

Industrial Development Board of Ceylon - 2024

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Industrial Development Board of Ceylon (“Board”) for the year ended 31 December, comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Board. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

As described in paragraph 1.5, I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flow.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flow.

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 Board’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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

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

My Responsibility is to conduct an audit of Board's Financial Statements in accordance with Sri Lanka Auditing Standards and to issue an Auditor's report. However, because of the matters described in the basis for Disclaimer of Opinion section, I was not able to provide a basis for an audit opinion on these financial statements.

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 the paragraph 09 of Sri Lanka Accounting Standard No. 02, inventory should be valued at the lower of cost or net realizable value. However, the closing inventory with a cost of Rs. 90,344,597 had been stated in the financial statements without determining its net realizable value.	Actions will be taken to value inventory at the lower of cost or net realizable value from the year 2025.	According to the Sri Lanka Accounting Standard No. 02, inventory should be valued at the lower of cost or net realizable value.
(b) In accordance with paragraph 77 of Sri Lanka Accounting Standards No. 12, the tax expense related to earning of the profit or loss arising from ordinary activities should be presented in the statement of comprehensive income as a part of the profit or loss. However, the Board had not calculated the tax expense and adjusted it against the profit.	Actions will be taken to include it in the financial statements of the year 2025 and to present in accordance with accounting standards.	In accordance with Sri Lanka Accounting Standards No. 12, tax expense related to earning of the profit or loss should be presented in the statement of comprehensive income as a part of profit or loss.
(c) In accordance with paragraph 79(b) of Sri Lanka Accounting Standards	Actions will be taken to include it in the financial statements of	Assets which have been fully depreciated

- No. 16, the assets with a cost of Rs.360,329,234 which had been fully depreciated but were still in use had not been disclosed in the financial statements.
- (d) In accordance with paragraph 12 of Sri Lanka Accounting Standards No. 20 although, government grants should be recognized in the calculation of profit or loss on a systematic basis over the period in which the benefits of the grant are expected to be received, 05 types of grants amounting to Rs. 27,509,000 which had been received over a number of years for various purposes had not been amortized in the year under review.
- (e) In accordance with paragraphs 16 and 17 of Sri Lanka Accounting Standards No. 24, the remuneration and other benefits paid to related parties should be disclosed in the financial statements. However, the said information of the key management personnel of the institution or the fact that no transactions had taken place with related parties had not been disclosed in the financial statements.
- (f) Although the comparative figures should be restated when correcting prior period errors in accordance with paragraph 42 of Sri Lanka Accounting Standards No. 08, comparative figures had not been restated when correcting 304 prior period errors totaling Rs. 86,965,997. Furthermore, the information relating to the correction of errors had not been
- the year 2025 and to present in accordance with accounting standards.
- These grants will be amortized through the final accounts for the year 2025.
- Actions will be taken to correct this in due course.
- Steps are being taken to present the financial statements for the year 2025 in complying with paragraph 42 of Sri Lanka Accounting Standards No. 08.
- but are still in use should be disclosed in accordance with Sri Lanka Accounting Standards No. 16.
- According to the Sri Lanka Accounting Standards No. 20, government grants should be recognized in the calculation of profit or loss on a systematic basis over the period in which the benefits of the grant are expected to be received.
- Remuneration and other benefits paid to related parties should be disclosed in accordance with Sri Lanka Accounting Standards No. 24.
- The comparative amounts should be restated when correcting prior period errors in accordance with Sri Lanka Accounting Standards No. 08, and information related to the correction of errors should be disclosed in

disclosed in the financial statements in accordance with paragraph 49 of the standard.

the financial statements in accordance with paragraph 49 of the standard.

1.5.2 Accounting deficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) Although it was disclosed in the financial statements that the actuarial valuation assumptions have been used in calculating employee benefit obligations, as the calculations had not been made accurately in accordance with those assumptions, the employee benefit obligation which should have been Rs. 164,031,441 had been calculated as Rs. 210,861,835. As a result, the employee benefit obligation by Rs. 46,830,394 and the loss for the year by Rs. 3,891,850 had been overstated and other comprehensive income had been understated by Rs. 42,938,544.</p>	<p>Actions will be taken to correct this in due course.</p>	<p>Employee benefit obligations should be accounted accurately using the actuarial valuation assumptions as disclosed in the financial statements.</p>
<p>(b) The Galle District Secretariat had spent Rs. 46,168,392 for the renovation of Unawatuna Ceylon Plaza and museum building owned to the Board and Rs. 434,606 for the purchase of furniture under the provisions of the Ministry of Industry and Entrepreneurship Development as at the end of the year under review and as the related income and expenditure had not been</p>	<p>These values have been omitted from the accounts as the information forwarded to the sales division by the Galle District Secretary was not forwarded to the Finance Division. The value of this property is to be assessed and the accounts will be updated accordingly.</p>	<p>All the income and expenses related to the assets of the Board should be accounted.</p>

accounted, work in progress by Rs. 46,163,392, furniture and equipment by Rs. 434,606 and government grants by Rs. 46,602,998 had been understated.

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| <p>(c) The property, plant and equipment had been understated in the financial statements by Rs. 28,356,500 due to the fact that the construction works of the canteen, post office and well at Achchuveli Industrial Estate with a cost of Rs. 1,911,259 which had been completed as at 31 December 2024, the Ceylon Plaza website with a cost of Rs. 20,555,200, and the expenditure incurred for partitioning of food laboratory with a cost of Rs. 5,890,041 had not been capitalized and included as work in progress. Furthermore, as these assets had not been depreciated, the depreciation expense had been understated by Rs. 1,432,612 resulting that deficit had been understated by the same amount, retained earnings had been overstated by Rs. 589,004 and the provision for depreciation had been understated by Rs. 2,021,616 .</p> | <p>Actions will be taken to correct all deficiencies in the financial statements for the year 2025 by confirming the completion date of the relevant construction works.</p> | <p>Actions should be taken to capitalize the expenses incurred for constructions completed at the end of the financial year and to make the provision for depreciation thereon.</p> |
| <p>(d) A sum of Rs. 7,251,379 that should have been shown as an advance had been incorrectly shown as work in progress in the financial statements as at 31 December 2024 due to the fact that the construction had</p> | <p>An advance payment of 20% of the relevant contract has been made. Subsequently, this institution had not commenced the construction work properly, and the work had not been completed even though the</p> | <p>The relevant amount should be shown as an advance in the financial statements in an instance where the construction has not taken place even though advances have been made for</p> |

- not been completed even though the same had been paid to the National Machinery Department in 2018 for the development of infrastructure facilities at the Achchuveli Industrial Estate. contractual period had expired. Since it has been confirmed that the construction work has not been completed, it has been included as a balance carried forward in the capital work in progress account. construction. Immediate actions should be taken to recover the advances.
- (e) The assets and payables had been understated by Rs. 3,002,725 in the financial statements as the invoice sent by the National Engineering Research and Development Centre of Sri Lanka on 27 November 2024 requesting reimbursement of Rs. 3,002,725 which was the cost of a boundary wall constructed in the Ekala Industrial Estate. The report provided by the Engineering Division does not include any information related to this construction and it had been omitted from the accounts as any payment has not been reported up to now. Actions will be taken to correct them in the financial statements for the year 2025 after investigating the facts. Construction and reimbursable costs should be accurately identified in the financial statements.
- (f) A sum of Rs. 25,000,000 received from the Ministry of Industries and Entrepreneurship Development for the payment of hall charges for the International Industrial Exhibition held during the year under review had been credited to the industrial exhibition expenses account instead of being recorded as income resulting that income and expenses had been understated by the same amount. Rs. 25 million has been provided by the Line Ministry directly through a cheque written in the name of the relevant institution in order to cover a part of the hall fees. The above receipt had been debited to the expenditure account while preparing the accounts and the amount of Rs. 25 million has been credited to that account since it was received directly from the Line Ministry. Funds received to cover expenses should be accounted as receipts of grant.
- (g) The income of Rs. 8,704,243 received as direct remittance to the bank account and shown under current liabilities had not been correctly identified and credited to the relevant income accounts. Deposits credited to current accounts and for which all efforts to identify receipts during the year under review were failed have been collected in one account. They are then credited to revenue in accordance with the financial regulations. Actions should be taken to establish a suitable mechanism to accurately identify direct remittances received into bank accounts and to credit them to the relevant income accounts.

- (h) The depreciation expense for the year had been understated by Rs. 13,192,683 due to the depreciation calculated on the basis of cost instead of the revalued value when calculating depreciation on the revalued investment property of Rs. 585,052,750 included in the balance of land and land improvements identified under investment property as at the end of the year under review.
- As the land and buildings included in the investment property are being revalued, the financial statements will be updated after that process is completed.
- Depreciation should be calculated on the revalued amount in case of calculating depreciation on revalued investment property.
- (i) The Board had initiated an Industrial Development Loan Scheme in collaboration with the Regional Development Bank and maintained a bank account called the Industrial Loan Fund in the Regional Development Bank. While the balance of that account was shown under current assets, a sum of Rs. 16,922,801 to the retained earnings balance, Rs. 3,818,242 to 2 expense accounts and Rs. 1,915,131 to 4 revenue accounts had been erroneously debited and Rs. 32,656,173 had been credited to the industrial development fund account and that account had been shown under current liabilities.
- Steps will be taken to reverse all accounting entries mentioned in the observation through the financial statements for the year 2025.
- Accounting entries recorded incorrectly should be corrected.
- (j) The social security leavy expense for the year under review according to the calculation of the audit was
- Actions will be taken to correct this in due course.
- Tax expenditure and tax payable should be accounted for after calculating accurately in accordance

Rs. 8,983,328, which was stated as Rs. 14,483,534 in the financial statements resulting in a difference of Rs. 5,500,206 and the tax payable as at December 31 amounting to Rs. 707,786 had been shown as Rs. 2,017,014 resulting in a difference of Rs. 1,309,228.

with the relevant acts.

- (k) Although the income of the Rubber Development Center was Rs. 39,117,075 according to the financial statements, a difference of Rs. 6,298,334 was observed as it was Rs. 32,736,452, according to the calculation of the audit. Actions will be taken to make the necessary corrections in the financial statements of the year 2025. Income should be calculated and accounted correctly.

1.5.3 Documentary Evidences not made available for Audit

Description	Amount Rs.	Audit Observations not provided	Management Comment	Recommendation
Transactions related to journal vouchers and prior year adjustments.	351,258,273	Supporting documents and the narration related to transactions.	Journal entries along with supporting documents will be submitted later. Journal entries will be filed on a monthly basis for the year 2025 and submitted for audit.	Supporting documents and transaction details for transactions related to journal vouchers and prior year adjustments should be submitted for audit.

1.6 Accounts Receivable and payable

1.6.1 Accounts Receivable

Audit Observation	Management Comment	Recommendation
The Board had not taken actions even as at the end of the year	Necessary steps are being taken to settle the balances in	Prepayment balances should be settled and the receivables

under review to settle the collaboration with the divisions should be recovered without prepayment balances of Rs. and to obtain the approval of the delay. 12,317,092 which have been board of directors to write off the outstanding for more than 05 balances that have been carried years, to recover the trade and forward in the accounts for a other receivables of Rs. long period of time and for 14,268,336 and to recover the which there is no sufficient balance receivable for 4 special information to settle them. projects from the Ministry of Industries amounting to Rs. 9,373,908 remained outstanding for 02 years.

1.6.2 Accounts payable

Audit Observation	Management Comment	Recommendation
Actions had not been taken to settle the balances payable under trade creditors amounting to Rs. 19,678,888 which had been outstanding for more than 05 years and the balance payable under other creditors and accrued expenses amounting to Rs. 20,981,281 which had been outstanding for more than 03 years even in the year under review.	Some balances have to be paid subject to reimbursement of the funds from Ministry. Steps will be taken to settle the accounts by negotiating with the relevant institutions regarding the creditor balances.	Actions should be taken to settle the payable balances without delay.

1.7 Non-compliance with laws, rules, regulations and management decisions etc.

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a) Sections 2(1) and 102 of the Inland Revenue Act No. 24 of 2017	The Board had not taken actions to register for income tax or to be exempted from taxes.	Actions will be taken in this regard in the future.	Actions should be taken to register for income tax or to be exempted from taxes.
(b) Budget Circular No. 03/2021 of Secretary to the Treasury dated 21 December 2021	While the purchase of vehicles for government institutions had been suspended, the Board had purchased two 40-seater passenger buses at a cost of Rs. 10,750,000 in the	Reply will be submitted later.	The approval of the Treasury should be obtained in accordance with the provisions of the circular in case of purchasing vehicles.

years of 2023 and 2024 with the aim of providing transportation facilities to the officers of the Board and the approval of the board of directors and the Treasury had not been obtained in this regard.

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| <p>(c) Section 03(vii) of the National Budget Circular No. 03/2022 dated 26 April 2022 and Section 12.5 of the National Budget Circular No. 01/2024 dated 10 January 2024.</p> | <p>Although new recruitments should not be made without the proper approval of the Department of Management Services, 106 officers had been recruited on contract basis in the year 2023 and 61 of them had been confirmed permanent. 64 employees had been confirmed permanent comprising 32 out of 41 employees recruited on contract basis in the year 2024 and 32 employees who had been recruited on contract basis prior to the year 2024.</p> | <p>Reply will be submitted later.</p> | <p>The approval should be obtained from the Department of Management Services in accordance with the provisions of the circular in case of making recruitments.</p> |
| <p>(d) Paragraph 3.4 (ix) of the Operational Manual for State Owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16th November 2021 and Section 13.3 of Chapter II of the Establishments Code.</p> | <p>Although an acting appointment should only be made as a temporary remedy until a permanent appointment is made, 19 officers had been employed on acting basis for a period ranging from 01 to 05 years as at 31st December 2024 and Rs. 3,179,020 had been paid as acting allowances during the year under review.</p> | <p>Reply will be submitted later.</p> | <p>The duration of acting appointments should be minimized by making permanent appointments immediately.</p> |

(e) Section 6.6 of the Operational Manual for State-Owned Enterprises introduced by the Public Enterprise Circular No. 01/2021 dated 16 November 2021.	The financial statements for the year under review had been submitted for the audit on 19 August 2025, that is after a delay of more than 05 months.	Actions will be taken in the future to deliver it on the date prescribed.	Financial statements should be submitted for the audit within 60 days after the end of the financial year.
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2. Financial Review

2.1 Financial Results

The operating result for the year under review amounted to a deficit of Rs. 58,575,270 and the corresponding surplus in the preceding year amounted to Rs. 16,596,485 .Therefore, a deterioration amounting to Rs. 75,171,755 in the financial results was observed. The main reasons for the deterioration had been increase in selling and service costs and administrative expenses by Rs. 64,247,709 and Rs. 103,266,266 respectively against the increase in revenue by Rs. 57,463,192 and the decrease in selling and distribution costs by Rs. 92,337,628 and decrease in government recurrent grants by Rs. 98,195,000.

3 Operating review

3.1 Uneconomic Transactions

Audit Observation	Management Comment	Recommendation
(a) Although a new system amounting to Rs. 4,900,000 had been purchased in the year 2023 to record employee attendance and departure and prepare salaries, attendance and departure had been recorded using the existing fingerprint machine from August 2024 due to technical weaknesses. Accordingly, the utilization of the new system had been minimal and the intended benefits such as minimizing paper usage, coordinating with industrialists/individuals requesting services from	Reply will be submitted later.	Actions should be taken to rectify technical deficiencies and to achieve the intended functions of the system or to recover the loss from the responsible parties if the rectification is not possible.

district offices to the head office, and submitting inquiry and grievances, could not be achieved.

- (b) A pay-per-view television channel named Industry TV had been launched on 21 November 2023 with the objective of transmitting knowledge and information through electronic media to empower the country towards an export-oriented manufacturing economy without conducting a feasibility study. Although the Board had spent Rs. 17,893,405 for this by 30 September 2024, the broadcasting activities of the channel had been suspended from 16 October 2024.
- The initial activities related to this channel have been carried out under the top management. Feasibility studies had not been conducted. This channel has been used to facilitate industrialists in expressing their views and to create awareness on various programs implemented by the Board. The channel has now been closed.
- Such investments should be made after conducting a feasibility study and the television channel should be utilized to achieve its intended objectives. If the utilization is not economically viable, actions should be taken to formally transfer the channel to an alternative economically beneficial arrangement.
- (c) A hotline connection under the number 1995 had been obtained from Sri Lanka Telecom since January 2023 with the objective of providing immediate solutions to the issues of the industrialists. Although a sum of Rs. 3,057,278 had been paid as installation of this hotline connection and telephone charges from January 2023 to October 2024, the intended objective had not been achieved as the hotline number had been disconnected from 04 November 2024.
- Reply will be submitted later.
- Necessary steps should be taken to activate the hotline number and utilize it to achieve the intended objective.

- (d) With the objective of providing marketing facilities to local manufacturers by opening the products of small and medium scale entrepreneurs to the local and international markets without the intervention of intermediaries, the Board had spent an amount of Rs. 20,555,200 to develop an e-commerce website called Ceylon Plaza and a mobile phone application from a private institution without the approval of the Board of Directors and the approval of the line ministry. A feasibility study had not been conducted and marketing plan had not been prepared in this regard and only 17 customer orders had been received through the website during the period from June 2024 and 07 February 2025. Selling products through the website had been suspended as of 21 April 2025.
- The issues have been discussed with the board of directors and a more effective approach in this regard is currently being implemented by the Entrepreneurship Development Division.
- Necessary actions should be taken through proper planning to utilize the website for the sale of goods.
- (e) Rs. 51 million had been spent on building renovation, salaries and wages for the Center of Excellence for Robotics established at the Nawabima incubation Center in accordance with Cabinet Decision No. 16/1424/723/039 dated 17 August 2016 with the contribution of the government and robotic equipment amounting to Rs. 35 million had been installed in the years of 2018 and 2019. However, Rs. 5,164,149 had been spent for the IRB 2600 welding
- Currently, a report has been submitted to the board of directors regarding the future activities of this Robotics Center and it is intended to proceed in accordance with the recommendations received therein.
- The project should be planned and implemented to achieve the intended objectives.

power source and Repeating of 4 existing Robot cells equipment supplied in 2023, training of engineers and other expenses of the project which had not been started with the recruitment of the necessary staff. However, the project which had been initiated with the objective of assisting for the improvement and development of industries in Sri Lanka was not operational even as at 31 December 2024.

3.2 Management inefficiencies

Audit Observation	Management Comment	Recommendation
<p>Although the National Crafts Council had placed an order to Matara workshop owned to the Board in order to manufacture 3 machines and had paid Rs. 3,850,740 in the year 2021, the other two machines except the machine worth Rs. 351,000 which is used for pulling cane from the jungle had not been completed and handed over to the Crafts Council even as at 08 April 2025, and the Matara workshop had been closed since 17 April 2024.</p>	<p>A delay occurred due to the fact that these cane-processing machines had not previously been manufactured locally ,there were some problematic situations in the country for importing them, these machines are not currently used in Sri Lanka and the machines had to be developed at a trial level as they had to be manufactured by its very nature. At present, the task has been completed and is at the testing stage. In February 2024, Matara Public Service Center was closed and the machine, along with a machinist, welder, and engineer, was attached to the head office as to be able to complete the cane machine. Upon successful performance of the machine, actions will be taken to provide it to those engaged in the industry. Accordingly, it has been decided to deduct 25% for the cost incurred and refund the remaining balance to the National Crafts Council.</p>	<p>Necessary actions should be taken to complete the order undertaken.</p>

3.3 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) 57 plots of land with an area of nearly 07 acres out of the 803 plots of land in 17 industrial estates owned by the Board remained idle as they had not been distributed to industrialists. 27 factories in the industrial estates had not been operational and were closed as at 31 December 2024 and actions had not been taken to distribute them to other industrialists. Unauthorized residents had occupied in 23 plots of land in 04 industrial estates.</p>	<p>The infrastructure of Zone B of the 21-acre industrial colony established in Elpitiya, Galle has been developed and handed over to 12 new investors, out of which the initial construction of 05 industries has commenced. Steps are currently being taken to restart the closed industries or hand over to new investors. The matter has been submitted to the Attorney General's Department to obtain advice and guidance on the actions to be taken regarding the eviction of unauthorized occupants.</p>	<p>Land located within the industrial estates owned by the Board should be utilized effectively through proper planning. Maximum utilization of the plots should be ensured.</p>
<p>(b) 19 out of 75 activities planned according to the action plan to be carried out as at 31 December 2024 by seven divisions had not been completed by the respective divisions.</p>	<p>This situation will be corrected in the future.</p>	<p>Plans should be made taking practical conditions into account, and the planned activities should be performed efficiently and effectively.</p>

3.4 Transactions of Contentious Nature

Audit Observation	Management Comment	Recommendation
<p>The Board had failed to obtain the accreditation certificate and ISO quality certificates for the food laboratory maintained by it. Although 1146 laboratory tests had been conducted during the year under review, actions had not been taken to include a qualified authorized officer into the approved cadre to issue these laboratory test</p>	<p>Action is being taken to obtain accreditation certificate for the year 2025 and the required cadre has been submitted to the Department of Management Services for approval.</p>	<p>The accreditation certificate and ISO quality certificates for the food laboratory should be obtained and a qualified authorized officer should be included into the approved cadre to issue laboratory test reports.</p>

reports.

As a result , it was observed that the relevant test reports had been issued by consultants recruited on contractual basis.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Management Comment	Recommendation
An injection molding machine purchased in the year 2016 for Rs. 9,318,026 for the Peliyagoda Rubber Development and Service Centre had been used to provide training to only about 28 trainees since the date of purchase and had remained inactive since the year 2020.	The rubber injection molding machine has been restored to a functional condition by the year 2021. Assistance is expected to be obtained from a private institution to verify whether the machine is in a suitable condition for production activities.	Assets purchased should be used efficiently and effectively for their intended purposes and should be maintained properly.

3.6 Delays in Projects or Capital Work

Audit Observation	Management Comment	Recommendation
A contract amounting to Rs. 36,256,896 (excluding VAT) for the development of infrastructure facilities at Achchuveli Industrial Estate had been awarded to the National Machinery Department on 30 August 2018 and an advance payment of Rs. 7,251,379 equivalent to 20 percent of its value had been made in two instances. Although the construction work had been scheduled to be completed on 01 December 2018 as per the agreement, construction work had not commenced even as at 08 April 2025 and the Board had also failed to recover the advance payment made.	The legal action has been initiated since a progress had not been observed in the construction works even after the expiry of the contractual period. The Ministry has instructed to follow a negotiated settlement approach in connection with the issue in case of taking legal actions among government institution in accordance with Cabinet decisions. Accordingly, the Secretary of the Ministry has requested the State Ministry of Rural Housing, Construction and Building Materials Industry Promotion to assist in resolving this issue. However, it has failed to reach a final decision through discussion at the institutional level even up to now.	The construction work should be carried out from the relevant department or the advance payment should be recovered.

3.7 Procurement Management

Audit Observation	Management Comment	Recommendation
<p>(a) According to the Government Procurement Guidelines, procurements exceeding Rs. 10 million, where more than five quotations are obtained under the shopping method should be carried out by the Ministry Procurement Committee. However, contrary to this requirement, the development of an e-commerce website and a mobile application with a total procurement value of Rs. 20,555,200 had been divided into several sub-components and procured through a Departmental Procurement Committee.</p>	Reply will be submitted later.	Procurements exceeding Rs. 10 million which follow the shopping method should be carried out by the Ministry Procurement Committee in accordance with the procurement guidelines.
<p>(b) According to Sub-section 020101 of the Government Policy issued by the Information and Communication Technology Agency (ICTA) on 02 December 2009, procurements related to Information Systems (IS), ICT equipment, software, software development, and consultancy services should be carried out in accordance with the procurement manual and guidelines issued by the Procurement Division of the Department of Public Finance of the Ministry of Finance.</p>	Reply will be submitted later.	Information Systems (IS), ICT equipment, software development and purchasing should be carried out in accordance with the procurement manual and guidelines issued by the Ministry of Finance.

However, a private company had been selected to obtain a cloud system service for using the Human Resource Management System of the Board from any location without following the above provisions and a sum of Rs. 4,638,887 had been paid for the period from 01 July 2024 to 31 May 2025.