

LRDC Services (Pvt) Limited - 2020

1.1 Qualified Opinion

The audit of the financial statements of the LRDC Services (Private) Limited (Company) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and comprehensive statement of income 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 Sri Lanka Accounting Standards 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 Scope of Audit (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 skepticism 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 Financial Statements

1.5.1 Sri Lanka Financial Reporting Standards for Small and Medium Sized Entities (SLFRs for SMEs)

Non Compliance with reference to the relevant standard	Management Comment	Recommendation
According section 13.4 of the SLFRS for SMEs, the stocks should be accounted at lower of cost and net realizable (NRV) value. However, when estimate the security equipment stock as at end of the year under review it had been valued at their cost for Rs. 21.62 million without considering the Net realizable value.	The closing stock mainly comprising with stationeries uniforms and security equipment. The stationaries and uniforms are not considered as trading stock. Hence, the NRV has not been calculated. However, the NRV for security equipment will be adjusted in the financial statement of the coming years.	The stock should be accounted base on the SLFRs for SMEs.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) According to the accounting policy for provision of doubtful debts, provision of 50 per cent for doubtful debts had been provided for the debtors outstanding for a period ranging from 1-2 years, 75 per cent provision had been made for the debtors outstanding for over 2-3 years and 100 per cent of provision had been	The Board of Directors had been approved that policy of provision for doubtful debts on 20 July 2017. Considering the time lag of the settlements and their probability to make the settlements, that accounting policy had been determined.	According to an approved accounting policy, the provisions for doubtful debts should be provided.

made for the debtors outstanding for over 3 years. Accordingly, a sum of Rs.63.56 million had been provided as doubtful debts. The policy for provision of doubtful debts that approved by the Board of Directors was problematic issue in audit.

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| <p>(b) According to the accounting policy for recognition of revenue, of the Company, the revenue of the Company should be identified deducting the reliably measured associated costs. However, due to preparation of the invoices without considering reliable evidence, a total amount of Rs.40.31 million had been lost by the Company, owing to rejecting the payments by clients. As well, due to debit of above sum of Rs.40.31 million to the cost, the cost also had been overstated.</p> | <p>The bills had been prepared based on the monthly service shift reports provided by clients after being certified the Authorized officers. After being provided of bills to the clients, some identified costs had been deducted from the bills, for not assigning of security personal for works for over 24 hours, based on the evidence provided by the clients. As a result, a sum of Rs.123.49 million had been deducted by the clients in the year 2019.</p> | <p>The revenue should be recognized based on an approved accounting policy.</p> |
| <p>(c) An accounting policy for unpaid salaries to the security personals those who recruited to provide security services to external institutions, had not been specifically identified.</p> | <p>The observation given for unpaid salaries is accepted. Specific accounting policy to be identified in order to prepare the financial statements of the year 2021.</p> | <p>An appropriate accounting policy should be identified.</p> |

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) Sea Sand 89.91 cubic meters, purchased for Rs.744,290 had been accounted for as expenditure of the preceding year and that error had not been rectified even in the year under review. As a result, the cost of sales of the year under review had been understated by that amount.</p>	<p>The observation is accepted. The sand sales for the year had been accounted based on the SLLRDS invoice No.449771 dated 28 December 2019. Hence sand sale income of the year 2019 had been overstated and that was recorded as understatement of the sand sales in the year under review.</p>	<p>The expenditure of the relevant year should be identified as expenditure of the that year.</p>

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| (b) | Provision for gratuity amounting to Rs.1.27 million had been provided for 569 employees though they were not reported to the work for a period ranging from 01 to 12 months. As a result, the profit for the year under review had been understated by that amount. | The employees not reporting for works could not be considered as vacated from posts. Only after being confirmed the vacated of post through the relevant documents, it could be removed the names from the register of provision for gratuity. | Prompt actions should be taken to identify the officers those who vacated from the post with relevant information. |
| (c) | Due to the default of VAT payment on due dates, the Company had to be paid a sum of Rs.97.80 million as at 31 December 2020 as surcharges. However, the Company had not made a provision for that liability. As a result the net profit for the year and current liabilities had been over and understated respectively by that amount. | The payable VAT as at 31 December 2020 amounted to Rs.334.09 million and according to the Act, a surcharge had to be paid and it is accepted. An analysis to be made relating to the not payment of VAT on due dates. | Action should be taken according to the circular instructions given by the Department of Inland Revenue. |
| (d) | The provision for amortization had not been made for the land that had been leased by the Company on 30 May 2018 for 30 years of lease period for Rs.17.38 million and for the constructions made in the year 2019 incurring Rs.5.38 million. As a result, the profit of the year had been overstated by Rs.0.76 million and unaccounted depreciation balance as at 31 December of the year under review amounted to Rs.1.68 million. | Action will be taken to make the adjustments in the coming financial year with regard to the leased land in Aththidiya and for the temporary buildings. | The financial result should be correctly shown by making the adjustment for relevant depreciation expenses. |
| (e) | The unidentified balances in the various bank accounts of the Company amounting to Rs.1,453,604 had not been identified and made the adjustments in the financial statements. | Even though the deposits in amounting Rs.1.45 million the various banks accounts could not be identified based on the available information. The adjustments will be made in the financial year of 2021 after being identified the correct debtors and other accounts. | Action should be taken to identify the receivings to the banks and adjustments should be made in the accounts. |
| (f) | Due to not accounting of the rent payables by the Company for the rented buildings, the rent expenditure of the year had been under computed by Rs.112,000. | According to the policy of the Company, about 50 per cent of the payable rents are recovered from the employees. Hence, some of the payables had not been identified as accrued expenses in the year 2020. | Action should be taken based on he approved accounting policies. |

- (g) According to the agreement entered with regard to providing of accommodation to the security officers, out of the rent advances paid on 01 August 2019 and 10 March 2020 amounting to Rs.560,000, the monthly rent expenditure had not been identified as rent expenses. As a result, the rent expenditure of the year under review had been understated by Rs.230,000.
- It is accepted the understatement of rent expenditure by Rs.230,000 and that error will be corrected in the coming year.
- According to the agreements entered, the accounting activities should be carried out.

1.5.4 Unreconciled Control Accounts

Audit Observation

Even though the opening balance of the Nation Building Tax account as at beginning of the preceding year amounted to Rs.7,480,138, the corresponding balance as per the Tax computation documents amounted to Rs.7,380,314. Hence, a difference of Rs.99,824 was observed and that difference had not been corrected even in the year under review.

Management Comment

Action to be taken to identify the difference of Rs.99,824 in the NBT account in future.

Recommendation

Action should be taken according to the related tax circulars.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation

- (a) The Company had entered into an agreement with the Land Reclamation and Development Company to supply the man power and a sum of Rs.20.77 million to be receivable on that regard as at end of the year under review. Out of that amount, action had not been taken to recover the sums of Rs.5.49 million and Rs.4.49 million for a period over one year and a period ranging from 3 – 12 months respectively.

Management Comment

Even though the actions such as negotiation with the Management and sending of reminders ect were carried out, it was unable to recover a considerable amount. However, action will be taken to recover the receivables in future.

Recommendation

Prompt action should be taken to recover the receivables.

- (b) The trade debtors' balance as at end of the year under review amounted to Rs.901.99 million. Out of that amount, sums of Rs.322.97 million, Rs.25.36 million and Rs.15.26 million had not been recovered for a period ranging from 1 – 2 years, 2 to 5 years and for over 5 years respectively. Further, unconfirmed debtor balances amounted to Rs. 833.57 million and that amount represented 92 per cent of the debtor balances.
- All those analytical clarifications are accepted and debtors' balance confirmation letters have been prepared covering entire debtors balance. The replies for the confirmations are at lower levels.
- Prompt action should be taken to recover the debtor balances in arrears.
- (c) Adequate actions had not been taken to recover the festival advance balances amounting to Rs.8.35 million that were existed as at end of the year under review. Out of that amount, sums of Rs.1.05 million, Rs.2.48 million and Rs.1.49 million were remained as unrecovered for a period ranging from 1-2 years, 2-5 years and over 5 years respectively.
- Out of the unrecovered advances, the balances for over 01 year were represented the receivable amounts from the vacated posts employees. However, due to the current procedures of the Company, such situations will be minimized in future.
- Action should be taken to recover the advance receivables immediately.

1.6.2 Accounts Payables

Audit Observation	Management Comment	Recommendation
Out of the unpaid salaries to the employees as at end of the year under review amounted to Rs.43.63 million. a sum of Rs.18.43 million was remained as unpaid for over 5 years. Of that amount, a sum of Rs.14.18 had been accounted as the income during the year under review.	An accounting policy relating to the unpaid salaries will be formulated and based on that, financial statements of the year 2021 will also be prepared.	Action should be taken based on a specific accounting policy.

1.7 Non – Compliance with the Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non – Compliance	Comment of the Management	Recommendation
(a) Management Services Circular No.30 dated 22 September 2016	The approval for the salary scales for each service categories had not been obtained from the Management Services Department as per the circular instructions.	The cadre of the Company was changed in time to time due to the nature of the business as man	Action should be taken as per the circular instructions.

- power supplying business, and due to changes of contract revenue.
- (b) Value Added Tax Act No. 14 of 2002 Value Added Tax (VAT) should be remitted within the each quarter. However, VAT collected from the clients amounting to Rs.334.09 million had not been remitted to the Department of Inland Revenue up to 31 December 2020. Out of the total VAT remitted as at 31 December 2020 amounting to Rs.345.05, was reduced to Rs.264.82 up to now. Action should be taken as per the tax regulations.
- (c) Inland Revenue Act No.24 of 2017 Nation Building Tax (NBT) should be remitted to the Department of Inland Revenue on or before 20th of next month. However, action had not been taken to remitted the NBT amounting to Rs.9.21 million related to the year 2018 and 2019, up to end of the year under review. This observation related to the NBT is accepted and it is expected to pay about Rs.6 million in the year 2022. Action should be taken as per the tax regulations.
- (d) Paragraph 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Even though the Company should table the Annual Report at Parliament within 150 days after the closure of the financial year, the Annual Reports related to the year 2018 and 2019 had not been tabled at parliament. Instructions had been given to the officers to follow the circular instructions. The circular instructions should be followed.
- (e) Rule No.20.16 of the Establishment code of the Company The retirement age of every officer/ employee of the Company is 60 years. However, retirement age of some employees had been changed as 69 years and provision for Employees' provident Fund for those employees during the year under review and as at end of the year under review amounted to Rs.1.08 million and Rs.2.48 million respectively. The retirement age of the company employees is 60 years. However, based on the request made by the employees and considering their healthiness for work, it had been extended their service period after 60 years. It should be complied with the recruitment procedure of the Company.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operating result of the Company as at 31 December 2020 was a pre tax profit of Rs.39.98 million and compared to the corresponding pre tax profit of the preceding year amounted to Rs.76.26 million, the profit of the year under review was decreased by Rs.36.28 million. Compared to the preceding year, decrease of security service income by Rs.81.72 million or 5 per cent and increase of overtime payment to the security officers by 74.40 million or 12 per cent and administration and other expenses by Rs.38.39 million or 34 per cent were mainly attributed for the decrease of the profit.

2.2 Analytical Review

- (a) Compared to the preceding year, the income of the Company was decreased by Rs.99 million. Decrease of security service income by Rs.82 million was the main reason attributed for this situation. Compared with the preceding year, the net profit margin of the Company was decreased. Decrease of service income and increase of salaries and overtime payments for the providing for security service, by Rs.74 million had been mainly attributed for decrease of profit margin.
- (b) The debt turnover ratio was increased by 01 time and debt collection period was increased by 27 days. Thus, it was observed in audit that the debt management activities of the Company was not in a satisfactory level.

3. Operational Review

3.1 Performance

Audit Observation	Management Comment	Recommendation
Providing of security services, security investigations and providing of other investigative services are the main functions of the Company. However, the company had not prepared an action plan indicating the physical and financial targets of the Company for the main functions. Further, the performance indications for the main functions of the Company had also not been formulated for the year under review. As a result, the performance of the Company could not be evaluated in audit.	Action will be taken to prepare the Action Plan and the performance indicators for the year 2022.	An action plan should be prepared and the activities of the Company should be performed accordingly.

3.2 Management Activities

Audit Observation	Management Comment	Recommendation
(a) According to the service agreement of the Company, if it not assigned the agreed security officers, the clients are entitled to deduct one day salary and surcharge of Rs.200 from the invoice value. As such, a sum of Rs.40.31 million had been deducted by the clients during the year under review, due to charge of penalties and poor management of security personals. That deduction as a percentage of the profit of the Company for the year under review was 101 per cent.	Observation is accepted and that deduction as a percentage of the net profit for the preceding year was 224 per cent. This was significantly reduced to 101 per cent. The Company had followed a procedure to reduce that deductions step by step at present.	When preparing of the invoices, it should be done according to the service agreements.
(b) Even though the Company had obtained a land situate in Aththidiya, extent of 120 parches, for 30 years of lease period for Rs.16.52 million in the year 2018 from the Parent Company. However, the even primary construction works had not been started up to November 2021 at the land.	The construction works scheduled to be commenced in the year 2022 and a sum of Rs.100 million had allocated for the construction works through the budget.	Prompt action should be taken to get the expected benefits from the acquired Company assets.
(c) In order to conduct a sea sand selling project, a bank current account had been opened by the Company in the preceding year. However, any transaction had not been conducted through that bank account during the year under review and a sum of Rs.300,000 was in idle in that account.	This non – performing current account will be closed down in the year 2022, and the account balance will be transferred to saving account of the Company.	The non – performed bank accounts should be closed down.

3.3 Staff Administration

	----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
(a)	The approved cadre of the Company as at 31 December of the year under review was 91 and the actual cadre of at that date was 86. Thus, a five vacancies were existed. Out of the vacancies, a higher management post and 4 lower management posts were existed. In addition, the excess staff was 11.	By appointing to cover the duties, some vacancies had been filled.	The officers recruited for the duties of the Company, should not be transferred to the other institutions. The vacancies should be filled as early as possible and the cadre of the Company should be maintained based on the approved cadre.
(b)	According to paragraph 9.3.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, a procedure for recruitments and promotions had not been prepared with the concurrence of the Department of Management services and had not been get the approval from the Line Ministry for the procedure.	The recruitment and promotion procedure had been prepared based on the guidance given by the Department of Management services and it had been furnished to the Board of Directors for approval, to several times in the year 2021. Again, it had been furnished to the Board on 21 December 2021 after being made the final amendments.	Actions should be taken according to the Circular instructions.
(c)	Thousand eight hundred and thirty two security personals had been recruited during the year under review and out of that personals, 1156 personals had resigned or vacated from the posts. Accordingly, the employee turnover ratio was at a high level.	The security personals those who passed the grade 8 had been recruited on contract basis. Those personal, rapidly resigned from the service and vacated from the posts.	Action should be taken to minimize the employee turnover ratio, by evaluating the reasons for the high turnover.

3.4 Deficiencies in Contract Administration

	----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
(a)	Even though the Company had made procurements valued at Rs.14.47 million during the year, a procurement plan had not been prepared in term of Section 4.2.1 of Procurement Guideline.	The Procurement Plan had not been prepared for the year under review and corrective action will be taken in the year 2022.	The Procurement activities should be conducted according to the guidelines.

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| (b) | Specifications had not been determined relating to 3 Procurements made for Rs.2,453,653 during the year in terms of Section 5.6 of the Procurement Guidelines. Thus, it had not been considered the quality of the procured goods. | When it call the bids the specifications had not been provided and it is accepted. Instructions had been given to the officers to avoid such situations in future. | The Procurement activities should be conducted according to the guidelines. |
| (c) | According to Section 7.9 of the Procurement Guidelines, calling of bids should be conducted as per the instructions and conditions given. However, when evaluating 2 Procurements valued at 2,325,750, the new conditions that had not been mentioned in the bid documents had taken into consideration. Hence, the unselected bidders had lost the opportunity to submit the information related to new conditions. | Instructions have been given to the TEC to consider only the conditions given with the bid documents. | The Procurement activities should be conducted according to the guidelines. |
| (d) | According to Section 2.14.1 of the Procurement Guidelines, the Company had conducted 4 procurements for Rs.2,608,309 applying the shopping procedure. However, evidence relating to selection of suppliers was not in the relevant files. | Even though the related evidence for those 4 procurements was made available in the relevant files, there were no formal file minutes in the files and it is accepted. Instructions had been given to make the corrective actions. | The Procurement activities should be conducted according to the guidelines. |
| (e) | According to Section 5.3.11 (a) Of the Procurement Guidelines, the bid securities relating to 2 procurements made for Rs.2,784,000 had not been obtained. | Not obtained of bid securities from those suppliers was a mistake and it was accepted. | The Procurement activities should be conducted according to the guidelines. |
| (f) | According to Section 8.9.1 (b) of the Procurement Guideline, the agreements should be signed for the Procurement over Rs.500,000. However, action had not been taken accordingly for 2 Procurements made for Rs.984,000 and Rs.1,800,000. | It is informed that the contract agreements going to be signed as per the instructions in the Procurement Guidelines. | The Procurement activities should be conducted according to the guidelines. |

3.5 Operational Weakness

	----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
(a)	Without identifying the requirement in the market, 1000 units of hand hold metal detectors had been imported incurring Rs.2.34 million and 731 Security Equipment had also been imported for US\$ 49,985 (Rs.8.92 million) in the preceding years. Out of the above goods, 506 metal detectors and entire stock of 731 unites of the Security equipment were at the stock without being sold as at end of the year under review. Due to expiring of the goods and not appointing of a Local Agent, a risk has been created with regard to selling of those goods in future. As well, in order to purchase those goods the Company officers went abroad by incurring a sum of Rs.3.10 million too.	The observation pointed out relating to the purchase of security equipment for Rs.8.92 million is accepted and a valuation had been made for those security equipment from a Government Valuer.	The stocks should be purchase by evaluating requirement of the market.
(b)	Out of 1,669 CCTV cameras purchased in 2018 for US\$ 49,537.90 (Rs.8.73 million), the cameras valued at Rs.20.93 million were remain in the stock up to November 2021. Due to purchase of those cameras without being considered the requirement, the funds of the company had to invested for stocks in idling manner. Further, the reason for selling of cameras on various profit margins were not explained to audit.	The Company had unable to sell the cameras in competitive manner in the market competing with well established other sellers and due to the prevailed situation of the country that purchase had to be accelerated. As well, the audit observation related to non – working cameras are accepted.	By evaluating the market requirement, the stock should be purchased matched with marketable levels.
(c)	Even though the total cost incurred for operating the Boat services amounted to Rs.7.01 million, the actual income earned from the service amounted to Rs.1.98 million. Thus, the loss incurred by the Company amounted to Rs.5.03 million. Further, an expenditure of Rs.198,000 that related to providing	A loss of Rs.5.03 million was sustained by the Company due to operating of the boat service and it is accepted. The main reason attributed for this situation was the Covid – 19 pandemic and as a result the service could not be operated in efficient manner. While, the	Action should be taken eighther to operate the boat service in proper manner or not to underutilize the boats.

- of Battaramulla Boat service, had not been accounted. salaries of 7 employees amounting to Rs.4.28 million had be paid during the year.
- (d) According to an audit test check conducted for a month period, and related to the service hours invoiced to the clients, it was revealed that in some instances salaries for the security personals had been paid exceeding the invoiced service hours. As well, it also revealed that in some instances, the service shift dates invoiced to the clients were exceeded compared to the actual shift dates. In the month of August 2020, the invoice service shift hours were exceeded the number of service shifts. Action will be taken to minimize such fluctuations in future. The invoices should be prepared only for the confirmed service shift dates by the clients.
- (e) Without being recovered the receivables from 46 client institutions for over 5 years amounting to Rs.6.67 million, the security services had been provided by the Company up to end of the year under review. In order to recover the receivables, a proper procedure has been implemented. Accordingly, action will be taken to recover the debts, step by step basis. Action should be taken according to the agreements entered into with the clients.
- (f) The Company has providing the security services to the Pallekele International Cricket Stadium since 28 April 2020. However, it was not entered into an agreement with the clients up to end of the year under review. Lack of an agreement with the Pallekele Stadium is accepted. This failure has not been rectified so far and it will be corrected in future. Before providing the services, the agreements should be singed and works to be performed accordingly.
- (g) The conditions relating to the delaying the payments for supplying of security services, had not been include to the agreement signed with the clients. As a result, the Company unable takes necessary actions against the payment delays. When entered into the agreements with the clients, the provision for the payment delays will be included in the agreement as the conditions in coming years. The agreements should be signed with the clients before providing the services.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Management Comment	Recommendation
According to paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements of the Company for the year under review should be furnished to audit on or before 28 February 2021. However, the financial statements had been furnished for audit only on 27 June 2021.	When presenting the financial statements for the year 2020, several practical issues were affected. In the year 2021, it will be rectified.	Action should be taken according to the circular instructions.

4.2 Idle and underutilized assets

Audit Observation	Management Comment	Recommendation
The equipment purchased for the CCTV cameras in the year 2018 for Rs.77,967 on sample basis were existed in idle.	The CCTV camera equipment purchased in sample basis were in in idle up the year 2020 and it is accepted. It is seems to be possible sell the in future.	Action should be taken to avoid the expiring of goods.

4.3 Corporate Plan

Audit Observation	Management Comment	Recommendation
Even though a Corporate plan had not been prepared by the Company as per the Public Enterprises Circular No.PED/12 dated 02 June 2003, a consultant had been recruited by the Company to prepare the Corporate Plan in the year 2017 and a sum of Rs.3.8 million had been incurred for the consultant. Further, the Company had not prepared an Action Plan for the year under review. As a result, it was unable to evaluate the performance of the Company.	The Corporate Plan had been prepared in the year 2017 and the Action Plan will be prepared in the year 2022.	Action should be taken accordingly to the circular instructions.

4.4 Procurement Plan

Audit Observation	Management Comment	Recommendation
According to the Procurement Guidelines of the Government, a Procurement Plan had not been prepared by the Company for the year under review.	The procurement functions of the Company is at lower level new. By considering the situation, a Procurement Plan will be prepared for the year 2022.	A Procurement Plan should be prepared annually.

4.5 Budgetary Control

Audit Observation	Management Comment	Recommendation
Compared to the budgeted net profit for the year under review with the actual net profit, a variance of 31.16 per cent was observed. Thus, it was observed that the budget had not been made use as an effective control tool.	It was unable to achieve the expected results in the year 2020 from the operational activities due to the effect that was affected to the entire economy, which was in turn influenced to the Company too.	The budget should be made use as an effective management tool.