Lanka Salt Limited - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Lanka Salt Limited (“Company”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 report 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 the Sri Lanka Accounting Standard for Small and Medium-sized Entities, 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 Audit Scope (Auditor's Responsibility 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 Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards for Small and Medium Enterprises

	Non-Compliance with the reference to particular Standard	Comments of Management	Recommendation
(a)	Although the useful life of non-current assets should be reviewed annually in accordance with Section 17.19 of the Standard, the Company had not acted accordingly. The value of non-current assets, which was fully depreciated as at 31 December 2020 was Rs.75,376,038. Action had not been taken to rectify the estimated error, occurred due to not identifying the assets that were further being used out of those assets and not accurately reviewing the useful life of those assets, in terms of Sections 10.15 - 10.18 of the Standard and to properly dispose of the assets that were no longer being used.	It is expected to implement from the year 2022.	The useful life of non-current assets should be reviewed annually and adjustments should be made in the financial statements in accordance with the provisions of the Standard.
(b)	Although the accounting policies used in the preparation of financial statements by an entity in accordance with Section 8.5 (b) of the Standard are required to be disclosed in the financial statements, the policy of provision for doubtful debts of the Company had not been disclosed. Although provision amounting to Rs. 4,000,000 had been	The policy of allocating provision for doubtful debt had not been disclosed as there had been no	Accounting policies should be disclosed in the financial statements in accordance with the provisions of the

	allocated for slow moving stocks in the year 2020, the accounting policy used for that had not been disclosed in the financial statements.	overdue debtors.	Standard.
(c)	Although stocks should be valued at net realizable value or cost, whichever is lower according to Section 13.4 of the Standard and should be stated in the financial statements, the Company had not estimated the net realizable value of the stock and stated the cost in the financial statements as Rs. 393,325,917.	I agree to take action to rectify the stock value in the future.	Stocks must be valued at net realizable value or cost, whichever is lower according to provisions of the Standard.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Income amounting to Rs. 7,579,030 earned from the transportation of salt during the period from 11 June 2019 to 13 November 2020 had been misplaced and provision for doubtful debts had been allocated for the total income instead of recovering from the parties involved in that. The income for the year 2019 out of that income had also been brought to accounts as the income for the year 2020. This value is as high as 18 percent of the debtor's final balance and it has a significant impact on changing the debtor image of the Company.	This financial fraud could only be exposed at the beginning of the year 2021. According to the revelation, adjustments were made to the account statement of the year 2020. I agree to make a disclosure on this in the account statements of the 2021.	Revenue should be identified separately for each period and adequate disclosures should be made and legal action should be taken to recover the lost revenue from the responsible parties.
(b)	Although the sales incentives were a marketing expense, incentives amounting to Rs. 77,548,125 incurred in relation to the year 2020 and 1556 metric tons of salt stocks valued at Rs. 44,919,575 and distributed free of charge as sales incentives had been included in the selling cost.	Although these values should be included in the marketing expenses, the decision of the Board of Directors was to include the values in the selling cost. Action has been taken in accordance with that decision.	Since the sales incentives are an expense incurred based on targeted sales (indirect cost), it should be stated in the financial statements as a marketing expense.
(c)	Although the Company had stated Artimea sales revenue amounting to Rs. 1,242,700 and revenue earned from the workplace revenue amounting to Rs. 1,850,344 as other income in the	I agree to rectify that error in the submission of comparative data for the year 2021.	Income and expenses should be stated in the financial statements under the correct classification.

	statement of comprehensive income, Expenditure amounting to Rs. 6,096,794 and Rs.7,539,935 respectively incurred in that regard had been stated under selling cost of salt.		
(d)	A shortage of 137 stock items of consumables and accessories, an excess of 135 items and damage to 10 items had been revealed at the verification of goods carried out in the year 2020. However, action had not been taken to rectify those balances even by 22 November 2021, the date of audit.	It is expected to rectify this error under the approval of the Board of Directors.	Appropriate action should be taken expeditiously and necessary adjustments should be made in the financial statements.
(e)	Although the expenditure classification of 7 expenditure items totalling Rs. 49,814,122 in the year 2020 had been amended, the comparative information of the previous year in relation to those expenditures had not been reclassified and stated.	I agree to rectify those errors when financial statements are prepared for the year 2021.	Comparative information of the previous year should be disclosed accurately.

1.6 Receivables and Payables

1.6.1 Payables

	Audit Observation	Comments of the Management	Recommendation
(a)	Creditor balance of the Company as at 31 December 2020 was Rs. 46,005,842 and out of that, a balance amounting to Rs.15,075,607, which had been outstanding for a period exceeding 5 years was observed. The Company had not taken action to settle those debtor balances.	I hope to follow the decisions of the Board of Directors.	Action should be taken to settle the debtor balances.
(b)	A salary balance totalling to Rs. 2,521,917 had been outstanding from the year 2016 within the balance of the unclaimed salary stated under the other balances payable in the statement of financial position as at 31 December 2020 and action had not been taken to settle it.	I intend to take action in accordance with the decisions of the Board of Directors.	Action should be taken to settle the relevant balances.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 11 of the Employees Provident Fund Act No. 15 of 1958	Although the employer had to obtain the approval of the Commissioner of Labour to increase the employee's contribution of 8% chargeable from an employee to the Employees Provident Fund, the Company had increased that percentage up to 10 percent on the earnings of the permanent employees of the Company without obtaining that approval.	I agree to obtain the approval of the Commissioner General of Labour.	Action should be taken in compliance with the provisions of the Employees Provident Fund Act to increase the percentage of contributions.
(b)	Public Enterprises Circular No. PED 03/2018 dated 07 December 2018 and 03/2020 dated 12 December 2020	The financial statements of the previous year should have been submitted to the Auditor General within 60 days after the end of that financial year in order to be eligible for the payment of bonuses as per the Circular. Although the financial statements for the year 2020 had been submitted to the Auditor General on 10 September 2021, a sum of Rs.28,362,054 had been paid as the bonus in May 2021 based on the profit for the year 2020. Moreover, the prior approval of the General Treasury had not been obtained for this payment.	Bonus amounting to Rs. 28,362,054 were paid in April 2021 with the approval of the Board of Directors. If bonus are paid in the future, I agree to make the payment after getting all the prior approvals.	Since Government Companies are required to comply with the Circulars issued by the Department of Public Enterprises of the General Treasury, it is required to obtain the prior approval of the relevant Department if action is taken extraneous to those Circulars.
(c)	Public Enterprises Circular No. PED / 12 dated 02 June 2003			

(i)	Sections 9.2, 9.3.1 and 9.14	Organizational Chart of the Company and the Approved Cadre had not been registered with the Department of Public Enterprises of the General Treasury and the Company had not formulated a manual on the schemes of recruitment and promotion and human resource management and had not obtained the concurrence of the Department of Public Enterprises for that manual. Moreover, it had been informed at the Committee on Public Enterprises held on 3 May 2017 that the approval of the General Treasury should be obtained in the determination of the number of employees in the Company, action had not been taken accordingly.	A scheme of recruitment, a scheme of promotion, pay structure and operating manual for the Company had not been properly formulated and a Board Paper had been submitted to the Board of Directors in this regard on 27 September 2020. Accordingly, necessary arrangements have already been made to appoint an independent officer and to develop all the above procedures.	Since the provisions of the Public Enterprises Circulars should be applicable to all the State Companies, the State Companies should take action in accordance with the provisions of the Circulars.
(ii)	5.2.3 Section	Although a budget had been prepared for the year 2020, the approval of the Board of Directors had not been obtained for that.	I agree to work within the prescribed methodology from the next year.	The budget should be prepared before the beginning of the financial year and necessary approvals should be obtained in accordance with the provisions of the Circular.
(iii)	Section 6.3.1	Although the Company had compiled an Annual Report for the year 2019, key financial information for five immediately preceding years, the report of the Audit Committee, a brief introduction of the Board of Directors and the officers in the top management and the review of the Chairman had not been included in the annual report.	I agree to include all the required information in the compilation of the next Annual Report.	The annual report should be compiled in accordance with the existing provisions of the Circular.

1.8 Money Management

Audit Observation	Comments of the Management	Recommendation
An expenditure of Rs. 15,068,093 had been incurred as interest on the overdraft balances due to the existence of overdraft balances in 6 current accounts maintained by the Company.	Bank overdraft facilities had been obtained from time to time under the approval of the Board of Directors as per the requirement of the Company.	As financial management is the responsibility of the Management of the Company, it is necessary to effectively manage the cash flow of the Company.

2 Financial Review

2.1 Financial Results

The financial result for the year under review was a profit amounted to Rs. 9,302,068 and the corresponding loss for the previous year was Rs. 262,162,026. Accordingly, an improvement of Rs. 271,464,094 was observed in the financial result as compared to the previous year. Although sales revenue decreased by Rs.234,806,158 as compared to the previous year, the decrease in selling cost by Rs.618,192,619 was the main reason for the improvement in this financial result.

2.2 Ratio Analysis

	2020	2019
Current Assets Ratio	1.85	1.23
Quick Assets Ratio	0.20	0.11
Monetary Ratio	0.09	0.08

It was observed that there was a problematic situation in the settlement of short-term liabilities of the Company as the quick asset ratio was as lower as 0.20 and a monetary ratio was as lower as 0.09. It was also observed that the debtor balance of the year 2020 had increased by 196 per cent as compared to the previous year and a large number of sales of the Company had been made on credit basis and it had adversely affected the liquidity of the Company

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The Company had been operating coconut plantations at Mahalevaya and Bundala salterns and consistent net losses had incurred from these plantations in terms of expenditure incurred and revenue earned during the last 03 years and in the current year. Net losses incurred for the years 2017, 2018 and 2019 were Rs. 7,517,387, Rs. 7,050,800 and Rs. 7,305,655 respectively and it had increased to Rs. 8,086,837 in the year 2020. Accordingly, it was observed that the cost incurred for this cultivation was an uneconomical expense.	The Company is constantly focussing on achieving a significant level of yield from coconut cultivation and labour costs has now been reduced compared to the previous years. The Management pays close attention to coconut cultivation and will continue to focus on it in the coming year by further increasing the productivity and reducing the costs.	The Management must be responsible to incur expenses effectively and to increase income.
(b)	Four (04) machines purchased from an Indian company at a cost of Rs.24,671,591 in 2011 to produce table salt had not been purchased in prescribed specifications and as a result, they had not been utilized and remained idle in the factory for 09 years..	The reason for remaining these 04 machines idle in the factory for 09 years was that the machines had not been purchased appropriately to meet the required specifications. Even though Engineers had made attempts to repair and use the machines at various occasions, it was not successful. Accordingly, the Board of Directors has presently instructed to auction and sell the four machines.	Action should be taken to properly identify the need and to purchase assets and to utilize them effectively.
(c)	It was observed that the Company pays Rs. 30,523 per month to an external institution to process the salaries of its officers. The requirement of paying money to another institution for that purpose when there were officers in the Accounts Department of the Company was not clear.	Although the Management has focussed attention on this on several occasions, it has not yet been possible to perform the function due to lack of software facilities. I hope to make arrangements to obtain software facilities and to perform the function in the future.	Attention should be paid on methods for reducing institutional and administrative expenses.

(d)	The Company sells Lak Salt through sales representatives and the price of 1 kg of Lak Salt sold to sales representatives was Rs. 40 and it had been reduced by Rs.12.50 and Rs. 15 on several occasions at the beginning of 2020 and the selling price of 1 kg of Lak Salt was Rs.27.50 by the end of 2020. Relevant factors based on cost benefit analysis and market analysis and recommendations of a Pricing Committee comprised of subject specialists for reducing the selling price by a considerable amount, viz, by 31.25 % while the market price remained fixed at Rs.60 had not been submitted to the audit. Accordingly, a sales concession of Rs. 161,273,875 and an incentive allowance of Rs.42,786,475 were paid to the sales representatives on the reduction of prices. The Company had lost Rs. 32.50, viz, 54.17 percent of the market selling price when the market price of 1 kg of Lak Salt was Rs. 60 and the selling price of the Company was Rs.27.50 in marketing Lak Salt through sales representatives.	The incentive granted for a bundle of Lak salt has been revised to Rs. 150 and Rs. 100 with effect from October 2018 based on the prevailing market competition. And the income earned from 1 metric ton was reduced up to Rs.32,500. Since this high amount of incentive has not been a benefit to the institution, it was decided to pay an incentive of Rs. 50 per bundle with effect from 05 March 2020. At the moment, the income earned from 1 metric ton of Lak Salt was valued at Rs. 30,000. The incentive of Rs. 50 paid per bundle has been suspended due to the corona pandemic situation prevailed in the country from 21 March 2020 and the price of 1 metric ton of Lak salt was revised as Rs.32,500. Due to Corona epidemic situation prevailed from 10 April 2020, this price was revised as Rs. 34,000 per 01 Metric Ton. It was decided to decrease the price of 1 metric ton of Lak salt to Rs. 32,000 with the decline in corona pandemic situation from 21 May 2020. The approval of the Board of Directors has been granted to implement the incentive of Rs. 75, which prevailed previously, with effect from September 2020.	It is the responsibility of the Management to design and implement a sales policy that improves the income of the Company.
(e)	The Company pays incentives to sales representatives on the sale of Lak Salt, and there had been instances where incentives had been given to sales representatives, who had not achieved	Sales representatives, who had been carrying out marketing activities amidst Corona pandemic in the year 2020, had faced problems in performing	It is the responsibility of the Management to ensure that incentives are paid only to the sales representatives,

	the targeted sales in calculating the incentive. According to the audit test checks carried out, 08 sales representatives had been paid Rs. 981,875 as incentives in the year 2020 even though they had not achieved the targeted sales.	marketing activities due to certain reasons and those 8 sales representatives mentioned had been granted this incentive as per the instructions of the former Chairman and the General Manager.	who have achieved the sales targets.
(f)	Sales representatives are entitled to an incentive on achieving sales targets and the incentive is paid by means of the free issue of salt stocks. Although the incentive earned by the sales representatives on achieving the sales targets by the year 2020 was Rs. 42,786,475 as per the information provided by the Sales Division, stocks of salt, of which the sales value was Rs.44,919,575 had been issued to the sales representatives and thereby, it was observed that the Company had over issued free salt stocks valued at Rs. 2,133,100.	Although 01 metric ton of Lak salt had been sold at Rs.40,000 each from the beginning of 2020, selling of 01 metric ton of Lak salt at Rs. 15,000 in the market can be seen abundantly. However, we had not lowered our selling price of Rs. 40,000 and sales representatives had been introduced a certain sales target and sales representatives, who achieved that target were provided with salt free of charge as a free issue to indicate that we are giving them the incentive for that. In this way, we were able to control the price of Lak salt in the market. Moreover, we were able to continuously maintain the trust of the customers.	There should be a clear division of labour and assignment of responsibilities for the accurate calculation of incentives earned and the issuance of free salt stocks based on it. Free issuance should not be permitted without obtaining the approval of the Top Management.
(g)	The Company had paid Rs.3,240,890 as incentives to officers in the Marketing Division for the year 2020. Although the approval of the Board of Directors had been granted to pay this incentive from December 2020, a sum of Rs. 3,082,007 had been paid from January to November 2020 without obtaining the proper approval. Moreover, instances, where payments were made to officers, who had not achieved the targeted sale volumes, were observed in the payment of this incentive. It was revealed during the audit test checks carried out that Rs. 125,012 had been paid to the officers, who had not achieved the sales targets in January 2020.	Overseeing the functions of the Sales Division of the Company had been carried out by the former Executive Director from the year 2015. Accordingly, the payment of these incentives was first initiated in July 2016. Then the approval had been again granted to pay the relevant incentives in May 2018 and July 2019 etc. starting from September 2017 under the approval of the former Chairman. Later, the Board of Directors had approved the payment of these allowances at its meeting held in November 2020.	Payments should be made after obtaining the due approval.

(h)	There had been 12 field officers working in the Marketing Division and each of these officers had not been formally assigned duties in writing according to their posts. Moreover, it was not observed that each officer had been given a monthly work plan and evaluation of their performance based on that and formal confirmation that the officers had been performing duties in the relevant field. Moreover, it was observed that these officers had not introduced sales opportunities directly to the Company and had supported the work of the sales representatives. Accordingly, it was observed that incentives were paid to sales representatives as well as to the officers of the Marketing Division for the same sales.	Officers in this field have been assigned written duties in relation to the said posts and their performance of duties during that period have also been checked using the GPS technology. In particular, these officers take orders from the shops in their marketing area and deliver the orders to the respective sales representatives. It is obvious that it is a sale of the Company and in case there is no sales representative for the area, where the order was received, the order is considered as an order of the other sales representatives in the district. Accordingly, this is an allowance given to encourage the sales representatives of the Company to receive orders and to deliver orders on time.	It is required to assign duties in writing to each officer in relation to their posts and to establish a formal methodology approved by the Board of Directors to evaluate the performance and to focus attention on incurring expenses of the Company prudently.
(i)	Deed of lease had not been prepared for the Mahalevaya land, which had been acquired on long term lease basis for a period of 30 years from the year 1994, even by 15 November 2021, the date of audit. Information on the tenure of lease had not been revealed for lands of Koholankala and Bundala salterns obtained under long term lease basis and deeds of lease had not been prepared for those lands also.	Necessary arrangements have been made to identify a specific land area in these three salterns and to prepare deeds of lease and all necessary arrangements for this purpose have been made by our Company. Functions that should be performed by the Land Commissioner's Department are currently being carried out.	Necessary action should be taken to prepare the deeds of lease and to carry out follow up activities.
(j)	The Company pays an additional allowance to drivers and assistants based on the transportation income of salt and the Company had paid an amount of Rs. 1,541,221 based on the income amounting to Rs.7,579,030 even when the Company had not received the income.	Investigations have already been initiated.	Certification and approval should be made only after ensuring the accuracy and fairness of those payments in certifying and approving payments.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	A stock valued at Rs. 2,183,924 under various tools and accessories had been stored in the main warehouses of Mahalevaya, Palatupana and Bundala salterns without utilization for more than two years and a slow-moving stock valued at Rs. 10,001,126 were observed. Appropriate action had not been taken in this regard.	I agree to submit all details of the slow moving and not utilizing items to the Board of Directors and to take appropriate action as per the approval of the Board of Directors.	Action should be taken to make purchases according to the needs of the Company and to control the stock properly.
(b)	The buyers had not removed 611 metric tons of salt stocks, of which the invoice value had been Rs.4,947,200 and which had been invoiced by the Company in the years 2018, 2019 and 2020, even by 30 November 2021. A methodology had not been prepared to remove the stocks of salt that had been sold within a reasonable time and to charge a fee from buyers, who had not removed salt accordingly. It was observed that there was a retention cost and a risk of stock depletion due to non-release of stocks.	The sales policy of the Company is that invoices are issued after depositing money by buyers and the stocks of salt, related to the invoices that are issued are removed from the premises of the Company and the stocks are accounted as sales after the stocks are removed in that manner. Action will be taken in the future to develop and implement a methodology of charging fees from the buyers.	A reasonable time should be set for buyers to remove salt stocks and a methodology for charging an additional fee in relation to salt stocks that are not removed so.
(c)	Although sub imprest should be settled immediately after the completion of the purpose for which it is taken, advances totalling to Rs.231,980 issued on 14 occasions from 01 January 2019 to 30 September 2021 and advance totalling Rs. 4,423,277 provided to external institutions on 55 occasions from the year 2012 to September 2021 had not been settled even by the date of audit in November 2021.	The new Circular has been issued with the approval of the Board of Directors to settle advances made on goods and services. Accordingly, I agree to pay and settle advances properly.	The officers, who obtained the advances should be inquired in writing regarding the non-settlement of the advances and necessary action should be taken to make the advances settled expeditiously.

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
The Company had not prepared and approved a master procurement plan at least for 03 years for the Company and an annual procurement plan, which indicates the procurement activities for the year 2020 in detail, as per paragraph 4.2 of the 2006 Government Procurement Guidelines.	I would like to inform that Lanka Salt Limited had not followed Government Procurement Guidelines and a training course will be conducted at the premises of the Company with the participation of a veteran lecturer on the procurement process for enabling the Company to take action in accordance with paragraph 4.2 of the Government Procurement Guidelines 2006 and after conducting that training, action would be taken to follow the Government Procurement Guidelines in the Company.	Action should be taken in accordance with the provisions of the Government Procurement Guidelines.

3.4 Human Resource Management

	Audit Observation	Comments of the Management	Recommendation
(a)	The Company had conducted interviews on 04 December 2020 to recruit for the posts of Finance Manager, Internal Auditor and Procurement and Supply Manager and had issued appointment letters to selected officers on 22 and 24 December 2020. Although the Board of Directors of the Company is the Appointing Authority of the posts of the staff of the Company, the approval of the Board of Directors for these appointments had been granted on 23 December 2021, one year after making the appointments. It is observed that taking a long time to fill the vacancies in senior executive level posts and not making such appointments properly had adversely affected the proper functioning of those Divisions. Moreover, the files of the interview including the marks obtained by the candidates at the interview related to	The Company had published advertisements in the Sunday Observer on 26 June 2021 and in Dinamina Newspaper to select suitable candidates for the posts of Financial Manager, Internal Auditor and Procurement and Supply Manager and accordingly, the eligible candidates, from among the applications received by the Company were called for interviews on 04.12.2020. The Chairman had given the letters of appointment for the selected candidates in the interview as per the decisions of the Board of Directors 435.28 held on 27 November 2020. Accordingly, the duties of the respective Divisions of the Company were carried out efficiently and effectively by assigning duties and responsibilities to the relevant officers. Accordingly, the manufacturing	It is the responsibility of the Management to ensure that unusual time is not taken to fill the vacancies in the essential posts and those appointments should be made formally and in a transparent manner and to check whether written information required for the audit has been provided or not.

	filling the above posts had not been submitted to the audit and it was not possible to ascertain at the audit whether the relevant appointments had been made in a transparent manner.	operations of the Company could be accomplished successfully by carrying out the activities of those Divisions without any failure.	
(b)	An excess of 42 employees in 22 posts of the staff was observed as at 31 December 2020 in the Company.	Although there was a certain excess of employees (42 employees) due to various reasons, action has been taken to minimize it by comparing it with the previous number of employees.	It is required to obtain formal approvals for the number of posts in the Company and recruitments should not be made exceeding those approved limits.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
The Company had not prepared an Action Plan for the year 2020 to outline the activities expected to be implemented in the year 2020, the time frame of implementation of those activities and the expected outcome of those activities and the key performance indicators.	Although registers had been prepared in relation to the years 2017 and 2020, steps have been taken to further formalize all of them in the future.	It is the responsibility of the Management to prepare an action plan for each year according to the expected roles of the Company and to take action accordingly.