

Sri Lanka Cement Corporation - 2019

1.1 Qualified Opinion

The audit of the financial statements of Sri Lanka Cement Corporation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 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 and Finance Act No. 38 of 1971. 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 Corporation as at 31 December 2019, 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 Qualified Opinion

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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 scepticism 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 Corporation'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 Corporation'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 Corporation 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 Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation 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 the preparation of 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-Compliance with Sri Lanka Accounting Standard

Non-Compliance with the Reference to Particular Standard	Comment of the Management	Recommendation
(a) Although the income earned on lease agreements cannot be identified as a part of the revenue as per Section 6 (a) of the Standard No. 18 of the Sri Lanka Accounting Standards, lease income totalling to Rs.59,317,816 earned in that manner had been brought to accounts as revenue. In addition, rental income totalling to Rs. 4,668,200, which had not been covered by the scope relating to the revenue of this Standard had also been brought to accounts under revenue in the financial statements.	According to a decision taken at a meeting held at the Line Ministry, rental income has been considered as revenue.	Action should be taken to identify and to account the revenue in accordance with the Standard.
(b) In terms of Section 90 (b) of the Standard on Lease in Sri Lanka Financial Reporting Standards (SLFRS) No. 16, lease income totalling to Rs.37,934,300 as at 31 December 2019 had been brought to accounts as revenue even without disclosing it separately.	As the production and sale of cement had stopped, the rental was recorded as income as per the decision taken at a meeting held at the Ministry.	Lease income should be disclosed separately as per the Standard.
(c) Even though action should be taken to disclose and correct the errors in the financial statements of the previous years in terms of Section 49 (a) of the Sri Lanka Accounting Standards No. 08, action had not been taken to debit the value, totalling to Rs.238,700,000 as at 31 December 2019, which had been removed from the revaluation reserve, from the retained earnings account and to credit the value to the revaluation reserve account. However, measures had been taken to rectify the error of accounting lands, which were not investment property, as investment property during the year under review.	The error would be rectified in the financial statements for the year 2020.	Action should be taken to disclose and correct errors taken place in previous years in accordance with the Standard.

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| (d) | Adequate information on the method of depreciation that had been used in terms of Section 73 (b) of Sri Lanka Accounting Standards No. 16 on Property, Plant and Equipment and on the assets totalling to Rs. 4,851,521, which had been fully depreciated and currently in use had not been disclosed in the financial statements in terms of Section 79 (b) of that Standard. | I will take action to rectify. | The method of depreciation should be disclosed and the assets that have been completely depreciated and used should be disclosed in terms of the Standard. . |
| (e) | Although the nature and additional information regarding short-term and long-term employee benefits should be disclosed in the financial statements in terms of Section 104 of the Sri Lanka Accounting Standards No. 01 and Sections 25 and 158 of the Standards 19 on Employee Benefits, adequate information regarding the expenditure on employee benefit totalling to Rs.1,781,738 had not been disclosed in the financial statements. | Short-term benefits of employees have been indicated separately. | Adequate information on employee benefits should be disclosed in financial statements. |
| (f) | Although the Cash Flow Statement should be prepared in accordance with the Sri Lanka Accounting Standards No. 07 on the Preparation of Cash Flow Statements, the cash flow statement for the year was prepared in contrary to the Standard, without considering the actual cash inflows and outflows. Further, sufficient written explanations were not submitted to the audit to examine the cash flow statement submitted to the audit along with the financial statements. | I will take action to make adjustments to the cash flow statement and to send it. | The cash flow statement should be prepared according to the Standard. |
| (g) | Although the adjustment value of the previous year totalling to Rs. 3,684,059 as per Sri Lanka Accounting Standards No. 01 should be adjusted to the initial balance of the Cumulative Retained Earnings Account and Statement of Changes in Equity, that value had been brought to accounts | I will adjust the cash flow statement and send it. | The cash flow statement should be prepared according to the Standard. |

as a profit of the year under review in the Statement of Comprehensive Income. Accordingly, the profit for the year under review as at 31 December 2019 had been overstated by Rs.3,684,059 and the loss, which was the opening balance of Cumulative Retained Earnings Account had been overstated by that value.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Aruwakkalu Limestone Depository of Puttalam, which was 5,423 acres, 2 roods and 36 perches in extent and which had been transferred to the Corporation by the Gazette Notification No. 283/2 of 20 September 1977, was stated as 5,164 Acres, 0 Roods and 25 Perches in the Financial Statements. Action had not been taken to assess and to account this land out of which an extent of 5153 acres, 03 roods and 40 perches had been leased to a company for a period of 50 years.	It is not possible to accomplish the task due to the difficulty in finding financial provision for the institution for the valuation of the land.	The assets of the Corporation should be assessed and brought to accounts.
(b) An extent of 241.56 acres at Kankesanthurai had been transferred to the Corporation on 08 July 1960 as per Gazette Notification No. 12156 of 08 July 1960 and Plan bearing No. A 2099. It was observed that the Corporation also had two oil tanks as per the plan related to the transfer and action had not been taken to assess and to account this land and the oil tanks.	The land is in the custody of the security forces. The land cannot be assessed until it is released.	The assets owned by the Corporation should be assessed and brought to accounts.
(c) The Sri Lanka Air Force (SLAF) has released 28,750 cubic metres of limestone stock, out of the limestone stock excavated and stacked on Kankesanthurai land owned by the Corporation, to the	This stock of limestone had to be valued. Since a large quantity of the limestone had been lost, the new Board of Directors had proposed to	This stock of limestone owned by the Corporation should be valued and brought to accounts.

- Corporation by the letter No. SLAF/1028/3/10/WKS of 06 December 2018. The limestone stock, which had been in an unsecured condition for about a year and a half, had not yet been valued, and brought to accounts and safeguarded and utilized for a task, which derives economic benefits.
- implement a new project using the limestone.
- (d) Even though the value of rent to be paid to the State Engineering Corporation by the Corporation as at 31 December 2019 had been recorded as Rs. 3,822,724 the value of rent to be paid to that Corporation according to the rent schedule submitted to the audit was Rs. 1,302,462 and the total of Rs. 2,520,262 had been overstated as rental payable in the financial statements.
- According to the letter sent by the State Engineering Corporation, the rental has been recorded only up to 31 December 2012. We will settle the arrears as per the letter of the Engineering Corporation.
- The rent to be paid should be checked and recorded in the accounts accurately.
- (e) Even though the amount to be recovered by a case filed by the Corporation against an individual was stated as Rs. 1,112,000, it was observed to the audit that the amount to be paid by that person to the Corporation had been understated by Rs. 2,730,002 in the financial statements.
- The revised accurate value will be stated in the financial statements in the future.
- Financial statements should be rectified as per the reply.
- (f) According to the ledger and the financial statements of the Corporation, the total sales value as at 31 December 2019 was Rs.565,128 and the cost of goods for sale was Rs.565,129. Accordingly, a gross profit had not been earned during the year under review. However, other income totalling to Rs. 62,741,688, earned from various sources had been stated as gross profit earned in the statement of income for the year under review.
- The rent and rental income for the limestone deposit has been recorded as Revenue in the Statement of income for the year 2019.
- The other receipts should be stated as other incomes in the statement of income.
- (g) The Corporation had been informed to pay a penalty of Rs. 678,794 charged for underpayment of income tax by the
- Action had not been taken to pay or account this penalty since a request had been made
- Since the penalty has not been paid, it should be brought to accounts and

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| <p>Corporation for the year of assessment, 2017/2018. Although the Corporation had requested to waive off the penalty, the Corporation had not received a written permission in that regard. Action had not been taken to pay or to account the penalty during the year under review.</p> | <p>to waive off this penalty.</p> | <p>later it should be settled.</p> |
| <p>(h) Interest income earned from short-term deposit, totalling to Rs. 365,655 and due to be received by 31 December 2019 had been brought to accounts as short-term deposits. As a result, short-term deposit interest income had been understated by that value in accounts while short-term deposit value had been overstated by that value in accounts.</p> | <p>I would state the interest income to be received in the future as interest income without stating it under deposits.</p> | <p>Interest income receivable should be brought to accounts properly.</p> |
| <p>(i) Since the interest income that should be received on the Treasury Bills totalling to Rs.190,642 as at 31st December 2019 had been brought to accounts in the Treasury bills account, the interest income receivable had been understated by Rs. 190,642 in the accounts and the value of treasury bills had been overstated by Rs.190,642 in the accounts.</p> | <p>I will take action to identify interest income receivable in the future as the interest income receivable without stating it under Treasury Bills.</p> | <p>Interest income receivable should be brought to accounts accurately.</p> |
| <p>(j) Lanka Cement Corporation had been suspended by the Colombo Stock Exchange with effect from 31 December 2017 for not submitting annual reports and the Corporation had recorded a total of Rs.617,662,779, the investments done at the Colombo Stock Exchange, as the value of investment in the Financial Statements for the year 2019 based on the market value of Rs. 5.70 per share for the year 2017. Accordingly, the true market value of the investment could not be brought to accounts and the manner of accounting the investments had not been disclosed under the Accounting Policies too.</p> | <p>In recording investments in the financial statements for the year 2020, the present value should be taken in to consideration in accounting.</p> | <p>Investment should be brought to accounts in accordance with the Accounting Standards and the Accounting Policy should be disclosed.</p> |

- (k) Invoice for the amount of Rs.335,249 bearing No. 036980 had been issued for the audit fees payable by the Corporation in 1990. Action had not been taken to pay that value up to 31 December 2019 or to account it as an expenditure payable. The audit fee of the Corporation for the year 2004 was Rs.188,258 and it was not possible to issue invoices as the consent in that regard had not been granted. Provision had not been allocated for audit fees payable in the preparation of the financial statements of the Corporation.
- It is difficult to find documents related to the year 1990. It is difficult for us to ascertain about granting the approval by the Ministry for audit fees of the year 2004.
- Action should be taken to record audit fees accurately in accounts.

1.5.4 Unreconciled Control Accounts or Reports

Subject	Value according to the financial statements	Value according to correspondin g records	Difference	Comments of the Management	Recommendation
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	Rs.	Rs.	Rs.		
Fixed Assets	9,598,396	6,000,122	3,598,274	Only the cost of assets that could be identified in 2016 had been recorded in the Fixed Assets Register. Assets that cannot be identified had not been stated.	Action should be taken to rectify the fixed asset register.

1.5.5 Consolidation

Audit Observation	Comments of the Management	Recommendation
<p>The Corporation had invested a total amount of Rs. 10,083,618,910 in 108,361,891 shares of Rs.10 in Lanka Cement Corporation. Accordingly, although the Corporation had possessed 62.45% of the share capital of Lanka Cement Corporation, a subsidiary of the Corporation, the Corporation had not prepared consolidated financial statements for the year under review. The employees of this State Corporation had been given voluntary retirements and the company had been shut down by the year under review.</p>	<p>Since Lanka Cement Corporation has not prepared financial statements for the year 2019, it is not possible to prepare the consolidated financial statements.</p>	<p>Consolidated financial statements should be prepared in accordance with the Accounting Standards.</p>

1.5.6 Lack of Documentary Evidence for Audit

Subject	Amount	Evidence not made available to Audit	Comments of the Management	Recommendation
	Rs.			
(a) Trade and Other Receivable Balances	28,433,713	Balance Confirmation Letters	Even though confirmation of balances had been requested, they have not yet been received.	Action should be taken to obtain confirmation of balances for loan balances.
(b) investments	6,400,000	Evidence to confirm invested shares	Although evidences have been requested, the Corporation has not submitted evidences requested by the audit.	Adequate written evidence should be obtained and submitted to the audit.
(c) Taxes Payable (VAT)	12,471,720	Evidences for Confirmation of Balances	It is difficult to confirm these balances that have been outstanding for a longer period.	Balance confirmation evidences should be submitted to the audit.

(d)	Taxes Receivable (VAT)	9,935,654	Evidences for the confirmation of balances.	This total value cannot be confirmed.	Balance confirmation evidences should be submitted to the audit.
(e)	Withholding Tax Receivable	2,748,462	Withholding tax certificates	This value cannot be confirmed.	Balance confirmation evidences should be submitted to the audit.

1.6. Receivable and Payable Accounts

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
An amount totalling to Rs. 65,869,285, out of the Rs. 76,862,633, total balance of trade and other receivables stated in financial statements as at 31 December 2019, was a balance outstanding for more than 03 years, action had not been taken to recover the balance outstanding even by the end of the year under review.	Replies had not been given in relation to the balance outstanding for more than 03 years.	Action should be taken to recover these old loan balances.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
A total of Rs. 25,936,138, out of the trade and other payable balance totalling to Rs. 28,433,713 mentioned in the financial statements as at 31 December 2019, had been stated as a balance payable for more than 03 years and action had not been taken to pay and settle the amount even during the year under review.	Replies had not been given in relation to the balances outstanding for more than 03 years.	The accuracy of the expenditure payable should be ascertained and action should be taken to pay and settle the expenditure.

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

Reference to Laws, Rules and Regulations	Non- compliances	Comments of the Management	Recommendation
	Rs.		
(a) FR 135 of the Democratic Socialist Republic of Sri Lanka	Financial management functions had not been delegated in writing to the staff of the Corporation.	The approval had been obtained by a Board paper.	Action should be taken in terms of the Financial Regulations.
(b) FR 260 and 264	Although the receipt of cheque or money should be supported by a receipt from the payee and identity of payee should be confirmed and receipt should be received from the payee that the payee received money in making payment using vouchers, the payment had been made without a signature on the voucher or without obtaining a receipt for making payment when a total payment of Rs. 3,559,008 had been made using 72 payment vouchers. The relevant cheques had been banked by the institution itself at the request of the payee.	Payments are made by cheques and we deposited the cheque in the bank at the request of the payee, whose name is on the cheque. The deposit slip has been attached to the voucher. If any correction has to be made as mentioned in the audit query, it will be corrected in the future.	Action should be taken in terms of the Financial Regulations.
(c) FR 757 (4)	Even though a verification of goods should be conducted in relation to the assets of the Corporation and a report should be submitted to the audit, the report of the Board of Survey as at 31 December 2019 had not been submitted to the audit even by 15 August 2020.	The preparation of reports of the verification of goods was delayed.	Action should be taken in terms of the Financial Regulations.

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| (d) | Public Enterprises Circular No. 02/2018 of 14 November 2018 | The Corporation had invested a total of Rs.19,261,864 as at 31 December 2019 and a sum of Rs.51,500,000 in Fixed Deposits in a State Bank in January 2020 without obtaining the approval as per this Circular. | The money saved from the income received in the year 2019 and the total income of 2020 has been deposited in a state bank as fixed deposits. | Action should be taken in terms of the Financial Regulations. |
| (e) | Section 5 (2) of the Public Finance Circular No. 01/2014 of 14 February 2014 | An Internal Audit Plan had not been prepared in accordance with this Circular and an Internal Audit Division had not been operated in the Corporation since 2016. | In the future, an Audit Division will be established and the relevant functions will be assigned to the Division. | An internal audit unit should be established in accordance with the Circular and internal audit activities should be carried out. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs. 39,349,905 and the corresponding profit in the preceding year amounted to Rs. 15,958,430. Therefore, an improvement amounting to Rs. 23,391,475 of the financial result was observed. The increase in the revenue by Rs. 27,242,147 and the reduction in financial expenses by Rs.3,113,045 in relation to that were the major reasons for this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Subsequent to the implementation of the Voluntary Retirement Compensation Scheme in the year 2016, the role assigned to the staff of the Corporation was to generate income by managing the assets of the Corporation and investing in productive activities. However, the Corporation had to collect an amount of Rs.14,752,739 as at 31 December 2019, from 13 individuals and institutions	Instructions have been issued to recover the arrears amounts.	Action should be taken to recover this amount to be receivable to the Corporation by various parties.

based on the activities of the Corporation during the previous years. Although various court proceedings had been instituted to recover that amount of money, the top Management had failed to recover the money during the year under review.

- (b) The total amount of loan obtained by mortgaging the Kollupitiya land owned by the Corporation as at 31 December 2019 to a bank was Rs. 97,700,000. The loan had been scheduled by the Bank on 25 June 2018 and a total of Rs. 24,000,000 had been paid as loan instalments and Rs. 11,539,256 had been paid as the interest for the loan during the year 2019. Loan arrears totalling to Rs.73,700,000 as at 31 December 2019 had to be settled. Despite the fact that such loan arrears had to be settled, the amounts comprised of Rs. 19,261,864 as at 31 December 2019 and Rs.51,500,000 in January 2020 had been invested as fixed deposits in State Banks without a written permission to obtain interest income that was less than the loan interest.
- Even though the interest related to the fixed deposits is lower than the interest for bank loans, bank loans cannot be settled with the money available for monthly expenses.
- Settlement of loans can be made in a way that financial expenses are minimized and only savings should be invested in short term basis.
- (c) Two oil tanks and a pipeline system located at Kankesanthurai and belonging to the Corporation had been handed over to a state company for use without entering into a written agreement. At a meeting held at the Line Ministry on 09 September 2019, it was concluded that fees should be paid for this and the relevant parties were informed to pay the fees. However, it was published in the Government Gazette No. 2110 of 08 February 2019 that the land in extent of 2.4281 hectares owned by the Corporation would be leased to a state-owned company for a commercial purpose. Even though more than a year had elapsed since the publication of the gazette notification, the Management of the Corporation had not yet taken action to settle the issue of transferring the land owned by the Corporation and to provide the oil tanks and the land for utilization in accordance with a written agreement and to charge the total amount of Rs.151,320,000, the charge related to the period of utilization by the state-owned company.
- Although the consent was given to pay money within 14 days, money has not yet been received.
- Action should be taken to recover these arrears and provide fuel tanks as per written agreements.

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| (d) | <p>The Corporation had purchased a land in extent of 2.3103 hectares in the Unawatuna area of Galle for Rs. 1,200,000 on 22 February 1989. The Habaraduwa Divisional Secretary had taken action to resettle the people affected by the tsunami on this land which remained as an idle asset without utilizing for a productive activity. The Management had not taken action to resort to legal action against the use of the property owned by the Corporation and to obtain certain amount of compensation until the year under review.</p> | <p>I inform you that the case will be taken up by a motion after sending the proxy. Action should be taken to protect the assets of the Corporation.</p> |
| (e) | <p>The ownership of the lands in Eluwakkulama and Serakkuliya Grama Niladhari Divisions within the Wanathawilluwa Divisional Secretary's Division possessed by the Corporation had been vested in the Government by Extraordinary Gazette Notification of 21 June 2018 and 14 November 2018 for urban development activities including the solid waste management project. Although the ownership of the lands had been transferred to the Urban Development Authority by the Corporation in July 2020 for the implementation of the above projects, action had been taken to obtain an amount of compensation on the government valuation of those lands owned by the Corporation until July 2020.</p> | <p>After transferring the possession of the land to the Wanathawilluwa Divisional Secretary, action would be taken in the future to obtain an amount of compensation. Action should be taken to obtain compensation to the Corporation on the valuation of the Government in concurrence with the transfer of the possession of the lands owned by the Corporation.</p> |

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>Although the main objective of establishing the Corporation was to manufacture and sell cement and cement related products, any such function had not been carried out during the year under review. Following the implementation of the Voluntary Retirement Compensation Scheme from the year 2016, the Department of Public Enterprises had instructed the Corporation that the current role was to administer and manage the property owned by the Corporation and to deploy such property in productive proposals. However, the role had not been performed more efficiently and effectively during the year under review</p>	<p>After the implementation of the voluntary compensation scheme, the Corporation will not be able to engage in operations related to the main objectives. The rest of the employees are employed to perform the future activities of the Corporation.</p>	<p>Action should be taken in compliance with the instructions given in the implementation of the voluntary retirement compensation.</p>

and the money received by the Corporation had been invested in fixed deposits even without obtaining a written permission instead of remitting the saved money owned by the Corporation to the General Treasury in accordance with the instructions provided.

3.3. Transactions of Contentious Nature

	Audit Observation	Comments of the Management	Recommendation
(a)	<p>Several Conditions of the Lease Agreement bearing No. 495 signed on 23 August 1996 in relation to leasing of the land with Aruwakkalu Limestone Deposit to a Company had been amended by the supplemental Lease Agreement bearing No. 268 signed on 07 November 2019. Accordingly, the Corporation had obtained Rs.58,021,840 in two instalments as the revised rental during the year under review. The Corporation had lost the increment in the rental amount related to the period since the rental to be increased for the period from 1993 to 2018 had not been stipulated in the supplemental lease agreement entered into without getting the written approval of the Attorney General. Further, the former Chairman of the Corporation had signed an agreement, which was unfavourable to the Corporation and which had stated that percentage of increase of the rental would be 12 per cent and the revised rental for the year 2019 would be USD 319,318, on 07 November 2019 without getting the approval of the Attorney General.</p>	<p>We acknowledge the facts stated in the audit query.</p>	<p>Prior to signing the agreement, the Attorney General and the Line Ministry had to be consulted, and the agreements had to be signed after obtaining the approval.</p>
(b)	<p>A private company had been allowed to carry out a pre-feasibility study on soils of the land with Aruwakkalu limestone deposit owned by the Corporation during the period of 2017 to 2019, without entering into a written agreement. Accordingly, the Corporation had received a total of Rs. 4,273,444 at the rate of USD 20,000 per annum during the period. Accordingly, any information pertaining to the results and mineral resources obtained by this private company after exploring the mineral</p>	<p>We have only granted permission to enter the territory for exploration.</p>	<p>As the Mineral Resources and Lands are owned by the Corporation, the Corporation should look into this mineral exploration and take action to protect the resources of the Corporation.</p>

resources of the land owned by the Corporation during the period of 03 years had not been submitted for audit test checks and it was observed that a private company was utilizing mineral resources owned by the Corporation without proper administration and management.

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>The Land in extent of 89.07 perches located in Kollupitiya and owned by the Corporation had been valued at a sum of Rs. 735,000,000 by the Government Valuation Department on 17 March 2017. This land, which had a great financial and economic value had been given to 07 institutions for parking vehicles during the year under review without adhering to a procurement procedure and without entering into a formal written agreement. Accordingly, rental income totalling to Rs. 5,077,401 had been earned during the year 2019 and action had not been taken to use this land, which had been idling, for a more productive investment.</p>	<p>The new Management of the Corporation is taking action to use this land for a productive project.</p>	<p>This valuable land should be used on a productive purpose.</p>

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Management	Recommendation
<p>Although the Audit and Management Committee meetings should be held at least once in every three months as per Circular No. PED 12 of 02 June 2003, the Corporation had held only three committee meetings during the year under review.</p>	<p>Arrangements are being made to hold Audit and Management Committees once in every three months.</p>	<p>Action should be taken in compliance with the Circulars.</p>