

## Transaction report of the Sathosa Security and General (Private) Limited - 2023 / 2024

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The audit of the operational activities of the Sathosa Security and General (Private) Limited for the years ended 31 March 2023 and 2024 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 observations in connections with only the operations of the Company in the years under review which I consider should be presented to the parliament appear in this report.

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of section 16 (1) of National Audit Act No.19 of 2018. The annual financial statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the annual performance report of such instances as may be specified by the rules in terms of section 16 (2) of the Act.

It should be ascertained to prepare annual reports and other financial statements within the required time period in terms of section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should responsible for presenting of the annual reports related to the entity which was being audited to Parliament.

## 2. Financial Statements

### 2.1 Presentation of Financial Statements

According to Section 6.6 of the Operational Manual for Public Enterprises published by Public Enterprise Circular No. 01/2021 dated 16 November 2021, the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year, but the financial statements for the years of 2022/2023 and 2023/2024 had not been presented to audit even as at the date of this report.

### 2.2 Assets, Liabilities, Income and Expenditure

The details of assets, liabilities, income and expenses shown in the financial statements for the year ended 31 March 2022 as last prepared by the Company are given below.

<b>Item of the financial statement</b>	<b>Value Rs.</b>
<u>Assets</u>	
Non-current Assets	26,373,934
Current Assets	92,777,289
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<b>Total Assets</b>	<b>119,151,223</b>
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<u>Equity and Liabilities</u>	

Equity	45,202,102
<u>Liabilities</u>	
Non-current Liabilities	16,899,627
Current Liabilities	57,049,494
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<b>Total Liabilities</b>	<b>73,949,121</b>
<b>Total Equity and Liabilities</b>	<b>119,151,223</b>
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Total Income	249,765,956
Total expenditure	255,037,172
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<b>Profit/(Loss) Before Taxation</b>	<b>(5,271,216)</b>
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### 2.3 Non-compliance with Laws, Rules and Regulations

The cases where the rules and regulations were not complied with are stated below.

Reference to Rules and regulations	Laws, Non Compliance	Comment of the Management	Recommendation
(a) Guidelines on Corporate Governance for State Owned Enterprises published by The Public Enterprise Circular No. 01/2021 dated 16 November 2021.			
(i)Section 2.3	The Corporate Plan, action plan and annual budget had not been prepared for the years 2022/2023 and 2023/2024.	Agreed. We have prepared for the future years.	Actions should be taken to prepare the action plans and budgets in terms of the guideline.
(ii)Section 4.4	The company had not appointed an internal auditor.	We will assign the internal Auditor in near future.	Actions should be taken to appoint an Internal auditor.
(b) Operational manual for			

State Owned Enterprises published by the public Enterprise circular No. 01/2021 dated 16 November 2021.

(i)Section 3.1 and 3.2	Carder and scheme of recruitment for the Company had not been prepared and approved.	We have prepared carder. No approval received yet from CWE	Actions should be taken to prepare and approve the carder and scheme of recruitment.
(ii)Section 6.7	Annual assets verification had not been carried out for the fixed assets.	Noted	Assets verification should be carried out in terms of the operational manual.
(iii)Section 7.5	Monthly, quarterly, and annual performance reports had not been presented to the Line Ministry and General Treasury.	Noted	Actions should be taken to present the reports in terms of the operational manual.

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) A theft amounting to Rs. 4,852,622 occurred at the Ja-Ela Sathosa Mega Store in 2022, where the company provided security services. Without conducting an investigation, the company was held responsible, and no legal action was initiated to recover the damages. Consequently, Rs. 2.4 million of the stolen amount was offset against the security fees by Lanka Sathosa Limited.	It is in the process	Actions should be taken to charge the amount offset.
(b) The company had assigned 12 regional managers to cover the entire Island and no proper procedures had been	We have arranged some internal controls to implement	Actions should be taken to introduce proper internal control system.

introduced for their appointments, during the year 2025. performance and attendance.

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| (c) The Company has located in a building owned by the Co-operative Wholesale Establishment. However, a rent agreement for the building had not been signed for year 2024. | We didn't received the rental agreement from the side of CWE | Actions should be taken to enter in to a rent agreement for the building. |
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### 3.2 Procurement Management

#### Audit Observation

According to the paragraph 4.2.1 of the Procurement Guidelines, the company shall prepare the master procurement plan and list the expected procurement activities for a period of at least three years and shall be regularly updated in a period not exceeding six months. However, a procurement plan including such matters had not been prepared for the years 2022/2023 and 2023/2024.

#### Comment of the Management

Noted and do the needful in future

Procurement plans should be prepared in terms of the procurement guideline

### 3.3 Human Resource Management

#### Audit Observation

The actual carder of the Company as at 31 March 2024 was 33, in which there were 05 casual basis appointments.

#### Comment of the Management

Noted. This is because no approved carder to our company.

Actions should be taken to approve the carder.

### 3.4 Sustainable Development Goals

#### Audit Observation

Although the United Nations had introduced the Sustainable Development Agenda based on the economic growth and social development and environmental protection plan of all the countries belonging to the organization, the company had not identified the desired objectives, targets and indicators

#### Comment of the Management

Noted

Actions should be taken to identify the objectives, targets and indicators in terms of the Sustainable Development Agenda.

to match it and lacked access to accurate data. Methods of managing physical resources had also not been identified by 2023.