Sri Lankan Catering Limited - 2024/2025
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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the SriLankan Catering Limited (Company) for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025 and the statement of comprehensive income, statement of changes in equity 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. My comments and observations which I consider should be reported to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either 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 Audit Scope

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

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

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

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

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

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

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

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

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

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

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

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

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Audit Issue	Management Comment	Recommendation
According to LKAS 1 – Presentation of Financial Statements, Paragraph 99, an entity shall present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. During the background review of expense classification practices among international airline catering providers, it was noted that expenses are generally presented using the "by nature" method. However, certain expenses had not been appropriately classified in line with their respective functions which refrain from making it fully compliant to LKAS 1, which is not the most accurate classification of expenses based on the "function" of them.	SLC shall adopt recommended practice by 31st March 2026, and it would reflect in the next financial statements audited. .	We recommend that the company review and strengthen the expense classification process to ensure that all costs are correctly allocated according to the selected presentation method. Appropriate cost allocations should be determined using a reasonable and consistently applied basis. The company should avoid using a mixed classification of expenses, as this contravenes the standard.

1.6 Accounts Receivables and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
As at 31st March 2025, the receivable balance from SriLankan Airlines amounted to LKR 20.06 billion, with approximately 77% (LKR 15.36 billion) outstanding for over 361 days, highlighting a significant aging and recoverability concern. The outstanding balance, equivalent to USD 67.7	As per the decision made by the Cabinet of Ministers on 23rd June 2025, detailed in Cabinet Memorandum No.25/1076/804/121, the Government of Sri Lanka has provided financial support to	The Company should immediately initiate recovery actions on the long-outstanding SLA balances and explore legal or contractual remedies if required.

million (converted at Rs. 296.25), also exposes the Company to considerable currency risk. The continued concentration of receivables from a single customer poses a material threat to the Company's liquidity and operational stability. Furthermore, the absence of adequate provisions or a write-off plan raises the risk of misstated financial results and casts doubt on the Company's ability to continue as a going concern.	SriLankan Airlines through a "letter of comfort" to ensure the entity (SLA) continues as a going concern until SLA is restructured. SLA has also submitted a plan of action to improve their cash flow and to raise funds to the cabinet of ministers and are awaiting approval, which will allow SLA to settle outstanding amount to SLC in the near future.	

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
During the audit, it was observed that the Executive Salary Control Account (Ledger Code 444003) reflected a negative payable balance of LKR 1,451,873. Upon inquiry, management clarified that salaries for executive-level staff are outsourced to MSL Company, and the full salary amount is transferred to MSL prior to the actual salary payment date. The related adjustment is recorded within the same month in the salary control account. However, the presence of a negative balance suggests potential timing issues in accounting entries or a lack of proper reconciliation between salary disbursements and accounting records.	It is only a timing difference of approximately at each month end and the account is being reconciled regularly. .	The company should regularly reconcile the Executive Salary Control Account to ensure accurate recording of outsourced salary transactions proper supporting documentation, and clearly advisable to clearly classify payments as advances or prepayments instead of negative payables.

1.6.3 Advances

	Audit Issue	Management Comment	Recommendations
(a)	As per Section 3.2 of the Finance Policies and Procedures Manual, cash advances exceeding Rs.75,000 must be issued via cheque to the responsible staff member. However, this policy was not followed in several instances where Rs.100,000 advances were issued in cash.	From Jan 2025 onwards, a new cash float was set up for the procurement department to meet urgent procurement requirements which would arise during the weekends. Rs. 300,000 is separately set aside to meet the urgent cash purchases of the procurement department with the approval of CEO/MF, since the amount	The company must follow Section 3.2 of the Finance Policies, which mandates that cash advances over Rs. 75,000 be issued by cheque to reduce risks of misappropriation, improve audit trails, and Strengthen

		stated in the Finance Policies and Procedures Manual was not adequate to meet the current requirement.	internal controls.
(b)	The approved petty cash float is Rs.400,000 (per Section 3.8), but the audit found Rs.1,100,000 in total—Rs.1,000,000 with the cashier and Rs.100,000 with the security department—exceeding the limit by Rs.700,000.	The current financial policies and procedures manual was updated in Feb 2018. Subsequently, the float was increased to Rs.1.2 million on a staggered basis up to now due to operational requirements with the approval of CEO/MF due to operational requirements. Finance Manual has been updated and will be submitted to the Board for approval by 30th November 2025. .	The management should ensure adherence to the approved petty cash float limit of Rs. 400,000. Any requirement for additional cash holdings should be formally justified, approved by appropriate authority, and documented.

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

<table>
<tr><th></th><th>Reference to Laws, Rules Regulations etc.</th><th>Non-compliance</th><th>Management Comment</th><th>Recommendation</th></tr>
<tr><td>(a)</td><td>Section 2 of the Asset Management Circular No. 11/2022 dated 16 September 2022, issued by the Comptroller General.</td><td>Actions should be taken to deregister vehicles designated for disposal as scrap material. A copy of the deregistration document, issued by the Department of Motor Traffic, should be submitted to the Comptroller General's office immediately after the disposal process is complete. However, the 02 vehicles, which were not included in the vehicle list submitted by the company, have not been handled accordingly.</td><td>Comments on the six vehicles are given below.
<table>
<tr><th>Vehicle No</th><th>Vehicle Type</th><th>Current Status</th></tr>
<tr><td>GI 2059</td><td>Maruti Van</td><td>Disposed in 2017</td></tr>
<tr><td>GL 1836</td><td>Water Bowser</td><td>Disposed in 2021</td></tr>
</table>
This will be taken up with the Department of Motor Traffic and will be closed by 31st October 2025.</td><td>The company should promptly comply with Section 2 of Asset Management Circular No. 11/2022 by formally deregistering the two vehicles with the Department of Motor Traffic and submitting the required documents to the Comptroller General’s office immediately.</td></tr>
</table>

(b)	Public Enterprises Circular No. PED 01/2021 (iii) dated 27 September 2023 – Supplementary III – Operational Manual for State Owned Enterprises	All State Owned Enterprises (SOEs) are required to adopt and periodically update their own Administrative and Financial Manuals, with the approval of the Director General of the Department of Public Enterprises. However, during the audit, it was observed that the Authority's Administrative and Financial Manuals had not yet been approved by the Department, contrary to the circular's requirements.	The Finance Policies & Procedures Manual was first approved by the Board of Directors on 26th Feb 2013. This was then revised and approved by the Board of Directors on 29th March 2018. As requested by the audit superintendent at the audit Committee meeting held in March 2018, the copies of the Board approved manual were submitted for the approval of the treasury through Ministry of Public Enterprise Development in April 2018. Thereafter, this was subsequently followed up with the MPED by submission of additional hard copies of the manual. Nevertheless, we have not yet received any feedback from the MPED.	The company should take immediate steps to finalize, review, and submit its Administrative and Financial Manuals to the Department of Public Enterprises for approval.

1.8 IT General Controls

	Audit Issue	Management Comment	Recommendation
(a)	It was observed that kitchen records related to items taken for production cannot be directly traced or reconciled against revenue invoices generated through the Flight Inflair system/Oracle system. This gap in traceability creates difficulties in verifying the completeness and accuracy of revenue recognition and stock usage.	SLC raises approximately 1800 – 2000 separate invoices based on individual flights belonging to different airlines. All meals catered to these flights are prepared in a common Kitchen by obtaining raw material on bulk requisitions not based on individual flights as most raw material used are common to all flights.	The company should implement a formal reconciliation process regularly linking kitchen production records to revenue invoices. System improvements should be considered to integrate data between Flight Inflair, Paxcscon, and Oracle for easier cross-verification. Additionally, periodic

		Therefore, it may be practically not possible to link raw material used for individual flights to respective invoices even with the most sophisticated software available unless separate kitchens are maintained for different airlines.	checks should ensure all production items are accurately recorded in customer billing and revenue reports.
(b)	It was observed that the Company calculates depreciation manually and posts the entries to the system without utilizing Oracle’s fixed asset modules for capitalization and depreciation calculation. Additionally, depreciation is calculated assuming that all assets are purchased on the 1st of the relevant month, which may not reflect the actual acquisition dates.	Depreciation had to be carried out manually due to differences observed between Oracle EBS and manual FA register on the 1st April 2023 where manual figures were found to be accurate based on an accounting policy where the date of purchase is considered to be at the beginning of the month. This will be corrected at the next revaluation which is due in 2026/27.	The company should implement Oracle Fixed Asset Module to automate depreciation calculations and ensure accurate postings
(c)	It was observed that the Company maintain different categories of inventory, including production materials, maintenance items, equipment, chemicals, and diesel. Only the production stock is managed using the Inflair system. In that case, the Inflair system does not support generating reports required for quantity reconciliation (i.e., opening balance + additions – issues = closing balance). As a result, we were unable to verify or reconcile the production inventory quantities. Other inventory categories (maintenance, equipment, chemicals, diesel) are maintained in the Oracle system, where stock movements and quantities can be verified accurately.	Unlike Oracle, Inflair doesn't generate a single, consolidated report for this purpose. In respect of perishable items maintained in Inflair System, a work around/alternative procedures for quantity reconciliation can be performed considering Goods Received Note (GRNs) and issue notes. We' are currently in the process of implementing an integrated system, which is expected to significantly streamline inventory reconciliation for all items. Until new ERP system is implemented which is expected to be completed by December 2026, the company is working with Group IT division to develop a work around for this report.	The company should migrate the management of production inventory from the Inflair system to an integrated ERP system (such as Oracle or another suitable solution) that supports complete inventory tracking and quantity reconciliation. Using a single system across all inventory categories will strengthen inventory controls, improve accuracy, and ensure reliable reporting.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.4,859,729,007 and the corresponding profit in the preceding year amounted to Rs.4,054,238,126. Therefore the improvement amounting to Rs.805,490,881 of the financial result was observed. The reasons for the improvement are mainly due to the increase in revenue from contract with customers by Rs.133,991,836 ; the decrease in cost of sales by Rs.101.292,997, decrease in other operational expenses by Rs.170,283,174 and net finance expense decrease by Rs.1,006,569,542.

2.2 Trend Analysis of Major Income and Expenditure Items

The value addition from the company had increased gradually from the year 2020/21 to 2022/23 and it had slightly decreased in the year 2023/24 but it had increased again in the year under review. Details are given below.

Description			**(Rs. Million)**		
	2024/25	**2023/24**	**2022/23**	**2021/22**	**2020/21**
Profit after tax (Before payment of dividends)	4,859.73	4,054.24	4,697.21	2,802.70	(909.23)
Add :- Employee remuneration	2,639.36	2,416.19	2,211.52	1,446.29	905.56
Dividends paid to Government (Indirect)					
Preference Shares	-	-	-	-	81.27
Ordinary Shares	-	-	-	2,382.29	3,569.63
NBT	-	-	-	-	-
VAT	-	-	-	-	2.59
Other Duties- ESC	-	-	-	-	-
Depreciation and Amortization	294.83	268.79	468.34	467.32	454.38
Total	7,793.92	6,739.22	7,377.07	7,098.60	4104.20

2.3 Analytical Financial Review

Important ratios relating to the company position as at 31 March for five years are as follows.

	2024/25	2023/24	2022/23	2021/22	2020/21
Current Assets to Current Liabilities (Number of Turns)	16.35	12.12	7.53	12.58	19.07
Quick Ratio	15.92	11.79	7.24	12.30	18.60
Debt Equity Ratio	0.02	0.04	0.06	0.10	0.11
EPS- Earning Per Share	5.17	4.31	5.00	2.98	(0.96)
Dividend Per Share	-	-	-	-	2.53
Gross Margin	77%	76%	75%	74%	53%
Return On Equity	21%	22%	32%	26%	(12%)
Stock Turnover ratio	5.82	6.18	7.55	4.77	1.33

The following observations are made.

(a) While the company shows strong performance, some financial concerns are noted. Liquidity is excessively high, with current and quick ratios far above normal, indicating idle assets and inefficient use of funds. Return on equity, indicating low efficiency in generating shareholder returns, gradually increased from a negative 12 percent in 2020/21 to 2022/23, but declined again from 2023/24 and reached 21 percent by 2024/25.

(b) Inventory turnover has decreased, suggesting slower stock movement or overstocking. No dividends have been paid in recent years despite good earnings, which may disappoint shareholders. Finally, the very low debt-to-equity ratio shows minimal use of debt, reducing financial risk but also limiting growth opportunities.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The renewal application for the Catering Services to Aircraft Service Providers License, originally issued by the Civil Aviation Authority of Sri Lanka, was submitted on 16 April 2025, falling short of the required 90-day advance submission.	There is a lapse in not applying for the renewal of license 90 days in advance. However, the company has applied for renewal prior to the expiry of the license. The audit by CAASL was concluded and the Aircraft Service Providers License has already been issued.	The company should establish a monitoring mechanism to track all regulatory license and permit renewal deadlines and develop a centralized compliance dashboard to track the status of licenses, permits, CAPs, and

			renewals.
(b)	The catering certification audit conducted prior to license renewal identified several compliance and operational deficiencies. Key issues included unauthorized amendments to the operations manual without CAASL approval and the lack of an SOP for catering between BIA and MRIA. Additionally, the food safety procedures were inadequate in areas such as complaint handling and follow-up inspections. The audit also noted that the Business Continuity Plan had not been reviewed as required, highlighting weaknesses in regulatory compliance and operational readiness.	In the Audit carried out by CAASL, SLC has shown significant improvements in standards and procedures from the previous audit, in which 84.31% marks were obtained compared to 89.76% in the audit carried out in 2025. (a) Few amendments were made to the Operational Manual without prior approval from CAASL, due to an oversite (b) There was no Standard Operating Procedure (SOP) in place for the catering operations between BIA and MRIA; However, SOP has been now established. (c) A detailed complaint handling process is in place. However, measures have been implemented to strengthen the documentation process in the production department. (d) The responsibility for the BCM was delegated to the Senior Manager - Sales and Customer Services, and the process of updating the complete document is currently ongoing.The supplier's details have already been updated.	The company should take immediate corrective action to address the compliance and operational deficiencies identified during the catering certification audit.
(c)	As disclosed in the audited Financial Statements as at 31 March 2025, a provision amounting to Rs. 119,925,029 was recognized for slow-moving inventory. This provision pertains to both perishable and non-perishable stock, which together had a total carrying value of Rs. 430,220,582. Notably, inventory items valued at Rs. 18,410,593 had remained in stock for over one year, while items amounting to Rs. 8,037,221 had remained unused for more than three years.	• Out of the Rs. 119,925,029, 32% % is production stock, and 68% is maintenance & other stocks. • As a company engaged in Airline Catering business it's important to note that critical spare parts for plant and machinery needs to be carried in case of an emergency and packing material is procured in bulk to obtain cost advantages and to fulfill the MOQ's of large-scale suppliers, which are	The company should implement a Robust Inventory Ageing and Review Mechanism and develop clear criteria and procedures for timely disposal.

		the main reasons for the slow stock movements. • All efforts are taken to consume all perishable stocks before expiry without disposing and writing off. Maintenance and Packing material have no expiry dates and therefore carries less risk subject to obsolescence.	

3.2 Procurement Management

	Audit Issue	Management Comment	Recommendation
(a)	In terms of procurement guidelines 4.2.1 (b) of Government Procurement Guidelines dated 01 March 2006, procurement activities envisaged at least for a period of three years shall be listed in the Master Procurement Plan and it shall be regularly updated at intervals not exceeding six months as per section 4.2.1(e). However, the Company had not prepared a master procurement plan accordingly.	Commencing 2025, SLC has taken the necessary steps to align with extended planning requirements by developing a three-year Master Procurement Plan covering 2025/2026, 2026/2027, and 2027/2028 and approved by the BOD.	The company should adhere to the Government Procurement Guidelines.
(b)	A purchase order worth Rs. 10,075,359 was issued on 13 September 2024 for the supply and installation of CCTV systems on 16 Hi-Loader Trucks. However, multiple breaches of Government Procurement Guidelines were observed, including awarding the contract to a late bidder (violating Section 6.3.2), failure to obtain mandatory bid securities (Section 5.3.11), absence of a formal contract agreement (Section 8.9), and lack of a performance guarantee (Section 5.4.10). Additionally, the project was delayed by 220 days without a submitted completion report, and installed systems were found to be non-functional. Further, the company deviated from the standard payment structure by	Effective from 2025, SriLankan Catering will strictly adhere to procurement guidelines and will no longer accept late bids. This tender received three bids, including one late submission. The late bid was handed over prior to the official opening of the other two bids. Based on the recommendation of the Technical Evaluation Committee (TEC) and with the approval of the Procurement Committee (PC), the late bid was accepted for evaluation in order to preserve the competitiveness of the tender. Bid declarations have been obtained from bidders which are valid for projects valued below	The company should ensure strict adherence to all provisions of the Government Procurement Guidelines.

	advancing 30% instead of the permitted 20%. An earlier expenditure of Rs. 1.78 million in 2023 on similar equipment was also rendered ineffective.	Rs. 20 million. Formal contract agreement has not been signed; however the equipment is under warranty, and an AMC will be signed before the expiry of the warranty (04/03/2028). Performance guarantee has not been requested in the tender by oversight which is a lapse. Installed system is functional presently and vital detections are made. The advance of 30% was paid after obtaining approval of the relevant PC against and unconditional bank guarantee. The previous pilot project at a cost of Rs. 1.78 million was successful, which allowed the company to fix security cameras on the entire fleet of high loaders. A formal plan is available	
(c)	A total of 468 CCTV cameras were installed across company premises without a formal surveillance plan, based on ad-hoc requests. Despite a CAPEX estimate of Rs. 375,000 for the Flight Kitchen, actual costs escalated to Rs. 20.4 million, with 119 cameras installed without aligning with specific needs. Key procurement violations included absence of performance bond and no formal contract. Additionally, 26 cameras were found non-functional, with no corrective action taken.	Security department from time-to-time requests for additional CCTV coverage to address improved surveillance of the facility which is vital to the operation being involved in the sensitive business of airline catering. Board approval to deploy 126 additional cameras have been obtained. A bid security declaration has been obtained; however, a performance bond has not been obtained, which is a lapse. The project has been successfully completed.	The company should ensure strict adherence to all provisions of the Government Procurement Guidelines.

		26 non-functional cameras were identified by the security department of SLC after carrying out a regular review which does not relate to the new installation. This indicates that there is frequent corrective action being undertaken by the relevant department.	
(d)	The company planned to purchase two ovens at an estimated cost of Rs.50 million in 2024/25. However, only one oven was procured for Rs.9 million. The contract was awarded with a 200-day delay and, as of the audit date, the oven remained uninstalled. Key procurement guidelines were violated, including performance guarantee, exposing the company to risks of non-performance and reflecting poor procurement planning and control.	The delays were due to a multitude of reasons including high staff turnover experienced in the period under consideration, delays in supplier responses which resulted in extension of tender timeline, modification of project scope and detailed technical and financial assessments which consumed a longer period than anticipated.	The company should ensure strict adherence to all provisions of the Government Procurement Guidelines.
(e)	Due to delays in deliveries of orders various purchases such as Melon, papaya and pineapple worth Rs. 24.6 million had to be made directly or through the open market without competitive bidding.	These are perishable items with seasonal supply patterns. Sundy purchases were done when the selected suppliers did not supply as per POs on due dates. Partial supply or quality rejects take place frequently which result in Sundry Purchases.	The company should ensure strict adherence to all provisions of the Government Procurement Guidelines.
(f)	A review of selected ongoing (continuation) procurement activities identified multiple deficiencies in key areas of compliance, documentation, and non-adherence to established procurement procedures such as significant delays were observed in the procurement process, with some activities being completed nearly two years beyond the initially planned timeframe, indicating poor timeline	The Project Time Schedules (PTS) are updated and monitored, presently. However, during 2023/24 with the high staff turnover there may have been lapses. In all ICB procurement exercises a paper advertisement, advertisement on the company web site, circulation via foreign	The company should ensure strict adherence to all provisions of the Government Procurement Guidelines.

	management and execution. Furthermore, the Project Time Schedules (PTS) were neither properly updated nor monitored, despite being a mandatory requirement under procurement guidelines. The audit also revealed insufficient advertisement and lack of international publicity, particularly under International Competitive Bidding (ICB) procedures, violating Procurement Guideline 3.1.4, which may have limited competitive participation and transparency. Additionally, there were substantial deviations between estimated, budgeted, and actual costs, highlighting potential issues in cost forecasting and financial oversight.	ministry and advertisement in DG Market website are being carried out. However, due to oversite for some procurement exercises proof of circulation with foreign ministry and DG Market web site are not available. Going forward for ICB procurement exercises adequate precaution to ensure all above publicity and advertising in Promise.lk government procurement website is undertaken with proper proof available as a audit trail. Deviation between budgeted and actual costs is observed due to the time lapse between preparing budget and actual procurement, estimation errors, and changes in specifications. However, it is ensured that relevant Procurement Committee approvals are obtained for actual procurement values.	
(g)	During the financial year 2024/25, the company had planned 289 procurement activities amounting to Rs. 575,831,456. However, by the end of the review period, only 50 procurements had been completed, reflecting a low completion rate of just 17%.	The 289 procurement activities amounting to Rs. 575,831,456 relate to Capex procurements. SriLankan Catering Limited prepares CAPEX projections annually, but actual investments depend on operational needs, financial prudence, and strategic priorities. Due to the dynamic inflight catering industry, deviations from the budget may occur, with management exercising flexibility to proceed or defer projects as required to ensure resource optimization, risk mitigation, and continuous service delivery.	The company should ensure that the Annual and Master Procurement Plans are realistic, prioritized, and aligned with operational requirements and resource availability.

3.3 Human Resource Management

	Audit Issue	Management Comment	Recommendation
(a)	Although the approved number of employees, as per the cadre submitted to the audit as of 31 March 2025, was 893, there were 198 vacancies for 105 posts. However, it was observed during the audit that 245 officers had been recruited for 39 positions under outsourced manpower.	The Board approved SLC cadre as of 31st March 2025 was 893. Actual SLC cadre as at 31st March 2025 was 715 which did not exceed the SLC cadre approved by the Board. Outsourced manpower cadre which is included in the annual budget is approved by the Board when the budget is approved and is maintained separately under operational expenses and not included in the SLC direct cadre.	The Company should strictly comply with the approved cadre limits and ensure that employee recruitment including outsourced manpower, does not exceed sanctioned posts without prior approval from the relevant authorities.
(b)	When comparing the budgeted cadre with the actual cadre, it was observed that recruitment had been carried out for 12 posts that were not approved, and that 8 recruitments exceeded the approved cadre.	The given employee grades /positions are within the total approved cadre which was approved by the Board of Directors. The Company has maintained actual cadre within the approved cadre. Designations although different are well within and appropriate for the given grade category & actual cadre is well below the approved cadre. HR policy manual will be updated accordingly.	The company should ensure that all recruitment activities are strictly confined to the approved cadre unless prior formal approval is obtained from the relevant authority for additional posts.
(c)	The audit of 16 recruitments in 2024/25 revealed key lapses in recruitment procedures and policy compliance. Salary structures were undefined, resulting in inconsistent starting salaries for Grade VIII-I officers. Qualification certificates were not verified, and age limits were missing from both the HR Manual and job advertisements. One officer was appointed without meeting minimum qualifications, and the position was incorrectly graded. The shortlisting process also lacked transparency and did not follow the HR Manual, raising concerns over fairness, accountability, and control in recruitment practices.	Salary scales are not included in the policy manual due to the confidentiality & salary scales do exist and approved by the Board of Directors. Based on qualifications, experience, knowledge & skills, the recruit will be placed at different salaries within the respective salary scale applicable to the grade. Certificate verification is currently not carried out. This will be adopted and implement in the future. Due to the dearth of qualified and skilled individuals in the market and the resulting	The company should develop and implement standardized salary scales for all officer grades and institute a mandatory process for verifying all candidate qualification certificates and relevant documents prior to appointment.

	difficulties faced by the industry to source staff, specially as Production Chefs, Food & Beverages staff and for technical positions, age limit has not been indicated in the manual in order to open the advertisements to a wider audience. The specific officer referred is the Dispatch Controller who was recruited in December 2024, where the individual had a master’s in supply chain management which was a higher qualification, coupled with over 14 years of experience both locally and internationally proving to be a suitable fit for the position. All applications are evaluated by HR as per the qualification matrix approved by the Board prior to calling for interviews.	

3.4 Management of vehicle fleet

Audit Issue	Management Comment	Recommendation
The audit identified that four vehicles registered under the name of SriLankan Catering Limited (SLCL) were not physically present at the company premises during the audit inspection. Despite this discrepancy, no formal action had been taken by the company to investigate or reconcile the absence of these assets.	This is a duplication. Further, such vehicles were not there in the FA register in 2025 for verification by auditors.	The company should conduct a prompt and thorough investigation to determine the where abouts of the missing vehicles and reconcile asset records accordingly.