

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Sri Lanka Thriposha Limited for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of Statement of profit or loss, 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 Company as at 31 December 2024, 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 sub 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 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 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 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to laws, rules, regulations	Non-compliance	Comments of the Management	Recommendation
(a) Companies Act, No. 07 of 2007			
(i) Section 131 (1)	Even though every company is required to submit an Annual Return to the Registrar of Companies at least once in every year, no Annual Return has been submitted to the Registrar of Companies since 2019.	This delay occurred due to the fact that as a semi-government institution, the Board of Directors changes from time to time, and the related procedures become complicated when a Board member dies. The outstanding Annual Returns from 2015 to 2019 have already been forwarded to the Registrar of Companies, and action will be taken to submit the remaining Annual Returns up to year 2025 in accordance with the prescribed forms before the end of this year.	Action should be taken in accordance with the provisions of the Companies Act.
(ii) Sections 223 (2) (a) and (b)	When there is a change in the Secretary or Directors of the company, that the relevant change, when there is a change in the details included in the register with respect of Secretary or Directors of the company that the relevant change, should be sent to the Registrar in accordance	-Do-	-Do-

with the prescribed form for registration. However, action had not been taken in accordance with the provisions of the Act regarding the changes that occurred after the year 2019.

(b) National Audit Act, No. 19 of 2018

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| (i) Paragraph (c) of sub section 38(1) | The Accounting Officer should ensure that an effective internal control system for financial control is developed and maintained, and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such system to be effectively carried out. However, action had not been taken accordingly. | As per F.R 135 for financial control, the company submits and approves the Delegation of Financial Control/Power for the relevant year to the Board of Directors, including the Chairman, before the commencement of a financial year, and an effective internal control system is implemented within the company, subject to the supervision of the Internal Audit Division, and necessary measures are being taken to obtain further instructions from the National Audit Office in accordance with the National Audit Act. | Action should be taken in accordance with the provisions of the National Audit Act. |
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| (ii) Sub section 38(2) | Even though the review should have been made in writing and a copy of the same should have been submitted to the Auditor General in terms of paragraph (c) of sub section 38(1) of the Act, action had not been taken accordingly. | -Do- | -Do- |
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| (c) Section 10.1 of Chapter viii and | A staff officer can get an amount equal to 1/20 of the | Since Sri Lanka Thripasha Limited is a company | Action should be taken in |
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Sections 7.2 and 7.3 of Chapter xii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, Public Administration Circulars No. 9/2009 dated 16 April 2009 and No. 21/2013 dated 07 October 2013.

officer's consolidated monthly salary for each such day for working on weekends and public holidays and for that, he should work for not less than 08 hours a day and if overtime and holiday pay etc. are paid after regular duty hours, then the time should be confirmed by fingerprint machines. However, when checking the fingerprint printouts, it was observed that a sum of Rs.1,464,180 in holiday pay was paid to officers who did not work for 08 hours during the year under review. Although only one allowance/privilege should be applied for one work, in addition to this allowance, a holiday allowance of Rs.473,614 was given to officers working on a Sunday in the year under review. Further, if it is necessary to work more than 02 days in a calendar month, prior personal approval of the Secretary of the relevant Ministry should be obtained. However, action had not been taken accordingly.

incorporated under the Companies Act and a State Enterprise supervised by the Department of Public Enterprises, the provisions of the Public Administration Circulars or the Establishments Code are not applicable. Accordingly, "Code of Administrative Rules " prepared by the company in 2016 and approved by the Board of Directors has been forwarded to the Department of Public Enterprises by letter dated 25/04/2025, in response to the letter dated 15/03/2017 sent by the Director General of the Department of Public Enterprises titled "Preparation of a Code of Administrative Rules for State-Owned Enterprises". In 2010, when the Thripasha program was taken over from the management of CTC Services Limited to the Ministry of Health, it was agreed to a collective agreement/ memorandum of settlement under Section 12(1) of the Industrial Disputes Act, No. 43 of 1950 and the management of Sri Lanka Thripasha Limited has also agreed to proceed with the previous system for overtime and holiday allowances, overtime and holiday allowances will be paid in accordance with the Shop and Office Employees Act, No. 19 of 1954 and the

accordance with the provisions of the Establishments Code and the Public Administration Circular.

above-mentioned memorandum of settlement. Since senior level management officers also receive salaries from the company's funds, they are also classified under office employees in accordance with the Shop and Office Employees Act. Although Office employees are entitled to overtime at the rate of 1:1.5 hours for duties exceeding 08 hours even on weekdays, senior-level officers are not entitled to the same. Since senior-level officers report to the workplace / participate in outside duties from time to time due to service requirements, holidays, and lieu holiday allowances will be made accordingly. The above sections are included in the Operations Manual and the Code of Administrative Rules covering all aspects of the company approved by the Board of Directors, and the information requested by the Department of Public Enterprises has also been forwarded to that Department. Since it is a food manufacturing company with 24-hour production operations, it is not practical to limit the services of senior-level officers to 02 days per month. Therefore, the matters pointed out by the audit will be discussed with the Board of Directors, and

necessary decisions will be taken.

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| (d) | Financial Regulation 880 of the Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka  | Even though the officers who are administratively responsible for receipt or custody of public money or stores, or the disbursement of stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers' (Security) Ordinance (Chapter 612) for the faithful discharge of their duties, action had not been taken accordingly in respect of the officers who were required to provide security. | As pointed out by the audit, details regarding the categories of officers who need to be provided security will be forwarded to the Audit and Management Committee and the Board of Directors, and necessary action will be taken | Action should be taken in accordance with the Financial Regulations.                    |
| (e) | Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises submitted with the Public Enterprises Circular No. 01/2021 dated 16 November 2021 issued by the Department of Public Enterprises |   |   |   |
| (i) | Paragraph 2.3 of Chapter 2 of the Guideline  | Even though a strategic plan including an action plan and an annual budget should have been prepared to achieve the objectives, and that plan should have   | The primary objective of Sri Lanka Thripasha Limited is to manufacture Thripasha for the beneficiary estimates provided by the Ministry of  | Action should be taken in accordance with the provisions of the Guidelines on Corporate |

<p>been submitted to the Department of Public Enterprises through the Secretary of the relevant Line Ministry, action had not been taken accordingly. Although an action plan that was not approved was prepared and submitted for audit, the plan had not been prepared in accordance with the instructions of the guidelines.</p>	<p>Health and issue the necessary stocks to distribute to the relevant beneficiaries. Therefore, the action plan of the company is prepared in accordance with the format of the action plan of the Ministry of Health, which is the Line Ministry to which the relevant provisions are provided, and is emailed to the Planning Unit of the Ministry of Health and the Department of Public Enterprises of the Ministry of Finance every quarter. Since the Department of National Budget allocates provisions through the Ministry of Health for the purchase of Thripasha, and no capital allocation has been made, the action plan was prepared in accordance with the relevant formats.</p>
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| <p>(ii)</p> | <p>Paragraph 3 of Chapter 5 of the Guideline</p> | <p>Even though a statement of budgeted income, a report on budgeted financial position, a statement of budgeted cash flows and a capital expenditure budget should be included in the preparation of the annual budget, the budget document had not been prepared as per the Guideline.</p> | <p>As pointed out by the audit, a statement of budgeted income, a report on budgeted financial position and a statement of budgeted cash flows can be submitted in preparing budget estimates for next years. Although the company prepared and submitted a capital expenditure budget for the year 2024 as per the format of the Ministry requested by the Ministry of Health, the company has not received any capital provision through the Department of National Budget since 2021.</p> | <p>-Do-</p> |
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(iii) Paragraph 3.2(v) of Chapter 3 of the Operational Manual	<p>Even though the approval of Director General of Department of Public Enterprises should be obtained for the payment of the incentives, an amount of Rs. 22,104,660 had been paid to the all workers of the company as a targeted allowance of Suposha production without said approval. Though an amount of Rs.12,687,147 had been paid as this allowance as a percentage of the profit based on the sales income of the preceding year, it had been paid as a percentage of the sales income in the year under review. Therefore, more amounts had been paid by 74 percent than the previous year. Similarly, a new targeted allowance targeting Thriposha production in the year under review had been introduced and amount of Rs.19,732,082 had been paid for that without approval. Though targeted allowance had been paid on Thriposha production, only 60 percent from targeted production in the year under review had been fulfilled and this allowance had been paid.</p>	<p>The Operational Manual with the approval of Board of Directors covering all divisions of company had been referred to Department of Public Enterprises on 11.01.2024. The instructions had been given to provide this Suposha allowance as a monthly targeted allowance from 2020 which had been annually paid from 2017 to 2020 at the discussion held with Director General of Department of Public Enterprises. Moreover, it had been given the recommendations to provide the production targeted allowances based on the overall production from the audit report of annual financial statements 2023; the Thriposha production targeted allowance had been included in the Operational Manual on the approval of Board of Directors and referred to Department of Public Enterprises. It had been informed by Department of Public Enterprises that the evaluation related to the relevant allowances is being carried out and the information in relation to that had been forwarded by company.</p>	<p>The action should be taken as per the provisions of the Operational Manual for Public Enterprises</p>
(iv) Paragraph 3.3 of Chapter 3 of Operational Manual	<p>Even though a strategic human resource plan including the employee requirement of each division and organizational chart should be prepared,</p>	<p>A strategic human resource plan including the employee requirement of each division and organizational chart is being prepared and the</p>	<p>-Do-</p>

		no action had been taken accordingly.	action will be taken to obtain the approval relevant to that accordingly.	
(v)	Paragraph 3.6 of Chapter 3 of Operational Manual	An effective performance evaluation system should be introduced by company based on strategic plan and action plans and though the effectiveness of each employee should be evaluated by immediate officer, an effective performance evaluation for the officers in tertiary and the senior level had not been performed.	As pointed out by the audit and as per the relevant guideline, the performance evaluations will be carried out having identified the key performance indicators between employee and management.	-Do-
(f)	Public Enterprises Circular No.01/2015 dated 14 January 2022 (ii)	Even though the fuel allowance can be only granted to the officers in HM salary code, a fuel allowance of Rs.1,200,000 had been paid in the year under review for 05 officers in MM salary code by Rs.20,000 for each officer.	As per PED 1/2015 Circular, the managers in medium level are entitled to the group transport facilities up to 100 km (Up & Down. Accordingly, the relevant fuel allowance had been provided on an approval of Board of Directors after taking into account the cost incurred by company having carried out a cost benefit analysis. Furthermore, after the relevant sections had been included in the Operational Manual, it had been referred to the Department of Public Enterprises. With the approval of Board of Directors.	The action should be taken as per the provisions of circular.
(g)	Management Services Circular No.39 dated 26 May 2009 and paragraph 02 (v) of Management Services Circular	The salaries and allowances should be decided only under the salary codes given to the relevant post by Department of Management Services and though the prior approval of	The details in relation to the relevant allowances Had been included in the Operational Manual approved by Board of Directors and its evaluation activities are being carried	-Do-

No.02/2020 dated 26 October 2020 the Department of Management services of General Treasury should be obtained for the all allowances paid as additional payments, an amount of Rs.120,000 had been paid in the year under review by Rs.10,000 monthly on an approval of Board of Directors as an additional allowance to Marketing Manager recruited to Suposha production activities by company not in compliance with that.

out by Department of Public Enterprises presently .Even though the relevant manager had been recruited for marketing and promotion of Suposha brand, the direct supervision on Thriposha distribution is being carried out.

- (h) Letter of Department of Management Services No. DMS/E4/13/08/4 13/1 dated 28 March 2013 Even though a Scheme of Recruitment prepared by the provisions of Management Services Circular No.30 had been approved for the all posts approved on 02 December 2010 for the company recommended by the National Salaries and Cadre Commission had been approved and after that, the Schemes of Recruitment had not been prepared and approved for the posts such as Manager (Sales Promotion),Accounting Officer, Engineering Service Officer, Medical Officer and Nursing Officer approved by Department of Management Services at each occasion and the recruitments had been made without an approved Scheme of Recruitment.
- The letters as per formats required for approving the Scheme of Recruitment (SOR) for the posts highlighted by the audit had been referred to Department of Management Services.
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- (i) Paragraph 11.6 of National Budget Though it had been mentioned that the A health insurance scheme had been implemented
- Do-

Circular No.01/2024 dated 10 January 2024 of Ministry of Finance, Economic Stabilization and National Planning	programs such as insurance schemes, concessionary loan schemes, and reimbursement of medical bills should not be implemented by utilizing the public funds without due approval, the approval had been granted by Board Paper No.2019/02 dated 01 July 2019 for the establishment of Medical Insurance Fund subject to maximum Rs.5 million by utilizing the sales profit of Suposha productions for the employees of Sri Lanka Thriposha Limited. An amount of Rs.9,643,892 had been paid to Sri Lanka Insurance Company for an insurance scheme in relation to 2024/25 contrary to that by Suposha Production sales for the employees of Sri Lanka Thriposha Limited.	since 2019 for the permanent staff of company and their family members. The approval of Board of Directors had been granted to implement this subject to a limit of Rs.05 million at the beginning. As a result of increase of the medical bills and residential treatment charges and increase of claims of the employees of the company, the outpatient benefit and residential patient benefit had been annually increased up to a limit of Rs.20,000 and Rs.200,000 respectively from 01.08.2023. The government funds are not utilized for this medical insurance scheme which equally provides the benefits to all service categories of the company.
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## 2. Financial Review

### 2.1 Financial Results

The operating result was a profit of Rs.371,268,008 in the year under review and correspondingly the profit in the preceding year was Rs. 555,406,517. Accordingly, it was observed a deterioration of Rs.184,138,509 in the financial result. The decrease of revenue had mainly caused for this deteriorat

## 3. Operational Review

### 3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	It was observed that the ownership of the land in extent of	Subsequent to the management by CTC Services Company and in the	The action should be expeditiously take to

<p>06 acres 03 roods 19.7 perches in which the company had been established and indicated as Rs.430,000,000 in the financial statements is not in the name of the company, the buildings worth of Rs.178,114,948 had been constructed in this land without a undisturbed ownership and accounted, effective tax of Rs.18,000 had been paid for land within year under review and no measure had been taken to take over the ownership of the land to the name of company.</p>	<p>event of taking over by Ministry of Finance after incorporation as a fully government owned company affiliated to Ministry of Health in 2010, the value of relevant land had been re-valued by Department of Valuation. The value of this land had been included in the share capital (Rs.304.6 million) of Sri Lanka Thripasha Limited. Further, it had been noted as a government owned company as the plan of the land and the company had performed the survey again and the relevant effective tax had been paid on a land owned by government deed of the land will be ,and the future action in relation to the deed of land will be obtained subsequent to discussion with Board of Directors.</p>	<p>take over this land.</p>
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| <p>(b) An amount of Rs.192, 091,525 had been provided by World Food Program (WFP) for the construction of Proposed silo system in 2021 and said amount had been invested in fixed deposit. Its maturity value was Rs.255,537,214 as at 31 December 2024 and the objective on which these funds had been provided Couldn't be fulfilled even up to the date of audit.</p> | <p>The preliminary estimate for silo project is Rs.800 million. The provisions will be allocated to implement such project in 2021. Though it had been stated in the Budget Speech, the relevant provisions had not been received to the company amidst the economic crisis prevailed in Sri Lanka. Due to this reason, the instructions had been given by Department of National Planning to utilize the grant of Rs.192,091,525 provided at several occasions for reimbursement of the maize purchase bills by World Food Program (WFP) for future silo project. The discussions are being conducted with Sri Lanka Thripasha Company to obtain the remaining provisions through the capital plan 2026-2028 of World Food Program (WFP).</p> | <p>It should be utilized for the objective on which the funds had been provided.</p> |
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## 3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) There are 02 machines called Anderson 1 and Anderson II which can be used for the manufacturing activities of Thriposha company and its capacities are 1800 Kg/hr (Blends 2) and 3600 Kg/hr (Blends 4) respectively. Accordingly, the total machine capacity of the company is 5400 Kg hr.		
(i) Even though 24,019 metric tonnes can be manufactured within 278 days planned in 2024 by Anderson II, it had been planned to manufacture 14,560 metric tonnes (including the waste) within the year under review based on a capacity of 2,250 Kg hr by Anderson II machine by company. However, the actual production was 8,636 metric tonnes in the year under review. Accordingly, it was observed that this machine is in an unutilized level.	Even though the machine capacity of Anderson II machine is 3,600 Kg hr, the production had been planned under the capacity of 2,250 Kg hr in accordance with Thriposha requirement in 2024 and the production planned couldn't be manufactured due to non-receipt of maize in required quantity and due time. It had not been provided Thriposha also to the children below 03 years owing to Aflatoxin level prevailed in maize.	The provisions should be planned and implemented for utilization these machines in optimum level.
(ii) Anderson I machine had not been considered in the preparation of production plans in the year under review and if this machine is operated in line with the above days, it can be manufactured 6,005 metric tonnes in the year under review. Only 382 metric tonnes had been manufactured by operating Anderson I machine from 16 July 2024 to 31 July. As per the above facts, it was observed that this machine had been idle for 11.5 months.	The staff is available with us only for Anderson ii machine. The production activities are being carried out by usage of Anderson i machine as per the requirement by utilizing the staff of Anderson ii machine at maintenance activities of Anderson ii machine.	-Do-

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| (b) | <p>In accordance with the production plan of the year under review, though it had been planned to manufacture 14,123 metric tonnes production per year taking into account 3 percent waste occurred from production, the actual total production was 8,636 metric tonnes in the year under review. Only 61 percent from expected production had been manufactured. Furthermore, the actual production is in a range 22.5 -98.2 percent when comparing with the monthly production plan.</p>   | <p>03 new white iron tanks had been established after removing 03 old fibre store tanks established in packing division in 2024 and since quality maize couldn't be obtained in due quantity, the production couldn't be systematically maintained. Consequently, this situation had arisen.</p>  | <p>The priority should be given to complete the annual production targets.</p>                               |
| (c) | <p>Even though it had been planned to manufacture 278 days by Thriposha company in the year under review, the machines had been utilized for production only for 188 days. Accordingly, the machines had been idle 90 days and even though the information had been submitted to the audit that machines had kept outside from production 80 days due to the reasons such as inability to supply the maize requirement as raw material in the production process, inability to supply milk powder and inactive of machines, the reason for loss of machine hours for remaining machine 10 days had not been submitted to the audit. In the year under review, the planned production was 14,123 metric tonnes and the actual production was 8,636 metric tonnes and it couldn't be achieved a production of 5,487 metric tonnes. However, it had been submitted to the audit that a production of 4,334.1 metric tonnes couldn't be achieved due to the various reasons and the reasons</p> | <p>The production period of the machine decreases due to frequently stoppage of the machines owing to non-receipt of quality raw materials. If there is a possibility of obtaining quality raw materials systematically, the production reviewed will be achieved 100 percent in 2024 through continuously production as per the capacity of machine.</p> | <p>The provisions should be planned and implemented in order to utilize these machines in optimum level.</p> |

for non-achievement the production of 1,152.9 metric tonnes had not been submitted to the audit.

- (d) In accordance with the production plan in the year under review, the expected production is 14,123 metric tonnes and though it had been planned to manufacture 11,328 metric tonnes of Thriposha (80.2%) and 2,795 metric tonnes of Suposha (19.79%) out of that, 6,294 metric tonnes of Thriposha (73%) and 2,342 metric tonnes of Suposha (27%) had been manufactured from the total production of 8,636 metric tonnes in 2024.
- Suposha production had been forecasted as 20 percent in production plan 2024 and though the actual production had increased up to 27 percent from the total production, only 40 percent from Suposha demand in the relevant year had been issued to the market through the sales representatives by company.
- The priority should be given to complete the annual Thriposha requirement.
- (e) Similarly, even though it had been planned to manufacture Suposha in a range 8-36 percent from monthly total production in accordance with the production plan in the year under review, it was observed that the company had taken action to manufacture actual Suposha production in the year under review with a higher percentage between 17-45 percent. Moreover, since it had not been indicated the quantity of raw materials required for manufacturing Suposha production and Calorie biscuit manufacturing as per the production plan prepared by company, quantity of raw materials required for such production requirements couldn't be identified. Accordingly, since the raw materials estimated to Thriposha requirement had been used for Suposha and Calorie biscuit, it was observed that the expected objective is not achieved from the Articles of Association of the company.
- Since quality raw materials (maize) couldn't be obtained systematically, A supply of Suposha and Calari Bar couldn't be issued to the market as per the demand.
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- In this occasion, the raw material required for Thriposha production is determined based on the Thriposha beneficiary data and the raw material required for Suposha production is determined based on Suposha demand and sales data in the previous years. The necessary measures are being taken to maintain a continuous raw material supply chain presently and accordingly, a production plan for Suposha Calorie Bars will be prepared on the forecasts of the Marketing Division.



- (f) It had been mentioned that manufacturing of Thriposha and distribution free of charge to all beneficiaries including pregnant and breast feeding mothers with an objective of eliminating malnutrition from Sri Lanka and building a healthy nation is the key role of Thriposha Company and accordingly, Thriposha master bag requirement in the year under review was 493,905 for 38 hospitals and institutions including Regional Director of Health Services (RDHS) at the inspection of Thriposha supply as an additional meal to targeted and beneficiaries and number of bags distributed in the year was 274,198. It was observed that it is a value less than 55.51 percent from the requirement. The total distributed percentage was less than 50 percent from the requirement of Anuradhapura, Kandy, Nuwaraeliya, Beruwela and Kaluthara Regional Director of Health Services Offices and institutions.
- Even though the budgeted production plan had been prepared in accordance with the beneficiary requirement in 2024, there were barriers for the actual production and the distribution on non-receipt of quality raw materials systematically. Furthermore, it had been referred by Anuradhapura Regional Director of Health Services Office to take action to suspend supply of Thriposha by railway wagons.
- A formal mechanism for distribution of Thriposha should be formulated and implemented in association with Ministry of Health and Thriposha Company.
- (g) As per the Articles of Association of company, though the steps should be taken to provide the facilities for manufacturing of additional food empowered by Sri Lanka in order to minimise the mother and infant malnutrition in Sri Lanka and assess the annual Thriposha requirement and supply those, monthly Thriposha distribution quantity was a range 11.98 -103.53 percent from the requirement and Thriposha had been distributed in a minimal percentage of 11.98 percent since
- In distribution of Thriposha as per Thriposha requirement within 12 months in 2024, approximately 69 percent and exceeding 50 percent from Thriposha requirement had been distributed within first six months from January to June. Thriposha had been distributed in a less percentage of 50 percent within final six months. It had not been distributed exceeding the monthly requirement in the distribution of Thriposha and the distribution percentage in March 2024 had depicted about 104 percent due to issuance of shortage Thriposha stocks
- Do-

July 2024 and Thriposha had been distributed less than 50 percent from the requirement within 06 months out of 12 months. It was observed that Thriposha had been distributed exceeding the requirement as 103.53 percent in March and the monthly requirement had been distributed with relevant stock shortages in the previous months and it was observed that manufacturing and distribution of Thriposha without a proper plan had caused for this.

related to the previous months in March for several institutions.

- (h) In accordance with the web page of Family Health Bureau, the percentage of children less than 05 years with low birth weight was 22 percent up to December 2024 and the percentage of mothers with Body Mass Index less than 18.5 was 13.6 percent and low birth weight was 14.6 percent. Accordingly, though the highest percentage of said values had been reported in Nuwaraeliya District, Thriposha distribution within such district in the year was in a low value of 43 percent from annual requirement.
- The requirement of distribution of Thriposha is obtained from Nutrition Division of Ministry of Health and Family Health Bureau by Sri Lanka Thriposha company and therefore, required clarifications should be obtained after submitting the information pointed out by audit to the relevant institutes. -Do-
- (i) Even though monthly Thriposha distribution should be carried out as per monthly requirement to 38 hospitals and institutions including Regional Director of Health Services Offices (RDHS), the invoices had been issued to the institutions in a range 01 day-144 days at the inspection of dates of invoices issued by Thriposha company. 41 incidents of issuance of Thriposha had existed after 60 days (02 months) and 09 incidents had existed after 90 days (03 months). Accordingly, it was observed that the task of
- Even though budgeted production plan had been prepared as per the beneficiary requirement in 2024, there were barriers for the actual production and the distribution on non-receipt of quality raw materials systematically. Certain institutions do not come to obtain Thriposha and a long time takes to fulfil the monthly Thriposha requirement of relevant institutions at such occasions. The necessary actions are being taken to prepare and implement the short-term and long-term plans required for 100 percent achievement of production plan of the company through systematic -Do-

distribution of Thriposha had carried out in very inefficient manner.

procurement of quality raw materials and 100 percent achievement of distribution to Thriposha beneficiaries after discussing with Ministry of Health, Ministry of Agriculture and Department of Agriculture.

- (j) There were 29 institutions including Regional Director of Health Services Offices on which monthly master bag requirement exceeds 100 for mothers and children and the number of master bags supplied from the bags monthly demanded at 696 incidents for the mothers and children separately from such institutions was less than 50 percent at 329 incidents. It was observed that the planning of the institute was in very poor level due to monthly Thriposha distribution at a less percentage.
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### 3.3 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
(a) Thriposha production of the year under review calculated as per the details presented for the audit of Production Section of the Company was 6294 metric tons and Suposha production was 2343 metric tons, and the production of Thriposha and the production of Suposha as per the details presented by the Accounts Section were 6227.14 metric tons and 2067.3 metric tons respectively. Accordingly, a difference of 66.86 metric tons in Thriposha production and 275.7 metric tons in Suposha production were observed. Consequently, the final stock calculated for the year under review was shown with a lack of 66.86 metric tons of Thriposha and 275.7 metric	There are disparities between the Excel sheet data on daily production provided by the Production Section and the log sheet data, and the difference between the Excel data on daily production and the above data given for the audit was 127,800 Kg. Accordingly, the accurate production figure should be rectified as 8,508,600Kg. The finished stock given by the Packing Section to the Warehouse Section is used for the accounting activities and the difference between the account notes and production data was 214,130 Kg. The machines with an Auger Filling System are generally used for packing machines. Since the density of cereal productions is changed, a net weight of a packet is accurately maintained by adding weight in a range	A complete formal investigation into this should be carried out and the findings should be reported to the audit.

tons of Suposha. According to the answer given in the draft report by the Chairman of the Company for the Audit, it had been stated that there were disparities between the entries of daily production spread sheet data and the entries of log sheet data, and the total production as per the log sheets was 8508.6 metric tons. However, in consideration of ratios and quantities of using raw materials presented for the audit, it was observed that the total production according to the usage of milk powder was 8665.83 metric tons and the total production according to the usage of minerals was 8533.33 metric tons.

between 10g – 15g to a packet and a total of 13,194,635 Thriposha and Suposha packets have been produced in the year 2024, and a minimum quantity of not more than 131,946 Kg has been distributed within the total production.

- (b) Even if the Triposha requirement in the Office of Medical Officer of Health, Kalutara remained at a constant value throughout the year under review, the Triposha requirement in the Office of Medical Officer of Health, Beruwala had changed. The monthly requirement of Triposha for children had declined by 570 packets in March and April compared to the requirement in January and February of 2024, and it was observed that the monthly requirement of Triposha for mothers had increased by 2700 packets. Once again, the monthly Triposha requirement for mothers had declined by 2010 packets in May 2024 compared to April 2024 and the monthly requirement of Triposha for children had increased by 2010 packets. Accordingly, the fact that whether the realistic estimates were prepared based on the accurate data was problematic for the audit.

The monthly Thriposha requirement in the Office of Medical Officer of Health, Beruwala; which is managed by the National Institute of Health Sciences, Kalutara, has been revised at several occasions during the year. Also, the issuance of Thriposha stocks has not been done in the months of March and April 2024 when the above revisions were made, and the Thriposha has been issued in May 2024. Whether the said revisions have been made based on the accurate data and realistic estimates should be confirmed from the Family Health Bureau and Nutrition Coordination Divisions of the Ministry of Health.

The Ministry of Health, Health Authorities of the Provincial Council and the company should jointly collect formal data and distribution of Thriposha should be done accordingly.

- (c) As per the Director Board Decision No. 03/146/06 dated 19 December 2024, an incentive of Rs.14,674,836 had been paid to the employees of the company

All the details about the respective incentive have been described under Overtime and Other Incentives in Chapter 06 of the Code of Administrative Rules,

The matters stipulated in the operations manual should not be implemented until the

during the year under review based on the income from the interest of deposits and the sale of waste. The wastages made during the Thriposha production process are so sold as waste, and even if the money received in such way should be credited to the Ministry of Health, that money had been used to pay this incentive. Also, a formal methodology had not been prepared in this regard and the approval had been obtained thereto. Although this incentive was named as an allowance given based on attendance and performance, the consideration had been made only in respect of the attendance, and a methodology to evaluate the performance had not been prepared. Further, as the existing rules and regulations of the company regarding the arrival and departure of the senior level officers of the company had not been followed, the validity of these payments being made based on the attendance was problematic during the audit.

and the productivity was increased due to the impact of the employee attendance as per the Incentive Circular prepared annually based on the above rules. The production performance and the financial performance were taken as the basis for giving this incentive even in the year 2024. The consent of the Department of Public Enterprises regarding this incentive has been conveyed by the Director General of the said Department through the Letter No.PE/COM/SLTL/EST dated 28.11.2012. Further, it has been mentioned about the way of giving bonuses at a circumstance where the incentives are paid based on the attendance/performance in accordance with the Circular No. PED 03/2024 and about giving allowances on the saved leave as per the Circular No. PED 08/2022. Since all the operating expenses including the purchase of raw materials were borne by the Thriposha Company, the income from the sale of product waste is an income of the Thriposha Company and the Company should also pay VAT and SSCL taxes to the Inland Revenue Department based on the said income.

respective formal approval is received, and the formal approvals required for this matter should be obtained and submitted for audit.

- (d) A sum of Rs. 184,975 had been paid for the officers in terms of the Efficiency Bar Examination based on the rates cited in the Letter No. CF/EXSA/03/2023 dated 26 March 2024 sent by the Ministry of Health to the Ministry of Public Administration, Provincial Councils and Local Government to amend the examiner fees for the Efficiency Bar Examination conducted for the non-executive officers of Thriposha Company. An amount of Rs.110,075 had been paid in excess due to the payments made at rates not approved at the time of paying fees.

The rates stated in the Letter No. CF/EXSA/03/2023 dated 26.03.2024 were used to get an idea about the applicable rates, and since the letters of the Ministry of Public Administration cannot be taken as applicable for the public enterprises, the payments have been made for the rates proposed to be amended based on the approval of the Chairman.

The excess payments made without formal approval should be recovered from the responsible officers and reported to the audit.

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| (e) | <p>CTC Company had given 02 salary increments to the officers for the year 2024 also following the method of giving two salary increments at once as an incentive to the employees who had not taken no-pay leave and had performed their duties with dedication. However, after the complete ownership of the company was owned by the government, the salary increments should be given in accordance with the relevant laws and regulations applicable for the government officers. However, two salary increments had been paid in the year under review with the approval of the Chairman of the company for 166 employees who had not taken approved / not approved no-pay leave without obtaining special approvals from the relevant institutions for a method of giving 02 salary increments at once. Accordingly, a sum of Rs.67,180 had been paid in excess as salary increments per month.</p> | <p>Two salary increments have been paid for the year 2024 based on the financial (profit before tax) and production performance achieved by the company in the financial year 2023.</p> | <p>-Do -</p>  |
| (f) | <p>As per the Articles of Association of the Thripasha Company, its Board of Directors consists of 07 members and it was observed that it has been appointed so that the relevant sections are represented. However, even if the Director General of Health Services had been appointed as the representative on behalf of the Ministry of Health, it was observed that he had not attended any of the 9 Board of Directors meetings held during the year under review.</p>  | <p>The Director General of Health Services is invited for every meeting of the Board of Directors.</p>  | <p>The proceedings should be made to increase the participation of the Director General of Health Services for the Board of Directors meetings.</p> |

### 3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>The Stainless-Steel Storage Tanks worth Rs.69,875,428 had been installed during the year under review for the safe storage of Thripasha, and the following matters were observed during the audit conducted on the procurement process related thereto.</p>		
<p>(a) The assistance from the external consultants could be obtained under the guidance and supervision of the Technical Evaluation Committee for drafting bidding documents and evaluating bids by the Technical Evaluation Committee in terms of 2.8.1 (d) of the Procurement Guidelines. However, as per 7.3.1 of the Procurement Guidelines, if the bid evaluation is assigned to a consultant, that task should be done under the supervision and guidance of the Technical Evaluation Committee and the consultants should not be the members of the Technical Evaluation Committee. Also, the report of the consultants should be submitted to the Procurement Committee by the Technical Evaluation Committee along with a formal report of its committee. However, a Civil Engineer of the Ministry; who was appointed as the Chairman of the Technical Evaluation Committee to draft the bid documents and evaluate the bids, had been appointed as an external consultant for the contract inconsistently with the above guidelines, an amount of Rs.1,007,608 had been paid by the Thripasha Company including</p>	<p>The services of the relevant consultant have been obtained as per the approval of the Ministry of Health and since the consultancy services have been obtained outside of office hours based on the said permission, the consultancy service fees have been paid to him directly. The details of all the payments made by the company to the relevant person in the assessment year 2024/2025 and the withholding tax (WHT) deducted have been entered in the RAMIS system of the Inland Revenue Department. The payments made by the company to the institutions or individuals the consultancy services are received from should be reported to the Inland Revenue Department as mentioned above, and withholding tax certificates should be issued by Thripasha Company to the institutions or individuals providing the relevant services. Also, the necessary arrangements are being made to prevent the participation of the officers of the Bid Evaluation Committee in the consultancy services for future works contracts.</p>	<p>The proceedings should be done in accordance with the provisions of the Procurement Guidelines.</p>

withholding tax as consultancy fees and for that consultancy work. Although this consultancy fee should be remitted to the Ministry of Health, it had been paid directly to the respective engineer without taking action accordingly. Also, an amount of Rs.10,000 had also been paid to the said person for working as the Chairman of the Technical Evaluation Committee for the same work.

- (b) As per the 7.12.1 of the Procurement Guidelines, all the bids received can be rejected when lack of effective competition is clearly evident. However, although 04 institutions had submitted quotations for this procurement, 03 of them had been rejected during the initial verifications of the qualifications. As there were significant variations between the values mentioned in the estimate and the price of the only bid not rejected, the company had lost the opportunity to award this contract to a contractor who had submitted a competitive price due to not proceeding in line with the aforesaid guidelines so as not to make injustice for each bidder.
- The estimated value of the procurement of relevant works is Rs. 60 million, 04 bidders had appeared for that task, 03 bidders had been rejected in the verification of the initial qualifications, and the Bid Evaluation Committee has accordingly recommended to award the relevant contract subsequent to a price review to the institution qualified through a detailed evaluation, and the financial loss that can be experienced by the company by re-calling the relevant contract and the price agreed through the price review was Rs. 69.87 million (value of the original bid was Rs. 79.63 million) and as it had exceeded the engineering estimate of Rs. 60 million, the relevant contract was awarded considering all the particulars so that there would not be a financial loss to the company and granting approval by the procurement committee based on the consent given by the Board of Directors considering the significance of the relevant project.
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- (c) The evaluation of the quotations of the bidders had been done based on the total cost estimate of Rs.59,058,450 prepared by the Engineering and Services Manager of Triposha Company in November 2021. At the time of comparing those quotations with the total cost estimate, the price variation was in a range from 27 percent to 38.56 percent. Further, there was a considerable difference of Rs.36,644,995 equivalent to 46 percent between the quotation of the lowest bidder and the bidder selected for this contract at the time of evaluation. According to the Technical Evaluation Committee report dated 08 December 2023, it was stated that the total cost estimate had been prepared in November 2021 and the increase in the price of imported materials and other services along with the subsequent increase of the dollar value had resulted in the increase of the prices of the bidders. However, it is not appropriate to do the bid evaluation in the year 2024 for this contract; of which the procurement commenced in 2023, based on the engineering estimate of the year 2021. Also, if a considerable time is taken to call for bids after preparing the initial total cost estimate in accordance with 4.3.3 of the Government Procurement Guidelines, the total cost estimate should be updated taking inflation and other factors into consideration. However, instead of proceeding in line with the guidelines, a revised total cost estimate had been prepared again after selecting a bidder to award the contract and the comparisons
- Even if the company was expecting to implement this project since a long time, the implementation was delayed due to the non-receipt of funds through the Department of National Budget for the capital allocation of the company. Therefore, the steps were taken in accordance with the National Procurement Guidelines to remove the 03 Fiber tanks previously installed in the packaging section using the internal funds of the company and install 03 white iron tanks instead. Although there was not a large price range between the prices at the time of preparing the engineering estimate in 2021 and the prices at the time of calling for bids in 2024, the relevant recommendations had been given by the Bid Evaluation Committee based on the prices prevailed at the time of negotiating about the price with the qualified bidder.
- The proceedings should be done in accordance with the provisions of the Procurement Guidelines

had been made revising the prices of the selected bidder as well. Accordingly, the variation for each item ranged from 30 percent to 932 percent in the comparison made according to the revised prices also. It was observed during the audit in view of the above matters that the Advisory and Technical Evaluation Committee had not properly fulfilled its responsibilities.

### 3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) Although a post of Finance Officer had been approved by the Department of Management Services in line with the recruitment procedure of the company, if the said post is not required as such a post is not currently observed, the actions had not been taken to revise the staff as per the requirement.	The post of Finance Officer has been filled since January 2024 and the said post has been named as Executive Officer in Payroll, and the proceedings will be done to change the designation.	The formal approvals should be obtained for necessary amendments.
(b) Although the company had prepared the Code of Administrative Rules in 2016 and obtained the approval of the Board of Directors, the approval of the Department of Public Enterprises had not yet been received. However, it was observed during the audit that the certain unapproved rules and regulations contained therein are being followed by the company.	The Operations Manual that covers all aspects of the company; including the Code of Administrative Rules, has been forwarded to the Department of Public Enterprises as per the approval of the Board of Directors, and the Department of Public Enterprises said that the evaluation activities related thereto are being carried out.	The Operations Manual should not be implemented until the receipt of approval from the Department of Public Enterprises.

#### **4. Accountability and Good Governance**

##### **4.1 Internal Audit**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The copies of reports related to the internal audits; conducted during the year under review in accordance with the Circular No. DMA/1 – 2019 dated 12 January 2019 issued by the Department of Management Audit and the Financial Regulations 133 and 134, had not been submitted to the Auditor General.	The instructions were given to submit the copies of reports related to the internal audits to the audit and management meetings held periodically.	The annual internal audits should be planned and implemented, and the copies of internal audit queries or reports issued should be presented to the Auditor General.

##### **4.2 Audit Committee**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although the Audit and Management Committee meeting should be held once in three months as per paragraph 4.2 (h) of the Guidelines on Corporate Governance for State Owned Enterprises presented with the Public Enterprise Circular No. 01/2021 dated 16 November 2021 issued by the Department of Public Enterprises regarding the conduct of public enterprises, only 2 meetings had been held in the Thripasha Company in relation to the year 2024.	The Audit and Management Committee meeting scheduled to be held in the third quarter of 2024 was not held as per the instructions received not to conduct the Board of Directors' meetings, and the steps will be taken to hold at least 04 meetings from this year.	The steps should be taken to conduct the audit and management committee meetings as scheduled.