

1 Financial Statements

1.1 Opinion

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

In my opinion, 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 Accounting standard for small and medium sized entities.

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 standard for small and medium sized 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 (Responsibility of the auditors 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 Accounts Receivable and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The balance due at the end of the year under review for the providing of security services was Rs. 1,018.12 million and over 53 percent of that balance, or Rs. 535 million, was due from the Ministry of Health. Out of this, Rs. 3.51 million was due for a period between 2 and 5 years. Furthermore, the balance due from the National Water Supply and Drainage Board at the end of the year under review was Rs. 175.42 million, of which Rs. 7.18 million was due for a period of between 2 and 5 years and Rs. 8.45 million was due for a period of more than 5 years. This situation had adversely affected the working capital of the company.	The debt collection process has been made faster and more efficient by the institution by November 2023, and the amount owed to the Ministry of Health for the providing of security services has decreased to Rs. 780 million and the amount owed to the Ministry of Health to Rs. 261 million by 01 August 2025.	Steps should be taken to recover the debtor balances promptly.
(b) The balance due for the providing of technical services, providing of safety equipment and from debtors of events and competitions sectors of the company and the balance due from debtors for manpower supply by the end of the year under review were Rs. 6.22 million and Rs. 459.77 million respectively and of these, Rs. 2.14 million and Rs. 1.82 million had not been recovered from the debtors for a period of between 2 and 5 years.	The balance to be recovered from these sectors has decreased to Rs. 2.12 million as of by 01 August 2025 due to the efficiency of the debt collection process of the company and the outstanding balance for manpower supply has decreased to Rs. 393 million.	Action should be taken to recover the debtor balances promptly.
(c) Although the Company is entitled to receive Rs. 220.45 million as at 31 December 2024 due to further	There is a risk in debt collection only for bills that are more than 5 years past	Steps should be taken to recover outstanding balances promptly.

supply of services for 103 old debtors of Rs. 74.18 million ranging from 01 to 11 years at the beginning of the year under review, there was a risk of recovering that amount. That value is about Rs. 41.33 million. The institution will continue to work to establish contractual relationships with clients who have outstanding balances and establish new contracts with them.

- (d) The balance of festival advances receivable at the end of the year under review was Rs. 12.1 million and out of this, Rs. 8.38 million was due from years 1 to 12 and out of this, Rs. 7.54 million represents employees who left the duty informally and the balance had not been recovered to date. If the institution has any claims against employees who have left the service (unpaid salaries, security deposits), action will be taken to recover the amounts due in due course. The money can only be recovered from other employees who have left the service if they are re-employed. The institution will decide on appropriate measures in this regard in due course. Action should be taken to promptly recover the festival advances due.

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
(a) The financial statements stated that the salaries payable to the officers who left the company for the period of service of those officers amounted to Rs. 53.56 million and out of this, the salary payable for the year under review was Rs. 15.73 million and the value for years 1 to 5 was Rs. 37.83 million.	Agreed with the observation.	Unpaid salaries should be included in income 14 days after paying the salary in terms of the F.R. 271 (2) (a).
(b) No action had been taken to resolve the security deposit value of Rs. 1.06 million relating to 448 security officers who have served for more than a year and have left according to company policies.	Relevant arrangements will be made after final confirmation of the resignation.	Immediate steps should be taken to settle the liabilities of the company.

1.6 Related Party Transactions

	Audit Issue	Management Comment	Recommendation
(a)	The company was liable to be charged Rs. 26.10 million and Rs. 20.26 million respectively for “Manpower Services” and “Security Services” provided by the company to its parent company, Land Reclamation and Development Company. Out of this, Rs. 1.80 million was due from the providing of manpower services between 02-05 years and Rs. 15.44 million was due over 05 years, while Rs. 14.11 million was due from the providing of security services between 02-05 years and Rs. 0.89 million was due over 05 years from the parent company.	Officials have been informed to expedite the recovery of overdue loans from the Land Reclamation and Development Company.	Immediate steps should be taken to settle transactions with related parties.
(b)	The company provided security services worth Rs. 84.4 million and manpower services worth Rs. 366.10 million to its ultimate parent, the Sri Lanka Land Development Corporation, during the year under review. Out of these, Rs. 33.86 million and Rs. 61.26 million respectively were still due to the company by the end of the year under review. Also, since the company should have received Rs. 25.63 million for the services provided Technological Solution to the main parent corporation in previous years and other expenses incurred, the progress of the company in recovering payments for services provided to its parent corporation remained poor.	Discussions are currently underway regarding the settlement of bills from the main parent company relating to the provision of security services and manpower. Action will be taken to collect these bills in due course.	Action should be taken to promptly recover all debt balances, including related party debt balances.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 15 of the National Audit Act, No. 19 of 2018	The company had not tabled its audited financial statements and annual reports in Parliament since 2018.	No action had been taken in this regard so far, and steps will be taken to rectify these matters in due course.	Steps should be taken to table the financial statements and annual reports in Parliament in accordance with the provisions of the Audit Act.
(b)	Companies Act No. 07 of 2007			

- (i) Sections 133 and 144 The company did not hold annual general meetings for the years 2023 and 2024. The relevant officers have been instructed to organize arrangements to hold a general meeting for the year 2024 following the submission of the audit reports. Annual general meetings should be held in accordance with the provisions of the Companies Act.
- (ii) Sections 166 Although the Board of Directors of every company is required to prepare an annual report on the activities of the company during the accounting period ending on that date within 06 months after the balance sheet date, no action had been taken by the company in that manner. Instructions have been given to the relevant officers to prepare the annual reports as scheduled in due course. Annual reports should be prepared within the prescribed time frames as per the provisions of the Companies Act.
- (c) Paragraph 3.1 of Public Enterprise Circular No. 01/2024 dated 28 February 2024 Not to provide new allowances to employees or amend existing allowances without obtaining prior approval from the Treasury, and although operational or performance-related incentive schemes should be submitted to the Department of Public Enterprises for approval in accordance with paragraph 3.2 (v) of the Operations Manual for State-Owned Enterprises introduced by State Enterprise Circular No. 01/2021 dated 16 November 2021, Rs. 28.45 million had been paid as “performance incentives” to the staff during the year under review by the company in contrary to that. Performance allowance of Rs. 28.45 million paid in 2024 was not introduced in 2024 and since the said allowance has not been obtained since 2018, prior approval has not been obtained from the Treasury in this regard and attention has been focused on submitting it to the Department of Public Enterprises. Arrangements should be made to pay performance incentives with the necessary approvals in terms of the provisions of the circular.

1.8 Non-compliance with tax regulations

Audit Observation	Management Comment	Recommendation
(a) Although an annual return of Advance Personal Income Tax should be submitted to the Commissioner General of Inland Revenue within thirty days from the end of each year ending on the thirty-first day of March, the annual report for the assessment year 2023/2024 had been submitted to the Commissioner General of Inland Revenue 111 days late, i.e. on 20 August 2024 by the company in terms of Section 86 (2) of the Inland Revenue Act, No. 24 of 2017.	Steps will be taken to prevent delays in filing advance personal income tax returns.	The annual tax return should be submitted within 30 days in terms of the provisions of the Inland Revenue Act,
(b) If a person earn or expect to earn assessable income from a business or investment during a particular assessment year, the income tax had not been paid in quarterly installments for the assessment year 2024/2025 by the company even though the tax should be paid in quarterly installments by the person in terms of Section 90 (1) of the Inland Revenue Act, No. 24 of 2017.	It was not possible to pay the quarterly income tax in the year 2024/2025 and the main reason for this is that the company is taking priority in paying off previous tax arrears. Accordingly, the institution did not have enough financial strength to pay both the arrears of taxes and the quarterly income tax payment.	Income tax should be paid in quarterly installments in accordance with the provisions of the Inland Revenue Act.
(c) Although an estimate of the tax payable for the assessment year 2024/2025 should be filed by the company by the date on which the first tax installment is paid to the Commissioner General of Inland Revenue in terms of Section 91 (1) of the Inland Revenue Act, No. 24 of 2017, no measures had been taken accordingly.	An estimate of the tax payable in the year 2024/2025 was not filed and steps will be taken to overcome this shortcoming in due course.	An estimate of the tax payable should be submitted in accordance with the provisions of the Inland Revenue Act.
(d) According to the accrual basis that the VAT payable by the company for each month in terms of the Section 11 of the Value Added Tax (Amendment) Act, No. 08 of 2006 shall be remitted to the Inland Revenue Department on or	Approval had been obtained to pay VAT on the company's cash basis and	The VAT payable should be remitted to the Inland Revenue Department on or

before the 20th day of the following month and the value of VAT payable to the Inland Revenue Department was Rs. 721.33 million, and out of the VAT amount received from clients, Rs. 95.26 million for the year 2024 and Rs. 351.48 million as of August 2025 had not been remitted to the Inland Revenue Department. The amount had also been utilized for working capital of the company.

Accordingly, the VAT payable is approximately Rs. 454.86 million. It amounts to about Rs. 736.82 million including VAT collected from debtors. (on accrual basis) Currently, only Rs. 95.26 million remains of the VAT payable for 2024. However, the institution will work according to a plan to pay all these VAT arrears by July 2026.

- (e) Even though tax cycle number 05 should be used to deduct tax on profits derived from the employee's employment when an employee commences employment during the assessment year in terms of the paragraph 7 (e) of the Circular No. SEC/2023/E/01 dated 29 March 2023 of the Commissioner General of Inland Revenue, tax cycle number 01 had been used in the tax deduction of 09 employees who joined the company during the assessment year 2024/2025.
- This observation is acknowledged and will be corrected in due course.
- Measures should be taken to use Tax table No. 05 in accordance with the circular provisions.

2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a net profit before tax of Rs. 86.23 million and the corresponding net profit before tax in the preceding year amounted to Rs. 123.98 million. Therefore a deterioration amounting to Rs. 37.75 million of the had been observed. The reasons for the deterioration are cost of services have increased by Rs. 466.8 million and cost of services and other expenses have increased by Rs. 28.6 million compared to the previous year financial result was observed although revenue has increased by Rs. 457.52 million compared to the previous year.

2.2 Trend Analysis of major Income and Expenditure items

According to the information included in the presented financial statements, following were observed in the evaluation of the financial results of the institution in relation to the year under review and the preceding year.

Description	2024 Rs. Million	2023 Rs. Million	Variation Rs. Million	Percentage of variation in percent
Revenue	4,095.87	3,638.35	457.52	12.57
Other Income	40.54	38.25	2.29	5.99
Cost of Services	3,807.88	3,341.08	466.80	13.97
Administration Expenses & Other Expenses	235.20	206.60	28.60	13.84
Finance Cost	7.10	4.94	2.16	43.72

- (a) The revenue of the company had increased by Rs. 457.52 million compared to the previous year and the reasons for this is an increase in security services revenue by Rs. 32.21 million and manpower revenue by Rs. 427.45 million during the year under review.
- (b) Cost of Services had increased by Rs. 466.8 million compared to the previous year. This was mainly due to the increase in salaries and wages of manpower and security service providers and the increase in other allowances paid on that basis.
- (c) Administrative expenses and other expenses increased by Rs. 28.6 million and this was due to the spending Rs. 28.4 million on New Year's performance incentives of the company. Advertising expenses had also increased by Rs. 5.83 million compared to the previous year.

2.3 Ratio Analysis

As per the information presented, some important ratios of the company for the year under review compared with the previous year are given below.

	2024	2023
Gross Profit Margin (percent)	7.03	8.1
Net Profit Margin (percent)	1.55	2.41
Current Ratio	1.54:1	1.49:1
Debtors Turnover Ratio (times)	2.65	2.53
Debtor Collection Period (No. of days)	137	144

- (a) The gross profit margin of the company had decreased by 1.14 per cent compared to the previous year, revenue of the company increased by 12.57 per cent or Rs. 457.52 million, while the cost of services increased by 13.97 per cent or Rs. 466.8 million was mainly affected to this situation.
- (b) The current ratio has increased from 1.49:1 to 1.54:1 in the year under review in line with the previous year. This was mainly due to the increase in cash and cash equivalents by 7.66 percent.
- (c) Even though the current assets of the company also include short-term fixed deposits worth Rs. 138.1 million, only a nominal value of these fixed deposits had been stated in the financial statements and their liquidity had remained low since the Company had obtained bid and performance bonds worth Rs. 157.81 million by the end of the year under review against the said fixed deposits.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Even though a 120-perches land in Attidiya, belonging to the main parent corporation, had been acquired by the company for a sum of Rs. 19.91 million on a 30-year long-term lease basis in 2018 for the construction of its new head office building, no construction has been carried out on the building although 6 years have passed. A wall measuring about 700 feet long had been constructed around the land at a cost of Rs. 5.877 million in 2019 and this wall had been constructed beyond the leased land to block the access road to the remaining land plots belonging to the main parent corporation and to include the land to be allocated for the canal reserve. Similarly, it was also observed during the audit that a 33 KVA high-voltage power line had been laid through the land purchased for the construction of the main office building.	The agreement entered into by the company's parent company regarding the construction of the Attidiya office building and all the expenses incurred by the institution in connection with it have been observed and agreed upon.	Management should take steps to make economic decisions that are beneficial to the company through a proper study.
(b) Although it been decided to terminate the lease agreement mentioned in "a" and return the land to the main parent corporation by settling an amount of Rs. 13.22 million, as per the decisions of the Board of Directors held in June 2024, it had been decided by the main parent	The agreement entered into by the parent company of the company regarding the construction of the Attidiya office building and all the expenses incurred by the institution in connection with it have been observed and agreed upon.	Management should take steps to make economic decisions that are beneficial to the company through proper study.

corporation to offset that amount for the outstanding rent of Rs. 16.81 million that is payable to the main parent corporation by the company for the office premises located on Kiri Mandala Mawatha. The value of the wall built around the land and the buildings availed there had not been taken into account by the company, When reacquiring this land, and a cost of Rs. 11.98 million had been incurred from 2018 to 2024 for the security of the land, obtaining geodetic survey reports, telephone, land rent, water and electricity. Accordingly, a huge financial loss had to be incurred by the company due to this transaction.

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| (c) | 547 units worth Rs. 2.28 million remained at the end of the year under review out of the 1,669 CCTV equipment purchased by the company for sale in 2018 for \$49,537.90 (Rs. 8.73 million), and inventories worth Rs. 3.19 million had also been written off in 2021 without a formal approval due to technological obsolescence. No measures had been taken by the company to take legal action against officials who made purchases in a manner that was not in accordance with the procurement guidelines or without acting according to the section 1.2.1 of the Procurement Guidelines of 2006. | An investigation has been conducted and reported on the weaknesses in the procurement process followed in relation to the purchase by the Internal Audit Division of the Corporation. Steps have been taken to file a complaint with the Criminal Investigation Department based on that report. | After identifying the market need, procurement should be carried out accordingly and proper strategic plans should also be prepared to accelerate the sales of relevant equipment. Disciplinary action should be taken against parties who fail to comply. |
| (d) | The company had imported 481 units out of 1000 units of “Hand Held Metal Detectors with Chargers” worth Rs. 2.34 million in 2018 and 731 units of security equipment related to 8 items worth Rs. 6.77 million, which remained unsold until the end of the year under review. The warranty period for these devices had expired by now and no local representative had been appointed for after-sales service. Due to the inability to sell the goods due to the importation of goods without proper study of market needs and technological obsolescence, a stock amounting to Rs. 5.18 million had also been written-off in 2021. Furthermore, even | An investigation on weaknesses in the procurement process followed in relation to the purchase had been conducted by Internal Audit Division the Corporation's and reported on the same. Measures had been taken to file a complaint to the Criminal Investigation Department based on that report. The senior management had been informed in a letter dated 24 April 2024 by the Criminal Investigation Department (CID) that further investigations in this regard will not be conducted by the said department after reviewing the | After identifying the market need, procurements should be carried out accordingly and proper strategic plans should be prepared to expedite the sales of the relevant equipment. Disciplinary action should be taken against parties who fail to comply. |

though an investigation into these transactions has been going on by the Criminal Investigation Department since 2021, the investigation has not been completed to date. An investigation has not been conducted into these transactions by the company yet and no action has been taken regarding these stock units.

progress of the investigation. However, even though tenders have been held on several occasions to sell the remaining items, they have not been able to be sold. Until then, efforts are being made to sell those items.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) 2929 officers had been recruited for the security service and other services during the year under review and 1036 officers in service had resigned or left the service without informing. Any action had not been taken by the company to minimize this employee turnover.	It is very difficult to retain employees due to the very low salaries in the security service. The only motivation for reducing employee turnover is to increase salaries, and requests for this have already been made from major employers.	Efforts should be made to improve the performance of the company by minimizing employee turnover.
(b) Even though the revenue of the boat service operated by the company, without proper assessment of market demand and revenue and expenditure forecasts for the year under review, was Rs. 7.22 million, since the actual cost incurred during the year to operate the boat service was Rs. 10.09 million resulting in a loss of Rs. 2.87 million for the company.	The prices charged for pleasure boat rides will be revised and the cadre will be reduced in due course by the company in order to minimize the financial losses of the boat service.	Attention should be drawn to assess the market needs and revenue and expense forecasts accurately and to conduct business operations in a cost-effective manner.

3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
Rs. 4.9 million had been paid in January 2025 for the remaining medical leave of employees of the company for the year 2024 with the approval of the Managing Director of the company alone. Similarly, this amount had been prepared by including a cost of	The observation is accepted and it will be paid only under the approval of the Board of Directors from year 2025. Also, the reason for adding the cost of living allowance and paying medical leave was using this allowance on the basis on which paying in 2023. Further, permission had been granted to calculate	Action should be taken to make the relevant payments correctly based on proper approvals and disciplinary action should be taken against responsible

living allowance in addition to the basic salary. the allowance for the remaining medical leave, including the cost of living allowance, for this year in accordance with the letter number PED/SLLDC/1/11 (ii) dated 29 April 2025 issued by the Department of Public Enterprises to the Land Development Corporation parties who fail to comply.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>Under registration of suppliers of the company in 2024, only two institutions had been selected for motor vehicle repair and maintenance activities. Out of the total repair cost, repairs worth Rs. 1.31 million were carried out by that one supplier, while the remaining repairs worth Rs. 4.58 million were carried out by suppliers not registered with the company. Although it is stated in accordance with 3.4.3 (c) of the Procurement Guidelines 2006 that the procurement entity should limit its activities to the institutions mentioned in the list, the repair and maintenance work had been outsourced to other institutions outside of the two selected institutions by the company, and it is not a practical method to select a suitable supplier from two suppliers and this had resulted missing the opportunity to select a qualified candidate through a competition from a larger pool of suppliers.</p>	<p>Local agents have been authorized to carry out repairs and maintenance work in accordance with 9.3.1 (a) of the Procurement Guidelines 2006, and Rs. 1.36 million had been spent for the same by the institution. Also, the value of repairs and maintenance carried out by the institution through registered suppliers is about Rs. 2.11 million. The procurement guidelines effective from 2025 allow repair and maintenance of vehicles through local agents or approved garages and decision had been taken by the institutions have decided to take action in due course accordingly.</p>	<p>Efforts should be made to enhance the performance of the company by selecting suppliers according to procurement guidelines and ensuring that relevant tasks are carried out properly and disciplinary action should be taken against responsible parties who do not comply.</p>

3.5 Utilization of Resources of Other Organizations

Audit Issue	Management Comment	Recommendation
<p>07 employees of the company have been deployed to the main parent corporation in various positions since 2020 despite it has been stipulated that officers of state enterprises should not</p>	<p>Vacancies had been filled for those positions due to the lack of employee positions in the main parent company. There has been a certain delay in the settlement of the</p>	<p>The human resources of the company should be managed efficiently and effectively in</p>

be released for service in the ministry or other state institutions in terms of the paragraph 6.8 of the Operations Manual for State-Owned Enterprises introduced by Public Enterprise Circular No. 01/2021 dated 16 November 2021. The salaries of Rs. 13.86 million paid to these officers from the year 2020 to the year under review had not been reimbursed to the company.

said amount. Action will be taken to settle the amount expeditiously in due course.

accordance with the circular and immediate action should be taken to recover the due amount from the parent company.

3.6 Human Resources Management

Audit Issue	Management Comment	Recommendation
08 officers had been employed on a contract basis by the company without obtaining the approval of the Department of Management Services contrary to paragraph 2.4 of the Department of Public Enterprises Circular No. 04/2022 dated 08 August 2022 and Rs. 4.23 million had been paid to them as salaries and allowances during the year under review.	Recruitments are carried out based on work requirements, i.e. when necessary for the survival of the organization since this company is a Self-reliant entity. Approval for the cadre had not been received to date from the Department of Management Services for this company and recruitment decisions have to be made based on business fluctuations.	Recruitment should be made with the approval of the Department of Management Services in accordance with the provisions of the circular.

3.7 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
Even though a fuel consumption test should be performed again after each fuel test, after a period of 12 months or after 25,000 kilometers of driving or after a major engine repair, whichever comes first in accordance with paragraph 03 (1) of Public Administration Circular No. 30/2016 dated 29 December 2016, The fuel consumption tests had not been conducted by the company in 7 years.	This observation is accepted and a request in this regard has already been forwarded to the Land Development Corporation and it is expected to conduct a fuel consumption test of the company by the committee itself after inspecting the vehicles of the corporation.	Steps should be taken to conduct fuel inspections as per the circular.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
Although the annual financial statements of statutory bodies should be submitted to the Auditor General within 60 days of the end of the financial year in terms of the paragraph 6.6 of the Operations Manual for State-Owned Enterprises introduced by Public Enterprise Circular No. 01/2021 dated 16 November 2021, the financial statements for the year under review had been submitted by the company for the audit on 09 July 2025, i.e. after a delay of 04 months.	Officials have been instructed to take steps to minimize the delay from 2025.	Annual financial statements should be submitted to the Auditor General within 60 days of the end of the financial year.

4.2 Corporate Plan

Audit Issue	Management Comment	Recommendation
The financial forecast and gap analysis should be conducted and an action plan, including strategies to achieve them, an annual budget for the relevant year and a five-year strategic plan should be prepared and submitted to the parent company in terms of the paragraph 2.3 and Annexure 01 of the Guidelines on Corporate Governance introduced by Public Enterprise Circular No. 01/2021 dated 16 November 2021 and although this plan should be updated every year in line with changes in the business environment, the company had not acted accordingly. Although the corporate plan had been prepared by the company by paying Rs. 200,000 to a consultant, it had not been prepared properly.	An amount of Rs. 200,000 had been paid by the company for the preparation of the strategic plan and subsidiary policy in 2024 and the plan to achieve the goals of the organization has been discussed very extensively in the prepared strategic plan. It provides a comprehensive analysis of the organization's direction and system of core values.	Plans should be prepared and updated as per the circular.