

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Port Management and Consulting Services (Private) Ltd. for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit and loss and comprehensive income statement, 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 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards (SLFRS)for Small and Medium - sized Enterprises (SMEs).

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 Financial Reporting Standards (SLFRS) for Small and Medium - sized Enterprises (SMEs) 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 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Financial Reporting Standards (SLFRS) by Small and Medium - sized Enterprises (SMEs)

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
(a) Although the assets maturing within 12 months from the reporting date should be classified as current assets as per Paragraph 4.5 of the Sri Lanka Financial Reporting Standards for Small and Medium - sized Enterprises (SLFRS For SMEs), the Company had not classified the fixed deposits valued at Rs. 10 million to be matured as at 08 August 2025 under current assets. Accordingly, since the current assets had been understated by that amount, the liquidity was not accurately represented by the latest financial statements of the Company.	Since the classification of current assets should be done in accordance with the Sri Lanka Financial Reporting Standards for Small and Medium – sized Enterprises, It is expected to be accurately reflected in the accounts for the year 2025.	Financial assets should be properly classified according to the Sri Lanka Financial Reporting Standards for Small and Medium - sized Enterprises.
(b) Although disclosure in the financial statements should be made regarding policy changes and retrospective adjustments made for prior year errors, indicating the nature of the policy changes or errors, the line item affected and its amount, in accordance with Paragraphs 10.13 and 10.23 of the Sri Lanka Financial Reporting Standards for Small and Medium – sized Enterprises (SLFRS For SMEs), such a	The error has been corrected in accordance with Sri Lanka Financial Reporting Standard No. 10.21 for Small and Medium – sized Enterprises. 1. The liability of Rs. 28.9 million payable to Tangyo Haulage Private Company based on a	Prior year adjustments and disclosures should be made in accordance with the provisions set out in the Sri Lanka Financial Reporting Standards for Small and Medium - sized Enterprises.

disclosure had not been made in respect of the cost to be paid to a private company based on a court decision in the year 2017, amounted to Rs. 28.9 million that had been adjusted to retained earnings in the financial statements for the year ended 31 December 2024 and the rental expense payable to the Ports Authority in respect of the lease of the McCullum Gate premises in the year 2021 amounted to Rs. 2.7 million. Further, a comparative value adjustment had also not been made for the relevant payables in accordance with Paragraphs 10.12 and 10.21 .

court order in 2017 has been recognized in the reporting year and since this is an adjustment to be made for the year 2017, the future liability has been recognized by adjusting to the accumulated income.

2. Since the lease expense payable to the Ports Authority in respect of the lease of the McCullum Gate premises in the year 2021 amounted to Rs. 2.7 million has been paid in the current year and since the relevant adjustments have been allowed to be done in the current year as per Standard No. 10.22, these adjustments have been made since it is the most practical method to adjust a liability recognized and paid in the reporting year to the applicable prior period accordingly.

- (c) In the event of disposal of assets through sale, the conditions for determining the date of disposal of that asset were clearly stated as per Paragraph No. 17.29 of Sri Lanka Financial Reporting Standards for Small and Medium - sized Enterprises (SLFRS for SMEs) and despite the assets, which were fully depreciated and removed from use by the Company at an original cost of Rs. 5,196,006, were stored in a container at the Ports Authority for resale with priority given to the employees of the Company, they had been derecognized from the financial statements as at 31 December 2024 in contrary to the conditions stated in the standard. Further, the exact profit that would flow to the Company from the disposal of those assets remained uncertain due to the

Assets disposed of at zero cost have been fully depreciated, and used for more than useful life. According to Financial Reporting Standard No. 17.27 (a), (b) for Small and Medium - sized Enterprises, the Company has disposed of these assets and made adjustments in the accounts subject to the approval of the Board of Directors since no future economic benefits are expected from the use or disposal of these assets

When disposing of assets, consideration should be given to the transfer of significant risks and benefits of ownership to the buyer, the absence of further management involvement in the assets, and the flow of future economic benefits associated with the transaction to the business as per the Standard.

assets have been carried at their residual value or useful life without reassessment in accordance with Paragraph 17.19 of the Sri Lanka Financial Reporting Standards for Small and Medium -sized Enterprises (SLFRS for SMEs) and the relevant assets were no longer assets of the Company.

- (d) Due to the failure to pay salaries and other payments on time to 08 workers employed for the the Ports Authority by the Company, the Company had been ordered to pay Rs. 4.3 million in 2023 based on the verdict of a case filed at the Labour Disputes Board. At the beginning, with the expectation of reimbursing that value from the Port Authority, the amount has been recorded in the accounts as receivable from the Port Authority and a payable by the Company. Subsequently, the Company itself had settled the amount and since it had been decided with the approval of the Board of Directors to consider the amount receivable from the Ports Authority without written notice as impairment and write off 25 percent over 4 years, an impairment loss of Rs. 1.2 million had been adjusted in the financial statements during the year under review. Accordingly, the compensation paid had not been recognized as an expense in accordance with Paragraph 2.27 of the Sri Lanka Financial Reporting Standards for SMEs (SLFRS) and the retained earnings which was the net effect of the above adjustments had been overstated by Rs. 3.1 million.
- The said transaction has been done under the reimbursement of those employee costs from the Port Authority by recruiting the additional staff required by the Ports Authority to the Company on contract/service assignments. Accordingly, the payments to the workers cannot be recognized as an expense of the Company or the reimbursement of those expenses as operating income. Further, the Port Authority has not notified in writing that these payments will not be reimbursed and has agreed to settle the compensation, establishment payments to the Company in accordance with 5.3 of the service agreement between the Port Authority and the Company. Therefore, those salary payments cannot be recognized as an expense of this Company. Further, the provision for bad debts for receivables has been made in accordance with the Company's policy.
- An entity should recognize expense when it is probable that an outflow of future economic benefits will flow to the entity and can be measured reliably.

- | | | |
|--|---|---|
| <p>(e) An entity should perform an impairment assessment at each reporting date according to Paragraph 11.21 of the Sri Lanka Financial Reporting Standards for Small and Medium – sized Enterprises (SLFRS For SMEs) and an impairment loss should be recognized if there is evidence that an impairment loss has occurred. Nevertheless, the Company had decided to make a provision for impaired loans at 25 per cent per annum against profits over 4 years for two outstanding balances of Rs. 6.1 million without an objective evidence of impairment and on a deferred basis, which was not in accordance with the Standard and, bad debts amounted to Rs. 3.05 million had been identified in the years 2023 and 2024 . Accordingly, the retained earnings of the Company had been understated by that amount.</p> | <p>The provision for bad debts has been made as per the company's policy. It would not be practical for a company with small profits to write off the balances against profit for a single period if they are not recoverable in the future. However, the Company is unable to write off the balances as bad debts as there is no clear identification of the balances as uncollectible or evidence of any impairment loss.</p> | <p>The Company should take actions to identify impairments according to the Standard.</p> |
|--|---|---|

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) There was a difference of Rs. 620,041 between the audit calculations and the company's calculations regarding fixed deposit income included in the financial statements as at 31 December 2024 and accordingly, the profit of the Company had been overstated by that amount. Further, the interest income receivable , as per the financial statements as at 31 December 2024, was Rs. 21,915,167 and the total interest income receivable by the Company had been overstated by Rs. 1,616,708 million as the errors included in the initial interest income receivable, the errors in the company's calculations in the current year and the errors occurred due to not properly accounting for the period amounting to Rs.533,378, Rs.636,878 and Rs.446,451 respectively.	The relevant adjustments are scheduled to be made in the accounts of he year 2025.	Actions should be taken to identify the accurate income and receivables for the period in relation to fixed deposits.

- | | | |
|---|--|---|
| <p>(b) The Company had not accounted for the rent receivable of Rs. 34,724,856 as at 31 December 2024, in respect of the lease of 62 shops located in the Galle Face premises and accordingly, the revenue and receivables of the Company had been understated by that amount in its financial statements for the year ended 31 December 2024 .</p> | <p>It has been mentioned that, it is necessary to indicate that an economic benefit related to that item is likely to flow to the entity to recognize revenue according to Standards 2.23 and 2.27. Due to the disputed situation regarding the ownership of the Galle Face premises, no agreement whatsoever has been registered with the shopkeepers and therefore, it has also been impossible to obtain legal support to collect monthly rent. Therefore, by recognizing and accounting for an amount that cannot be recovered as income, the profit of the previous year has been overcalculated and this does not provide an accurate interpretation of the Company's profits.</p> | <p>Actions should be taken by the institution to legalize contracts and recognize revenue by the Company.</p> |
| <p>(c) According to the bank reconciliation related to the current account of the Company, the value of 05 expired checks issued more than 06 months ago but not presented for payment was Rs. 910,000, and actions had not been taken to identify an amount of Rs. 604,313 which was recorded on 09.04.2024 and settle.</p> | <p>Agree. Necessary adjustments will be made when preparing the accounts for the year 2025.</p> | <p>Actions should be taken to identify and make appropriate adjustments to expired cheques and unrecognized transactions.</p> |

1.5.3 Going Concern of the Organization

Audit Observation	Comments of the Management	Recommendation
(a) The Company had sustained operating losses of Rs. 8,001,721, Rs. 23,500,115 and Rs. 10,420,717 in the years 2022, 2023 and 2024	The operating profit of the Company is based on port operations and the economic recession	The Company should take actions to minimize operational losses

and during the same period, the Company's liquidity position showed a downward trend from 1.7 per cent to 1.09 per cent. Accordingly, there was a risk to the Company's ability to continue as a going concern.

in the country affected port operations, which led to a decrease in the commission income of the Company. Although the Company has been making operating losses since before 2016, it has maintained its continuity. Compared to 2023, the operating loss in the year 2024 is 56% lower and a profit is targeted in 2025. Special attention has been paid to loss-making operations.

and maintain going concern .

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
(a) The McCallumlock Gate premises, which was assigned to the Company by the Ports Authority in 2017 for lease to a third party, had been leased out to Travel Talk by the Company and the total outstanding amount including taxes, electricity bills and surcharges payable to the institution by the first leasing company from April to August 2020 amounted to Rs. 4,477,679, it was not possible to recover even at the end of the year under review. Further, since the lease agreement has not been registered in accordance with Chapter IV of the Registration of Documents Ordinance No. 13 of 1949 there was a risk of not being able to take legal actions.	Agree. The matter has been referred to the Attorney General's Department through the Minister of Ports, Shipping, Transport and Aviation regarding the recovery of these outstanding amounts and the legal process. Although there was an agreement between the Company and Travel Talk for the McCallum premises, it was not possible to legally register the agreement with the third party because there was no agreement between the Port Authority and the Company.	The Company should take steps to promptly recover the relevant amounts receivable and the Company should take actions to enter into transactions under written and legal agreements.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Chapter 6.2 (v) of the Operations Manual of the Public Enterprises Circular No. 01/2021 of the Ministry of Finance dated 16 November 2021	Although state-owned enterprises with an average annual revenue of less than Rs. 30 billion in the last two years and no budgetary provision support for recurrent expenditure should invest their surplus funds only in government-owned banks, Treasury bills and bonds, the Company had invested Rs. 100 million as fixed deposits in a private bank.	The investment has been made for a period of 5 years upon approval of the Board of Directors of a private bank with a higher interest rate, as a more profitable alternative after checking the interest rates.	Excess funds should be invested in accordance with the provisions of the Operations Manual for State-owned Enterprises published by the circular.
(b) Sections 123 and 124 of the Companies Act No. 7 of 2007	Although every company should maintain a Share Register with details of its shareholders, the Company had not maintained a share register. Further, copies of share certificates issued to 11 shareholders were not submitted for the audit.	Agree.	A Share Register should be maintained according to the provisions of the Act,

1.8 Information Technology (IT) General Controls

Audit Observation	Comments of the Management	Recommendation
(a) The computerized accounting system used by the Company had not been customized and it was observed that there is a possibility of entering transactions into the	The Company has taken steps to update its accounting system in the year 2025 and there, accounts are to be	The accounting system of the Company needs to be customized as far as possible to

system even after lacking of the Fiscal year and the accounts had been submitted for audit and it could not provide an assurance that audited accounting data is consistent and reliable.

prepared according to the most accurate and practical methodology. Accordingly, these shortcomings will be eliminated.

provide assurance that accounting data is consistent and reliable.

2. Financial Review

2.1 Financial Results

The operating loss for the year under review was Rs. 10,420,717 and the corresponding loss for the previous year was Rs. 23,500,115. Accordingly, an increase of Rs. 13,079,398 was observed in the financial result. The increase in income from the provision of labour services by Rs. 62,827,844, that is 851 per cent and increase in income from service fees by Rs. 19,698,807 that is 113 per cent had mainly contributed to this improvement.

2.2 Trend Analysis of Major Income and Expenditure Items

The analysis of the main income and expenditure items for the year under review compared to the previous year is as follows.

Item	2024	2023	Increase /)Decrease(	Percent % Increase /)Decrease(
Income	Rs.	Rs.	Rs.	
Service fee income	37,155,730	17,456,923	19,698,807	113
Sanitation service income	96,723,913	71,640,105	25,083,808	35
Income received from Galle Face	26,591,107	21,111,719	5,479,388	26
Labour rental service income	70,208,026	7,380,182	62,827,844	851
Other Income	1,115,000	594,857	520,143	87
Institutional and Administrative Expenses				
Salaries and wages	24,088,096	18,994,361	5,093,735	26
Top management salaries	6,723,505	2,315,000	4,408,505	190
Gratuity Expenses	4,467,488	2,579,104	1,888,384	73

The following observations are made.

- (a) The income from service fees during the year under review had increased by Rs. 19,698,807, equivalent to 113 per cent, compared to the previous year. Initiating a new project Inter Terminal Trucking by the Company and having earned income had caused to this.
- (b) Salaries and wages, senior management salaries and gratuity expenses increased by Rs. 5,093,735, Rs. 4,408,505 and Rs. 1,888,384, equivalent to 26 per cent, 190 per cent and 73 per cent respectively compared to the previous year and increase in employee salaries during the year under review with the approval of the Board of Directors had caused to this.

2.3 Ratio Analysis

The current ratio and the quick ratio compared to the previous year are as follows:

	2024	2023
<u>Liquidity Ratios</u>		
Current Ratio	1.1	1.5
Quick Ratio	1.1	1.5

The liquidity ratio had decreased by about 40 per cent in the year under review compared to the previous year and increase of current liabilities by a greater percentage than the increase in current assets had caused to this negative impact. Obtaining a refundable deposit from shop owners under the Galle Face Administration Project and recognizing Rs. 28.9 million payable to a private company based on a court decision in 2017 as an expense payable in the year under review had caused to increase the current liabilities.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Galle Face ground administration business operated by the Company has been continuously loss-making for the past 5 years from 2020 to 2024. Out of the 42 underground shops (B-Zone) located adjacent to the beach at Galle Gate, 3 shops had not been leased out by May 2025 and 16 out of 20 underground shops (A-Zone) located adjacent to Galle Road and 11 out of 42 underground shops (B-Zone) located adjacent to the beach had been temporarily closed. Accordingly, the Company lost approximately Rs. 1,080,000 in rent in 2024 alone for the 03 shops that could not be leased. Although the Cabinet Decision No. CMP/24/2020/713/010 dated 12 November 2024 regarding the “Administrative	The management has taken the necessary steps to improve and streamline revenue streams and it is expected to report a profit in 2025. The payment of rent has been defaulted due to the illegal traders and illegal enterprises operating in Galle Face ground, lack of business for traders at Galle Face ground b allowing unauthorized traders to conduct business at low prices by the parking lot management officers in the parking lots controlled under the Colombo Municipal Council and closing down of several shops. Although complaints regarding rent defaults were submitted to the Fort Police	Attention should be paid to collect revenue properly and actions should be taken in accordance with the Decision of Cabinet of Ministers regarding shop owners who do not pay rent.

and Operational Control of Galle Face Ground” had decided to cancel the stalls of those who have been given on lease basis at Galle Face Ground but have not commenced business activities or have not paid their dues as per the agreement by 30th November 2024, the Company had not taken actions by May 2025 to cancel the relevant agreements in accordance with the decision of the Cabinet of Ministers.

Station as per the decision of Cabinet of Ministers, since contracts entered into under contract law are breaches of contracts, it has been advised that the matter should be resolved through civil litigation. Accordingly, relevant legal action is being taken in accordance with the "Premises Repossession Act". Steps to issue Demand Notices, issue legal notices through legal counsel, and prepare for filing a lawsuit in court have been taken.

- (b) The Macallum Lock Gate premises which was a land premises belonging to the Ports Authority had been transferred to the institution in 2017 for leasing to a third party and the Company had entered into a contract with a private company for 5 years from 2018 to 2023. Nevertheless, that private company had withdrawn from business activities in the year 2020, and upon the expiration of the contract period, an agreement was entered into with another private company in the year 2023 and the premises had been leased out without obtaining the written consent of the Ports Authority. Due to the lease of the premises to the sub - lease company without the written consent of the Ports Authority, the institution was unable to commence operations from 01 March 2023, until April 2025, the time of the audit and The tax revenue lost by the company was approximately Rs. 16,169,000. Further, since the Company has called for tenders and since Lake View institution has also carried out several constructions on the relevant premises, the cancellation of the agreement and there was a problematic situation regarding the handing

Agree. A full report has been provided in this regard.

The Company should take actions to enter into transactions under written and legal agreements .

over the relevant premises also since it has been requested to be returned to the Ports Authority.

3.2 Procurement Management

Audit Observation	Comments of the Recommendation Management	
(a) National Procurement Agency Circular No. 8 dated 25 January 2006, Government Procurement Guidelines,		
(i) Although it had been stated as a key procurement objective to provide fair, equal and maximum opportunity to qualified interested parties to participate in the procurement according to Paragraph 1.2.1 (c) , the purpose of that procurement had not been achieved due to the procurement procedure of the Company stipulates that the shopping method should be used for all procurements made.	Does not agree. The Company mainly follows two procurement practices. 1. In the task of providing qualified parties to provide the necessary equipment services to the Ports Authority / leasing premises (tender method), newspaper advertisements are published and bids are called from interested parties. 2. Since the purchase of goods and services required for the operations of the Company and administration are often not large-value purchases, the shopping method has been used.	The procurement method to be used should be determined based on factors such as the nature of the goods and services to be procured, their competitiveness and market value, the nature of the procurement, etc. in terms of National Procurement Guidelines.
(ii) Although members of the Procurement Committee should not be members of the Technical Evaluation Committee, as per Paragraph 2.8.1 (a), it had been mentioned that the Technical Evaluation Committee should also be represented by the Minor Procurement Committee in the	Steps will be taken to comply with the audit recommendations in the future.	Procurement and Technical Evaluation Committee members should be appointed according to the National Procurement Guidelines.

procurements carried out by that committee as per the procurement procedure of the Company.

- | | | |
|---|--|---|
| <p>(iii) Although the registered supplier list should be updated once a year, as per Paragraph 3.4.3 (d), it had been mentioned that the registered supplier list should be updated at least once every 4 years as per the procurement procedure of the Company.</p> | <p>Mostly, the Company outsources support services to the Port Authority. Since the Company enters into an agreement with the service providers for a specific period of time at specific rates for certain services, it is not practical to register suppliers every year. Since the purchase of goods for the Company's operations is relatively small, it is also not practical to register suppliers every year.</p> | <p>The list of registered suppliers should be updated in accordance with the National Procurement Guidelines to ensure the achievement of procurement objectives such as transparency, competition, etc.</p> |
| <p>(iv) Although it was stated that the Procurement Unit shall prepare the Master Procurement Plan as per Paragraph 4.2.1 (a), the Company had not prepared a Procurement Plan for the year 2024 .</p> | <p>Agree. Actions will be taken to prepare a Procurement Plan in the future.</p> | <p>The Company should prepare an Annual Procurement Plan in accordance with the provisions of the circular.</p> |
| <p>(b) The office premises had been renovated by a private company at a cost of Rs. 8,709,890 with the approval of the Board of Directors dated 17 May 2024 and 02 Bajaj motorcycles had been purchased from a motor vehicle company for Rs. 1,275,900. Although it is more appropriate to use the national competitive bidding system to obtain optimal prices in carrying out the aforementioned procurements in terms of the Government Procurement Guidelines, Circular No. 8 of the National Procurement Agency dated 25 January 2006, public bidding had not been made and bidding documents had not been prepared in accordance with 5.1. (a), (b) and 5.2.1 (a) of the Guidelines. Similarly, no information was submitted that a public bid opening was held in accordance with 6.3.3 (b) of the</p> | <p>Agree. Actions will be taken to adhere in the future.</p> | <p>Preparation of bid documents, opening of bids, bid evaluations, and formal contract agreements should be entered into, including agreed upon matters in accordance with the provisions of the National Procurement Guidelines.</p> |

National Procurement Guidelines 2006 and information has also not been provided that a bid evaluation was conducted in accordance with Paragraph 7.7.1 (a) . Further, although it was stated in Section 8.9 of the Government Procurement Guidelines 2006 that the procurement entity should enter into a formal contract agreement, no formal agreement had been entered into with the institution selected for the purpose of renovating the office building by the Company.

3.3 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) A formal recruitment process for the approved staff and the staff of the Company had not been prepared and the approval of the Department of Management Services thereon had not been obtained in accordance with Paragraph 3.2 of the Operational Manual for State-owned Enterprises issued by Circular No. 01/2021 dated 16 November 2021 .	Agree. Actions will be taken to adhere in the future.	Actions should be taken to prepare a formal Scheme of Recruitment for the number of employees and staff in accordance with the relevant circulars and obtain the approval of the Department of Management Services for the same.
(b) The approved staff by the Board of Directors of the Company was 38 and the actual staff was 17 and since there were vacancies in 21 positions, the Company had not taken actions to deploy staff at an optimal level.	Actions have been taken to carry out operations by hiring only essential staff based on the Company's available funds and profitability and it is stipulated to recruit the necessary staff from time to time in the future, based on need and capacity.	Actions should be taken by the Company to maintain staff at an optimal level.
(c) Although the Company had recruited two consultants, with the aim of resolving human resource	Agree.	The human resources of the Company should be

management issues and legal issues, a timely supervision of the work performed by those officers and information on the work performed were not submitted to the audit. Even though Rs. 2,050,000 had been paid as allowances to those officers during the year under review, the litigations of the Company had also been handled by external parties and a sum of Rs. 1,347,092 had been paid for that in the current year.

utilized effectively and unnecessary expenses should be minimized.

4. Accounting and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
Although the finalized Strategic Plan along with the Action Plan and Annual Budget should be submitted to the Director General, Department of Public Enterprises or the Director General, Department of National Budget through the Secretary of the relevant Line Ministry in accordance with Paragraph 2.3 of the Guidelines on Corporate Governance for State-Owned Enterprises issued by Circular No. 01/2021 dated 16 November 2021, the Company had not prepared an Action Plan for the year 2024 .	Agree. Actions will be taken to adhere in the future.	Actions should be taken by the Management to submit the finalized Strategic Plan along with the Action Plan and Annual Budget to the Director General, Department of Public Enterprises through the Secretary of the relevant Line Ministry as per the relevant circular.

4.2 Internal Audit

Audit Observation	Comments of the Management	Recommendation
Although it was stated that there should be an Internal Auditor who can report directly to the Chief Accounting Officer or Head of the Institution, in accordance with Section 40 of the National Audit Act No. 19 of 2018 and Paragraph 4.4 of the Guidelines on Corporate Governance for State-Owned Enterprises issued by Circular No. 01/2021 dated 16 November 2021,	Agree. Actions will be taken to adhere in the future.	The Company should take actions to appoint an internal auditor in accordance with the provisions set out in the Circular.

the Company had not appointed an Internal Auditor and the Internal Auditor position had not been included in the staff approved by the Board of Directors.

4.3 Internal Audit Committees

Audit Observation	Comments of the Management	Recommendation
An Internal Audit Committee consisting of three Non-executive Directors or 1/3 of the Non-executive Directors of the Company should be appointed in accordance with Paragraph 4.2 of the Guidelines on Corporate Governance for State-Owned Enterprises issued by Circular No. 01/2021 dated 16 November 2021 and although the said Audit Committee should meet at least once every 3 months, actions had not been taken by the Company to appoint an Internal Audit Committee and hold Audit Committee Meetings.	Agree. Actions will be taken to adhere in the future.	Actions should be taken to appoint internal audit committees and hold audit committee meetings in accordance with the circular provisions.