LRDC Services (Private) Company Limited - 2018

1.1 Qualified Opinion

The audit of the financial statements of the LRDC Services (Private) Company Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of profit and loss statement**,** statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium size Entities.

1.2 Basis for Qualified Opinion

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

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

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

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

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

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

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

1.4 Audit Scope (Auditors Responsibility with regard to audit of the financial statements)

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

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

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

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

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

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

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

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

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

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

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

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

1.5 Financial Statements

1.5.1 Internal control over Preparation of the financial statements

Entities are required to "devise and maintain" a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issue with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers. Payment vouchers etc. are shown below.

	Audit observation	Management Comment	Recommendation
(a)	The Company had failed to make reconciliation for the monthly salaries shown in the accounts relating to each month and the actual salaries recovered from the customers, in order to reconciled the differences.	The salaries shown in the accounts relating to each months and the actual salary recovered from the customers could not be practically reconciled.	Before paying the salaries to the security officers, the attendance of the officers should be confirmed.
(b)	Without being considered the actual security officers assigned to the security services, the Company had prepared the invoices based on the agreed rates. Hence, it was unable to identify the overstated income in the financial statements.	Based on the monthly security shift records prepared relating to the actually worked security officers in the service centres, the bills had been prepared. When preparing the bills, the maximum employees had been limited up to	When computing the income, the correct income should be identified.

		the agreed number of employees.	
(c)	In order to confirm accuracy of the invoices, before issuing them, the attendance register prepared by the Officer – In – Charge, had not been reconciled with the records provided by the customers. As a result, a difference of Rs.82.48 million was observed between the invoiced value and the actual receivings. That represented 55 per cent of the contribution received from the Security Services Division.	Verbal and written instructions had been given to furnish shift records and the attendance certificates to the Head Office with the signature of a responsible officer of the client's institute to prepare the bills. However, none of the client institute had response to that request in positive manner.	After being reconciled the attendance registers maintained by the client institutions, the differences should be correctly identified and actions should be taken to prepare the invoices correctly.

1.5.2 Non – Compliance with the Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRs for SMEs)

	Non – Compliance with the reference to particular standard	Management Comments	Recommendation
(a)	Paragraph 6 – Statement of changes in Equity, income statement and Retained Earnings		
	The assets revaluation gain amounting to Rs.18.89 million had been shown in the financial statements as at end of the year under review and a sum of Rs.2.79 million that had been received from disposing of a van during the preceding year had also been included to the revaluation gain. However, that amount had not been transferred to the accumulated profit up to end of the year under review. As a result, the accumulated profit as at end of the year under review had been over stated by Rs.2.79 million. Further, that revaluation surplus	Even though a revaluation surplus relating to a van amounting to Rs.2.79 million had been identified in 2018, the difference could not be corrected, because the financial statements had been furnished to audit, before made that corrections it had been corrected in 2019.	According to the Accounting Standards, the revaluation gain should be shown in the financial statements.

	had not been shown in the comprehensive income statement.		
(b)	Paragraph 17 – Property plant and Equipment --------------------------------------		
	When revalue the assets, the entire class of assets should be revalued. However, the Company had revalued only a part of the motor vehicles without being revlaued the motor vehicles costing Rs.12.21 million as at end of the year under review.	After being made the entire adjustments, the entire class of motor vehicles will be revalued up to June 2022.	According the Accounting Standards, the entire class of assets, the assets belonging to the revaluation should be revalued.
(c)	Paragraph 23 - Income ------------------------------		
	The accounting policy for recognition of income had not been disclosed including the methodology for recognition of income, according to the completion stages of services.	With the development of business activities of the technical solution section, a Procedure for business activities had been prepared. Accordingly, the instructions had been given to recognize the income as per completion stage of the contracts.	According to the standard, the service income should be recognized and accounted.

1.5.3 Accounting Policies

	Audit Observation	Management Comments	Recommendation
(a)	Without being analysed the recoverability of each of the debtor balances, the provision for doubtful debts had been made based on the accounting policy of the Company, 50 per cent Provision for 1 o 2 years, 75 per cent provision for 2 to 3 years and 100 per cent provision	A group had been appointed in January 2019 to examine the recoverability position of each debtor balances and to recover the debtor balances as early as possible.	After being analysed the recoverability position of the debtors, action should be taken to make the provision for doubtful debts.

	for over 3 years. Accordingly, a sum of Rs.63.25 million had been provided for doubtful debts as at end of the year under review. Recognition of percentages for provision of doubtful debts is a problematic issue in audit.		
(b)	According to the revenue recognition policy of the Company, it was stated that only reliably measured income and related costs, and economic benefits should be identified as income of the Company. However, due to the failure of the Company to identify the related costs for generation of income, the clients had deducted a sum of Rs.100.84 million from the payments after being submitted the invoice.	In order to keep similarity between the information of clients' bills and the bills submitted by the Company, action had been taken to get the certification from the clients in the year 2018. However, due to the long delays in the certification process and lack of interest of clients to submit the certificates before submit the bills, that was become unsuccessful procedure.	Action should be taken to recognition the income of the Company according the revenue recognition policy.

1.5.4 Accounting Deficiencies

	Audit Observation	Management Comments	Recommendation
(a)	The opening balance of Nation Building Tax account had been overstated by Rs.231,954. However, action had not been taken to rectify that the error in the financial statements after being identified it, up to end of the year under review.	Necessary action had been taken to remit the tax in the year 2019.	After being made the necessary adjustments, action should be taken to show the accurate tax liability in the financial statements.
(b)	The value of performance bounds amounting to Rs.81.23 million had been shown under the related party transaction, instead of being shown it as a current liability in the statement of financial performance as at end of the year under review. As a result, the	Action will be taken to make necessary disclosures since the year 2019.	The balances shown in the financial statements should be correctly classified and shown in the financial statements according to the Accounting Standards.

	related party transaction had been overstated by that amount.		
(c)	The incomplete 3 projects as at end of the year under review costing Rs.5.16 million had been shown in the financial statements as advances, instead of being shown under the work – in – progress.	Action will be taken to shown those values in the balance sheet in the year 2019.	The balances shown in the financial statements should be correctly classified and shown in the financial statements according to the Accounting Standards.

1.5.5 Unreconciled Control Accounts

	Item	Amount as per financial statements (Rs.million)	Amount as per corresponding records (Rs.million)	Difference (Rs.million)	Management Comment	Recommendation
(a)	Employee advance payable	2.31	5.16	2.85	The advance register is being prepared and the reconciliation relating to seven months had been done.	After being made the reconciliations, the balances shown in the financial statements with related corresponding registers, the adjusted balances should be shown in the financial statements.
(b)	Balance of the Deposit Account of the security officers.	26.73	9.64	17.09	To deposit the employees' security Deposit in a separate income account, action going to be taken to obtain the approval from the Board of Directors in the year 2019.	After being made the reconciliations, the balances shown in the financial statements with related corresponding registers, the adjusted balances should be shown in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

	Audit Observation	Management Comments	Recommendation
(a)	The Company had entered into an agreement with the Land Reclamation and Development Corporation to supply the manpower and the receivable balance for the suppling of the man power as at end of the year under review amounted to Rs.107.05 million. Out of that balance, a sum of Rs.42.84 million was outstanding for a period from 3 to 12 months.	A new agreement had been signed in January 2019. The receivable balance as at 31 December 2018 had been fully settled up to 28 February 2019.	Prompt Action should be taken to recover the receivable balances from the Parent Company.
(b)	The total debtors balance of the Company as at end of the year under review amounted to Rs.851.36 million. Out of that balance, sums of Rs.76.23 million and Rs.10.31 million were outstanding for a period from 1 to 5 years and over 5 years respectively.	A special group had been appointed for the collection of debtors. Out of that debtor balance, a sum of Rs.769 million (90%) had been collected by that group up to 30 June 2019.	Prompt action should be taken to recover the receivable money to the Company.
(c)	The festival advance balance receivable as at end of the year under review amounted to Rs.6.38 million and out of that, a sum of Rs.3.4 million was remained as unrecovered for over 12 months.	When making the settlement of employees' final payments, the festival advance which was remained as unrecovered for over one year will be recovered.	Action should be taken to recover the receivable employee advances from their salaries.

1.6.2 Accounts Payable

Audit Observation	Management Comments	Recommendation
The balance of the unpaid salary account as at end of the year under review amounted to Rs.33.55 million and out of that, a sum of Rs.10.30 million was remained as unpaid for over 5 years.	Action going to be taken in the year 2019 to obtain the approval of the Board of Directors to credit the unpaid salaries for the resigned employees 5 years ago, to the other income account.	Action should be taken to settle the payable balances or to writ-off the none- liable balances to the income.

1.7 Non – disclosure of Related Parties and Related Party Transactions

	Audit Observation	Management Comment	Recommendation
(a)	According to the financial statements of the Sri Lanka Land Reclamation and Development Corporation, the Parent Company, the payable gratuity for the Company amounted to Rs.3,041,533. However, that balance had been shown in the financial statements of the Company as Rs.1,739,737.	Those balances to be shown under one Head since the year 2019.	The related party transactions between the Company and related parties should be reconciled and shown in the financial statements.
(b)	According to the financial statements of the Company, the receivable amount from the Land Reclamation and Development Company, the Parent Company, amounted to Rs.1.51 million. However, as per the records of the parent Company the corresponding balance had been shown as Rs.1.06 million.	Not recording in the bill creditors account, was the reason for the difference.	The related party transactions between the Company and related parties should be reconciled and shown in the financial statements.
(c)	A land obtained from the Parent Company on long term lease basis valued at Rs.19.02 million in the year under review and conducting of a contract at Diyatha Uyana had not been disclosed in the financial statements.	Action will be taken to disclose under the related party transactions in the year 2019.	The transactions conducted with the related parties by the Company should be disclosed in the financial statements.

1.8 Non – Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations etc.	Non – Compliance	Management Comment	Recommendation
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
Financial Regulation 371(2)	Even though the ad – hock advances should be settled immediately after completion of the desired work, the unsettled advance balance even after lapsed of over one month amounted to Rs.587,489.	Action had been taken in the year 2019 to recover the un settled advances within 14 days, with 8 per cent of annual interest, from the salaries of the officers.	Action should be taken to recover the advances by following the requirements in the financial regulations.
(b) The Management Services Department Circular No.30 dated 22 September 2016.	According to the circular instructions, the approval of the Management Services Department had not been obtained for the salary structures related to the posts.	The necessary action going to be taken to obtain the approval of the Line Ministry with the concurrence of the Department of Management Services, for recruitments and promotions of the posts.	Action should be taken to obtain the approval for the salary structures, according to the circular instructions.
(c) Paragraph 7.3 the public Enterprises Circular No.PED/12 dated 02 June 2003	The instructions in the Government Procurement Guideline should be applied by the Public Enterprises. If similar guidelines are prepared by a Public Enterprise according to the requirement of that enterprise, the approval of the Line Ministry and the Department of Public Enterprises of the General Treasury should be obtain thereto.	Action will be taken to obtain the approvals from the Line Ministry and the General Treasury for the Procurement Guideline.	The approvals from the Ministry and the General Treasury should be obtained for the Procedures and Regulations followed by the Company after being prepared by them selves.

However, such approvals had not been obtained by the Company for the procedures and guidelines prepared by the Company.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operating result of the Company for the year ended 31 December 2018 had resulted pre tax profit of Rs.61.63 million. As compared with the corresponding pre tax profit of Rs.23.63 million for the preceding year, thus indicating improvement in the financial result of the Company by Rs.38 million for the year under review. Generating of pre tax profit of Rs.25.17 million from supplying of Labours to the Parent Company during the year under review, under the business diversification programme had been mainly attributed to the above improvement.

2.2 Analytical Financial Review

2.2.1 Significant Accounting Ratioes

(a) As compared with preceding year, the gross profit ratio had been increased to 8.96 per cent, in the year under review, from 7.78 per cent, in the preceding year, due to the increase of the income of the Company by Rs.345 million. However, as compared to the preceding year, the administrative and other expenditure of the Company had been increased by Rs.15.2 million. Due to the increase of net income of the Company, in pharrell, the net profit ratio of 0.69 per cent for the preceding year, had been increased up to 2.04 per cent in the year under review.

(b) As compared with the preceding year, the current ratio of the Company had been increased by 1.49 per cent and Debt Equity ratio had been decreased by 2 per cent.

3. Operational Review

3.1 Performance

Audit Observation	Management Comment	Recommendation
Providing of security services, security investigations and other investigative services are the main functions of the Company. Even though it had been prepared an action plan including the expected physical and financial targets, the key performance indicators (KPIs) had not been prepared by the Management for the year under review for those main functions. Hence, the performance of the Company could not be evaluated in audit.	Indicating the financial and physical targets expected to be achieved by the year 2020, a plan is being prepared now.	In order to evaluate the performance of the Company, the performance indicators should be prepared and the performance of the Company should be evaluated.

3.2 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	According to the service agreements, the salary per day and Rs.200 had been deducted from the invoice value as a fine and surcharge, when security officers are not in duties. As such, a sum of Rs.46.08 million had been deducted from the invoices by the clients as the fines and surcharges during the year under review due to poor services. As a percentage, this represented 113 per cent as compared with net profit of the year under review. However,	A sum of Rs.200 and salary per day had been deducted as a surcharge from the invoice value, since March 2018 as per the agreements, for the absent days of the security officers.	The invoice values furnish to the clients should be reconciled with the service providing details submitted by the clients and thereafter that should be furnished.

	particulars of the deductions from the invoices had not been obtained from the clients and action had not been taken by the Company find out the reasons for the deductions.		
(b)	The Company had failed to recover the receivables from the clients amounting to Rs.11.63 million as at end of the year under review, as a result of the amendments made by the Government to the minimum salary rates payable to the security officers since the year 2015. Due to the lack of provisions in the agreement to recover the receivables, those balances had been shown as doubtful debts in the financial statements. When entered into the agreements with the Clients, adequate attention had not been drawn for the salary revisions and as a result that was directly affected to that situation.	To emend the security service salary rates, pharrell to increase of salaries by the Government in terms of the wages Boards ordinance, the conditions had not been included under the other institute in the year 2016. However, actions had been taken to include that conditions to the service agreements since the year 2018.	Actions should be taken to include the service conditions relating to make the amendments for service charges, pharrell to the changes of Government Policies and trends which affected to the service conditions, to the service agreements.
(c)	Even though the Company had paid a sum of Rs.1.41 million to the chief officers – in – charge during the year under review to accelerate the debt collections, the receivable debtor balances as at begening of the year amounted to Rs.593.20 million was increased to Rs.851.02 million by Rs.257.82 million as at	Due to the motivation of the chief security officers and officers – in – charge, with the payment of debt collection allowance, the debts could be able to collect on due dates and as a result, all the statutory payments had been made on due periods.	An efficient procedure should be introduced to collect the debts and its successfulness should be evaluated in timely manner.

	December of the year under review.		
(d)	The Company had obtained a plot of land situated in Aththidiya, extent of 120, purch, in the year under review from the Parent Company on long term lease basis, to construct the Head office building of the Company. Although a sum of Rs.16.52 million had been paid in that regard, action had not been taken to obtain the piliminay approval for the constructions valued at Rs.200 million and to prepare the initial plans up to June 2019.	The initial plans to construct a Training centre for the employees and a stores had been prepared. After being obtained the approval of the Board of Directors, the Procurement activities had been started.	After obtaining the required approvals for the construction of buildings from the respective institutions, the construction activities should be immediately completed.
(e)	The Company had not brawn its attention to implement strategic process activities which had been included in the Corporate Plan of the Company, up to end of the year under review.	To improve the Quality of the security services, as a strategy, a human resource planning system - SHRP, scheduled to be implemented. In order to improve the quality and efficiency service, out Bound Trainings, 3 days workshops and quality circulars scheduled to be carried out, in order to obtain ISO certificate.	Substantial actions should be taken to achieve the strategic objectives of the Company.

3.3 Operational Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	A project for fixing of CCTV Cameras had been implemented by the Company as a new business activity under the business diversification programme in the	Due to the identified business risk, engaging in only the security service business, the business diversifications had been conducted in 2017. The	Investments in new projects, should be make after being carrying out a feasibility study.

	preceding year. Even though the targeted income for the year under review amounted to Rs.75 million, the actual income amounted to Rs.8.11 million, and as compared to the preceding year, the income had been deteriorated by 12 per cent. As compared to the preceding year, the loss incurred by the Company due to increase of the administration expenditure as at end of the year under review amounted to Rs.2.64 million. Further, outstanding balance as at end of the year under review amounted to Rs.4.12 million. Furthermore, the customers had not been identified under that project. Even though the project had been implemented after being carried out a market survey, the reasons to the current situation had not been explained to audit.	Technical Solution Division had been established. Due to the following reasons, the Technical Solution Division was not profitable in the year 2018. • Not expanding of market due to initial stage of the business. • The cameras and accessories had been purchased form the Local Agents and sales to the customers. Hence, profit margin at a lower level as a result of higher costs. • The immense competition in the market.	
(b)	Without being entered into an agreement, the security services had been provided for the Urban Development Authority and receivable balance as at end of the year under review amounted to Rs.6.87 million. Providing of service without having a formal agreement, recovering of receivables may be a problematic issue as observed in audit.	The security service requesting letter furnished by the Urban Development Authority accepting the basis conditions of service providing, the security service had been provided without being signed an agreement.	Only after entering into the agreements with the clients, the security services should be provided.

3.4 Procurement Management

	Audit Observation	Management Comment	Recommendation
(a)	According to the Procurement Conditions of the Company, the suppliers those who had not	Even though non – registered suppliers for VAT should be provided a	According to the Procurement Guideline of the Company, Procurement activities should

	Audit Observation	Management Comment	Recommendation
	registered for the payment of VAT, a letter issued by the Department of Inland Revenue should be furnished. However, the Company had evaluated 2 bids valued at Rs.2,017,500 provided by non – registered suppliers for VAT without having the confirmation letter.	conformation letter given by the Department of Inland Revenue, said suppliers had not submitted those letters.	be carried out.
(b)	According to the Government Procurement Guidelines, the Company had not prepared a Procurement Plan.	A Procurement Plan prepared for the year 2018.	According to the Government Procurement Guidelines, a Procurement Plan should be prepared.

3.5 Deficiencies in Contract Administration

	Audit Observation	Management Comment	Recommendation
	Two construction contracts valued at Rs.2.50 million had been taken over by the Company from the Parent Company during the year under review. The following observations are made in that regard.		
(a)	According to the Procurement Guideline of the Company, the Procurement activities over Rs.100,000 and up to Rs.2 million, should be conducted by the major Procurement Committee. However, contrary to that requirement, an officer of the Company had selected sub – contractors for that contract for Rs.1.65 million.	The Company had selected the Juniors Company for that contract. That Company has been conducted the business activities since long period to time. The goods supplied by that Company in high quality and after sales services also very efficient.	According to the Procurement Guideline of the Company, the Procurement activities should be carried out.
(b)	An advance obtained by an officer amounting to Rs.325,400 for the above contract on 25 October 2018 had not been settled even up to May 2019.	The above transaction had been settled on 28 May 2018 by submitting all expenditure receipts to the Account Division.	Propt action should be taken to surrender the advances given to the officers.

3.6 Human Resource Management

	Audit Observation	Management Comment	Recommendation
(a)	The approved cadre of the Company as at 31 December of the year under review had been 87 and the actual cadre as at that date had been 96. Thus, excess cadre had been 17 and 04 vacancies existed. 13 posts in excess cadre were comprised with Management Assistants and Lower level Management Posts and 2 Director Posts had been vacant.	A nominal cadre had been approved for the cadre structure and for the Divisions in that structure. After the establishment of the Divisions in formal manner, the approval will be granted to recruit the staff. Although there are 2 vacancies in the Executive level posts, that works.	The vacancies in the approved cadre, should be immediately filled.
(b)	A recruitment and promotion procedure had not been prepared having the concurrence of the Department of Management Services and to obtain the approval of the Line Ministry.	It is expected to obtain the approval of the Department of Management Services.	A recruitment procedure should be prepared and Action should be taken to obtain the approval thereto.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Management Comment	Recommendation
According to the requirements in the Public Enterprises Circular No.PED/12 dated 02 June 2003, a Corporate Plan had been prepared in the year 2016. However, the plan had not been annually updated. As well, due to not preparing of an Action Plan for the year under review, the performance of the Company could not be evaluated.	Even though there are no performance indicators to evaluate the performance of the Company, due to not preparing of an Action Plan, the performance could be evaluated based on the year 2018.	According to the circular instructions, the Corporate plan should be updated in timely manner and an Action Plan should be prepared.

4.2 Budgetary Control

Audit Observation	Management Comment	Recommendation
A variance of 54 per cent was observed between the estimated net profit of the year under review the actual net profit. Thus, indicating that the budget had not been made use as an effective instrument of management control.	The budget was unsuccessful only in the area of uncontrollable factors to the Company and in other circumstances, it had been made use as an effective instrument of Management Control.	The budget should be made use as an effective instrument control.