest value before deduction of withholding tax of People's Bank and Bank of Ceylon fixed deposits as Rs.174,159,655 and Rs.35,961,370 respectively, as fixed deposit interest receivable. Therefore, the fixed deposit interest receivable had been overstated by Rs.10,506,051 and withholding tax receivable had been understated by Rs.10,506,051.
- Interest income receivable on fixed deposits relevant to accounting period had been accounted under interest income receivable account. Withholding tax certificates are issued on maturity of the fixed deposits and at that time the due interest amount for the due withholding tax is recognised. After determining specific interest amount, the transfer is made from the interest income account to the withholding interest income account.
- Fixed deposits receivable should be properly accounted.
- (c) According to the financial statements, the amount of Value Added Tax payable as at 31 March 2023 was Rs.2,909,027 and according to the Value Added Tax remittances, Rs.12,486,683 was paid on 20 April 2023 for the year under review. Therefore, due to making payments for the year under review without allocating provisions, the tax expense and Value Added Tax payable value had been understated in the financial statements by Rs.9,577,656.
- The amount of Rs.12,486,683 had been paid to the Inland Revenue Department as per the Value Added Tax return for the month of March 2023. Accordingly, the related analysis work is ongoing, and if it is confirmed that any amount has been overpaid, the difference will be deducted and paid in the next Value Added Tax payment.
- Provision should be made for Value Added Tax payable in the financial statements.
- (d) Although the rental value payable for the year under review for the Batticaloa showroom is Rs.87,500, the company recorded the total rental value of Rs.300,000 for the period from 01 September 2022 to 31 August 2024 as a debit to the advance account and a credit to the accrued rent account in the financial statements. As a result, the advance value of the financial statements had been overstated by Rs.300,000 and the accrued rent had been overstated by Rs.212,500, and the rental expenses had been understated by Rs.87,500.
- The advance amount of Rs.300,000 paid for the period from 01.09.2022 to 31.08.2024 for the Batticaloa showroom has been correctly debited from the advance account and credited to the accrued expenses in the final accounts. This amount has been paid on 08.05.2023.
- The value of rent payable must be accurately reflected in the financial statements.

## 1.6 Accounts Receivable and Accounts Payable

### 1.6.1 Receivable

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) In the debtor value before deduction of advance Rs.726,761,316, the values of unrecovered debtor balances in the period of 2, 3, 4, 5, and more than 5 years are Rs.29,055,601, Rs.4,207,863, Rs.9,215,669, Rs.17,378,652 and Rs.166,098,488 respectively. The debtor balance due from 06 government institutions for a period of 08 years amounted to Rs.104,387,590 which was included in the debtor balance for more than 05 years amounted to Rs.166,098,488, had been removed from the accounts without a balance verification.	From the 2021/2022 accounting year, a provision of 5% of outstanding balances of more than one year has been made before deducting advances. A full provision has been made to the debtors for more than 05 years, worth Rs.104,387,590.	Actions should be taken to recover the receivable amount.
(b) The balance of unrecovered receivables for more than 4 years was Rs.15,180,560, which is included in the value of other receivables of Rs.425,033,261.	Action will be taken in future to do a balance verification and to make necessary settlements.	-Do-

### 1.6.2 Accounts Payable

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Out of the creditor balance of Rs.290,036,187, the value of unsettled loan balances over 4 and 5 years was Rs.39,056,445 and Rs.51,465,657 respectively. Also, action had not been taken to settle the balance amount of Rs.205,743,565, which has not been settled for a long time.	The trade balance as at 31/03/2023 for each creditor account is Rs.290,036,186.78/-. Additionally, in the age analysis report related to creditors, the transactions of each creditor are recorded as purchases (creditors payable +) and payments (-) values for that date at the time of creditor payments. As at 31/03/2023 in the age analysis reports, the net value (value after deducting purchases and repayments) is stated as Rs.290,036,186.78/-.	Action should be taken to settle the creditor balance.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to I Rules Regula etc.	Non-compliance	Comments of Management	the Recommendation
Public Enterprises Department Circular No. PED 1/2015 dated 25 May 2015	An amount of Rs.2,952,500 was paid as monthly transport allowance to 41 officers recruited on permanent basis who do not allowed for official vehicles and an amount of Rs.1,160,000 was paid to 10 officers recruited on contract basis.	The Board of Directors has approved the payment of transport allowance to those officials and obtaining the approval from the Treasury is being carried out.	Action should be taken as per circular.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a surplus of Rs.735,435,943 as compared to the corresponding surplus of Rs.472,717,911 for the preceding year. Accordingly, an improvement of Rs.262,718,032 was observed in the financial result. The increase in income by Rs.666,533,283 and the decrease in financial expenses by Rs.36,074,849 had been the main reasons for this improvement.

## 3. Operational Review

### 3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
(a) In the year 2015, the company imported 50 mobile warehouses (Cocoons) from the Philippine government at a cost of Rs.107,388,160 for paddy stock collection, and only 15 units of that stock were sold to the Paddy Marketing Board for an amount of Rs.35,432,450, and 13 units were distributed among 4 government institutions under the CSR project. 22 units of the remaining stock at a cost of Rs.47,250,790 had been kept in the warehouse unsold for 8 years.	Audit observations and conclusions regarding Cocoon are being followed, and steps have already been taken to dispose of the remaining Cocoon through a CSR project.	The intended objectives of the project should be achieved.
(b) An advance of Rs.1,805,000 had been given to a private institute for the modernization of the accounting system of the institution, and although 05 years had passed since the advance	The advance amount has been used to implement the loyalty card process for showrooms, which is an improvement to the system. Therefore, arrangements will be	The accounting system should be updated or the advance should be settled.



was given, the accounting system had not been modernized or the advance settled. made to offset the invoice value of Rs.1,805,000.00 for the Customer Loyalty Program with the advance amount.

### 3.2 Identified Losses

<b>Audit observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
As compared to the previous year, the impairment loss of debtors during the year under review has increased from Rs.1,211,418 to Rs.105,281,937 by Rs.104,070,519, or 99 percent.	Provision for impairment of Rs.104,387,590 has been made for debtors.	Efforts should be made to minimize the impairment losses for the debtors.

### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
(a) As at 31 March 2023, the cost of the stocks in the warehouse was Rs.529,846,414 and the value of the stocks that were in the warehouse for more than 1, 2, 3, 4, and 5 years was Rs.39,190,210, Rs.7,251,928, Rs.3,722,072, Rs.6,035,062 and Rs.89,113,082. respectively. Action had not been taken by the company to remove the stock of Rs.9,511,044 that was identified as damaged items included in the above stock. Also, there was no adequate system or accounting software installed to verify expired or near-expired stocks.	As of 11.09.2023, the cost of stock is Rs.425,510,165.25 and it has been possible to reduce the cost of stock over 1 year to Rs.72,228,714. The institution has taken many actions to clear the stocks of damaged and slow moving goods. Existing software system of the company does not have practical facilities to detect expired and near-expired stocks. The damaged inventory cost has been reduced to Rs.1,456,928. Board of surveys are being conducted to exclude slow moving and non-selling stocks.	Stock control activities should be properly managed.
(b) 09 Q Shop outlets were opened from November 2020 to March 2022, and 02 outlets were in operation in 2020/2021 and 09 outlets in 2022/2023. The total operating profit of those outlets for the years 2020/2021 and 2021/2022 was Rs.1,335,844 and Rs.2,163,344 respectively, and the total operating loss for the year 2022/2023 was Rs.10,043,972. As a result, the company was unable to achieve its desired goal by opening Q Shop outlets. Furthermore,	An agreement was made on 26.05.2023 to hand over 08 Q Shop outlets namely Navam Mawatha, Padanama, Homagama, Padukka, Fort, Mattegoda, Thalangama and Borella outlets to the Spices and Allied Products Marketing Board. It is agreed to rent Makumbura and Kesbewa shops by letter dated 14.07.2023. Action had been taken to enter into an agreement with the Sarasavi Company	Action should be taken to achieve the desired objectives of the project.

during the physical inspection, it was observed that expired and damaged goods with an identified value of Rs.6,209,741 (at the selling price) from Q Shop outlets were present in the Narahenpita warehouse, and no system had been prepared to remove those goods from the warehouse.

on 11.04.2023 to rent the Q Shop premises in Narahenpita.

- (c) Due to the continuous losses of Q Shop outlets, it was decided to stop the operations of these outlets in 2023. According to the decision of the Board of Directors held on 28 March 2023, there was an agreement on 26 May 2023 to give 08 outlets to the Spices and Allied Products Marketing Board for a period of 05 years at a monthly rent of Rs.575,000. However, by 31 August 2023, only 04 outlets had been handed over to the Board.
- Although it has entered into an agreement with the Spices and Allied Products Marketing Board, they are carrying out repairs on each premise. After the completion of the repairs, the Homagama, Borella, Padukka, Padanama, Fort and Navam mawatha outlets have been handed over to the Spices and Allied Products Marketing Board. The repairs to the Kasbewa, Makumbura, Mattegoda, Thalagama premises are currently being carried out, and within the next month, the transfer of the said premises to the Spices and Allied Products Marketing Board can be completed.
- Action should be taken as per the agreement.
- (d) As per Cabinet decision no. අම/20/1698/313/029 and dated 16 November 2020, Rajawasa shopping complex, which was established by the company had made losses of Rs.6,743,948 from the commencement date of 15 March 2021 to 30 June 2023 which was the date of audit. The total rent income for this period was Rs.31,222,146 and after settling the cash receipts and rental deposits, the amount receivable at 31 July 2023 was Rs.1,369,750. Also, according to the lease agreement, the monthly electricity bills, water bills and telephone bills are to be borne by the second party, but the electricity expenditure related to the said period was Rs.12,947,529 was borne by the company.
- The shopping complex was closed from April 2021 due to the Covid pandemic situation. Even though the Rajawasa shopping complex was closed, electricity bills and water bills were borne by STC, and upon the request of the shopkeepers, with the approval of the Board of Directors, the shopkeepers were exempted from receiving rent for the months of February, May, and June. From September 2022, the company evicted shopkeepers who did not pay rent properly from premises No. 07 and 08. It is impractical to install meters for water bills for each premise, and the shopkeepers use only the toilet premises. Therefore, based on the above facts, Rajawasa Premises is to be maintained as a profitable unit in the financial year from 01.04.2022.
- Action should be taken to achieve the desired objectives of the project.

### 3.4 Operational inefficiencies

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
Even though the contract period of the Veyangoda warehouse, which was obtained by the company from the Food Commissioner Department on a rent basis, ended on February 2023, it was idle for a period of 6 months without storing the goods, and no action had been taken to renew the contract or return the warehouse. Therefore, Rs.210,000 for each month and Rs.1,260,000 for 06 months had to be paid to the Food Department.	The company has extended the Veyangoda warehouse rent period for 01 year, which has been taken on a rent basis.	The warehouse acquired on a rent basis should not be left idle.

### 3.5 Procurement Management

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
(a) According to section 4.2.1 of the Government Procurement Guidelines 2006, a master procurement plan should be prepared for all purchases of the company, but the company had not prepared a procurement plan for consumable stocks, and a procurement plan was prepared only for the purchase of fixed assets.	It is planned to prepare a separate procurement plan for current needs and daily consumer needs in the next year. Action will be taken to carry out the daily procurement needs according to the plan at necessary time.	A procurement plan should be prepared for all purchases.
(b) According to Cabinet Decision No. 23/0038/627/001 and dated 11 January 2023, approval had been given to import eggs as a short-term solution to the shortage of eggs in the local market. Accordingly, during the import of 16,531,200 eggs from March until May 2023, Immortal company had been chosen as the temporary storage centre after egg import by following the procurement process. The said company had procured the service from Spectra Yard and provided to the company. Later, the company obtained the service from Spectra Yard without following the procurement process and was paid Rs.7,053,250 as warehouse rent.	We invited tenders for the clearance, storage (Laden storage) and transportation of imported eggs, and only one service provider participated in the tender due to the unwillingness of the suppliers to store, take responsibilities for, and transport goods such as eggs. We have selected the Immortal Company through the above tender, and that company has obtained the service of Spectra Yard. But later, since our organization directly received the Spectra Yard service, since it was convenient for the operations, from 2023.08.01, Spectra Yard directly procured the service at lower prices than the prices mentioned in the tender.	Action should be taken according to the procurement guidelines.

### 3.6 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>As at 31 March 2023, the total approved carder of the company were 320 and the actual staff was 328, with 45 vacancies and 53 excesses as of that date. Among these 45 vacancies, there were 24 executive level vacancies and 21 support staff vacancies. Also in the actual staff, there were 51 officers recruited on a contract basis and 44 officers recruited on a casual basis who were retained without extension after the expiry of the contract period.</p>	<p>With the expansion of the company's sales activities, new projects were started and to carry out these activities more efficiently, employees were hired on contract and casual basis as the existing staff was not sufficient. Treasury approval has not been obtained for that. A letter dated 15.02.2023 signed by the General Manager sent to the Department of Management Services through the Secretary of the Ministry of Trade, explaining the need for contract and casual employees and approving a new employee force structure on contract basis for those employees. Due to the above facts, after the end of the contract and casual service period, the appointment letters were not extended and they were paid salaries and allowances under the approval of the Chairman.</p>	<p>It is necessary to adhere to the approved carder and should act according to an agreement for officers who are recruited on a contract or casual basis.</p>

## 4 Accountability and good governance

### 4.1 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>(a) In the action plan prepared for the year 2022/2023, 11 activities were identified, and according to the presented progress report, 5 activities were not implemented. In comparison with the total number of projects, the number of unfulfilled projects is 45 percent, and among those projects, the ERP project and entering the export market were of special importance.</p>	<p>In addition to the plans presented by the organization at the commencement of the year, it actively contributes to many business activities based on the needs of the government and has achieved the necessary financial targets. In such cases, the institution will focus on those special business activities and will not be able to carry out all the activities planned at the beginning of the year. However, it will try to act according to the plan that was presented at the beginning of the year.</p>	<p>Action should be taken to perform the activities included in the action plan.</p>
<p>(b) In the action plan, 8 different sales/production lines (New Product Lines) were planned to be introduced during the year for sales promotion, but only 3 sales/production lines were introduced during the year under review.</p>	<p>In the year under review, the company has introduced only 3 sales lines. Actions will be taken to prepare the plans closer to the actual situation in the coming years.</p>	<p>Action should be taken to perform the activities included in the action plan.</p>

## 4.2 Internal Audit

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
<p>According to the internal audit plan prepared for the year 2022/2023, although 06 audit areas to be covered were identified, according to the reports presented, more attention was paid to the stock survey area and the other areas were not sufficiently covered. Also, these stock surveys did not focus on taking action to reduce the stock damage that continues.</p>	<p>According to the internal audit plan for the year 2022/23, action had been taken by the internal audit department to audit about 74% of the 06 audit matters to be covered.</p> <p>Also, in the year 2023/24, activities are being carried out according to the audit plan.</p>	<p>As per the internal audit plan, action should be taken to cover the identified audit areas.</p>