Sri Lanka State Trading (General) Corporation Ltd - 2023/2024

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1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka State Trading (General) Corporation Ltd. (“Company”) for the year ended 31 March 2024 comprising the statement of financial position as at 31 March 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 Audit Observations on the Preparation of Financial Statements

1.5. 1 Non-compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to Paragraph 32 of Sri Lanka Accounting Standard No. 01, assets and liabilities should not be offset. However, in the financial statements, a trade creditor balance of Rs.373,351,128 was offset by an amount of Rs. 11,906,646, representing a receivable balance, and reported as a net payable balance of Rs. 361,444,482.	Liabilities related to creditors have not been offset against assets, and amounts payable to creditors are recognized as liabilities at the time of purchase. Returns and advances paid are accounted for by deducting (debit) them from the balance payable to creditors. In future, in cases where advances have been paid, they will be shown separately.	According to Sri Lanka Accounting Standards, assets and liabilities should be presented without offsetting.
(b) In contrary to Paragraph 16 of Sri Lanka Accounting Standard No. 07, net investments amounting to Rs.315,088,866 invested in fixed deposits and other short-term deposits were incorrectly reported under cash flows generated from financing activities instead of under investing activities in the cash flow statement. Furthermore,	In view of the error in presentation, in future, steps will be taken to present fixed deposits net investment under investing activities in accordance with paragraph 16 of Accounting Standard No. 07. However , the closing balance has been correctly presented and operating profitability has not been affected .	The cash flow statement should be prepared in accordance with Sri Lanka Accounting Standards .

	when calculating the cash flows generated from operating activities, deferred income related to government grants amounting to Rs.24,437,682 was deducted twice, resulting in an understatement of cash flows generated from operating activities by the same amount.		
(c)	According to Paragraph 42 of Sri Lanka Accounting Standard No. 08, material prior-period errors must be corrected retrospectively and according to Paragraph 49, disclosures regarding the correction of errors must be made in the financial statements. Although, contrary to the provisions of the standard a foreign exchange gain of Rs. 440,670,002 related to the import of rice in the previous year and a foreign exchange loss of Rs.27,863,304, along with expenses and stock losses related to rice imports amounting to Rs.23,869,693, had been credited and debited to the cost of sales respectively.	All adjustments related to the imported rice were finalized, and the associated expenses were fully settled as of 2023/06/27. Consequently, the corresponding accounting entry of Rs. 440,670,002 was recognized in the financial accounts for the year 2023. Additionally, a payment of Rs.156,691,390 made to the Treasury related to the rice imports during the current year was adjusted in the 2023/24 accounting year. Furthermore, the foreign exchange gain of Rs.27,863,304 was also accounted for in the 2023/24 financial year.	According to Sri Lanka Accounting Standards, material prior period errors should be corrected retrospectively.
(d)	According to Sri Lanka Accounting Standard 12, deferred tax liabilities amounting to Rs.30,437,267, which should have been presented under non-current liabilities in the financial statements, had been deducted from non-current assets and reported as net deferred tax assets.	From the year 2024/25, the deferred tax liability will be presented separately under non-current liabilities in accordance with Accounting Standard No. 12. This error in presentation has not affected the closing balance .	Deferred tax liabilities must be presented in the financial statements according to Sri Lanka Accounting Standards.

(e) According to Paragraph 39 of Sri Lanka Accounting Standard 20, the accounting treatment for government grants had not been disclosed in the financial statements. Additionally, as per Paragraph 26 of the standard, the value of government grants should be systematically distributed over the useful life of the related assets and recognized the income related to the year under review as deferred income. Instead, those income amounting to Rs.24,437,668 was credited to the depreciation account. Due to this income and depreciation expense were under calculated by the same amount for the year.	Under Accounting Policy 2.2.18, it has been stated that the accounting for government grants is carried out in accordance with Sri Lanka Accounting Standard 20, and the related accounting entries have been made accordingly. Furthermore, the accounting methodology for government grants will be included in the 2023/2024 Annual Report, and disclosures required under the accounting policy will be ensured in the future. The recognition of the deferred grant value and the adjustment of value of depreciation expense in the depreciation account has been carried out in compliance with the accounting policy as per the Sri Lanka Accounting Standards.	Government grants should be accounted and disclosed in accordance with Sri Lanka Accounting Standards.

1.5.2 Accounting deficiencies

Audit Observation	Management comment	Recommendation
(a) The cost of Rs.4,285,347 incurred for expired wine stocks and the expense of Rs.42,351,980 related to 22 mobile rice warehouse purchased in 2015 and which distributed free of charge to state institutions were debited to cost of sales during the year under review. As a result, the gross profit for the year has been understated by Rs.46,637,327.	The amount of Rs.4,285,347, agreed upon as the final payment to Sri Lanka Customs for the clearance of expired wine stock, was accounted for under accrued expenses in the financial year 2023/24. Additionally, based on a decision made by the Board of Directors, the cost of mobile rice storage units (Cocoons), which were decided to be distributed free of charge to state institutions during 2023/24, was removed from inventory and accounted for through the cost of sales account.	Cost of sales should be accurately calculated and accounted for.

(b)	Adjustments totaling to Rs.23,064,553, identified during the physical stock verification process as stock surpluses and corrections, were presented as a prior-period error adjustment by reducing cost of sales. As a result, cost of sales had been understated, and gross profit had been overstated by the same amount.	A significant portion of the balance deducted from the cost of sales in this year as a stock verification analysis difference of Rs. 23 million is a stock verification analysis difference correction for rice that was added to the cost of sales in the previous year.	Cost of sales should be accurately calculated and accounted for.
(c)	Direct deposits of Rs. 2,820,094 made to the bank by external parties during the period from 2017 to 2024 were shown under other creditors instead of being correctly identified and accounted for.	After identifying the direct deposits made by external parties to the banks, receipt vouchers are issued and the details of the deposits are confirmed, and the receipts are settled. Until then, they are temporarily shown in the other creditor account. Since a legal process is underway regarding Rs. 1,045,500 in the other creditor account, it will be offset against the amount receivable from the relevant party after it is completed. The remaining balance has been properly accounted for by issuing receipt vouchers.	Direct deposits should be accurately identified and accounted for.
(d)	The income receivable of Rs.7,279,191 due to sub-leasing a portion of the Batticaloa Rajawasa building to Lanka Sathosa Limited had not been accounted for.	The amount of Rs. 7.2 million due for the lease of a 6400 square feet section to Lanka Sathosa has not yet been paid by Sathosa Company. All the buildings owned by the Food Commissioner's Department are being transferred to Sathosa Company, and the operations of the Food Commissioner's Department have been suspended. Therefore, since there is a problem in collecting this rent from Sathosa Company, the amount receivable by the Company for the sub-lease has not been accounted for.	Income receivables must be accurately identified and accounted for.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) As at 31 March of the year under review, the trade debtor balance of Rs. 822,322,109 included a balance of Rs.133,352,935 which was due from 2 to 5 years and a balance of Rs.177,479,439 which was due over 5 years and those debtor balances had not been recovered. Furthermore, there was an unrecovered balance of Rs.13,421,973 included in other receivables of Rs.1,272,905,763 which had been recovered for a long period.	Debts over 2 years are being recovered through methods such as regular follow-up, recovery in installments provision for bad debts, sending reminder letters, taking legal action and taking steps to write off uncollectible debtors over 5 years as per 6.9 of the Operational Manual.	Action should be taken to recover the money due without delay.
(b) The value of advances received as at 31 March of the year under review was Rs.25,491,248 and the value of advance balances outstanding for more than 3 years was Rs.7,837,353.	Steps are being taken to settle outstanding advances of more than 3 years through methods such as identifying and settling advances and debtors according to their balances, informing advance holders in writing, and taking steps to recognize non-responding advances as income.	Action should be taken to recover the money due without delay.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
The outstanding creditor balance of Rs.361,444,482 as at 31 March of the year under review, included an amount of Rs. 90,514,335 that had remained unsettled for over five years. Additionally, among other payables amounting to Rs.716,930,302, there were	As per individual creditor accounts, the balance payable to creditors as at 31 March 2024, amounting to Rs.361,444,482. Furthermore, the creditor aging analysis report reflects a net value of Rs.361,444,482 as at 31 March, 2024. (After deducting purchases and repayments.)	Action should be taken to settle outstanding creditor balances promptly.

long-term balances of Rs.15,789,605 whose accuracy had not been verified and action had not been taken to settle appropriately.

1.6.3 Unreconciled control accounts or records

Subject	Value according to financial statements Rs.	Value according to corresponding records Rs.	Difference Rs.	Management comment	Recommendation
(a) Social Security Contribution Tax Expenditure	86,942,743	83,347,166	3, 595, 577	We wish to inform that efforts are being made to adjust payments related to previous years with the current year and to identify and settle the amounts payable as social security tax, based on monthly sales figures.	The social security contribution tax expense should be accurately accounted for.
(b) Sales value	12,132,029,706	12,643,327,250	511,297,543	The difference between sales and purchases is being analyzed according to value added tax and financial statements.	The sales value should be accounted for correctly.
(c) Purchase price	9,796,491,313	3,733,542,154	6,062,949,159	The difference is being analyzed between sales and purchases of financial statements and value added tax.	The purchase price should be accurately accounted for.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Enterprises Circular No. PED/1/2015 dated 25 May 2015 and the letter of the Director General of the Department of Public Enterprises No. PED/S/STC/03/1 1(i) dated 05 October 2023	Contrary to the circular provisions and the reimbursement method approved by the Director General of the Department of Public Enterprises, 42 officers recruited on permanent basis and 09 officers recruited on contract basis who were not entitled to official vehicles had been paid monthly transport allowances of Rs.2,711,750 and Rs.972,500 respectively during the year under review.	Since the current vehicle fleet owned by the institution is not sufficient, staff officers often use their own personal vehicles or hire vehicles. A transportation allowance has been provided to these officers with the approval of the Board of Directors, and Treasury approval has been received for this.	Transport allowances should be paid in accordance with the provisions of the circular. Payments made in contrary to those provisions should be recovered.
(b) Operational Manual for State owned Enterprises introduced by the Public Enterprises Circular No. PED 01/2021 dated 16 November 2021			
(i) Paragraph 3.2	A sum of Rs.41,679,289 as festival and incentive allowances, Rs.3,846,978 for reimbursement of medical expenses and	The payment of festival and incentive allowances, medical expense reimbursements, and death gratuities to	Treasury approval should be obtained for the payment of festival and incentive allowances, medical expenses

	Rs.700,000 as death gratuity had been paid to employees without Treasury approval.	employees was made based on the approval of the Board of Directors. Actions are currently underway to obtain Treasury approval for the incentive allowances.	reimbursement and death gratuity as per the circular provisions. Payments made without such approval should be recovered.
(ii) Paragraph 6.7	Although fixed assets should be verified annually, no physical verification had been carried out after 2017 regarding the fixed assets amounting to Rs.977,631,425 as at the end of the year under review.	Although physical verification of fixed assets has not been carried out since 2017, physical verification of assets has been carried out for the year 2023/24 and the assets have been revalued accordingly. It is planned to carry out physical verification in accordance with the Public Enterprise Circular and take further action accordingly.	Fixed assets should be verified annually as per the circulars .
(c) Paragraph (iii) of Public Finance Circular No. 415 dated 06 May 2005	All government institutions importing goods by ship are required to transport goods through the Ceylon Shipping Corporation and a written waiver notice must be obtained when the shipping rate of the shipping corporation is higher than the exporter's shipping rate. However, in 16 cases, out of the 18 cases sampled for audit,	Since the Sri Lanka Shipping Corporation does not own any ships and they also act as shipping agents through foreign shipping companies and carry out the transportation of goods, it is impossible to stop the flow of foreign exchange from the country. When carrying out	If any deviating from the provisions of the circulars, Treasury approval should be obtained.

	imports were carried out through foreign shipping companies and waiver orders were obtained in only 2 cases. Accordingly, an amount of US $ 22,479 had been paid to foreign shipping companies, resulting in a foreign exchange outflow from the country.	transportation activities through the Sri Lanka Shipping Corporation, there are frequent delays in coordinating between the importer and the Sri Lanka Shipping Corporation. The foreign suppliers are able to obtain more competitive shipping rates than the Shipping Corporation, on their annual export volumes.

2. Financial review

2.1 Financial results

The operating result of the year under review amounted to a profit of Rs.1,501,214,947 and the corresponding profit in the preceding year amounted to Rs.735,435,943. Therefore, an improvement amounting to Rs.765,779,004 of the financial result was observed. The main reason for the improvement is increase in the company's net sales by Rs. 2,715,253,435 although there is an increase in the cost of sales by Rs.1,767,301,038 during the year under review, the decrease in net financial income by Rs.142,304,439 and increase in New Year bonuses and incentives by Rs.35,249,289.

3. Operational review

3.1 Uneconomic Transactions

Audit Observation	Management Comment	Recommendation
(a) The company had imported 50 mobile grain storage units (CoCoon) from the Philippines at a cost of Rs. 96,254,510 in 2015. However, only 15 units had been sold. Thirteen units, valued at Rs.25,026,173, had remained unsold for over seven years and had been distributed free of charge to	Out of the 50 Cocoons purchased for sale in 2015 , 35 remained unsold for many years and storage space was reserved for this for a long time, which continuously made attention of the Board of Directors and Audit and Management Committee meetings. Accordingly, with the approval of the Board of Directors, these Cocoons were provided to	A feasibility study must be conducted, and the necessary decisions should be made before initiating projects. Furthermore, steps should be taken to achieve the intended

	state institutions in 2022. Similarly, 22 units, valued at Rs.42,351,984, had been distributed free of charge during the year under review. Consequently, the total loss incurred by the project amounted to Rs.67,378,157.	government institutions under the CSR project for institutions that could use them .	objectives of the projects undertaken.
(b)	Although the Weyangoda warehouse remained idle from February 2023 to February 2024, which had obtained from the Food Commissioner's Department by the company on rent basis a rental payment of Rs.2,400,000 had been made during this period.	The Board of Directors approved on 4 April 2024, to obtain the warehouse on rent basis for a period of one year starting from 15 February 2024. It has been decided that the warehouse will be utilized for storing imported food items handled through government intervention when required.	Warehouses obtained on rent basis should be utilized to the maximum extent for the intended purpose and steps should be taken to avoid uneconomic expenses.
(c)	A building belonging to the Food Commissioner's Department had been rented for the project of Batticaloa Rajawasa from September 2021 to June 2023, and as the renovation of that building had not been completed by 30 July 2024, no income had been generated and the rent of Rs.5,720,000 paid to that department was an uneconomic expense.	The modernization project could not be carried forward due to the non-provision of relevant funds from the Ministry of Trade for the project after December 2021. However, an agreement was reached to lease a 6400 square feet portion of it to Lanka Sathosa , for which the rental income due from Sathosa Company of Rs. 7.2 million has not been paid yet. Also, from the year 2021 to December 2023, Rs. 5.7 million was paid to the Food Commissioner's Department, and the same rental amount was not paid from January 2024.	A feasibility study should be conducted when starting projects and necessary decisions should be made and efforts should be made to achieve the desired objectives of the projects that have been initiated.
(d)	A lease agreement had been entered into to lease 08 Q-Shop outlets to the Spices Corporation in the year under review and 03 outlets had not been handed over as of the audited date of 25 July 2024. As a result, a rental income of Rs.920,000 had been lost and the rent of Rs.480,000 paid to	Although the Spice Corporation entered into agreements to take over all the Q shops owned by our company, there was a delay in opening Kesbewa, Thalangama and Mattegoda. The Kesbewa outlet was not opened until March 2024 and the Spices Corporation has informed that it cannot continue its trading activities and will hand it	Action should be taken to achieve the desired objectives of the project and increase profitability.

external parties for the 3 outlets that were idle was an uneconomic expense. A loss of Rs.1,658,668 had been incurred through this Q-Shop project during the year under review.	over again. Therefore, a call for expressions of interest was made through a newspaper advertisement on 13.06.2024 to provide the Kesbewa, Mattegoda and Thalangama outlets on a lease basis and it is expected to obtain the approval of the Board of Directors and provide those outlets on a lease basis again.	

3. 2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Out of the inventory at the warehouse valued at Rs.685,725,364 as at 31 March of the year under review, inventory worth Rs.155,109,130 had remained stagnant for over a year. Furthermore, an appropriate mechanism to identify about to the stock that were expire among those stock was not established within the accounting system.	When compared to the stock balance of more than 1 year in the previous year, it has decreased by 62 percent in 23/24. That is, the institution has taken measures to reduce the stocks held for a long time and the internal stock control policy has reduced the additions to the stock over one year. As of 31/03/2024, the stock over one year is only 6% of the total stock and the relevant measures are currently being implemented to sell that stock in 24/25.	Inventory control activities should be managed properly.
(b) A lease agreement had not been entered into for the land with the building in Rajagiriya belonging to the company leased to the Police Special Task Force since 01 January 2024 and the rent due from January to August 2024, amounting to Rs.14,400,000, had not been recovered as per the previous agreement. Furthermore, permanent construction had been carried out without permission, contrary to Article **08** of the agreement.	We have continuously informed the Special Task Force about this. The Secretary to the Ministry of Finance was informed on 07 June 2024 that an unauthorized construction was being carried out by the Special Task Force . According to the notification made by the Secretary to the Ministry of Finance on 15 July 2024 , the Secretary to the Ministry of Public Security on 22 July 2024 has informed the Commanding Officer of the Special Task Force to enter into a temporary agreement until the land is properly handed over to the Sri Lanka Police .	Action should be taken to update rent agreements, recover arrears of rent and act in accordance with the terms.

3.3 Operational Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Although the monthly electricity, water and telephone bills, including service charges, were to be borne by the second party as per the lease agreement of the Narahenpita Rajawasa Trade Showroom Project, the Company had borne Rs. 6,102,278, i.e. 48 percent of the project income, as electricity and water charges for the year under review, and the project had incurred a net loss of Rs. 5,180,344. Although there was space to operate **25** sales showrooms within the building, only 11 out of the 21 showrooms in operation were government institutions. As a result, the primary objective of the project, which was to "provide the necessary facilities for consumers to obtain products manufactured and sold by government institutions under one roof at an affordable price", had not been achieved**.**	Due to the adverse economic situation in the country, many shop owners who had rented out the Rajawasa premises left from it, and it was also not possible to rent out the vacant shop rooms. However, with the economy recovering from the beginning of 2024, it was possible to rent out the vacant shop rooms, and from July 2023 to March 2024, the income of the Rajawasa project increased, creating a profitable situation.	Action should be taken to achieve the desired objectives of the project and increase profitability.
(b)	Although 04 activities planned to increase income were implemented according to the action plan for the year under review, the growth in income achieved was about 50 percent. Out of 14 activities planned to increase the supply of goods and services, 11 activities were not implemented, so the number of activities	Although the company had planned to increase its revenue targets by improving its existing businesses, it was difficult to achieve that goal due to the economic crisis prevailend in the country. Although most of our company sales have focused government institutions, due to the reduction in the allocations given to government institutions to manage government expenses, the sales activities carried out for government	Plans should be made with consideration of the tasks that can be accomplished and efforts should be made to accomplish the activities included in the action plan.

performed compared to the total activities was about 21 percent. Furthermore, the progress of the 2 projects, of introducing basic computers for school children and introducing of new computer-related items, was only 17 percent and 4 percent respectively. Although it was aimed to introduce at least one product or one vendor to the foreign market, it had also failed to be achieved.	institutions were limited, which hindered the ability to expand business activities and achieve revenue targets .	

3.4 Procurement Management

Audit Observation	Management Comment	Recommendation
(a) Although a master and detailed procurement plan should be prepared in terms of 4.2.1 (a) and (c) of the Procurement Guidelines regarding the purchases of the institution, only a procurement cost estimate was prepared for the capital purchases of the institution in the year under review.	Plans will be prepared from next year in accordance with procurement guidelines for fixed assets and stock for sales.	A procurement plan should be prepared in accordance with the Procurement Guidelines.
(b) A part of the institution's outdoor premises had been tarred and carpeted without following proper procurement procedures, paying Rs.3,144,025 to a private institution, and information technology equipment, worth Rs.98,550,332 had been purchased and installed for the needs of the Ministry of Education.	The Service Division has deducted an additional amount from the institution that submitted the lowest bid. The institution has a Procurement Committee consisting of the Chairman, the General Manager and the Deputy General Manager (Finance). I will also ensure that separate Technical Evaluation Committees are appointed for services and maintenance in the future. These accounts are maintained for office maintenance and equipment	Proper procurement procedures should be followed for procurement activities .

	maintenance, and the expenses incurred for tarring and carpeting the outdoor premises of the institution have been accounted for through this account.	
(c) The Cabinet of Ministers had approved the import of eggs by the Cabinet Decision No. CP/22/2100/601/014/111 dated 03 January 2023 and 18,420,480 eggs worth Rs.496,000,000 had been imported during the year under review. In that case, in respect of purchases exceeding Rs. 200 million, the procurement work had been carried out by a Departmental Procurement Committee instead of the Ministry Procurement Committee which should have been appointed as per Procurement Guidelines 2.14.1. Furthermore, in the procurement of imported egg clearance and storage, a Technical Evaluation Committee had not been appointed as per Procurement Guidelines 2.4.8 and an agreement had not been entered into with the service provider as per Guidelines 8.9.1.	Based on the rapid increase in the price of eggs in the market, the Cabinet of Ministers had granted temporary approval to import eggs, which was extended for a specific period of 04. Therefore, the quantity to be procured was decided externally and there was a difficulty in preparing the total cost estimates for the procurements in a manner that did not exceed the quantity approved by the Cabinet and in accordance with the market demand. Therefore, considering the time frame for the procurement process, egg procurements were carried out at the institution level, through the Departmental Procurement Committees, through the Ministry Procurement Committees and through the Standing Procurement Committee appointed by the Cabinet, in order to meet the market demand quickly..	Procurement guidelines should be followed.
(d) A Technical Evaluation Committee had not been appointed as per Procurement Guidelines 2.8.4 for the procurement of the repair of the Duty Free Shop with a contract value of Rs. 5,987,529.	A national competitive bid was invited by publishing a newspaper advertisement for this work and since there was no qualified officer in the institution to prepare an estimate for this, an Expression of Interest (EOI) was invited from interested institutions to come to the	Steps should be taken to appoint technical evaluation committees in accordance with the procurement guidelines .

	Duty Free Shop and submit a bid with a suitable design and prices for its renovation . A separate technical evaluation committee has not been appointed for this purpose and the Manager of the Supply and Services Division, the Manager of the Trade Division and the Deputy General Manager (Sales) have evaluated the technical aspects of the specifications and design and certified the tender board paper of the institution. Action will be taken to rectify the shortcomings in the future.	

3. 5 Human Resource Management

Audit Observation	**Management Comment**	**Recommendation**
The approved cadre of the company as at 31 March of the year under review was 315 and the actual cadre is 286. Thereon, there were 77 vacancies on that day out of which 10 were at the executive level. In addition, there was a excess cadre of 48.	The approved cadre currently in operation at the institution was submitted to the Department of Management Services for approval in 2012 and was subsequently approved in 2016. The approved cadre includes provisions for 329 personnel across 49 designated positions. However, due to retirements and resignations from personal positions, approval is currently in place for a cadre of 315.	Steps should be taken to fill the essential positions included in the approved cadre.