

2022 අගෝස්තු 24  
2022 ஆகஸ்ட் 24  
24 August 2022



2018 අංක 19 දරණ ජාතික විගණන පනතේ  
14 වන වගන්තිය ප්‍රකාරව පාර්ලිමේන්තුව වෙත  
ඉදිරිපත් කරනු ලබන විගණකාධිපති ත්‍රෛවාර්ෂික වාර්තාව

2018 இன் 19 ஆம் இலக்க தேசிய கணக்காய்வு அதிகாரச்சட்டத்தின்  
14 ஆவது பிரிவின் பிரகாரம் பாராளுமன்றத்திற்கு சமர்ப்பிக்கப்படுகின்ற  
கணக்காய்வாளர் தலைமை அதிபதியின் மூன்றாண்டு அறிக்கை

**Triennial Report of the Auditor General presented in  
parliament in terms of Section 14 of  
the National Audit Act, No. 19 of 2018**

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රාජ්‍ය සමාගම්  
பொதுக் கம்பனிகள்  
Public Companies

ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



# Auditor General's Triennial Report

2018-2020

State Owned Companies



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## **1. Executive Summary**

State-owned limited liability Companies had been established under the Companies Act as public enterprises, and these companies are fully state-owned Companies or operating as a public private partnership with a certain percentage of the share capital owned by the government. Private sector intervention acts as a control mechanism to prevent many problems arising for fully state-owned enterprises. There are also state-owned companies created by state-owned enterprises and registered under the Companies Act as subsidiary or affiliated companies that invest capital by the relevant private enterprises without the intervention of the Treasury.

The government has the power to appoint directors to limited liability companies in which the government or state-owned enterprise owns 100 per cent of the shares and no individual can receive a share of the profits. It is, in fact, the equivalent of the transformation of a state-owned corporation into a simple "private sector" company by a simple sale of shares. The government also has the power to appoint company directors when selling less than 50 percent of the shares. Even with the sale of more than 50 per cent of the shares, the government is in a position strong enough to influence corporate policy. However, it was observed that many public corporations do not maintain their governing Authority over their subsidiaries even though the majority of the members of the Board of Directors of the subsidiaries are comprised of their members.

The Department of Public Enterprises has issued PED Circulars from time to time to control the activities and operations of public enterprises. Public companies have to obtain the consent of the Ministry of Finance to execute some of its decisions. However, instances were observed where decisions had been executed without obtaining such consents.

### **Preparation and Submission of Annual Financial Statements**

The draft annual report and Financial Statements must be submitted to the Auditor General within 60 days subsequent to the end of the accounting year as per Public Enterprises Circular No. PED/12 of 02 June 2003.

In terms of Section 12 of the National Audit Act No. 19 of 2018, the Auditor General shall, within three months of the receipt of the approved annual financial statement and other relevant documents and information of a Company in which the Government or a public corporation



holds fifty per centum or more of the shares, present a report to the Chairman of such Company for publication in its annual report.

### Financial performance

In the analysis of the operational results of the public sector according to the information received, it is observed that many Companies, operate in sectors that are very critical to the economic development are operating at a loss. The analysis of the profit and loss status of 123 Companies as per the information received for the years 2018, 2019 and 2020 is shown as follows.

	2018	2019	2020
Total Number of Companies	123	123	123
Financial statements received to Auditor General	99	94	79
Financial statements had not received to Auditor General	24	29	44
Total Profit (Rs.)	58,193,225,299	69,378,042,263	44,077,356,416
Total Loss (Rs.)	53,914,318,305	61,920,797,632	52,873,985,274
Number of Companies have profit	59	59	46
Number of Companies have loss	37	32	31

According to the above information, from Companies that submitted financial statements for the years 2018, 2019 and 2020, the total loss is Rs.53 billion, Rs.61 billion, Rs.52 billion and the total profit is Rs. 58 billion, Rs.69 billion, Rs.44 billion for the years 2018, 2019 and 2020 respectively. Accordingly, from the Companies that submitted the information 13, 15 and 10 Companies in years 2018, 2019 and 2020 respectively including the Sri Lankan Airlines Limited, Lanka Sathosa Ltd, Ceylon Shipping Corporation limited, Independent Television Network limited, Sinolanka Hotel & Spa (pvt) Ltd were among the institutions that showed deficit of more than Rs.100 million in their financial result.

The total assets that remained under control of 99, 94 and 79 Companies which submitted financial statements to Auditor General in years 2018, 2019 and 2020 were Rs. 1,028 billion, Rs. 1,164 billion and Rs. 1,111 billion respectively.

**Opinion of the Auditor General regarding financial statements**

State owned Companies prepare financial statements annually comprising statement of financial position as at the end of the year, statement of income, cash flow statement, statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information. The Auditor General provides independent assurance to Parliament as to whether the financial statements give a true and fair view of the state of affairs of the institutions. This assurance is provided in the form of expressing an opinion on the financial statements. The opinion simply states the Auditor General's conclusion as to whether a fair position is reflected by statement of financial position and statement of financial performance of Companies and whether the Financial Statements are in accordance with the Sri Lanka Public Sector Accounting Standards, which are in compliance with International Accounting Standards and to the Sri Lanka Financial Reporting Standards.

Four types of opinions are expressed after considering material misstatements or disagreements and limitation of scope and disagreements that arise between management and audit in accordance with the financial statements. They are:

**Unqualified Opinion**

This opinion is expressed when there are no material misstatements or noncompliance reported in the financial statements.

**Qualified Opinion (Subject to Opinion)**

Reported the material misstatements or non-compliance in the financial statements but not pervasive to the financial results of the institution.

**Adverse Audit Opinion**

The pervasiveness of the scope limitation would lead to express adverse audit opinion.

**Disclaimer of Audit Opinion**

When there are material / broad disagreements and misstatements between management and audit on selected accounting policies, the adequacy of disclosures in the system or financial statements in which they are applied.

In expressing an audit opinion, the assistance of the computerized audit software is obtained in view of expressing a fair opinion. The audit opinion is determined on the results arrived after

adjusting the total uncorrected misstatements as a percentage of the entire materiality level related to the audit sample selected by examining the accounts.

Following table shows the audit reports issued on the financial statements submitted in relation to 123 Companies for the years 2018, 2019 and 2020.

	2018	2019	2020
<b>Unqualifid</b>	43	38	36
<b>Qualified</b>	43	45	36
<b>Disclaimer</b>	11	9	2
<b>Adverse</b>	1	1	0
<b>Opinion has not decided yet</b>	1	1	5
<b>Financial Statements not received</b>	24	29	44

## 2. Details about financial statements submission to Auditor General

Financial statements of following Companies did not receive to Auditor General for the year 2018.

Company Name	
1.	Mihin Lanka Limited
2.	Janatha Fertilizer Ltd
3.	Building Material Cooperation
4.	Sri Lanka Media Training Institute Ltd
5.	Selendiva Investment Ltd
6.	National Paper Company Ltd
7.	Rakna Arakshana Lanka Ltd
8.	Helitours (pvt) Ltd
9.	Milco (pvt)Ltd.
10.	Mahaveli livestock Enterprises Limited
11.	Peliyagoda Warehouse Complex Company Limited
12.	Lanka Cement Company
13.	Sri Lanka Institute of Biotechnology - New
14.	Lanka Gemological Laboratory (Pvt) Ltd
15.	Sri Lanka Rubber Manufacturing & Export Corporation Ltd
16.	Hingurana Sugar Industries Ltd.
17.	Lanka Gas Company
18.	LTL Holdings (Pvt) Ltd

<b>19.</b>	Expressway Transport Company (Private) Limited
<b>20.</b>	Cricket Aid Gurantee Limited
<b>21.</b>	Youth Services Ltd
<b>22.</b>	Lanka Salusala Limited
<b>23.</b>	CWE - Construction & Engineering Company
<b>24.</b>	Sathosa Security and General (Pvt) Ltd

Financial statements of following Companies did not receive to Auditor General for the year 2019.

<b>Company Name</b>	
<b>1.</b>	Mihin Lanka Limited
<b>2.</b>	Janatha Fertilizer Ltd
<b>3.</b>	Building Material Cooperation
<b>4.</b>	Sri Lanka Media Training Institute Ltd
<b>5.</b>	Selendiva Investment Ltd
<b>6.</b>	National Paper Company Ltd
<b>7.</b>	Rakna Arakshana Lanka Ltd
<b>8.</b>	Helitours (pvt) Ltd
<b>9.</b>	Milco (pvt)Ltd.
<b>10.</b>	Sri Lanka Poultry Development Company (Pvt) Ltd.
<b>11.</b>	Mahaveli livestock Enterprises Limited
<b>12.</b>	Peliyagoda Warehouse Complex Company Limited

<b>13.</b>	Lanka Cement Company
<b>14.</b>	Sri Lanka Institute of Biotechnology - New
<b>15.</b>	Mahaweli Venture Capital Company (Pvt) Ltd.
<b>16.</b>	Lanka Gemological Laboratory (Pvt) Ltd
<b>17.</b>	Sri Lanka Rubber Manufacturing & Export Corporation Ltd
<b>18.</b>	Kanthale Sugar Industries Ltd
<b>19.</b>	Hingurana Sugar Industries Ltd.
<b>20.</b>	Lanka Gas Company
<b>21.</b>	LTL Holdings (Pvt) Ltd
<b>22.</b>	Expressway Transport Company (Private) Limited
<b>23.</b>	Maga Neguma Emulsion Production Company (Pvt) Ltd
<b>24.</b>	Cricket Aid Gurantee Limited
<b>25.</b>	Youth Services Ltd
<b>26.</b>	Lanka Salusala Limited
<b>27.</b>	Kahatagaha Graphite Lanka Ltd
<b>28.</b>	CWE - Construction & Engineering Company
<b>29.</b>	Sathosa Security and General (Pvt) Ltd

Financial statements of following Companies did not receive to Auditor General for the year 2020.

Company Name	
1.	Mihin Lanka Limited
2.	Janatha Fertilizer Ltd
3.	Hotels Colombo (1963) Limited
4.	People's Travels (pvt) Ltd
5.	Building Material Cooperation
6.	Sri Lanka Media Training Institute Ltd
7.	National Paper Company Ltd
8.	Sri Lanka CERT (Private) Limited
9.	Lanka Government Information Infrastructure (Private) Limited
10.	Information & Communication Technology Agency of Sri Lanka
11.	Rakna Arakshana Lanka Ltd
12.	Helitours (pvt) Ltd
13.	Milco (pvt)Ltd.
14.	Sri Lanka Poultry Development Company (Pvt) Ltd.
15.	Mahaveli livestock Enterprises Limited
16.	Lanka Rest House Limited
17.	Peliyagoda Warehouse Complex Company Limited
18.	Lanka Cement Company
19.	Sri Lanka Institute of Biotechnology - New

20.	Litro Gas
21.	Litro Gas Terminal
22.	Mahaweli Venture Capital Company (Pvt) Ltd.
23.	Mahaweli Natural Resources Management (Pvt) Ltd.
24.	Lanka Gemological Laboratory (Pvt) Ltd
25.	Distance Learning Center
26.	Elkaduwa Plantations Limited
27.	Sri Lanka Rubber Manufacturing & Export Corporation Ltd
28.	Lanka Sugar Company (PVT) Ltd.
29.	Kanthale Sugar Industries Ltd
30.	Hingurana Sugar Industries Ltd.
31.	Lanka Gas Company
32.	Northsea Limited
33.	LTL Holdings (Pvt) Ltd
34.	Maga Neguma Road Construction Equipment Company (Pvt) Ltd.
35.	Expressway Transport Company (Private) Limited
36.	Maga Neguma Emulsion Production Company (Pvt) Ltd
37.	Cricket Aid Gurantee Limited
38.	Youth Services Ltd
39.	Lanka Salusala Limited
40.	Kahatagaha Graphite Lanka Ltd
41.	CWE - Construction & Engineering Company



42.	Sathosa Security and General (Pvt) Ltd
43.	Lanka Sathosa Ltd
44.	Colombo Financial City Founding Guarantee Limited

### 3. Overall Statistics

		2018	2019	2020
<b>Total Number of companies</b>		123	123	123
<b>Financial statements received to Auditor General</b>		99	94	79
<b>Total Revenue (Rs.)</b>		585,802,232,563	603,364,659,173	354,132,969,573
<b>Total Expenditure (Rs.)</b>		585,716,229,666	598,067,624,347	366,220,691,166
<b>Total Assets (Rs.)</b>		1,028,703,093,452	1,164,763,247,558	1,111,345,868,339
<b>Total Liabilities (Rs.)</b>		832,888,695,991	1,047,019,894,607	1,006,051,740,946
<b>Total Profit (Rs.)</b>		58,193,225,299	69,378,042,263	44,077,356,416
<b>Total Loss (Rs.)</b>		53,914,318,305	61,920,797,632	52,873,985,274
<b>Number of Companies have profit</b>		59	59	46
<b>Number of Companies have loss</b>		37	32	31
<b>Opinion</b>	Unqualified	43	38	36
	Qualified	43	45	36
	Disclaimer	11	9	2
	Adverse	1	1	0
	Opinion has not decided yet	1	1	5
<b>Financial statements had not received to Auditor General</b>		24	29	44

**Top 10 Companies having highest profit.**

Year	Company Name	Profit Before Tax Rs.
2018	1. West Coast Power (Private) Limited	12,103,450,641
	2. Airport and Aviation Services (SL) (PVT) LTD	10,458,408,140
	3. People's Leasing and Finance PLC	8,672,467,000
	4. Sri Lanka Insurance Corporation	7,150,600,000
	5. Sri Lankan Catering Limited	5,675,913,393
	6. Lanka Electricity Company (Private) Limited	3,217,302,000
	7. Litro Gas Terminal	2,026,051,819
	8. Ceylon Petroleum Storage Terminals Limited	1,522,230,109
	9. Lanka Hospitals Corporation PLC	1,056,061,640
	10. People's Insurance PLC	847,015,921
2019	1. Airport and Aviation Services (SL) (PVT) LTD	15,221,993,419
	2. West Coast Power (Private) Limited	11,563,043,364
	3. Sri Lanka Insurance Corporation	8,205,007,000
	4. People's Leasing and Finance PLC	6,554,285,000
	5. Litro Gas	4,927,261,736
	6. Sri Lankan Catering Limited	4,799,690,965
	7. Lanka Electricity Company (Private) Limited	3,927,792,158
	8. Ceylon Petroleum Storage Terminals Limited	2,927,856,033
	9. Lanka Mineral Sands Ltd	2,277,746,050
	10. Litro Gas Terminal	2,016,745,364
2020	1. West Coast Power (Private) Limited	15,574,865,318
	2. Sri Lanka Insurance Corporation	7,971,782,000
	3. People's Leasing and Finance PLC	7,095,216,000
	4. Lanka Electricity Company (Private) Limited	2,308,992,614
	5. Ceylon Petroleum Storage Terminals Limited	2,138,236,881
	6. People's Insurance PLC	1,667,521,268
	7. NSB Fund Management Company Limited	901,087,467
	8. Galoya Plantations (PVT) Ltd.	749,367,009
	9. National School of Business Management Ltd	584,750,798
	10. Property Development PLC	518,284,059

**Top 10 Companies having highest loss.**

Year	Company Name	Loss Before Tax Rs.
2018	1. Sri Lankan Airlines Limited	44,022,670,000
	2. Lanka Sathosa Ltd	2,888,463,272
	3. Galoya Plantations (PVT) Ltd.	1,814,145,920
	4. Cylon Shipping Corporation Limited	1,523,141,091
	5. Magampura Port Management (Pvt) Ltd	801,559,524
	6. ITN	622,461,949
	7. Lanka Leyland (Private) Limited	502,041,856
	8. National School of Business Management Ltd	341,526,610
	9. Natwealth Securities Limited	243,412,073
	10. Sinolanka Hotels & Spa (pvt) Ltd	202,725,525
2019	1. Sri Lankan Airlines Limited	47,197,860,000
	2. Sinolanka Hotels & Spa (Pvt) Ltd	5,133,182,782
	3. Lanka Sathosa Ltd	3,158,544,037
	4. Galoya Plantations (PVT) Ltd.	1,430,139,698
	5. Lanka Sugar Company (PVT) Ltd.	1,312,212,893
	6. Ceylon shipping Corporation Limited	1,085,215,556
	7. ITN	597,468,619
	8. Information & Communication Technology Agency of Sri Lanka	365,514,611
	9. Lanka Salt Ltd	349,200,431
	10. Hotel Developers Lanka PLC (Hilton Hotel)	312,448,000
2020	1. Sri Lankan Airlines Limited	45,231,460,000
	2. Airport and Aviation Services (SL) (PVT) LTD	3,732,754,673
	3. Sri Lankan Catering Limited	960,462,499
	4. Hotel Developers Lanka PLC (Hilton Hotel)	877,343,000
	5. Ceylon shipping Corporation limited	527,125,027
	6. ITN	249,681,673
	7. Magampura Port Management (Pvt) Ltd	246,874,417
	8. Associated Newspapers of Ceylon Limited	217,840,000
	9. Sinolanka Hotel & Spa (pvt) Ltd	193,289,884
	10. Sri Lanka Institute of Nano Technology (Pvt)Ltd	100,148,607

**Top 10 Companies having highest negative asset value.**

Year	Company Name		Amount Rs.
2018	1.	Sri Lankan Airlines Limited	-177,556,230,000
	2.	Lanka Sathosa Ltd	-13,848,877,057
	3.	Galoya Plantations (PVT) Ltd.	-6,234,978,110
	4.	Magampura Port Management (Pvt) Ltd	-2,795,997,871
	5.	Information & Communication Technology Agency of Sri Lanka	-1,525,628,005
	6.	Cylon Shipping Corporation Limited	-55,663,307
	7.	Lanka Rest House Limited	-27,634,268
	8.	Management Services Rakshana Pvt Ltd	-20,500,567
	9.	SLINTEC Academy	-10,819,070
	10.	Leco Projects (Private) Limited	-1,150,056
2019	1.	Sri Lankan Airlines Limited	-273,369,080,000
	2.	Lanka Sathosa Ltd	-16,431,930,926
	3.	Galoya Plantations (PVT) Ltd.	-7,521,543,412
	4.	Magampura Port Management (Pvt) Ltd	-2,924,501,623
	5.	Information & Communication Technology Agency of Sri Lanka	-1,887,834,007
	6.	Ceylon shipping Corporation limited	-1,275,502,116
	7.	Northsea Limited	-104,461,439
	8.	Management Services Rakshana Pvt Ltd	-54,371,621
	9.	Lanka Rest House Limited	-19,018,389
	10.	SLINTEC Academy	-8,944,970
2020	1.	Sri Lankan Airlines Limited	-289,265,270,000
	2.	Galoya Plantations (PVT) Ltd.	-6,817,654,771
	3.	Magampura Port Management (Pvt) Ltd	-3,171,376,039
	4.	Ceylon shipping Corporation limited	-2,041,613,494
	5.	Management Services Rakshana Pvt Ltd	-88,727,179
	6.	Ceybank Holiday Homes (Pvt) Ltd	-38,416,101
	7.	Land Reclamation & Development Co.Ltd	-28,855,233
	8.	SLINTEC Academy	-8,314,523
	9.	Leco Projects (Private) Limited	-632,704
	10.	Selendiva Investment Ltd	-423,315

**Opinion**

	<b>Company Name</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
1.	Airport and Aviation Services (SL) (PVT) LTD	Qualified	Qualified	Qualified
2.	Sri Lankan Airlines Limited	Unqualified	Unqualified	Unqualified
3.	Sri Lankan Catering Limited	Unqualified	Unqualified	Unqualified
4.	Mihin Lanka Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received
5.	Colombo Commercial Fertilizer Ltd	Qualified	Qualified	Not decided
6.	Ceylon Fertilizer Company Ltd	Qualified	Qualified	Not decided
7.	Janatha Fertilizer Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
8.	NSB Fund Management Company Limited	Unqualified	Unqualified	Unqualified
9.	Ceybank Holiday Homes (Pvt) Ltd	Unqualified	Unqualified	Unqualified
10.	BOC Travels (Private) Limited	Unqualified	Unqualified	Unqualified
11.	Property Development PLC	Unqualified	Unqualified	Unqualified
12.	BOC Property Development and Management (Pvt) Limited	Unqualified	Unqualified	Unqualified
13.	BOC Management & Support Services (Pvt) Ltd	Unqualified	Unqualified	Unqualified
14.	Hotels Colombo (1963) Limited	Unqualified	Qualified	Financial Statements not received
15.	People's Insurance PLC	Unqualified	Unqualified	Unqualified
16.	People's Leasing and Finance PLC	Unqualified	Unqualified	Unqualified
17.	People's Leasing Fleet Management LTD	Unqualified	Unqualified	Unqualified
18.	People's Leasing Havelock Properties Limited	Unqualified	Unqualified	Unqualified
19.	People's Leasing Property Development Limited	Unqualified	Unqualified	Unqualified
20.	People's Micro -Commerce Limited	Unqualified	Unqualified	Unqualified
21.	People's Travels (pvt) Ltd	Unqualified	Unqualified	Financial Statements not received
22.	Building Material Cooperation	Financial Statements not received	Financial Statements not received	Financial Statements not received

23.	Central Engineering Services PVT Ltd	Qualified	Qualified	Qualified
24.	Sri Lanka Media Training Institute Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
25.	ITN	Qualified	Qualified	Qualified
26.	Lake House Property Development (Pvt) Limited	Unqualified	Unqualified	Unqualified
27.	Selendiva Investment Ltd	Financial Statements not received	Financial Statements not received	Unqualified
28.	Associated Newspapers of Ceylon Limited	Qualified	Qualified	Qualified
29.	National Paper Company Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
30.	Sri Lanka CERT (Private) Limited	Qualified	Qualified	Financial Statements not received
31.	Lanka Government Information Infrastructure (Private) Limited	Disclaimer	Disclaimer	Financial Statements not received
32.	Information & Communication Technology Agency of Sri Lanka	Disclaimer	Qualified	Financial Statements not received
33.	Lakdiwa Engineering Company	Disclaimer	Disclaimer	Qualified
34.	Lanka Leyland (Private) Limited	Qualified	Unqualified	Qualified
35.	Rakna Arakshana Lanka Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
36.	Academy of Financial Studies Limited	Qualified	Qualified	Unqualified
37.	Helitours (pvt) Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
38.	Ceylon Petroleum Storage Terminals Limited	Disclaimer	Disclaimer	Qualified
39.	Cey- Nor Foundation	Qualified	Qualified	Qualified
40.	Milco (pvt)Ltd.	Financial Statements not received	Financial Statements not received	Financial Statements not received

41.	Sri Lanka Poultry Development Company (Pvt) Ltd.	Qualified	Financial Statements not received	Financial Statements not received
42.	Mahaveli livestock Enterprises Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received
43.	Ocean View Development Company	Qualified	Qualified	Qualified
44.	Urban Investment & Development Company (Pvt) Limited	Qualified	Qualified	Disclaimer
45.	Lanka Rest House Limited	Disclaimer	Disclaimer	Financial Statements not received
46.	Waters Edge Limited	Qualified	Qualified	Qualified
47.	Peliyagoda Warehouse Complex Company Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received
48.	Land Reclamation & Development Co.Ltd	Qualified	Qualified	Qualified
49.	LRDC Services (Pvt) Ltd	Qualified	Qualified	Qualified
50.	Lanka Mineral Sands Ltd	Disclaimer	Qualified	Qualified
51.	Lanka Phosphate Ltd	Unqualified	Unqualified	Unqualified
52.	Paranthan Chemicals	Unqualified	Qualified	Qualified
53.	BCC Lanka Ltd	Qualified	Qualified	Qualified
54.	Lanka Cement Company	Financial Statements not received	Financial Statements not received	Financial Statements not received
55.	SLINTEC Academy	Unqualified	Qualified	Qualified
56.	Sri Lanka Institute of Nano Technology (Pvt)Ltd	Unqualified	Qualified	Qualified
57.	Sri Lanka Institute of Biotechnology - New	Financial Statements not received	Financial Statements not received	Financial Statements not received
58.	Sri Lanka Insurance Corporation	Qualified	Qualified	Qualified
59.	Management Services Rakshana Pvt Ltd	Unqualified	Unqualified	Unqualified
60.	Canowin Hotel & Spas(Pvt)Ltd	Unqualified	Unqualified	Unqualified
61.	Canwill Holdings (pvt) Ltd	Unqualified	Unqualified	Unqualified
62.	Sinolanka Hotels & Spa (pvt) Ltd	Unqualified	Unqualified	Unqualified
63.	Helanco Hotels & Spa (pvt) Ltd	Unqualified	Unqualified	Unqualified
64.	Litro Gas	Unqualified	Unqualified	Financial Statements not received



65.	Litro Gas Terminal	Qualified	Qualified	Financial Statements not received
66.	Mahaweli Venture Capital Company (Pvt) Ltd.	Disclaimer	Financial Statements not received	Financial Statements not received
67.	Mahaweli Consultancy Bureau (Pvt) Ltd.	Qualified	Qualified	Qualified
68.	Mahaweli Live Stock And Agro Enterprises (Pvt) Ltd.	Qualified	Qualified	Qualified
69.	Mahaweli Natural Resources Management (Pvt) Ltd.	Unqualified	Qualified	Financial Statements not received
70.	Lanka Gemological Laboratory (Pvt) Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
71.	GSMB Technical Services (Pvt) Ltd	Qualified	Qualified	Qualified
72.	Lanka Salt Ltd	Qualified	Qualified	Qualified
73.	Distance Learning Center	Qualified	Qualified	Financial Statements not received
74.	Kurunegala Plantations Limited	Qualified	Qualified	Qualified
75.	Chillaw plantations Limited	Qualified	Qualified	Qualified
76.	Elkaduwa Plantations Limited	Adverse	Not decided	Financial Statements not received
77.	Kalubovitiyana Tea Factory Ltd	Qualified	Qualified	Qualified
78.	Sri Lanka Rubber Manufacturing & Export Corporation Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
79.	Lanka Sugar Company (PVT) Ltd.	Qualified	Disclaimer	Financial Statements not received
80.	Galoya Plantations (PVT) Ltd.	Qualified	Qualified	Not decided
81.	Kanthale Sugar Industries Ltd	Disclaimer	Financial Statements not received	Financial Statements not received
82.	Hingurana Sugar Industries Ltd.	Financial Statements not received	Financial Statements not received	Financial Statements not received
83.	Jaya cotainer terminal (Pvt) Ltd	Unqualified	Unqualified	Qualified

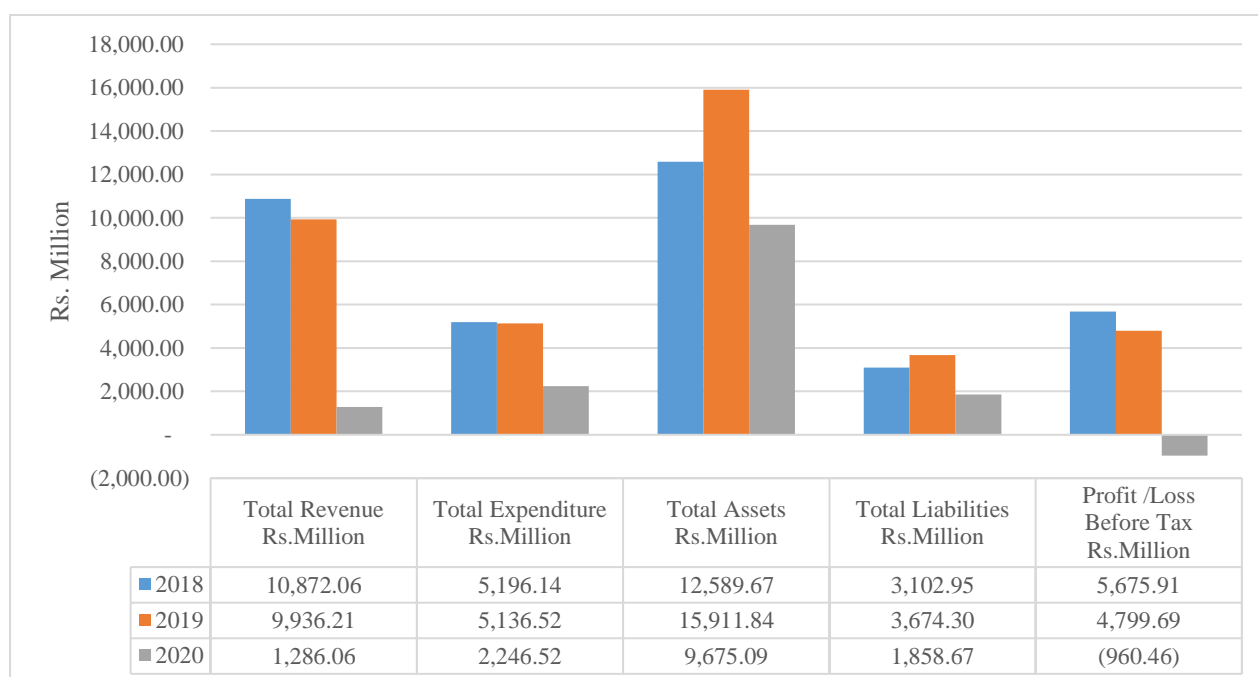
<b>84.</b>	Magampura Port Management (Pvt) Ltd	Disclaimer	Disclaimer	Disclaimer
<b>85.</b>	Lanka Gas Company	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>86.</b>	Cylon Shipping Corporation Limited	Qualified	Qualified	Not decided
<b>87.</b>	Northsea Limited	Qualified	Disclaimer	Financial Statements not received
<b>88.</b>	Mantai Salt Limited	Qualified	Qualified	Not decided
<b>89.</b>	Sri Lanka Port Management Consultancy Pvt Ltd	Unqualified	Qualified	Qualified
<b>90.</b>	Lanka Coal Company (Private) Limited	Qualified	Qualified	Qualified
<b>91.</b>	Sri Lanka Energies (Private) Limited	Qualified	Qualified	Qualified
<b>92.</b>	Kumbalgamuwa Mini Hydro(Private) Limited	Unqualified	Qualified	Qualified
<b>93.</b>	Sri Lanka Energies HR (Private) Limited	Qualified	Unqualified	Unqualified
<b>94.</b>	DaduruOya Mini Hydro (Private) Limited	Unqualified	Qualified	Unqualified
<b>95.</b>	Koladeniya Hidropower (Pvt) Ltd	Unqualified	Unqualified	Unqualified
<b>96.</b>	Lanka Electricity Company (Private) Limited	Unqualified	Unqualified	Qualified
<b>97.</b>	Ante Leco Metering Company (Private) Limited	Unqualified	Unqualified	Unqualified
<b>98.</b>	Leco Projects (Private) Limited	not decided	Unqualified	Unqualified
<b>99.</b>	West Coast Power (Private) Limited	Unqualified	Unqualified	Unqualified
<b>100.</b>	Trincomalee Power Company Limited	Unqualified	Unqualified	Unqualified
<b>101.</b>	LTL Holdings (Pvt) Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>102.</b>	Maga Neguma Consultancy & Project Management Services Co. (Pvt) Ltd.	Qualified	Disclaimer	Qualified
<b>103.</b>	Maga Neguma Road Construction Equipment Company (Pvt) Ltd.	Disclaimer	Disclaimer	Financial Statements not received
<b>104.</b>	Expressway Transport Company (Private) Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received

<b>105.</b>	Maga Neguma Emulsion Production Company (Pvt) Ltd	Qualified	Financial Statements not received	Financial Statements not received
<b>106.</b>	Cricket Aid Gurantee Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>107.</b>	Youth Services Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>108.</b>	Lanka Salusala Limited	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>109.</b>	Kahatagaha Graphite Lanka Ltd	Qualified	Financial Statements not received	Financial Statements not received
<b>110.</b>	CWE - Construction & Engineering Company	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>111.</b>	Sathosa Security and General (Pvt) Ltd	Financial Statements not received	Financial Statements not received	Financial Statements not received
<b>112.</b>	Lanka Sathosa Ltd	Disclaimer	Adverse	Financial Statements not received
<b>113.</b>	Sri Lanka State Trading (General) Corporation Ltd	Qualified	Qualified	Qualified
<b>114.</b>	National Wealth Corporation Limited	Unqualified	Unqualified	Unqualified
<b>115.</b>	Natwealth Securities Limited	Unqualified	Unqualified	Qualified
<b>116.</b>	Lanka Hospitals Corporation PLC	Unqualified	Unqualified	Unqualified
<b>117.</b>	Lanka Hospitals Diagnostics (Pvt) Ltd	Unqualified	Unqualified	Unqualified
<b>118.</b>	Hotel Developers Lanka PLC (Hilton Hotel)	Unqualified	Unqualified	Unqualified
<b>119.</b>	Colombo Financial City Founding Guarantee Limited	Qualified	Qualified	Financial Statements not received
<b>120.</b>	Skills Development Fund Ltd.	Qualified	Qualified	Unqualified
<b>121.</b>	Sri Lanka Thriposha Ltd	Qualified	Qualified	Qualified
<b>122.</b>	Sri Lanka Foreign Employment Agency	Qualified	Qualified	Qualified
<b>123.</b>	National School of Business Management Ltd	Unqualified	Unqualified	Unqualified

## 4. Individual Observation of State Owned Companies

### 4.1 Sri Lankan Catering Limited

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
2018	10,872,057,854	5,196,144,461	12,589,673,559	3,102,947,095	5,675,913,393	Unqualified
2019	9,936,212,101	5,136,521,136	15,911,843,401	3,674,299,060	4,799,690,965	Unqualified
2020	1,286,059,738	2,246,522,237	9,675,089,145	1,858,668,279	(960,462,499)	Unqualified



#### Audit observation

- (a) Total trade receivables as at 31 March 2020 was Rs.11,347 million. Out of that a sum of Rs.10,686 million which equivalent to 94 percent was receivable from Sri Lankan Airlines Ltd. Further, out of the above balance a sum of Rs.4,980 million had remained over

#### Recommendation of the Auditor General

- Action should be taken to recover the receivable from Sri Lankan Airlines.

#### Preventive measures taken by the institution

- Management is working to recover the balance due from SriLankan Airlines .

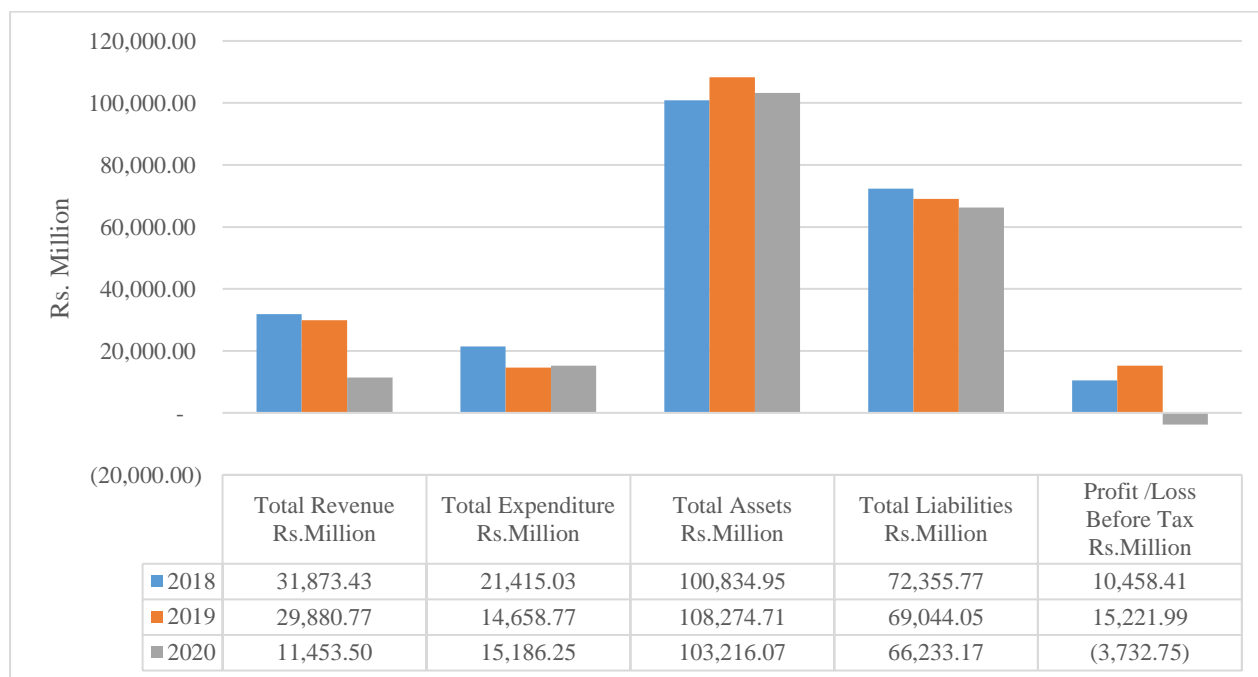
#### The current position

- Total account receivable balance due by 31 March 2021 is Rs.6,258 million. From that balance Rs.6,200 million equivalent to 99 percent was due from SriLankan Airlines.

one year without being settled. The balance receivable from Sri Lankan Airlines Ltd as at 31 March 2020, was represented 67 percent of the total assets of the Company. However, the Company had paid dividends amounting to Rs.1,701 million to the Sri Lankan Airlines Ltd despite of above outstanding balance.

#### 4.2 Airport and Aviation Services (Sri Lanka) (Private) Limited

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
2018	31,873,433,895	21,415,025,755	100,834,949,387	72,355,770,721	10,458,408,140	Qualified
2019	29,880,766,508	14,658,773,089	108,274,708,980	69,044,051,730	15,221,993,419	Qualified
2020	11,453,496,443	15,186,251,116	103,216,071,222	66,233,169,665	(3,732,754,673)	Qualified



Audit observation	Recommendation of the Auditor General	Preventive measures taken by the institution	The current position
(a) In contrary to the direction of the Letter of Secretary to the Treasury No: PE/GOCO/1/1 dated 09 February 2006, the Company had taken over only the liabilities neither valuing the land and buildings and other movable and immovable assets owned by the	It is recommended to complete the revaluation process as early as possible and issue the shares to GOSL on net assets as directed by the Secretary to the Treasury.	The Valuation Department has already evaluated the buildings at the Katunayake Airport and has requested the Valuation Department to evaluate the other buildings.	Other buildings and vehicles are being assessed and no other assets have been assessed yet.

Government and record in accounts nor issuing shares to the Government of Sri Lanka for the net assets transferring.

- (b) A Master Plan on establishment or expansion of aerodromes had not been prepared by the Company under Section 14 of the Civil Aviation Act No. 14 of 2010. The Master plan should be prepared and action should be taken to get approved. In 1983, the Netherlands Airport Consultant prepared a master plan for Bandaranaike International Airport, but it has not been updated. The master plan for the Mattala Rajapaksa International Airport was prepared and approved by the Civil Aviation Authority of Sri Lanka. The master plan for the Bandaranaike International Airport is expected to be finalized by the end of 2022. Request for Proposals have been made to select a suitable international consulting firm to prepare the master plan for the Bandaranaike International Airport.
- (c) Neither a feasibility study nor environment impact assessment had been conducted before commencement of Construction of Jaffna International Airport at a total cost of Rs.218 million as the first phase during the year 2019. Further, Jaffna International Airport had been reported an operational loss amounting to Rs.46.5 million A feasibility study or environment impact assessment should be conducted prior to implementation of any development project to ensure the sustainability of the Project. The project was implemented under the guidance of the Line Ministry and the Civil Aviation Authority of Sri Lanka. Those requirements were raised by the company but could not be implemented in the short time given. Palaly International Airport is not currently operational.

and Rs.61.1 million in the year 2019 and 2020 respectively.

- (d) The Company had entered into two agreements with Japan International Cooperation Agency for funding of 74,397 Yen million for Phase II Stage 02 of Bandaranaike International Airport Development Project on dates of 28 March 2012 and 24 March 2016. However, the contract value equivalent to the 82 percent of the funding value, had been awarded on 04 March 2020 with a huge delay. Further the Company had paid a sum of Rs.328 million to the Japan International Cooperation Agency from 20 April 2013 to 20 April 2021 as commitment fee due to under-utilization of funds. Changing the roof design of new terminal building had been caused for the delaying of the project.
- Action should be taken to complete the construction of package A as per the contract agreement and should review the construction progress periodically to avoid further delays.
- The contract sum equivalent to 81.68% of the funding value, had been awarded on 4<sup>th</sup> March 2020. However due to outbreak of Covid 19 pandemic, there was a delay in mobilizing of Contractor's foreign staff and finally, Works commenced on 15<sup>th</sup> December 2020. Further, progress of the project as at 14<sup>th</sup> February 2021 was 0.06% against the planned progress of 0.03%.
- The actual progress of this project as at 23 November 2021 was 2.3% against the planned progress of 4.0%. Further the Company had paid a sum of Rs.341 million to the Japan International Cooperation Agency from 20 April 2013 to 20 October 2021 as commitment fee due to under-utilization of funds.



### 4.3 Sri Lankan Airlines Limited

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
2018	184,652,780,000	228,675,450,000	77,339,000,000	254,895,230,000	(44,022,670,000)	Unqualified
2019	183,514,430,000	230,712,290,000	181,189,600,000	454,558,680,000	(47,197,860,000)	Unqualified
2020	71,847,360,000	117,078,820,000	154,381,410,000	443,646,680,000	(45,231,460,000)	Unqualified



Audit observation	Recommendation of the Auditor General	Preventive measures taken by the institution	The current position
(a) The Company incurred a net loss of Rs.47,197.86 million during the year ended 31 March 2020 with an accumulated loss of Rs.326,341.48 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs.211,645.13 million and total liabilities exceeded its total assets by Rs.273,369.08 million. Further, the Group incurred a net loss of Rs.44,139.40 million during the	A systematic plan should be prepared to minimize the company's losses and act accordingly.	Along with the Cabinet approval on 17 June 2020 and the letter issued by the Secretary to the Treasury on 29 June 2020 obtained for the purpose of the statutory audit for the year ended 31	The Company incurred a net loss of Rs.45,231.46 million during the year ended 31 March 2021 with an accumulated loss of Rs.371,733.52 million and, as of that date, the Company's current liabilities exceeded

year ended 31 March 2020 with an accumulated loss of Rs.316,477.65 million and, as of that date, the Group's current liabilities exceeded its current assets by Rs.200,878.32 million and total liabilities exceeded its total assets by Rs.261,173.54 million. As stated in Note No. 03 of the Financial Statements 2020, these events and conditions, along with other matters as set forth in Note 3, indicate a material uncertainty that may cast significant doubt on the Group's/ the Company's ability to continue as a going concern.

Following the spread of COVID-19 in the country, the Group/ the Company is facing implications including loss of Group's/ Company's revenue due to government imposition of travelling restrictions, delays in settlements and credit and liquidity risks.

Note 2.1 to the Financial Statements, describes the impact of COVID-19 outbreak on Group's/Company's future prospects, performance and cash flows. The management has described how they plan to deal with these events and circumstances as the outbreak is prevailing at the time of finalizing these financial statements.

March 2020, its current assets by confirming the Rs.221,308.99 million and total liabilities exceeded Sri Lanka its total assets by (GOSL) to the Rs.289,265.27 million. Further, the Company to million. Further, the continue its Group incurred a net operations as a loss of Rs.49,704.51 million during the "Going Concern", these year ended 31 March financial 2021 with an statements have accumulated loss of been prepared Rs.366,284.57 million and, as of using going million and, as of that date, the Group's concern that date, the Group's current liabilities exceeded its current assets by Rs.214,635.95 million and total liabilities exceeded its total assets by Rs.281,490.87 million.

Having taken into account the mitigating factors as disclosed in Note 3 along with the Cabinet approval on 17 June 2020 and the letter issued by the Secretary to the Treasury on 29 June 2020 obtained for the purpose of the statutory audit for the year ended 31 March 2020, confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a "Going Concern", these financial statements have been prepared using going concern assumption.

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| (b) | <p>The Decision for purchasing six (06) A 330-300 aircrafts and four (04) A350-900 aircrafts, leasing another four (04) A350-900 aircrafts and sell and lease back of above six (06) A 330-300 aircrafts had been taken by the Board of Directors of the Company in 2013 without obtaining approval of the Cabinet of Ministers and without making a proper cost benefit analysis.</p> <p>Meanwhile, the Company is in negotiation with Airbus SAS Company to amend the purchase agreement of four (04) no. of A350-900 aircrafts which is to be delivered in 2020 and 2021 to replace with A321 NEOs and/or A330 NEOs and as at the reporting</p> | <p>Detailed and realistic cost benefit analysis should be done before such huge investment made and approval of the Cabinet should be taken.</p> <p>The Company should decide the mix of aircrafts which should be purchased after a proper cost benefit analysis to avoid such uneconomic transactions in future.</p> | <p>In the judgment of the Crown Court in the United Kingdom approving the Deferred Prosecution Agreement between the Serious Fraud Office in UK and Airbus SE, it is mentioned that employees of Airbus SE had agreed to make payments to a company owned by the wife of a former executive</p> <p>No decision has yet been made regarding the four A350 900 aircrafts scheduled to arrive in 2020 and 2021 . Based on the legal advice, SriLankan Airlines has informed SAS Airbus in a letter dated 29th September 2020 (Letter before Action) regarding the termination of the purchase of the A350-900 aircrafts with an upfront payment. The company is seeking</p> |
|-----|--|--|--|

date amounting to Rs.2,528.12 million (USD 19.21 Mn) had been paid to Airbus as pre-delivery payment. However, no final decision had been taken until the date of this report.

Further, a sum of Rs.16,924.36 million had paid as compensation in the process of revocation of lease agreements for obtaining four (04) A350-900 aircrafts on lease which was scheduled to be delivered in the year 2016/2017.

of SLA to Administration to influence the obtain purchase of six compensation, due to (6) A330-300 and Airbus has not taken four (4) of A350- an action on this 900 aircraft and matter.

leasing four (4) A350-900 aircraft by SLA. Based on the legal advice received, SLA has informed Airbus S.A.S its claim including the requirement to rescind the A350-900 Purchase Agreement and recover PDPs paid along with compensation by a letter (Letter before Action) dated 29 September 2020.

- (c) The company has increased its indebtedness over the past two years by borrowing US \$ 200 million (approximately Rs. 37,950 million) and Rs. 26,250 million from government banks in 2017/18. During the year 2019/20, this U.S. 200 as interest on loans USD. 14.63 Management has the responsibility to run the business with the help of the owners in an economical and profitable manner so as to minimize The company has been under capitalized, and the Treasury has obtained Cabinet approval to recapitalize the company upto USD 500 Mn Up to the date of this report, none of these loans had been repaid and an amount of Rs.6,563.88 million in the year 2019/20 and an amount of Rs.6,253.04 million

million approximately Rs. 2,776.77 million had been paid. the debt of the company. during the period 2020-2022. The first tranche of USD 150Mn equivalent in LKR bonds was received on 18<sup>th</sup> Nov 2020. in the year 2020/21 had been paid as loan interest.

The repayment of the facilities obtained from the two state banks will form part of the overall restructuring of the company and due to the severe impact of COVID 19 on the operations, the repayment will have to be delayed until the industry recovers or a refinancing of same is done.

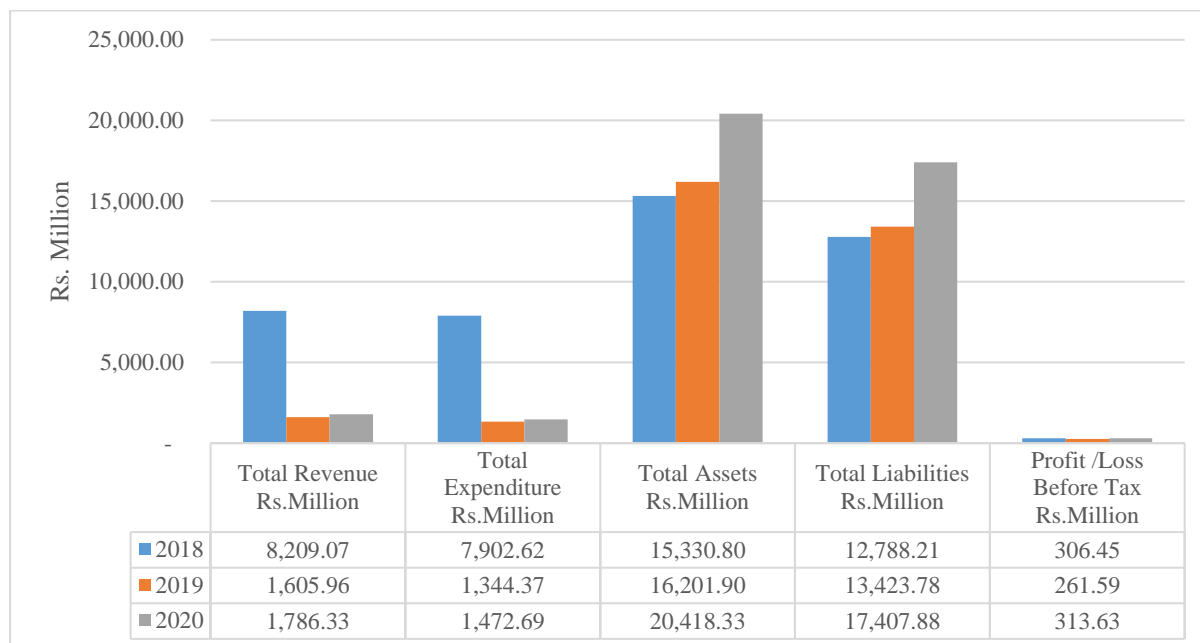
- (d) In June 2019 the Company had reissued five year international bonds to the value of US Dollars 175 million (approximately equivalent to Rs.33,215 million) with the interest rate at 7 per cent per annum to settle the bond matured in June 2019 under the Government Guarantee due to Management is responsible for running business economical and profitable manner and minimizes the indebtness of the Company. The repayment of the bond only falls in June 2024 and the overall restructuring of SLA will address this. The bond repayment is scheduled for 2024.

unfavorable financial position of the Company.

- ( e) As per the paragraph 5.1.1 of Public Enterprise Circular No. PED/12 on 2<sup>nd</sup> June 2003 corporate plan had not been reviewed annually and continued as one Rolling Plan. Corporate plan should be reviewed annually and continued as one Rolling Plan. An updated five-year plan is been prepared taking into consideration the new business environment as a result of the Pandemic and rolling plans. Although there were 08 Corporate Plans prepared from the year 2010 to 2021, they were not designed to be interconnected as rolling plans. will be submitted in early 2021.

#### 4.4 Colombo Commercial Fertilizer Ltd

	<b>Total Revenue</b>	<b>Total Expenditure</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Profit (Loss) Before Tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2018</b>	8,209,068,934	7,902,622,176	15,330,801,728	12,788,210,246	306,446,758	Qualified
<b>2019</b>	1,605,960,444	1,344,373,600	16,201,901,050	13,423,781,798	261,586,844	Qualified
<b>2020</b>	1,786,329,158	1,472,694,189	20,418,328,166	17,407,884,294	313,634,969	Not decided



#### Audit observation

- (a) Though the land where the Colombo Commercial Fertilizers Ltd. located, was possessed by Kelaniya Divisional Secretariat, the value of the land amounted to Rs. 9,000,000 had been brought to accounts by considering the land as an asset of the Company and thereby, the value of fixed assets had been overstated by that amount.

#### Recommendation of the Auditor General

Action should be taken to indicate the land as assets owned by the Company subsequent to transferring the possession of the land in favour of the Company.

#### Preventive measures taken by the institution

Cabinet Approval had been taken to transfer the possession of the land in favour of the Company.

#### The current position

The possession of the land had not been transferred to the Company.

- (b) Balance Confirmation letters had not been submitted for Trade Debtors amounted to Rs.89,021,859. Necessary arrangements should be made to present balance confirmation letters to the Audit. The corporation had sent letters to these debtors for obtaining the balance Trade Debtors confirmations.
- (c) Balance Confirmation letters had not been submitted for the balances receivable from the treasury amounted to Rs.11,404,282,749. Necessary arrangements should be made to present balance confirmation letters to the Audit. It had been reported that even though the General Treasury had been notified to provide the balance confirmations in relation to these balances, a due result had not yet been received. A discussion had been held with the General Treasury in relation to this but a proper reply had not been received.
- (d) Balance Confirmation letters had not been submitted for the Debtor balances amounted to Rs.159,897,018. Necessary arrangements should be made to present balance confirmation letters to the Audit. The corporation had sent letters to these debtors for obtaining the balance Trade Debtors confirmations.
- (e) As per the FR 371(5) amended by Public Finance Circular No. 03/2015 of 14 July 2015, Even though the ad hoc sub-impressts obtained should be settled within 10 days immediately after the completion of the purpose the ad hoc sub- impressts totaling Rs.795,565 obtained in 43 Action should be taken to settle the advances obtained immediately after the completion of the purpose. Action had been taken to strengthening the internal control system to mitigate the problem in future. It had not been corrected totally.



instances by 14 officers of the Company had been settled after delays ranging from 10 days to 89 days from the completion of the purposes.

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|-----|--|--|--|---|
| (f) | It had been informed through the letter of the Director General of the Department of Development Finance dated 05 October 2018 that it is required to settle the interest charged by the Bank due to the delay in payment pertaining to the letters of credit opened for the Fertilizers Limited. However, the Company had paid the amount by deducting the amount to be paid to the General Treasury from the interest of Rs. 101,801,619 that should be paid to the Bank by the Company during the year under review. Further, the company had to pay a large amount of money as interests due to the negligence of the officers though it was the responsibility of the relevant officers to make payments duly in the year under review. | The payments related to the letters of credit should be made in accordance with the instructions issued by the Department of Development Finance and action should be taken to effectively invest the money of the Government. | No preventive action had been taken.               | It had not been corrected.  |
| (g) | Even though the preparation of a Corporate Plan for a minimum period of 03 years and operating the business to accomplish the proposed targets are the   | The Company should prepare the Corporate Plan and action should be taken accordingly.  | New Corporate Plan is being prepared due to change | New corporate plan had not been submitted to the audit after changing |

- responsibility of the Board of Directors since business activities of the public Enterprises have to be managed with a short –term as well as long term vision, the Company had not prepared such a Corporate Plan.
- government policy.
- government policy.
- (h) The Company had to pay a commission amounting to Rs.2,229,079 too in converting the value in to a loan by the relevant banks as arrangements had not been made to settle the letters of credit opened for importation of fertilizers on the due date.
- Action should be taken to spend funds effectively and efficiently.
- No preventive action had been taken.
- Situation remains same at present too.
- (i) Even though there was an unidentified income reserve amounting to Rs.61,016,519, which has been brought forward from the year 1997, the Management had not taken action to identify it and to settle it even by the end of the year under review.
- Necessary action should be taken to identify unidentified income reserves and to settle such reserves.
- Action had been taken to identify some part of the unidentified income.
- There are unidentified incomes further.
- (j) An officer had been appointed for acting in the Post of Marketing Manager with effect from 04 April 2016 without making arrangements to appoint a qualified officer for the Post of Marketing Manager which
- Action should be taken in compliance with the instructions of circulars.
- Even though public notice had been published and held interviews to appoint new marketing manager, the
- Qualified officer had not been appointed for marketing manager position.

- remained vacant from the year 2016.
- vacancy had not been fulfilled due to not presenting the qualified candidates. But necessary actions is being taken to call the applications for appointing a new marketing manager
- (k) According to Sri Lanka Accounting Standards No. 02, although the stock should be physically verified and should be valued at less than cost or net realizable value, the accuracy of the stock of chemical fertilizer valued of Rs.278,323,718 which is shown in the statement of financial position could not be verified due to the fact that inability to physically verify certain stocks of fertilizer stored at the Hunupitiya warehouse complex.
- It should be complied with Sri Lanka Accounting Standards.
- Proper preventive action had not been taken because of the fact that inability to physically verify certain stocks of fertilizer stored at the Hunupitiya warehouse complex.
- This problem remains same when verifying physical stock as at 2021.03.31.
- (l) Fertilizers which purchased directly by the company are subjected to various processes within the company such as marketing, mixing, processing in to small packet, repackaging and switching among each category.
- Action should be taken to adjust the stock shortages when calculating the cost of sale.
- No preventive action had been taken.
- It had not been corrected.

Although the closing stock has been calculated by including the figures that was subjected to the aforesaid processes in relation to the fertilizer which purchased directly during the financial year, the profit for the year under review had been understated by Rs.2,094,550 approximately due to a stock shortage of 41.891 metric tons of fertilizer identified in the stock count had not been adjusted to the cost of sale of Rs.1,182 million.

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| (m) | The company had been paid Rs.4,926,394 of holiday allowances to company employees for the short leaves and medical leaves saved by the employees of the company and Rs.847,427 of executive allowances for executive officers without approval of the Treasury.  | These payments should be considered as non-legal allowances.                   | No preventive action had been taken.  | It had not been corrected. |
| (n) | The payment had been settled through a short-term loan obtained from the bank due to non-receipt of funds from the General Treasury to pay for the company's fertilizer suppliers on time. Although the short-term loan was later converted into a long-term loan subject to the Treasury's liability, due to the failure in making agreement with | Action should be taken to ensure the accountability from the General Treasury. | Company is discussing this matter with General Treasury in written & verbally continuously. | It had not been corrected. |

the Treasury to recover the interest paid on the short-term loan and failure to incorporate the short term interest in to long term loan, the Rs.158,498,393 short term loan interest which was not guaranteed by the Treasury had been accounted as a balance to be received from the Treasury.

- (o) The trade debt balance of Rs.4,993,147 due from Ceylon Fertilizer Company as a current asset from the previous year had not been recovered during the year 2020 either. Action should be taken to recover the debtor balance. This had been informed to Ceylon Fertilizer company. This debtor balance had not been recovered.
- (p) The company had failed to recover the balance of sundry debtors of Rs.5,047,893 also during the year 2020 which had been as a current asset since 2014/2015. Action should be taken to correctly identify the balance of sundry debtors and recover. Relevant Parties had been informed. Legal actions had been taken against some debtors. This balance had not been recovered.
- (q) The total value of Rs.3,600,816 which was accounted as the accrued expenses in previous years had not been settled by the end of the year 2020. Accrued expenses should be properly accounted and settled within the relevant period. Out of this Rs.728,003.19 had been corrected in financial statements through journal entry no. J/MAR/AQ - අනු (07). It had not been corrected completely.

- (r) A penalty of Rs.675,558 had been paid in the year under review for the last quarter of 2016 and the first 02 quarters of 2017 as per the inland revenue tax assessment due to non-compliance of National Building Tax Act No. 09 of 2009.
- Actions should be done in accordance with the relevant Act.
- It had been reported that preventive actions have been taken to non-occurrence of these kinds of problems in future.
- Occurred loss remains same.
- (s) Although all public companies are required to prepared and submit the financial statements to the Auditor General within 60 days of the end of the financial year as per the paragraph 5.1 of Chapter 06 of the Code of Conduct for Good Governance in Public Enterprises issued with Public Enterprises Circular No. PED/12 dated 02 June 2003; the financial statements had been submitted to the Auditor General after 200 day of the end of the financial year.
- An action should be made to submit the financial statements to the Auditor General in accordance with the provisions of Circular.
- Computer software system has been installed to solve this problem.
- Financial statements for the year ended 31.03.2021 had been submitted on 03.03.2022 with a delay.
- (t) On the decision of the Board of Directors, total of Rs.600,000 had been given to the 05 middle-level managers who do not covered by the circular as Rs.10,000 vehicle allowance per each officers by exceeding the provisions of Circular No. PED/1/2015 dated 25 May 2015 and Paragraph No. 3 of Circular No. PED/1/2015(i) dated 25 October 2016.
- These allowances should be considered as non-legal expenditure.
- No preventive action had been taken.
- It had not been corrected.

- (u) Due to the failure in proper working capital management during the financial year, it had been incurred an unavoidable loan interest of Rs.2,109,634 for a bank overdraft of Rs.78,269,924. The actions should be taken to minimize the interest on loans. No preventive action had been taken. Bank overdraft had been maintained during the year 2021 and Rs.15,876,049 had been paid as overdraft interest for the year 2021.
- (v) The suppliers had supplied fertilizer at Rs.6,642,835 less than the order and that amount had been accounted as refundable from the suppliers and company had to paid to the supplier by short-term bank loan and an additional loan interest expense was incurred. Only the amount of fertilizer received should be taken into account. No preventive action had been taken. It had not been corrected.
- (w) Action had not been taken to prevent avoidable administrative, operational and transportation cost which arise due to the fact that the company maintains 13 warehouses in various areas of the island without establishing a low-cost distributing system and without recognizing the need for warehousing. Action should be taken to establish an effective and efficient distribution system. No preventive action had been taken. It had not been corrected.
- (x) The approval of the National Fertilizer Secretariat had not been received for the issuance of 3,575 metric tons of TPS (due to failure Fertilizer should not be distributed among farmers without the No preventive action had been taken regarding the decision made The mistake done remains unresolved.

of laboratory reports) related to approval of the National to distributing 06 letters of credit imported Fertilizer Secretariat. fertilizer among during the financial year to the the farmers. However, before the without the release of the laboratory reports, approval of the company had distributed the National Fertilizer above stocks of fertilizer to the Secretariat Office. farmers without approval. Although the National Fertilizer Secretariat did not recommend the payment of fertilizer subsidy for aforesaid stocks of substandard fertilizer distributed to farmers by Colombo Commercial Fertilizer Company, the company had taken actions to make payment for the fertilizer on the due date by the short-term bank loan and convert it into a long-term loan with the Treasury liability and obtain the subsidy without formal approval.

- (y) Since the distribution by free of charge during the year of a damaged fertilizer of 369 metric tons which was arise due to failure in distribution of subsidized fertilizer stocks with proper management, the company has incurred loss of Rs.22,140,000. Action should be taken to distribute subsidized fertilizer stocks of the government with proper management. No preventive action had been taken. Made remains unresolved. loss
- (z) Although the total amount of initial expenditure including consultancy fees for the A feasibility study should be done before starting a project. The project had been abandoned. A warehouse had not been

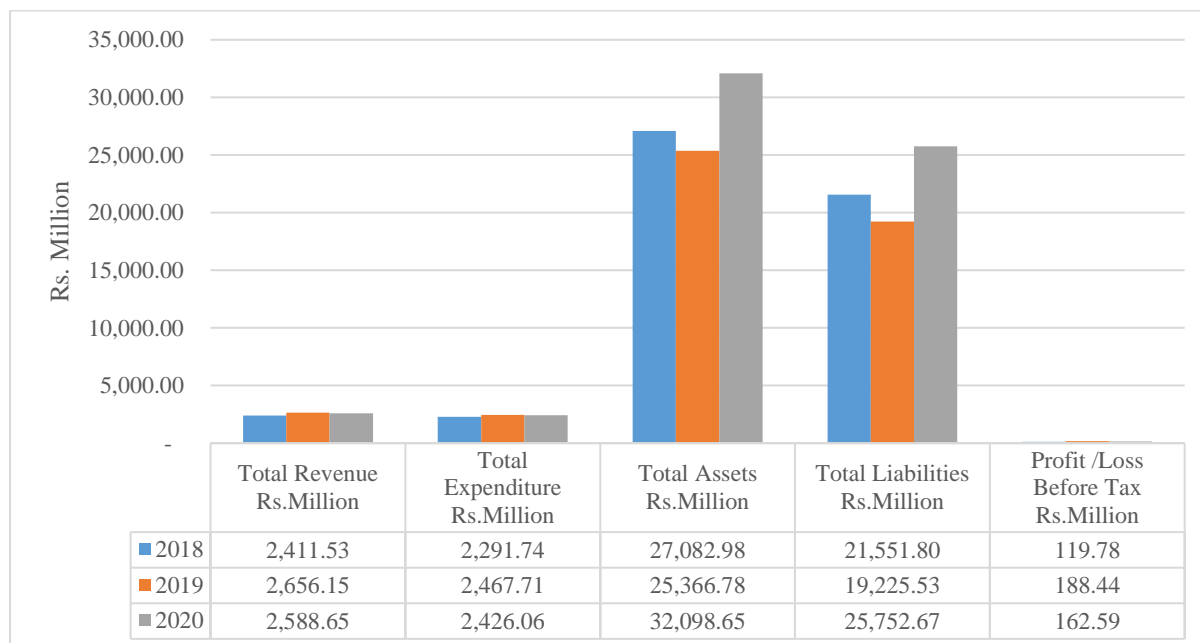


construction of warehouse on the lease land of the Hambantota district was Rs.3,732,901 including the Rs.3,534,711 in the previous years and Rs.198,190 in the year 2020 as accounted as capital in working progress, the above expenses had become an idle cost due to the non-construction of warehouse on the relevant land.

constructed in this land.

#### 4.5 Ceylon Fertilizer Company Ltd

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
2018	2,411,526,585	2,291,744,540	27,082,981,082	21,551,797,069	119,782,045	Qualified
2019	2,656,153,207	2,467,709,278	25,366,775,513	19,225,532,823	188,443,929	Qualified
2020	2,588,654,849	2,426,064,433	32,098,651,854	25,752,673,374	162,590,416	Not Decided



Audit observation	Recommendation of the Auditor General	Preventive measures taken by the institution	The current position
(a) Even though a sum of Rs.6,460,000 should be paid as terms and fines for the period from 01 April 2015 to 31 March 2019 for the Land at Akuressa Divisional Secretariat where fertilizer is stored by the Company, that figure had not been shown in the financial statements.	Actions should be taken to appear the terms and fines amounted to Rs. 6,460,000 in the financial statements.	preventive action had not be taken	No disclosure was made in the financial statements.

- (b) Balance confirmation letters has not been submitted for Sundry Debtor Balances amounted to Rs.105,534,809. Actions should be taken to obtain the balance confirmation letters Debtors had been advised to submit balance confirmation letters The balance confirmation letters regarding the trade debtors had not been submitted to the audit
- (c) Balance confirmation letters has not been submitted for balance receivables form General Treasury amounted to Rs.19,159,274,649. Actions should be taken to obtain the balance confirmation letters Public Enterprises Department has not confirmed in writing. The balance confirmation letters had not been submitted to the audit.
- (d) Necessary arrangements had not been taken to recover the balances receivables from the Janatha Estate Development Board, Director of Agriculture, Ampara and the State Plantation Corporation amounted to Rs. 86,408,870 , the balances receivable from three distributor agencies amounting Rs. 47,385,977 for more than one year, the balance receivable from a customer older than one year amounting Rs. 10,230,000 and the balance of 1,839,321 receivable from the Agrarian Services Center, Mahiyanganaya. Actions should be taken to recover the relevant debtor balances promptly. The company had been referred to legal department to recover the debt balance. The issue remains unresolved.
- (e) Even though another receivable balance older than 05 years amounting to Rs. 6,644,781 and Actions should be taken to recover these relevant debtor balances A case has been filed in the district court The receivable balances had not been recovered.

- a balance of Rs. 7,694,938 promptly regarding the receivable from the store shortage of keepers in respect of the stocks. the shortage of fertilizer in the Potuvil Warehouse which has been in existing since 2015, had been shown, the Company had not taken necessary actions to recover those balances by the year 2018.
- (f) It was informed that due to delay Payments relating to Preventive The issue remains in payment regarding the Letters Letters of Credit should action had not unresolved. of Credit opened for importation be made in accordance been taken. of fertilizer it was the responsibility of the fertilizer company to settle the interest charged by the bank as per the letter of the Director General of the Department of Development Finance dated 05 October 2018. and actions should be taken to utilize the government funds effectively. Nevertheless, despite the Fertilizer Company was having over a billion rupees periodic deposits, convert the unsettled amount into a short-term loan on maturity of the Letter of Credit in the year 2018/19, a sum of Rs. 36,267,366 had been paid. Further, although it is the responsibility of the relevant officers to make such payments in the year under review, due to the negligence of the officials, the Company had to pay huge

sums of interest.

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| (g) | Even though the Company had a Laboratory with the laboratory equipment valued at Rs. 18,557,867 registered with the Sri Lanka Accreditation Board which can generate revenue, since it had earned only a revenue amounting to Rs. 380,750 had been earned during the year under review, it was observed in audit that the actions had not been taken to formulate and implement a Strategic Plan that would generate revenue and according to that, the resources of the laboratory were underutilized. | Actions should be taken to obtain a maximum efficiency with equipment available in the laboratory. | Preventive action had not been taken. | It has not been obtained maximum productivity from laboratory equipment.                             |
| (h) | Even though relevant eligibility requirements should be met as per the Scheme of Recruitment when promoting employees in the Company, two officers who are serving as Company Manager (Administrative and Human Resources) and Assistant Manager (Finance) had been promoted during the year under review for those posts on the approval of the Board of Directors despite not fulfilled relevant qualifications.  | Actions should be taken to grant promotions as per the recruitment procedure                       | Preventive action had not been taken. | The manager (Administration & Human resources) has retired. The mistake made had not been corrected. |

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| (i) | Although an officer had been appointed to the post of Manager (Procurement) on acting basis, necessary arrangements had not been made to fill the vacancy.  | Actions should be taken to recruit permanently for the post.                          | It has been reported that a case has been filed in the labour court.   | Action had not been taken to fill the permanent position. |
| (j) | The types of fertilizers directly purchased by the Company are subjected to various processes within the company such as marketing, mixing, processing in to small packets, repackaging and switching among individual types within the company. Although the closing stock has been calculated by including the figures that was subjected to the aforesaid processes in relation to the direct fertilizer purchased during the financial year, the profit for the year under review had been understated by Rs.5,085,500 approximately due to a stock shortage of 101.7 metric tons of fertilizer identified in the stock count had not been matched to the cost of sale. | Action should be taken to adjust the stock shortage when calculating the cost of sale | It had been reported that internal audit division has been advised by the chairman to conduct an investigation and submit a report in writing. | It had not been corrected.                                |
| (k) | The company is being followed the procedure of, all goods purchased for the use of the  | The officers who responsible for the shortage should be                               | It had been reported that the physical   | The adjustments of the deficit value to the asset and     |

<p>company are accounted in the consumer goods account and delivered to the warehouse and it is identified and accounted as the assets or expenses at the time of the goods are issued to the relevant divisions by the warehouse. There was a shortage of Rs.1,978,401 in the consumer goods account during the financial year and the value of those shortages had been accounted to the assets and expenses accounts instead of investigating deficiencies and recovering from responsible parties</p>	<p>identified and recovered from them.</p>	<p>verification had been conducted to correct this.</p>	<p>expenditure accounts have not been corrected and an investigation had not been done to recover deficiency value from responsible parties.</p>
<p>(1) The payment had been settled through a short-term loan obtained from the bank due to non-receipt of funds from the General Treasury to pay for the company's fertilizer suppliers on time. Although the short-term loan was later converted into a long-term loan subject to the Treasury's liability, due to the failure in making agreement with the Treasury to recover the interest paid on the short-term loan and failure to incorporate the short term interest in to long term loan, the Rs.268,732,450 short term loan interest which</p>	<p>Action should be taken to ensure the accountability from the General Treasury.</p>	<p>Preventive action had not been taken.</p>	<p>It has not been confirmed that this interest will be paid by the General Treasury.</p>

was not guaranteed by the Treasury had been accounted as a balance to be received from the Treasury.

- (m) Although the accounts should be kept after deducting the value of the relevant stock deficiency of fertilizer from the invoice value of the supplier in the cases where supplier has given less than the agreed amount by both parties in the importation of the fertilizer, the value of the supplier's invoice was accounted as purchases and the value of the sent stock was accounted as the balance due. The Rs.16,861,511 of total value of inventory which was received less than the invoiced amount had been accounted as receivables and the outstanding balance of receivable was Rs.6,398,762. Due to the aforesaid balance had not been settled with the balance to be paid to the relevant supplier and accounted, thus this balance had to be paid to the supplier by short-term bank loan and an additional loan interest expense was incurred and dummy receivables had been shown in the accounts.
- Only the amount of fertilizer received should be taken into account.
- It had been reported that company will pay for received stock only in the future.
- Financial statements had not been corrected. The mistake made remains the same.



- (n) The balance confirmation letters of Rs.72,102,543 relating to trade debtors had not been submitted for audit. Balance confirmation letters should be submitted for audit. The debtors had been advised to submit balance confirmation letters. The balance confirmation letters had not been submitted to the audit.
- (o) The balance confirmation letters of Rs.4,636,187,820 and Rs.59,421,950 relating to trade creditors and sundry creditors respectively had not been submitted for audit. Balance confirmation letters should be submitted for audit. The creditors had been advised to submit balance confirmation letters. The balance confirmation letters had not been submitted to the audit.
- (p) As per Paragraph No. 5.1 of Section 06 of the Code of Conduct for Good Governance in public Enterprises issued with Public Enterprise Circular No. PDE/12 dated 02 June 2003, Although the all public companies were required to prepared and submit the financial statements to the Auditor General within 60 days of the end of the financial year, the financial statements had been submitted to the Auditor General after 210 day of the end of the financial year. Action should be made to submit the financial statements to the Auditor General in accordance with the Circular provisions. Preventive action had not been taken. Financial statements for 2020/2021 had been submitted on 2021.11.15.
- (q) Contrary to the Circular No. PED/1/2015 dated 25 May 2015 These allowances should be treated as illegal. Preventive action had not been taken. The issue remains unresolved.

- and Section no. 3 of Circular No. PED/1/2015(i) dated 25 October 2016. On the decision of the Board of Directors, a fuel allowance of Rs.11,400.00 for 120 liters had been given to the manager (Procurement and Import) who does not have entitlement to the vehicle allowances and, total of Rs.1,160,000 had been given to the 9 middle-level managers as Rs.10,000 fuel allowance per each officers by exceeding the Circular provisions. expenses been taken.
- (r) Although the company does not have possibility in the current fertilizer distribution system to increase revenue through fertilizer marketing promotion except the supplying of fertilizer in the subsidized scheme to the Agrarian Service Centers approved by the National Fertilizer Secretariat for paddy cultivation, a non-economic expense of Rs.470,000 had been incurred for printing 1000 number of large and small umbrellas with the name of Ceylon Fertilizer. Part of this stock of umbrellas printed for marketing promotion was distributed free of charge to the Action should be taken not to incur expenses for the marketing promotion within the subsidy scheme. Preventive action had not been taken. The issue remains unresolved.

company's employees and remaining 455 umbrellas were stored in the consumer goods store for a 16 months

- (s) Due to failure in distribution of subsidized fertilizer stocks with proper management, the 671.47 metric tons of fertilizer worth Rs.40,288,200 of the year 2018 and 225.44 metric tons of subsidized fertilizer worth Rs.13,526,400 of the year 2019 were damaged as it cannot be distributed to farmers and the total loss had to incurred by the government was Rs.53,814,600.
- Action should be taken to act as not to incur loss to the company.
- Preventive action had not been taken.
- Some part of this stock has been sold.
- (t) The approval of the National Fertilizer Secretariat had not been received for the issuance of 11,024.25 metric tons of TPS (due to failure of laboratory reports) related to 04 letters of credit imported during the year 2019 to the farmers. However, before the release of the laboratory reports, the company had distributed the above stocks of fertilizer to the farmers without approval. Although the National Fertilizer Secretariat did not recommend the payment of fertilizer subsidy for aforesaid stocks of substandard
- Fertilizer should not be distributed among farmers without the approval of the National Fertilizer Secretariat.
- No preventive action had been taken regarding the decision made to distribute fertilizer among the farmers without the approval of National Fertilizer Secretariat Office.
- The mistake made remains unresolved.

fertilizer distributed to farmers by Ceylon Fertilizer Company, the company had taken actions to make payment for the fertilizer on the due date by the short-term bank loan and convert it into a long-term loan with the Treasury liability and obtain the subsidy without formal approval

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| (u) | <p>It had been imported 14,250 metric tons of Uriya from the MV Alby Meloty ship under account No. 2019/MOA/CRC/UR (G)/04/01 and purchase order No. 814. Fertilizer was unloaded from the ship and stored in a warehouse in Pethiyagoda, Kelaniya in agreement with the local agent of the supplier due to the stoning and discoloration of the manure in the ship and on the recommendation of an committee of inquiry appointed by the agreement of both parties it was stored at Hunupitiya Ceylon Fertilizer Company and then distributed to farmers. Despite the possibility of rejecting the fertilizer stock in the event that desired condition has not been met according to the agreement reached between</p> | <p>The non-standard Preventive fertilizer should not be action had not imported, unloaded, been taken. stored and distributed.</p> | <p>The enoneous decision made by the management remains same. Chemical fertilizer is not imported at present.</p> |
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the two parties, It was observed that the management of the company has acted without considering the essential procedures to be followed regarding the fertilizer stocks due to failure to inform the National Fertilizer Secretariat about the aforesaid transaction, not conducting a chemical test by the National Fertilizer Secretariat on the discolored and stoned fertilizer and not including a representative of the National Fertilizer Secretariat for joint inspections.

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| (v) | Although the total value of Rs.4,813,131 had been paid as an annual clothing allowance to Rs.10,530 for the warehouse worker and Rs.7,938 for the office worker, the legal provisions which were based for aforesaid payments had not been submitted to the audit. | Allowances should not be paid beyond the existing rules and regulations. | Preventive action had not been taken. | It has not been corrected.   |
| (w) | The continuous operating losses has been incurred due to fact that the company maintains 46 warehouses in various areas of the island without establishing a low-cost distributing system and without recognizing the need for                                     | The company should establish a cost-effective distribution system.       | Preventive action had not been taken. | The company has not established a cost-effective distribution system. Chemical fertilizer is not imported at present. Therefore, |

- warehousing and thereby non-essential increases in Salary, Administrative, Operations and transportation costs. operating loses will increase further.
- (x) Due to failure of laboratory test reports obtained regarding stocks of imported fertilizers, the company had taken action to recover 03 performance bonds of US\$ 589,587.5 for the 02 imported fertilizer companies. The suppliers had resorted to arbitration against it and, instead of take action to recover the loss by supplying fertilizer under standards after confirming that the relevant companies have not complied with the agreement before the settlement, the company had settled and repaid the performance guarantees recovered. This is observed as a matter of controversy. An inquiry should be held against the officials who acted to reach the settlement. Preventive action had not been taken. An inquiry has not been held against the officials who acted to reach the settlement.
- (y) Although the Company has a laboratory with laboratory equipment worth Rs.19,130,944 registered with the Sri Lanka Accreditation Board, the number of sample tests conducted during the year 2019 was 69 and the revenue earned during the year was Rs.278,730. Laboratory equipment should be used to maximize the productivity. Preventive action had not been taken. Chemical fertilizer is not imported at present. Resources available in the laboratory are underutilized.

No strategic plan has been formulated and implemented to generate revenue from this laboratory and as a result, it was observed that the resources available in the laboratory were underutilized.

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| (z)  | As per the agreement entered in to with the suppliers of fertilizer, since all cost applicable to the stock of imported fertilizer up to the container yard has been included in the price offered by the suppliers, file fees, container washing fees, taxes and stamp duty to be borne by the local agent of the supplier. However, due to the transfer of the aforesaid liabilities to a shipping agency which is the responsibility of supplier, the total value added over the last two years of Rs.4,222,578 has been paid for non-applicable expenses. | The payments should be made in accordance with the agreement entered into with the supplier.                            | Preventive action had not been taken. | Chemical fertilizer is not imported at present. Non-applicable expenses paid by the company remains same. |
| (aa) | Due to insufficient subsidized fertilizer for distribution of paddy during 2020/2021 Maha season, to overcome that shortcoming, Uriya 3500 metric tons had been obtained on loan basis from suppliers of  | Action should be taken to make successful the ongoing investigations and such fraud should be prevented from recurring. | Preventive action had not been taken. | Chemical fertilizer is not imported at present.   |

fertilizers for other crops. And also, there was an opportunity to misuse of government fertilizer due to aforesaid stock of fertilizer had been handed over to the Agrarian Services Center with the company's packages without being designated as subsidized fertilizer provided by the government and in the name of Ceylon fertilizer Company.

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| (bb) | Not in accordance with the provisions of the Procurement Guidelines and the Agreement that has been made between a local supplier and the Ceylon fertilizer Company on the supply of liquid fertilizer, the management of Ceylon fertilizer had provide opportunity to company of local supplier to use their two fixed deposits of Rs.94,438,766 in 2018 as bank guarantees to obtain bank overdraft. Using this guarantee, the local supplier had obtained a bank overdraft facility of Rs.75,980,000 by the 12 February 2019 and the total amount payable with the accrued interest on that day was Rs.80,502,290. As the Company of local supplier had not taken actions to settle the aforesaid | Action should be taken to prevent such losses and a decision should be taken after conducting an investigation into these losses. | Preventive action had not been taken. | The issue remains unresolved. |
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bank overdraft, the bank had taken action to settle the outstanding loan balances from two fixed deposits held by the company as bank guarantees. Due to this informal and illegal transaction, the loss incurred by the Ceylon fertilizer company had been Rs.97.5 million with the loss of Rs.17 million interest incomes.

- (cc) It was observed that, the 109,408 liters of expired fertilizer worth Rs.79,716,652 out of the liquid fertilizer provided as per the agreement reached between the Ceylon Fertilizer Company and a Company of local supplier on 17 April 2017 had been still in stock of the main warehouse in Hunpitiya by the March 2021.
- Action should be taken to prevent such losses and a decision should be taken after conducting an investigation into these losses.
- Legal disciplinary actions had not been taken.
- The issue remains unresolved.
- (dd) Due to changing the company's advertising system of publishing the company's public advertisements by Lake House as, to allow newspaper advertising to be published by a private agency without a procurement process as per the request of the Chairman, the Company had to pay more than double the cost of publishing
- Procurement method should be followed.
- Relevant Services are currently provided through lake house.
- Overpayment remains same.

advertisements from Lake House in the previous. The amount paid to the aforesaid private institution for public advertisements was Rs.2,243,376 during the year 2019.

- (ee) By changing the scoring system included in the company's approved recruitment procedure approved by the Department of Management Services, increasing the approved score for the performance in the interview from 25 points to 60 and decreasing points for the experience in relevant field which is most important to the post from 30 to 5 points, the management of the company had recruited 28 less qualified and less experienced persons in bias for the post of Management Assistance in year 2019 as make it much unfair to the qualified and experienced applicant who was eligible for the interview.
- An inquiry should be conducted and the injustice done should be rectified.
- Preventive action had not been taken.
- An inquiry had not been conducted.
- (ff) Ceylon Fertilizer Company has been acting as the government agent for the issuing fertilizer for Paddy Cultivation from the date of implementation of the
- The approved cadre should be revised as required and action should be taken to reduce salaries and allowance.
- Action has not been taken to revise approved cadre.
- The issue remains unresolved.

Pre- Subsidy Scheme and from that day, sales promotion and other marketing activities have been greatly reduced. Fertilizer is issued by the regional fertilizer stores on the instructions of the National Fertilizer Secretariat and, the activities such as the marketing activities in the field and the implementation of new marketing strategies and programs or marketing oversight are not included in the distribution process. Accordingly, instead of revising the approved cadre, the company has continued to fill the vacancies in the posts of District Marketing Promoters, Regional Marketing Promoters and Marketing Promotion Officers belonging to the approved marketing staff and also in the year 2021, recruitments were made on an acting basis for 03 posts of Regional Marketing Manager. As a result, the company had to incur idle cost for salaries and allowances.

- (gg) Without recruiting employees for the permanent posts vacancies approved for the year Action should be taken to fill the vacancies in the approved permanent Actions are being taken to appoint Permanent positions vacancies had not been filled.

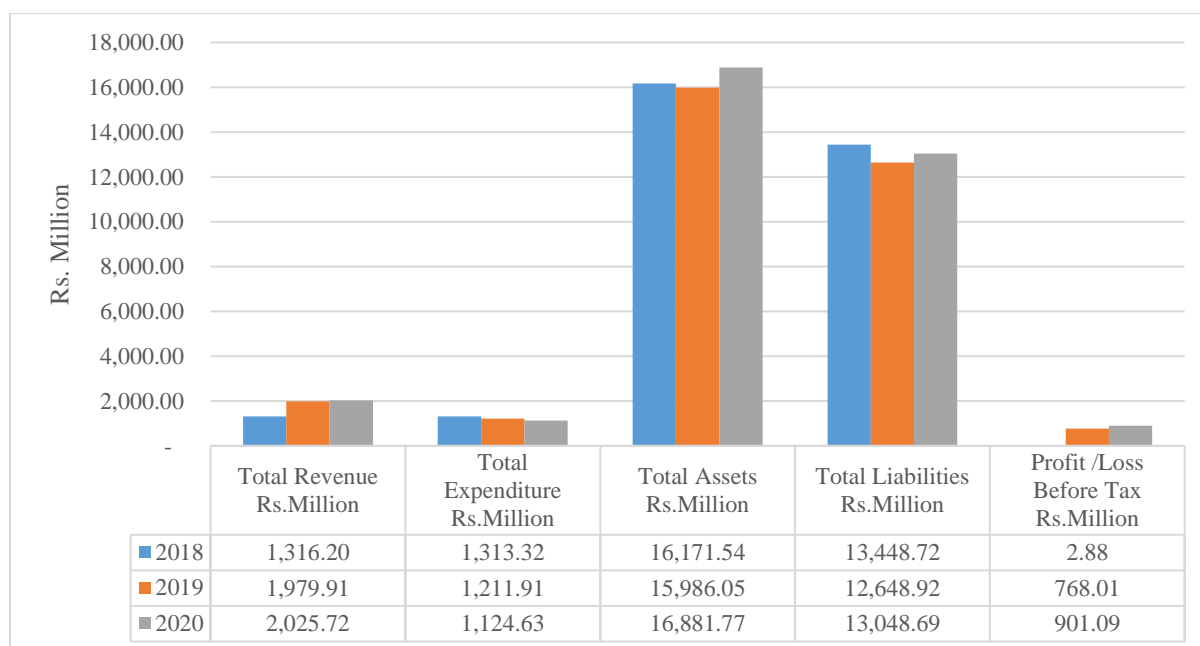
- 2019, the services of 12 casual post. permanent employees had been obtained on positions. the basis of re-employment by every six month and Rs.1,362,691 had been paid. As well as with the approval of the Chairman of the Company, 04 interns had been recruited and salaries and allowances of Rs.274,850 had been paid during the year 2019.
- (hh) Although the sum of Rs.38,176,014 cost had been incurred from year 2017 to the year 2019 for the establishment of an Enterprise Resource Planning System (ERP System), due to the fact that the aforesaid system was not installed to cover the entire organization and the entire process and, the systems that are installed and functioning are also operating without strong controls, the company had failure to reach the desired results from the installation cost incurred and the annual maintenance cost paid to the established firm which was approximately Rs.1,580,000.
- The system should be set up to cover the entire organization and the entire process.
- Preventive action had not been taken.
- The system has not been set up to cover the entire organization and the entire process.
- (ii) Even though the entire process of fertilization, including the receiving, issuing and Necessary general controls and system controls should be It has been reported that an ability to enter The issue remains unresolved.

exchanging of fertilizer was implemented computerized, the audit could not be satisfied with the computer system related to stock controls due to it has an ability to enter data into the computer system as updated the day before and essential general controls and system controls were not implemented.

data into the computer system as updated in previous days has been corrected.

#### 4.6 NSB Fund Management Company Limited

	<b>Total Revenue</b> Rs.	<b>Total Expenditure</b> Rs.	<b>Total Assets</b> Rs.	<b>Total Liabilities</b> Rs.	<b>Profit (Loss) Before Tax</b> Rs.	<b>Opinion</b>
<b>2018</b>	1,316,195,863	1,313,317,282	16,171,543,209	13,448,722,051	2,878,581	Unqualified
<b>2019</b>	1,979,912,319	1,211,906,432	15,986,045,693	12,648,922,388	768,005,887	Unqualified
<b>2020</b>	2,025,721,166	1,124,633,699	16,881,766,060	13,048,694,869	901,087,467	Unqualified



#### Audit observation

- (a) The Company was appointed as a lead manager for reorientation of Sri Lankan Airlines project in the year 2016 by the Cabinet of ministers. Fees & costs incurred on this should be reimbursed from the general treasury. Accordingly, receivable balance from the treasury was Rs.246,939,587 and out of such

#### Recommendation of the Auditor General

Company should recover the receivable amount from treasury.

#### Preventive measures taken by the institution

It has made number of requests so far. The latest request was sent on 20.07.2021

#### The current position

Rs. 88,939,587 is still remaining several reminders have been sent to the Ministry of Finance.

balance, an amount of Rs. 88,939,587 had remained outstanding as at the end of 2020.

- (b) An officer who had been recruited to the NSB Fund Management Company for the post of Secretary under contract basis with effect from 02 March 2018 had since been attached to a branch of the National Savings Bank.
- Company should pay for the employees for their service to the company.
- The said employee had been re-called the NSB FMC head office
- Rectified the issue as commented.
- (c) In accordance with paragraph 2.8 of the Public Enterprise Circular No.PED 3/2015 dated June 17, 2015, monthly allowance, sitting allowance or any other payments other than allowances mentioned in the circular, can be paid to the chairman only with the recommendation of the secretary to the line ministry with the concurrence of the Minister of Finance.
- However, a sum of Rs.53,195,450 had been paid to the Chairman of the NSB Fund Management Company as a professional allowance for the period from January 2015 to November 2018, without obtaining prior written approval according to above circular.
- The company should comply with the circulars PED circulars
- No allowance was paid in 2019 after the said circular was brought into notice.
- Remuneration policy for KMP has been prepared and submitted to the BHRRC and Board of Directors of NSB FMC for its approval
- No change in the comment given.

Chairman of the National Savings Bank has act as the chairman of the company by an official power.

- |     |  |  |  |  |
|-----|--|--|--|--|
| (d) | Even though the profit for the year 2018 was Rs.35,500, a bonus for the year amounting to Rs.2,543,546 had been approved by the board of directors in its meeting held on 02 November 2018. Provision for the aforesaid bonus had been made in the financial statements for the year 2019 instead of the financial statements of 2018. | Company Should pay attention for the profit for the year when paying performance bonus   | Company paid the performance bonus to the staff in accordance with Bank's performance bonus payment method. However, NSB FMC has proposed in the BHRRC to pay performance bonus based on the performance of the company. | The Company is still following Bank's Bonus payment procedure as approval had not been given to proposed performance-based bonus scheme. |
| (e) | It has planned to introduce Mobile app for customer convenience in the year 2019. However, company had not still introduced a mobile app for said purpose.   | Company should implement annual planned activities to achieve objectives of the company. | Implementation of Customer Management System is in the process and it could be used as a mobile app in next year.  | Same position.   |
| (f) | With an aim to strengthening the internal processes, the company has planned to acquiring a new Treasury Management System by 2019 and create Research & development unit by 2020. However, company was unable to complete above aims until September 2021.  | Company should implement annual planned activities to achieve objectives of the company. | Company is in the UAT process of implementing a new treasury system. There are some developments to be done before going live with remote support. As a result, it   | No change in the comment given.  |



was got delay.  
However, it has now  
in the stage to finish  
the UAT sign off and  
start to go live.

Creating a Research  
and Development unit  
is in the process and  
requested the  
approval of Securities  
and Exchange  
Commission to set up  
that unit.

**4.7 Ceybank Holiday Homes (Pvt) Ltd**

	<b>Total Revenue</b> Rs.	<b>Total Expenditure</b> Rs.	<b>Total Assets</b> Rs.	<b>Total Liabilities</b> Rs.	<b>Profit (Loss) Before Tax</b> Rs.	<b>Opinion</b>
<b>2018</b>	140,996,616	143,402,211	36,517,021	36,277,384	(2,405,595)	Unqualified
<b>2019</b>	122,806,633	128,083,056	65,853,452	70,890,238	(5,276,423)	Unqualified
<b>2020</b>	65,141,105	98,153,365	52,784,487	91,200,588	(33,012,264)	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	It was observed that, there is no written agreement between the company (Lessee) and Bank of Ceylon (Lessor) for Anuradhapura leasehold building.	It is recommended to enter in to a written agreement with the lessor.	We are in discussion with the bank and will be finalized by 30 June 2022	noted

- |     |  |  |   |   |
|-----|--|--|---|---|
| (b) | <p>It was observed that there is no centralized place to accept and handle the reservations.</p> <p>Eg: BOC welfare department (Katharagama, Anuradhapura, - Oldwing Nuwara Eliya)</p> <p>Eg: Head office of the company (Anuradhapura-Pinnacle Dickoya - Upper - Lower)</p>   | <p>It is recommended to obtain the customers' reservations via one place.</p>                  | <p>Noted to implement with the introduction of a comprehensive software system.</p>   | <p>Reservations of all the facilities reserved for BOC staff are managed by the welfare department of BOC.</p> <p>But the reservations of facilities available for outside customers are managed by the company. As there is a clear demarcation between these two there is no confusion.</p> |
| (c) | <p>It was observed that fully depreciated assets worth of Rs.10,693,132 were included in the fixed assets register. Actions have not been taken by the management to reassess those assets which are in useable condition and take into the financial statements or write off the balance assets which are not in a useable condition after getting consent of the Board of Directors.</p> | <p>Actions need to be taken to reassess or write off the fully depreciated assets.</p>         | <p>This exercise could not be completed in the past, but intended to be completed with the 2021 inventory verification.</p> | <p>noted</p>  |
| (d) | <p>The revenue which was received as a monthly summary from the rest houses has posted to the accounting system as a bulk</p>  | <p>Recommended to maintain an invoice listing and also reviewed by an authorized person to</p> | <p>We are exploring the possibility of procuring a comprehensive software system at present as a long term solution.</p>    | <p>In the absence of automated system, we account only after reconciling the monthly reports obtained from each</p>   |

without maintaining an invoice listing. identify the gaps and duplicate in invoices.

Rest. Although the entry is a monthly figure, we are maintaining underlying daily transactions manually, which is reconcilable.

(e) The Company is maintaining inventory records manually in an excel worksheet and it will cause for irregularities, anomalies, manipulation of financial records and as well creates difficulties in recognizing slow moving and obsolete stock values due to absence of aging report.

Recommended to implement an inventory module to monitor and control inventory movements.

We are exploring the possibility of procuring a comprehensive software system at present as a long term solution.

It is correct that we are maintaining excel sheets for inventory maintenance, in the absence of a comprehensive automated system.

However we have effective manual checks and controls in place to prevent any irregularities.

(f) It was observed that original and signed management fee agreements are not available for below locations.

It is recommended maintaining proper agreements with the relevant party.

We have made arrangements to renew the agreements for CTI Maharagama. For Executive Tea Service new agreement will be signed.

Agreements signed for all three Rests, Anuradhapura, Kataragama and Dickoya, valid till 31<sup>st</sup> December 2024.

Category	Location
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Ceybank Rests	Anuradhapura, Kataragama, Dickoya
Holiday Homes	Bandarawela, Haputale, Lindula, Trincomalee, Kayts, Nawala

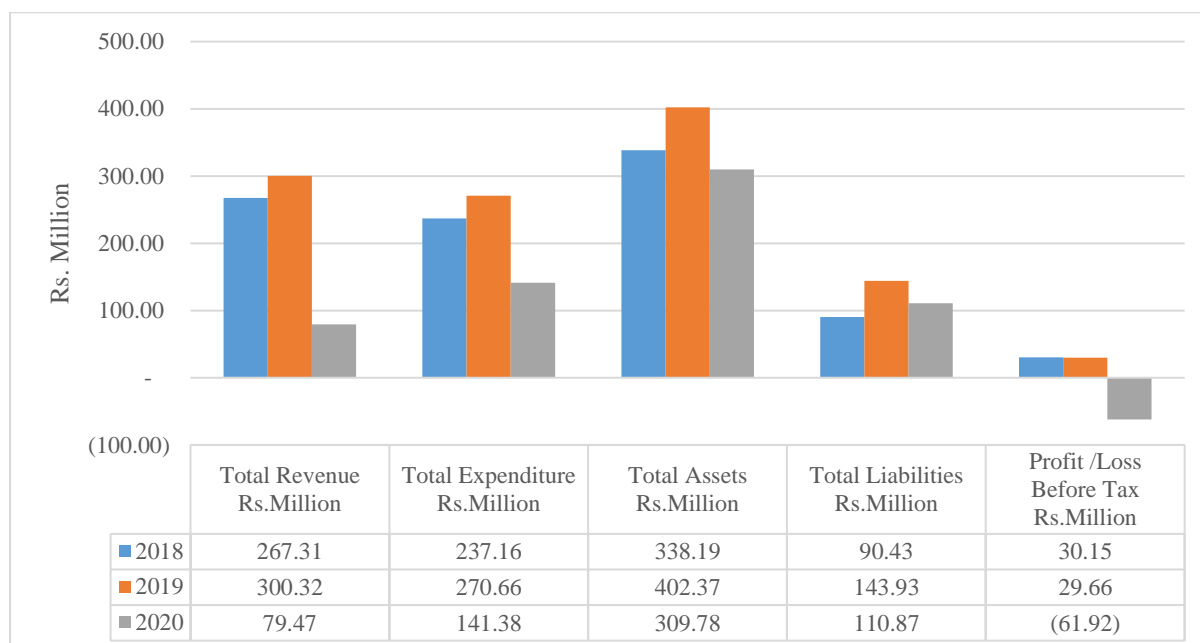
We will also add two branch staff quarters at Girandurukotte and Nuwaraeliya to the existing agreement.

Agreement for all holiday homes too is signed. Branch Staff quarters agreement too is signed (except for Girandurukotte and Nuwaraeliya).



**4.8 BOC Travels (Pvt) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	267,307,000	237,156,000	338,187,000	90,431,000	30,151,000	Unqualified
<b>2019</b>	300,315,000	270,659,000	402,370,000	143,932,000	29,656,000	Unqualified
<b>2020</b>	79,465,000	141,383,000	309,775,000	110,873,000	(61,918,000)	Unqualified

**Audit observation****Recommendation of  
the Auditor General****Preventive measures  
taken by the institution****The current  
position**

- (a) The Company does not have a proper credit policy to control the credit period and value given to the customers through handling officers. As a result, the long outstanding debtor balances under individual handling officer's accounts had been increased. Some of them are as follows:

It is recommending that to implement proper control over credit sales and debts recovering procedures.

A process has been put in place where a team from the accounts department weekly following up on the

Collection status with sales staff on the recovery process. Steps are also being taken to file legal action against the long outstanding debtors where

Name of the Handling Officer	Total Outstanding as at 31.12.2018 (Rs.)	Outstanding more than 270 days (Rs.)
Kasun	3,518,020	1,681,791
Romesh	6,531,429	2,782,792
Muthumali	660,700	294,500

operational issues are not involved.

- (b) It was observed that the balances aggregating to Rs.1,441,777 to eight other payable accounts remain in the same account for more than five years period. Actions have not been taken by the Company to reassess the actual liability and if there is no any actual liability to write off the long outstanding balance after obtaining relevant approvals. The details of the long outstanding balances are given below.

Description	Balance as at 31 December 2019 (Rs.)	Long Outstanding Balance (Exist more than 05 Years Period) (Rs.)
Refundable Payables	9,157,714	676,284
Advance received from customers	4,246,486	617,799
Un-identified Credit by Bank	1,974,514	95,850
Advance received from DAM Tours	5,899,189	22,370

Recommended to evaluate and take actions to clear the long outstanding balances.

Steps have been take to send follow up letters and letter of demand to the long outstanding debtors. Based on their outcome, steps will be taken to file legal action against the relevant parties.

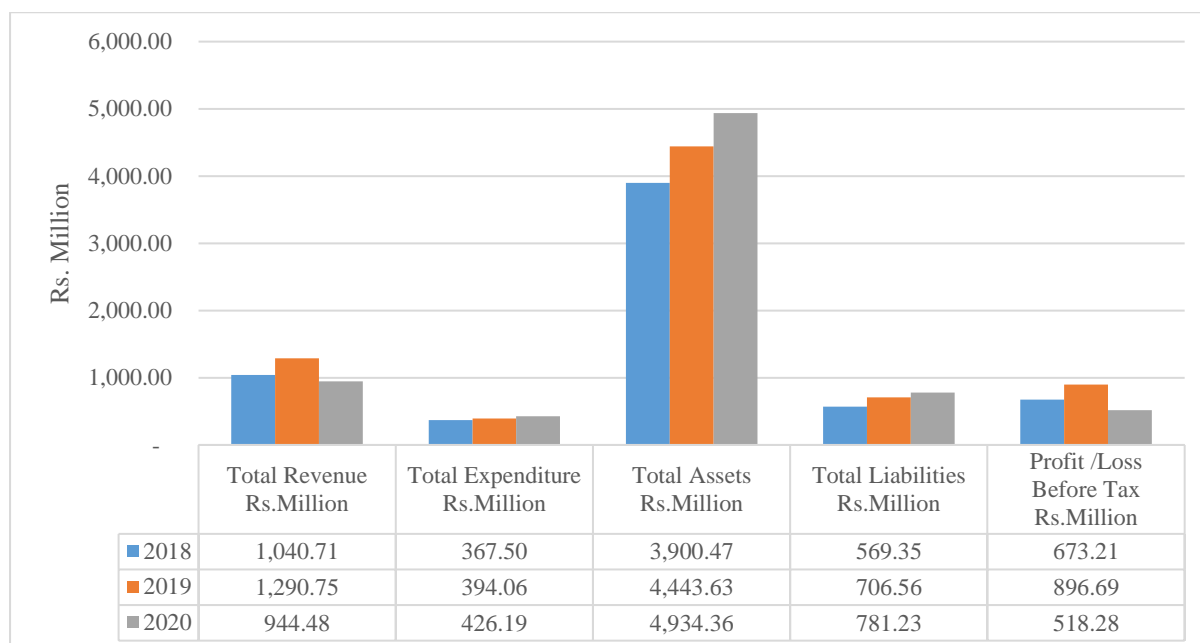
Advance received from customers - Wellawatte	2,208,521	10,000
Advance received for Outbound Tours	3,679,947	19,474
<b>Total</b>	<b>27,166,371</b>	<b>1,441,777</b>

- (c) It was observed that there is no proper control over the deciding of profit margin for ticketing and tour income since it is decided by the officer who handles the business with customers. It is recommended to have a policy to set the profit margin and if there is any departure from the policy recommended to obtain the approval from an authorized person.



#### 4.9 Property Development PLC

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,040,710,662	367,498,212	3,900,467,138	569,347,895	673,212,450	Unqualified
<b>2019</b>	1,290,746,282	394,056,701	4,443,630,389	706,556,730	896,689,581	Unqualified
<b>2020</b>	944,475,161	426,191,102	4,934,358,171	781,228,213	518,284,059	Unqualified



#### Audit observation

#### Recommendation of the Auditor General

#### Preventive measures taken by the institution

#### The current position

- (a) Inventories include long standing items which should be classified as tools under Property, Plant and Equipment and depreciated over the useful life time of the asset.
- It is proposed that management should properly identify the assets that can be capitalized by referring to the long standing inventory items. Further, the
- Please refer to the explanation given in Present Position.
- Company has long-standing stocks which are necessary for the building services of the BOC Headquarters Building. These stocks are to be carried in our stocks to maintain uninterrupted building services as these are not available in the local market and the lead time for the import and supply is generally over 2-4

management should assess the useful life time of those assets and depreciate accordingly.

months. However, if these items are satisfied the criteria for capitalization then at the time of issue it is capitalized as PPE and apply the relevant depreciation policy.

However, the Company carries out physical stock verification on an annual basis and random verification in quarterly basis in order to verify the physical stock, to find out obsolete stocks. Accordingly, necessary steps are taken to dispose the obsolete stocks.

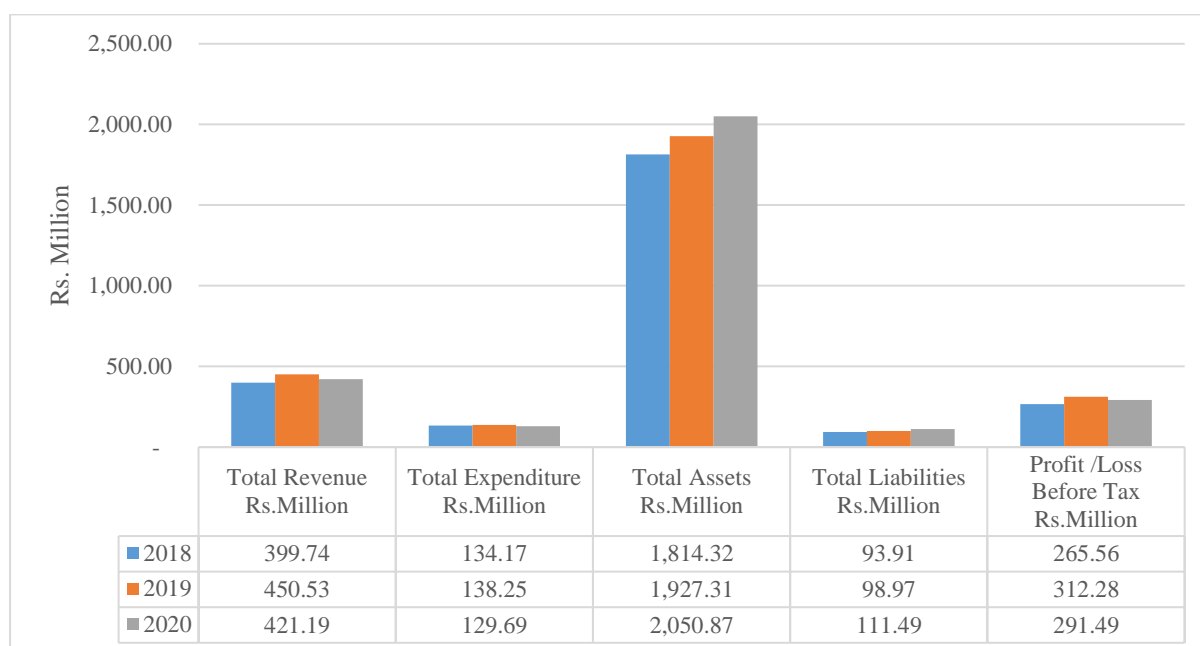
- (b) The Company has not complied with the Rule 7.13 of the Colombo Stock Exchange (CSE) Listing Rules towards the minimum Public Holding Requirement of 20 percent.
- Necessary action should be taken to comply with CSE Rules or to commence the delisting process
- Please refer to the explanation given in Present Position.
- Board of Directors has now approved the exit offer price to the minority share-holders and Board Resolution for the delisting of PDL from the official list of CSE will be tabled at the Board Meeting scheduled to be held on 14 February 2022. The Board shall recommend to delist the Company by way of the share repurchase and if the shareholders approve the said resolution as required under Rule 5 of the Securities and Exchange Commission of Sri Lanka (SEC) at the Extraordinary General Meeting scheduled to be held in 3<sup>rd</sup> week of March 2022, the Company shall take necessary steps to delist the Company by

following the guidelines given in the said Rule of SEC.

- |     |   |  |   |  |
|-----|---|--|---|--|
| (c) | Security audit logs are not enabled for the Time attendance and maintenance management system. Hence, periodic reviews of security logs were also not carried out.  | The Security Audit logs should be configured to log user activities and the privileged tasks and the logs should be periodically reviewed. | The reports have been added to the DMS-Time Attendance & Maintenance Management system. | Completed  |
| (d) | Although a comprehensive password policy is in place, the appropriate password parameters have not yet been implemented in the respective systems.  | The Password policy documented in the IT Policies of the Company should be implemented in practice in the systems in use.                  | The password parameters have been implemented.  | Completed  |
| (e) | Due to Non-Compliance with Listing Rules 7.13.1 of Colombo Stock Exchange, the company started its delisting process in 21 March 2014. It has already elapsed six years period and the delisting process is still under progress. | Recommended to speed up the delisting process.   |   | Please refer to the explanation given under audit observation No 02. |

**4.10 BOC Property Development & Management (Pvt) Limited.**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	399,736,762	134,172,721	1,814,317,466	93,909,696	265,564,041	Unqualified
<b>2019</b>	450,532,152	138,250,288	1,927,313,990	98,966,066	312,281,864	Unqualified
<b>2020</b>	421,185,820	129,694,732	2,050,867,865	111,488,029	291,491,088	Unqualified

**Audit observation**

- (a) The Company's some important Accounting Ratios for previous three years and the year under review are as follows.

Year	2018	2017	2016	2015
Net Profit Ratio (Percentage)	67	66	56	39
Current Ratio (Number of Times)	32.31	14.62	23.55	20.17

**Recommendation of the Auditor General**

Recommended to maintain a balance between liquidity and profitability.

**Preventive measures taken by the institution**

- (i) Invested Rs.249,999,996 in additional share issue of Merchant Bank

**The current position**

By end of year 2021 BOC PDML has improved balance between liquidity and profitability as follows and will improve further,

Net Current Assets to Total Assets (Number of Times) 0.48 0.44 0.35 0.32

The Company has maintained higher Current Ratio due to unsatisfactory level of the working capital management of the Company. Further, the Company had not paid their attention to invest excess money in long term investments comparing with short term investment.

of Sri Lanka & Finance PLC and (ii) Invested Rs.250,000,000 in 5 year Bank of Ceylon Debentures Net Profit Ratio 64 %, Current Ratio 18.26 times, Net Current Assets to Total Assets 0.42 times

- (b) As per Lease Agreements with all lessees, rent shall be paid in advance on first day of each month. However, the following debtors' pattern indicates that nonpayment of rent as agreed in the lease agreement. Ensure that rent income is collected as agreed in the lease agreement. Strictly following the lease agreements and procedures. Said rent outstanding has been fully recovered.

Period	1-30 days	31-60 days	61-90 days	Over 90 days
Outstanding (Rs.)	5,560,543	2,249,146	2,199,488	9,519,849

- (c) As per the lease agreements with all lessees, a penalty of 20 percent from the monthly rental is charged from the tenant if they are unable to pay the monthly rental before 14 days from the first day of each month. Instances were observed that 08 tenants were delayed the payment due for a particular month for more than 03 months period. However, no penalties were charged from them for the delayed payment. Ensure that penalties are charged from tenants who delayed the monthly rental payments as agreed in the lease agreement. This matter will be discussed with the Board and thereafter finalize. Negotiations are going on in the Management Committee.
- (d) Even though lease agreements need to be signed prior to commencement of the lease period, five instances were observed that the lease agreements were signed after the It is recommended to sign a lease agreement prior to Speed up the company's correspondences. Cut down company's

commencement of specified lease period. commencement of responding  
Therefore, unavailability of valid lease lease period. period  
agreement between the lessor and the lessee  
until the time of signing new agreement was  
observed. The details are given below.

Lease Agreement No.	Name of the Lessee	Lease Period	New Agreement Signed Date
270	Integrated Property Management Services	16/04/2020 – 15/04/2021	30/07/2020
242	Bank of Ceylon Western Province North	01/01/2019 – 31/12/2020	22/05/2019
236	Engenuity (Pvt) Ltd	01/01/2019 – 31/12/2021	03/04/2019
147	Dialog	30/05/2016 – 29/05/2021	05/08/2016
7	Quess Lanka Ltd	Crop (Pvt) – 01/03/2019 – 28/02/2021	12/06/2019

- (e) After signing of each lease agreement, it should be registered in the particular Land Registration Office within three months period. However following lease agreements were not registered in Land Registration Office up to the date of 29 October 2021. The details are given below.
- It is recommended to register the lease agreements in the Land Registration Office within three months after signing of each lease agreement.
- Aware this to the tenants as much as possible.
- This will be mentioned in every renewal notices in future.

<b>Lease Agreement No.</b>	<b>Lessee</b>	<b>Lease Period</b>	<b>Agreement Signed Date</b>
147	Dialog	30/05/2016 – 29/05/2021	05/09/2016
168	Public Utilities Commission of Sri Lanka	01/07/2017 – 30/06/2019	08/08/2017
179	MBSL Merchant Tower	– 01/05/2017 – 30/04/2022	13/10/2017
180	MBSL Merchant Tower	– 01/04/2017 – 31/03/2022	13/10/2017
186	MBSL Merchant Tower	– 01/10/2017 – 30/09/2022	16/01/2018
203	MBSL Merchant Tower	– 01/01/2018 – 31/12/2021	25/06/2018
205	MBSL- Merchant Tower	01/01/2018 – 31/12/2022	25/06/2018
236	Engenuity (Pvt) Ltd	01/01/2019 – 31/12/2021	03/04/2019
242	Bank Ceylon Western Province- North	of 01/01/2019 – 01/01/2021	19/05/2019
244	Quess Lanka Ltd (Randstad	Crop 01/03/2019 – 28/02/2021	12/06/2019

	Lanka (Pvt) Ltd)		
256	Ceybank Asset Management (Pvt) Limited	01/06/2019 – 31/05/2021	06/09/2019
257	SLIIT	01/01/2019 – 31/12/2021	20/09/2019
261	SLIIT Academy Ltd	01/01/2019 – 31/12/2021	28/10/2019
266	BOC Super Grade, Kandy	01/01/2019 – 31/12/2020	04/03/2020
267	BOC Central Province	01/01/2019 – 31/12/2019	04/03/2020
273	Sameera Caters Canteen	11/07/2019 – 10/07/2021	27/08/2019
296/20	Colombo Stock Exchange	01/01/2021 – 30/06/2021	09/02/2021

- (f) As per the section 5.1.1 of the Public Enterprises Circular No. PED 12 of 02 June 2003, a Corporate Plan should be a rolling plan effective for a period of not less than three years. It should be prepared in order to ensure the effective operation of the company. However, the Corporate Plan for a three years period had not been prepared by the Company.

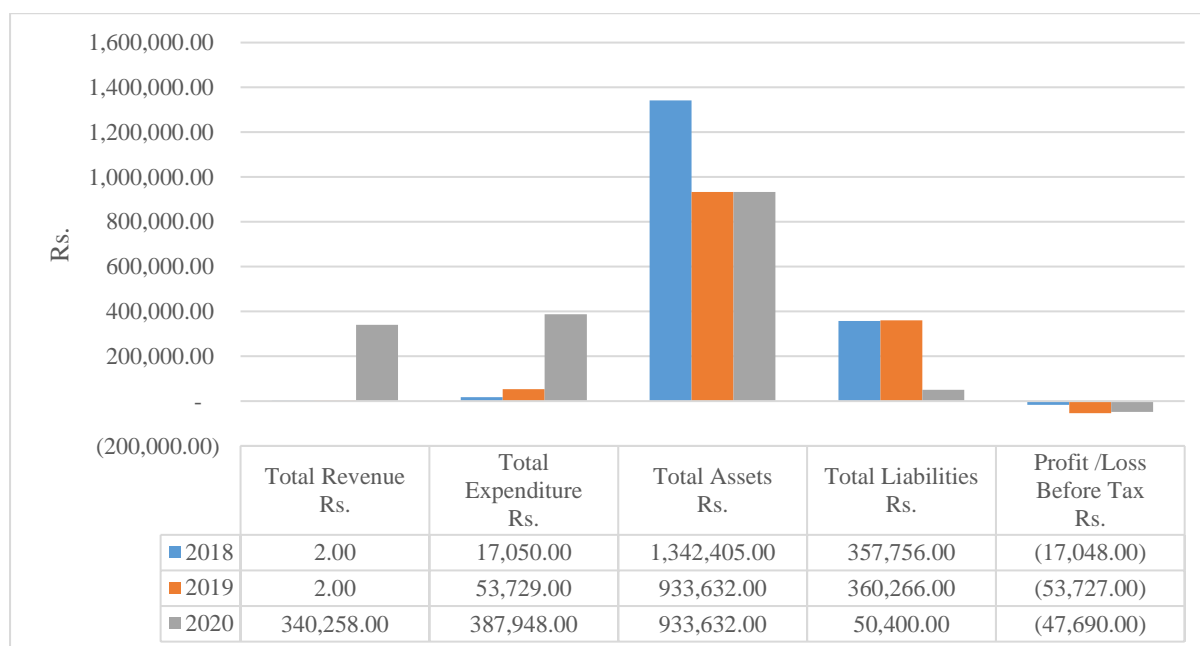
It is recommended to prepare a corporate plan for a period not less than three years and continue as a rolling plan.

BOC PDML will be prepared Corporate plan and copy of the same will be submit to you.



#### 4.11 BOC Management and Support Service (Private) Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2	17,050	1,342,405	357,756	(17,048)	Unqualified
<b>2019</b>	2	53,729	933,632	360,266	(53,727)	Unqualified
<b>2020</b>	340,258	387,948	933,632	50,400	(47,690)	Unqualified



#### Audit observation

#### Recommendation of the Auditor General

#### Preventive measures taken by the institution

#### The current position

- (a) The principle business activity of the Company is recruitment of employees in order to facilitate manpower requirements of the Bank of Ceylon. However, the Company had not engaged in this principle activity since 2007. The Board of Directors had decided
- Company should carry out business activities align with the core business activity.

Although, the Board of Directors of the Company has resolved in 2017 that the company should wind up in the future, the Board of Directors of Bank of Ceylon at its meeting held on 08 February 2021 has approved to;

to wind up the Company at their meeting held on 01 August 2017.

- (b) As per the Note No. 2.1.3 of the Financial Statement, the Board of Directors of the Company, at its meeting held on 01 August 2017, has resolved that the Company should wind up in the near future. According to, Section 320(1) of Companies Act, No.07 of 2007, when the Company has passed a resolution for voluntary winding up, it shall within fourteen days from the passing of the resolution, give notice of the resolution by publication in the Gazette. However, Company has not given notice of the resolution by publication in the Gazette.
- Should adhere to the - Section 320(1) of Companies Act, No. 07 of 2007

- Converting BOC Management & Support Services (Private) Ltd to debt recovery service provider in order to manage the Non Performing Advance position of the Bank.

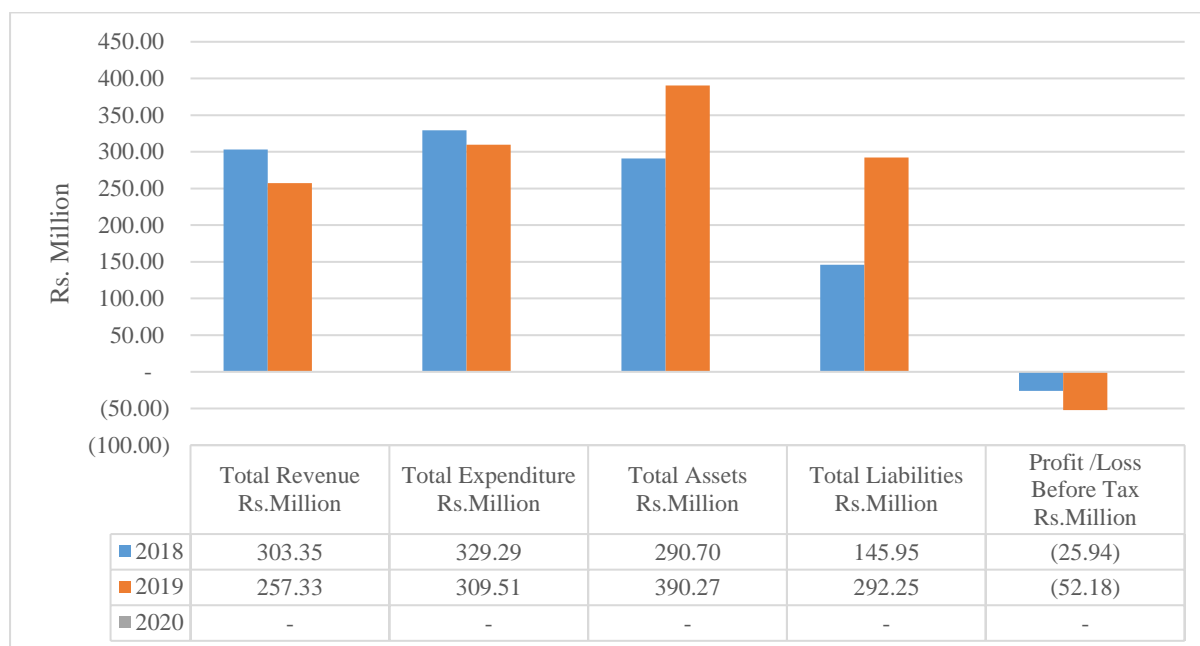
- Obtaining the approval of the Monetary Board of Central Bank of Sri Lanka (CBSL) of the proposal of converting BOC Management & Support Services (Private) Ltd to debt recovering service provider in terms of the Section 17 of the Banking Act No. 30 of 1988.

- Passing a special resolution by BOC Management & Support Services (Private) Ltd to amend the Articles of Association by inserting the following clause.

“To act as debt recovery agent for financial institutions and to provide debt recovery services of every type and description.”

#### 4.12 Hotels Colombo (1963) Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	303,346,379	329,289,479	290,695,975	145,953,829	(25,943,100)	Unqualified
<b>2019</b>	257,329,091	309,505,478	390,267,938	292,247,600	(52,176,388)	Qualified
<b>2020</b>	Financial Statements not submitted					



#### Audit observation

#### Recommendation of the Auditor General

#### Preventive measures taken by the institution

#### The current position

- (a) Although a property plant and equipment register are being maintained in excel file, it was noted that a comprehensive register of all property, plant and equipment has not been maintained, with adequate details, proper control and monitoring process.
- It is recommended to maintain a comprehensive and updated fixed asset register for all categories of fixed assets.
- Basically we already taken the all item list with proper identification along with external party and they will supposed to submit their final report.
- Once the report is finalized by the external company we can maintain the fixed assets register.

- |     |  |   |   |  |
|-----|--|---|---|--|
| (b) | A difference of Rs.2,452,116 was observed between the VAT receivable balance as per the general ledger and the balance as per the VAT return.  | It is recommended to reconcile the difference and pass the relevant journal entries.  | Already adjusted ledger account balance.                        | Already adjusted ledger account balance.         |
| (c) | A difference of Rs.2,255,914 was observed between the NBT payable amount as per the general ledger and the payable balance as per the NBT return.  | It is recommended to reconcile the difference and pass relevant journal entries.  | Already adjusted ledger account balance                         | Already adjusted ledger account balance.         |
| (d) | Lack of information availability for the management for effective and efficient management of inventories, incurring of high cost, effort and resources to maintain manual record of inventories, less reliability of information generated through manual records, increase the risk of irregularities, anomalies and manipulation of financial records, difficulty when ascertaining the adequacy of the allowance made for obsolete and slow moving items were observed as weaknesses relating to the inventory management system of the Company. | It is recommended to review the existing systems and procedures in relation to inventory management and consider implementing inventory modules to monitor and control inventory movements. | Still the same system and some arrears are updated accordingly. | Still we are requesting proper system change.    |
| (e) | Making bank deposits at several times subsequent to the reporting date without being deposited at once, considerable   | It is recommended to strengthen the internal control over banking operations.   | Income auditor is responsible to check sales cash deposits      | Currently we are banking sales cash on next day. |

delays when depositing money and using collection for petty cash transactions without banking for main operations were observed as internal control weaknesses relating to banking operations of the Company.

which deposited by General Cashier.

- |     |   |  |  |  |
|-----|---|--|--|--|
| (f) | A balance difference of Rs.8,869,357 and Rs.1,612,426 was observed between the return and the ledger balance in relation to VAT and NBT respectively. Supportable evidences have not been provided by the Company to verify the accuracy of VAT and NBT ledger balances with relevant returns as at 31 December 2019. | It is recommended to take necessary steps to reconcile the balances between returns and general ledger and make in quarries with Department of Inland Revenue (IRD) to assess the recoverable amount as of the reporting date. | Still in the process of submitting documents to IRD.                               | We already submitted 7 quarters out of 10 quarters and balance are processing to submission. |
| (g) | Satisfactory evidences have not been provided by the Company to verify the existence of VAT receivable balance of Rs.12,146,965.  | It is recommended to obtain details or make queries from the Department of Inland Revenue (IRD) to assess the recoverable amount as at 31 December 2019.   | Still in the process of submitting documents to IRD.                               | We already submitted 7 quarters out of 10 quarters and balance are processing to submission. |
| (h) | There is an amount of Rs.6,116,285 showing as unidentified deposit in bank reconciliation of BOC –  | It is recommended to take necessary steps to enable the identification of  | Already assigned the accounts payable officer to bank reconciliation preparations. | Already assigned the accounts payable officer to bank reconciliation preparations.           |

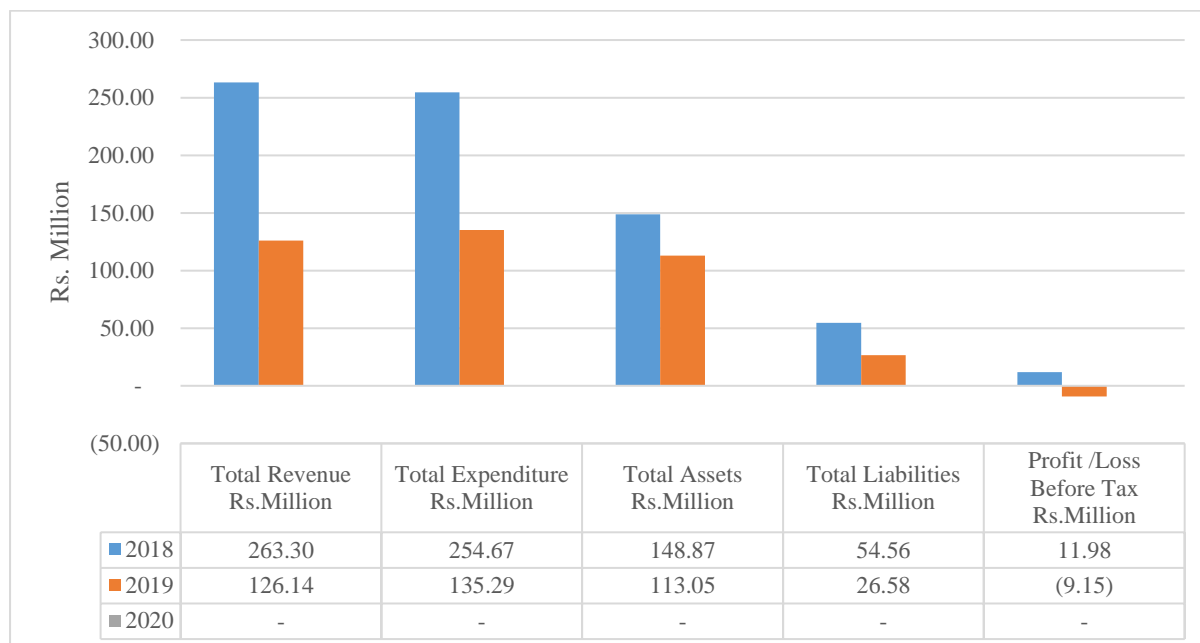
Metropolitan Branch as at 31 December 2019 and as of the reporting date. Satisfactory evidences were not provided for the subsequent identification of the above balances which may understate the bank balance as at 31 December 2019.

- (i) Satisfactory evidences or explanations were not provided to verify the existence of cash in hand balance amounting to Rs.9,515,998 as at 31 December 2019. It is recommended to provide satisfactory evidences to verify the cash in hand balance as at reporting date. The balance of Rs.9,515,998 was deposited by and already provided that deposit slips also. This balance are subsequently deposited and already provided deposit slips.

The surprise cash count performed subsequent to the reporting date also revealed a difference of Rs.4,208,976 between the physical cash balance and the balance appeared in the system.

**4.13 People's Travels (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	263,302,515	254,670,192	148,866,845	54,564,230	11,976,442	Unqualified
<b>2019</b>	126,137,216	135,289,596	113,054,758	26,575,509	(9,152,378)	Unqualified
<b>2020</b>	Financial Statements not submitted					

**Audit observation**

The Company maintains considerable amount of cash in hand without any insurance cover as per following examples. Therefore, keeping such large amount as daily cash in hand without taking an insurance coverage is riskier to the company.

Ex:-

- i. Rs. 537,000 on 17/04/2018
- ii. Rs. 682,500 on 22/08/2018
- iii. Rs. 549,800 on 30/08/2018
- iv. Rs. 534,000 on 26/02/2019
- v. Rs.822,800 on 27/03/2019.

**Recommendation of the Auditor General**

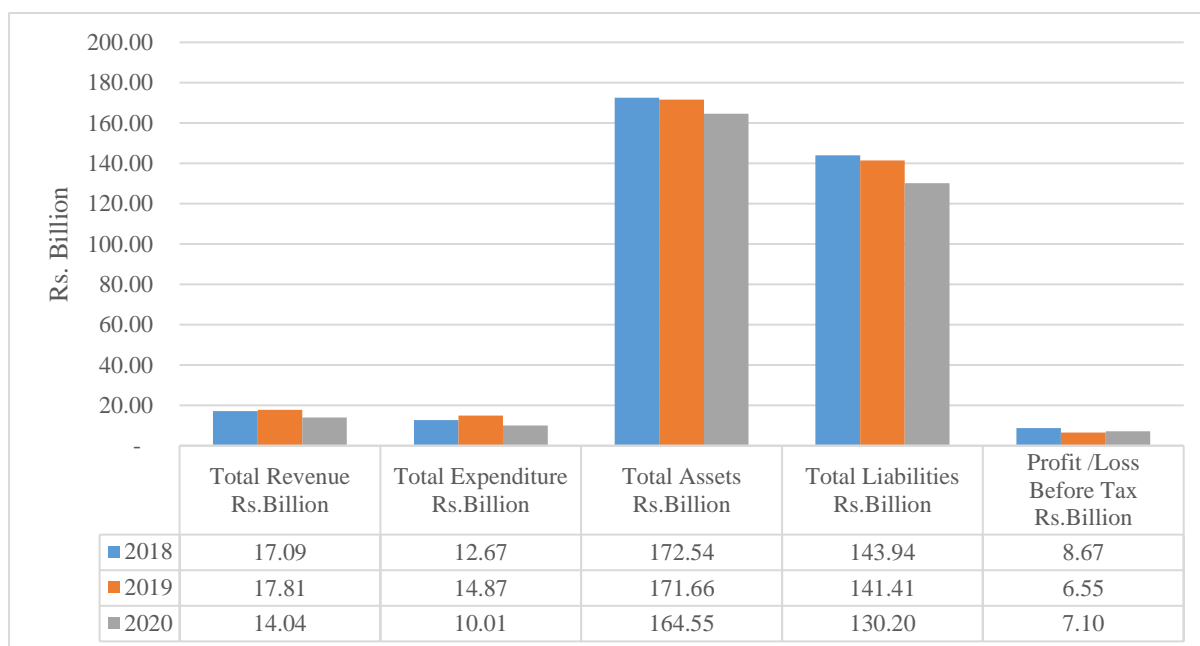
Need to take necessary actions to minimize the risk.

**Preventive measures taken by the institution****The current position**

Noted, Company will consider to take necessary actions with regard to the potential risks of maintaining an excess amount of cash in hand by going for an Insurance coverage or to minimize cash in hand as pointed out in your report.

#### 4.14 People's Leasing & Finance PLC

	<b>Total Revenue</b> Rs.	<b>Total Expenditure</b> Rs.	<b>Total Assets</b> Rs.	<b>Total Liabilities</b> Rs.	<b>Profit (Loss) Before Tax</b> Rs.	<b>Opinion</b>
<b>2018</b>	17,089,540,000	12,673,419,000	172,541,277,000	143,937,922,000	8,672,467,000	Unqualified
<b>2019</b>	17,812,728,000	14,870,220,000	171,660,193,000	141,413,561,000	6,554,285,000	Unqualified
<b>2020</b>	14,039,488,000	10,006,468,000	164,546,109,000	130,204,678,000	7,095,216,000	Unqualified



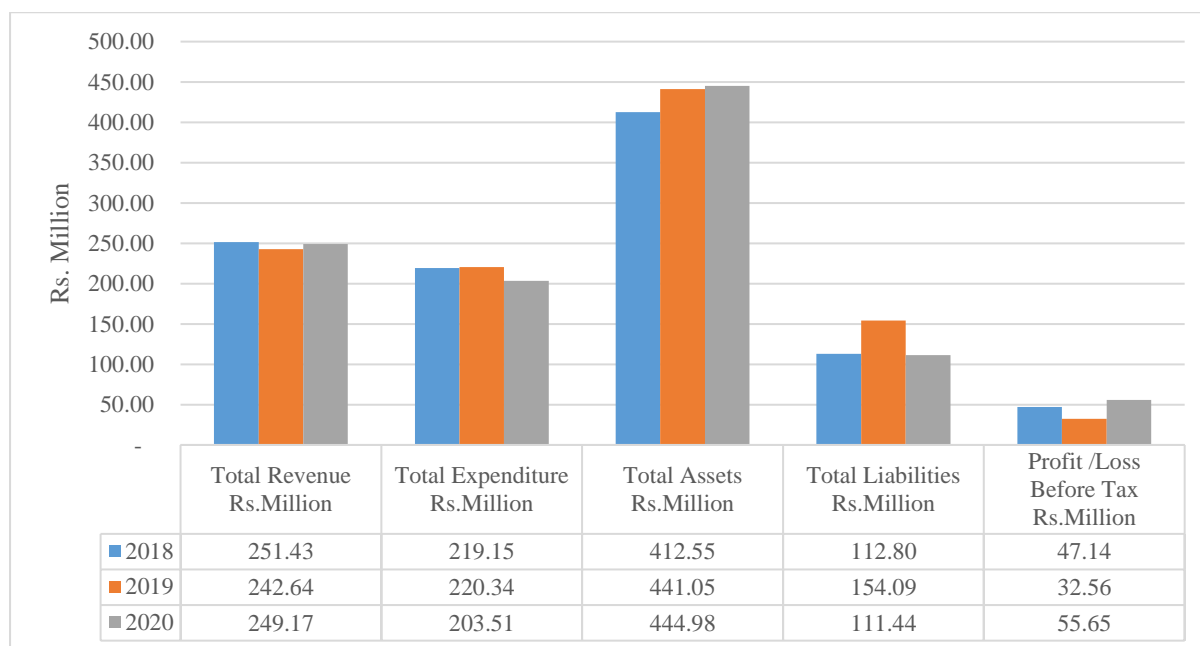
<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) During the review, noted that some user accounts of resigned employees were not deactivated on timely basis in the "In Bank" and Microfin systems.	Need to be strictly adhere with the deactivation of user accounts on timely basis.	Access Management Unit" has been established under IT department in order to streamline all access related matters.	All access granting and removing are handled by the "Access Management Unit" on timely manner
(b) An adequate process was not available to justify the estimated time/period taken	Company should be able to justify the	The Company use management assumptions	The Company evaluates these assumptions and



to realize the security used estimations with judgments based on judgments quarterly  
as collateral to recover the reliable prove. expertise and basis.  
outstanding of individual knowledge (Legal and  
significant customer. recovery experts) for the  
realization of securities  
when calculating  
Individual impairment.

**4.15 People's Leasing Fleet Management Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	251,429,004	219,147,917	412,548,265	112,798,203	47,137,636	Unqualified
<b>2019</b>	242,637,214	220,337,997	441,053,408	154,090,864	32,559,436	Unqualified
<b>2020</b>	249,170,238	203,511,509	444,980,963	111,438,805	55,652,020	Unqualified

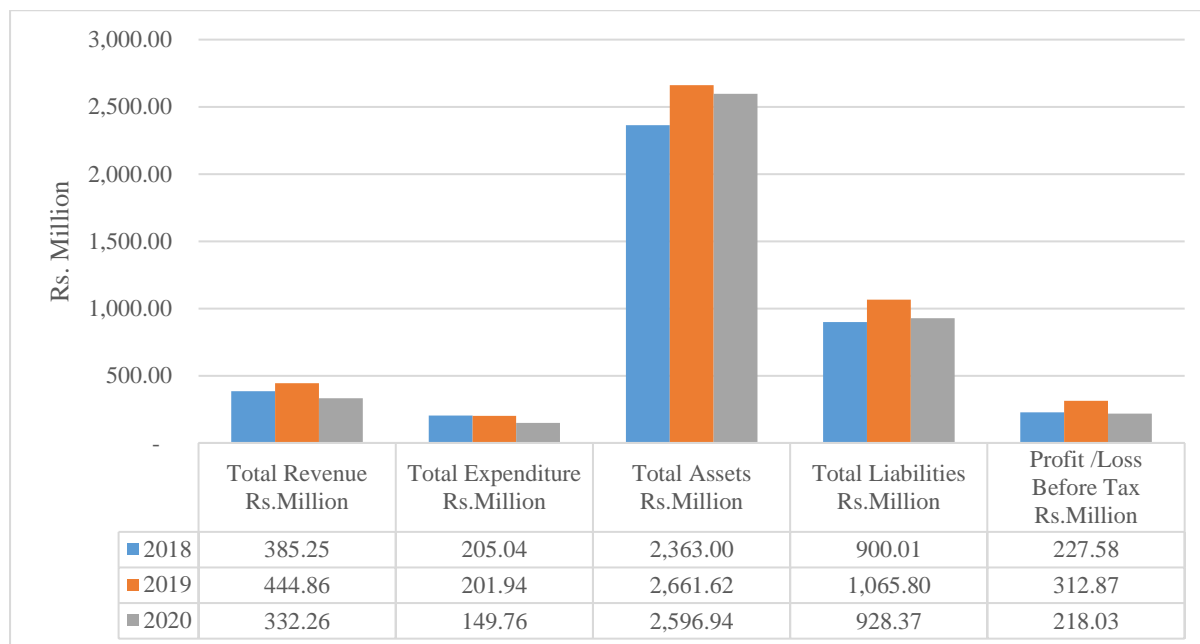


<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) During the audit it was observed that some customers have long outstanding balances.	Eventhough the company has made the provision for these balances; company need to revisits on their collectability.	Strengthen the credit customer evaluation process	Revisited, balances had not reflected the positive movement in term of the collectability
(b) It was noted that there were long outstanding other liabilities under the general ledger account	Need to follow up long outstanding balances to verify appropriateness.	Improve the financial statement monitoring process.	Rectified and corrected

'Advanced Received –  
Self Drive Vehicles –  
2204010209' amounting  
to Rs. 311,907.

**4.16 People's Leasing Property Development Ltd**

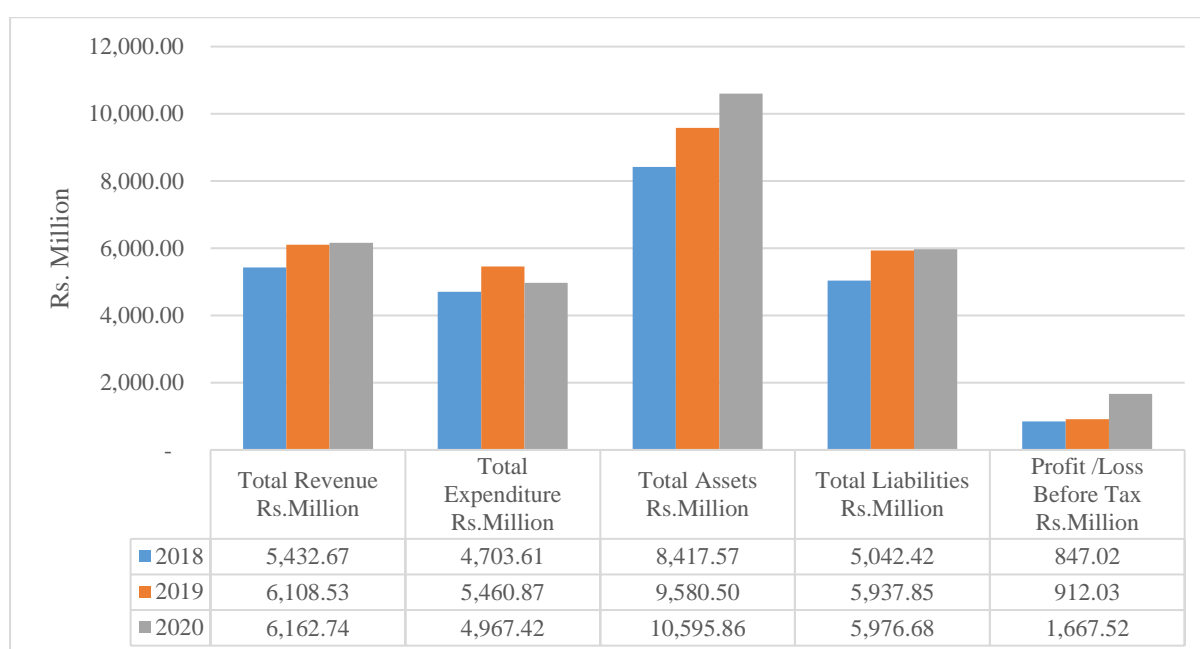
	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	385,251,775	205,042,096	2,362,997,596	900,009,114	227,584,532	Unqualified
<b>2019</b>	444,860,461	201,938,925	2,661,615,630	1,065,797,950	312,873,944	Unqualified
<b>2020</b>	332,256,000	149,757,210	2,596,942,396	928,369,410	218,026,751	Unqualified



- No material Issues

**4.17 People's Insurance PLC**

	<b>Total Revenue</b>	<b>Total Expenditure</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Profit (Loss) Before Tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2018</b>	5,432,668,375	4,703,606,068	8,417,567,849	5,042,420,581	847,015,921	Unqualified
<b>2019</b>	6,108,525,950	5,460,871,970	9,580,499,268	5,937,850,296	912,029,738	Unqualified
<b>2020</b>	6,162,735,846	4,967,421,494	10,595,863,039	5,976,677,697	1,667,521,268	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	Staff loan balance has been included the amounts due from the employees who have already resigned from the Company. As a result of that, the Company cannot recover the due amounts	Need to take actions to recover the outstanding balances.		Recovery of the due amounts has been addressed through Mediation Board. Also the property will be under the company custody with

from such resigned employees.

Further even the bicycles were handed over by the resigned employees, the outstanding balances are still appearing in the staff vehicle loan account as at 31 December 2019.

- (b) The company uses Professional Competency Requirement List for each post prepared by the HR department as a Scheme of Recruitment (SOR). Further it was observed that designations above manager level and some of main departments (Eg: IT, Internal Audit, Marine, Risk and Compliance) were not covered by such list.

- (c) Although every enterprise need to have an Organizational Chart with an approved cadre for the institution, board approved cadre for the company was not presented for audit.
- There should be a separate board approved carder, prepared after the carder assessment of the company other than the showing the existing carder in the annual budget.

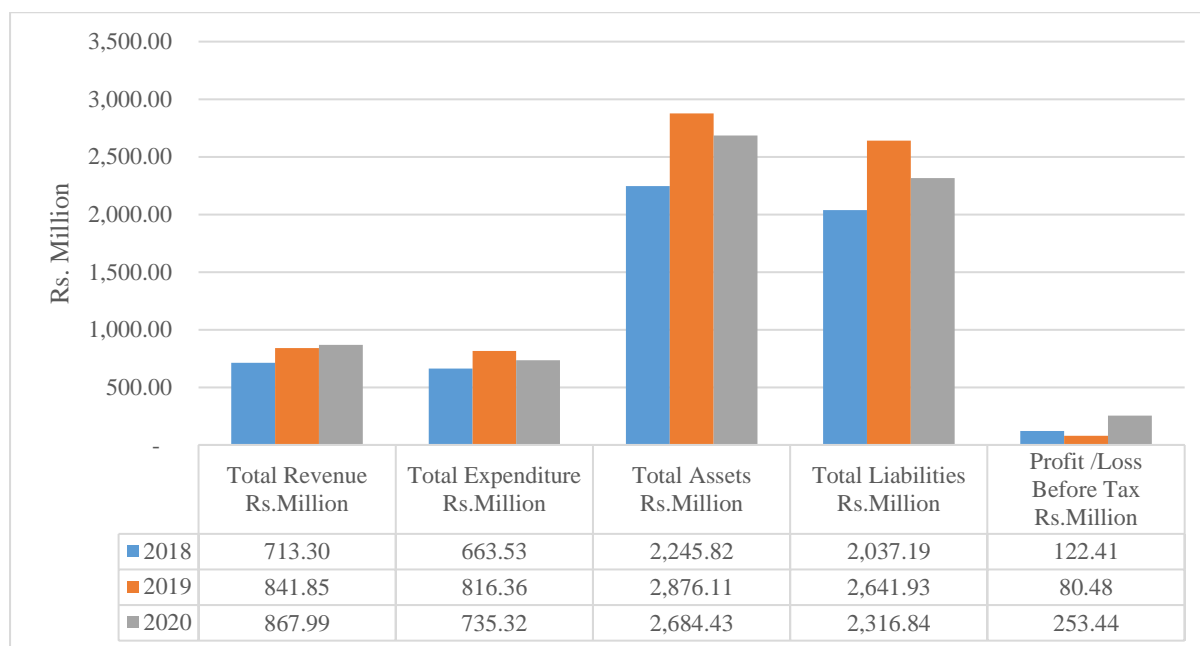
Registration Book. And proper valuation will carry out to pass on to transfer the property. Suitable steps will be taken in future to recover the due loan amount.

The competency based development and recruitments are still under developments and discussion as new HR initiatives for the company for 2020/21.

There is a Board approved Cadre under company 2019 budget.

**4.18 People's Micro Commerce Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	713,297,820	663,534,286	2,245,817,743	2,037,190,900	122,413,771	Unqualified
<b>2019</b>	841,852,866	816,360,816	2,876,112,751	2,641,931,040	80,475,123	Unqualified
<b>2020</b>	867,994,483	735,315,557	2,684,428,134	2,316,839,454	253,439,849	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) <u>DPD of the facilities</u> The Company currently computes DPD (Days Past Due) manually.	The system should be able to compute DPD of the facilities in the month-end report without any manual intervention which would strengthen the Accuracy.		The Company in the process of undergoing structural changes. Therefore after the structural changes we will implement DPD computation in the system
(b) The impairment process of the company is a manual exercise. In this	It is suggested to take necessary steps to automate the process of impairment calculation to a sufficient		Due to the complexity of the impairment calculation methodology fully automated system

process, management generates internal reports to extract required data for the calculation of impairment. This process involves manual workarounds and amalgamation of several reports into a single platform could lead to omissions, misstatements and human errors.

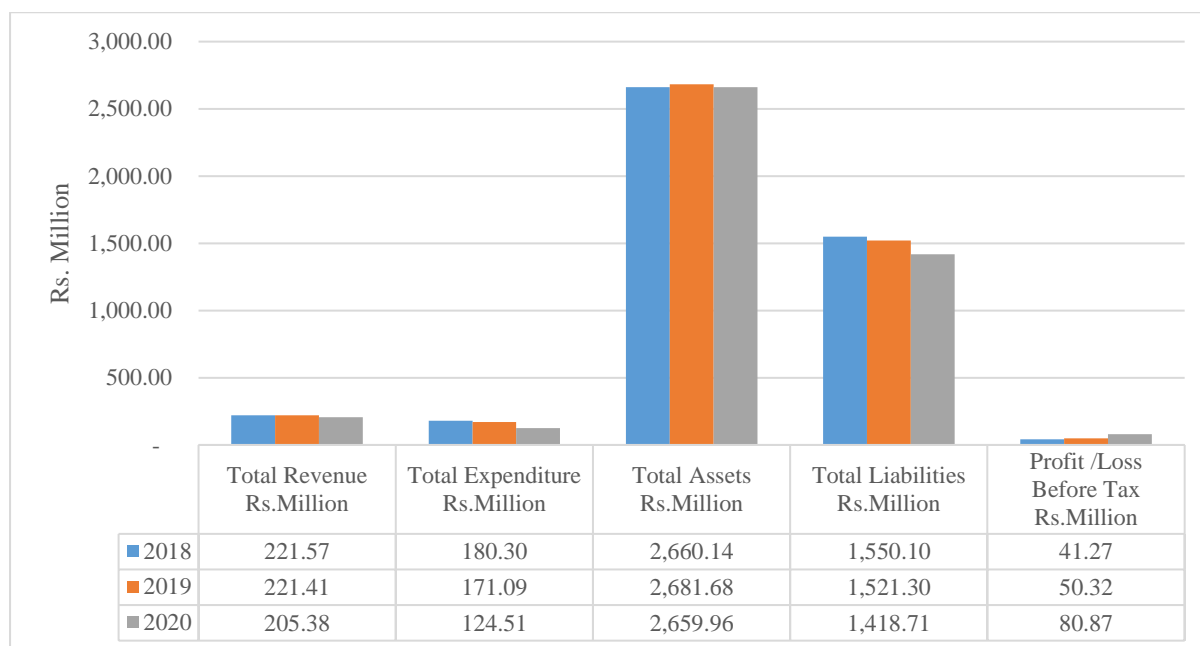
extent and minimize the manual intervention to avoid possible risk of manipulation and omission of data. In addition, this would save much of the time spent on extracting the data from different sources and compilation of the same.

is difficult to develop. However, we hope to develop a system generated reports with the support of IT department to support calculations.



**4.19 People's Leasing Havelock Properties Ltd**

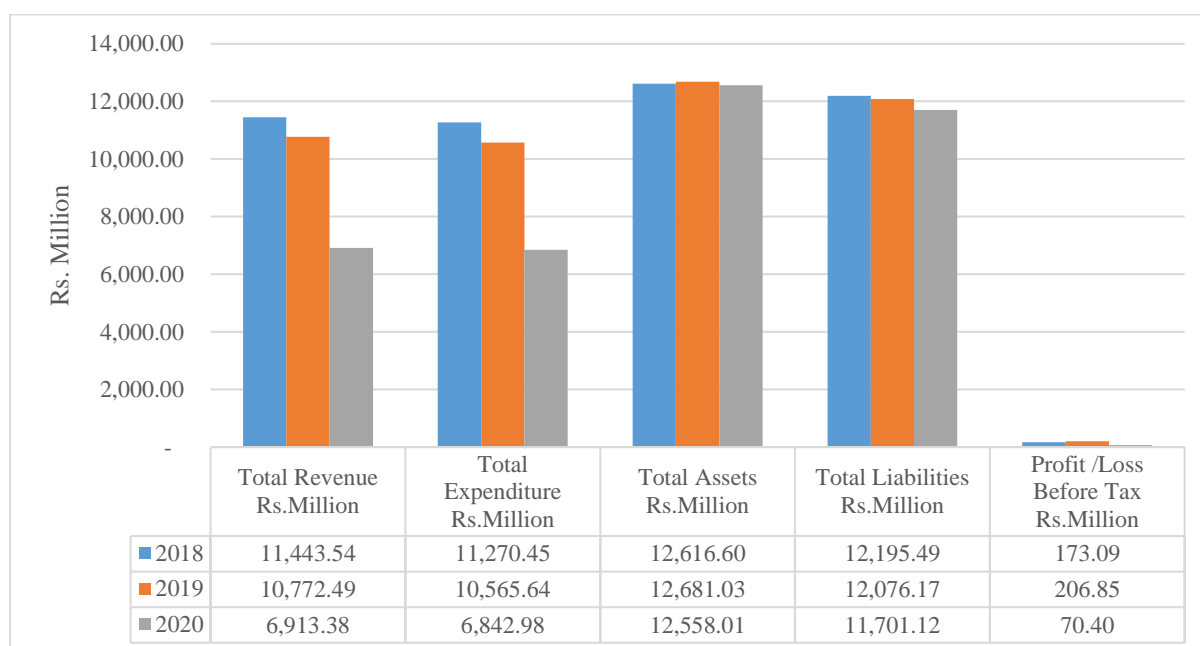
	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	221,571,445	180,303,423	2,660,137,414	1,550,098,679	41,268,022	Unqualified
<b>2019</b>	221,407,466	171,090,821	2,681,675,960	1,521,295,161	50,316,645	Unqualified
<b>2020</b>	205,376,300	124,509,180	2,659,956,084	1,418,708,165	80,867,120	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
The company doesn't have a proper process to reconcile the temporary differences arising in between Income Tax and Deferred Tax computations.	The company should have a proper process to reconcile the temporary differences arising in between Income Tax and Deferred Tax computations. This will strengthen the accuracy of Deferred Tax computation.	The Company has already implemented proper temporary difference reconciliation process	The company implemented proper temporary difference reconciliation process with effect from January 2021 onwards.

#### 4.20 Central Engineering Services (Pvt) Ltd

	<b>Total Revenue</b>	<b>Total Expenditure</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Profit (Loss) Before Tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2018</b>	11,443,538,013	11,270,447,507	12,616,600,780	12,195,487,617	173,090,506	Qualified
<b>2019</b>	10,772,487,645	10,565,635,599	12,681,031,711	12,076,166,217	206,852,046	Qualified
<b>2020</b>	6,913,380,906	6,842,981,663	12,558,010,997	11,701,116,721	70,399,243	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	An accurate and timely coding system is essential for property, plant and equipment in order to ensure that entire PPE have been accounted, adequately safeguarded and to detect missing items. However, the Company had not properly coded its fixed assets and those codes were not included to the fixed asset register as enable to identify	Proper coding system is needed when developing the Enterprise Resource Plan (ERP) system and to ensure the accurate and adequate controls over PPE.	The Company is developing a new coding system using ERP system. That system will be introduced within this year.	Southern Base has initiated the PPE Coding system within the ERP system but it has also not yet completed and this process is still in initiation stage.

the PPE shown in the financial statements are correct and to carry out the annual assets verification accordingly

- (b) Fully depreciated assets approximately costing Rs.301.68 million are being continuously used by the Company without reassessing the useful economic lifetime of those assets as per the provisions in paragraph 51 of LKAS 16 – Property, Plant and Equipment and rectifying the estimation error and showing the accurate carrying value in the financial statements as per the LKAS 8
- The Company should reassess the useful economic lifetime of fully depreciated assets as per the provisions in the LKAS 16 and estimation error should be rectified as per the LKAS 8.
- In 2020, Company had revalued Motor vehicles and revalued amount has been taken to accounts.
- At the audit report discussion meeting held recently, CEO advised to initiate the revaluation process for plant and machinery but the Company was not able to do that for 2021 financial statements and hope to do it in the year 2022.
- (c) Credit balances of debtors and debit balances of mobilization advances aggregating Rs. 44.46 million and Rs. 34.69 million respectively had been offset against the debit and credit balances of such accounts in 30 instances in contrary to paragraph 32 of Sri Lanka Accounting Standard (LKAS) 1 – Presentation of Financial Statements. As a result, the current assets and current liabilities had been understated by similar amounts.
- Actions need to be taken to correct the debtor balances and mobilization advance balances by making proper accounting treatments on credit balances and debit balances respectively.
- In 2021 final accounts, credit balances and debit balances of debtors and mobilization advances respectively will be classified properly.
- Officers of all base accounts were instructed to precede the proper accounting treatments on said balances.

- (d) According to the available information, it was revealed that the Company has entered into a long-term lease agreement with the Urban Development Authority (UDA) during the year 2019 in order to obtain a land located in Rathnapura District for an amount of Rs.15.42 million. Although the Company has shown this amount as leasehold land, the Company had not completed signing process of the lease agreement even up to the date of this report.
- The lease agreement or any other documentary evidence should be made available for audit to ascertain the value and ownership of the leasehold property.
- Company has done all the required payments and has not been already sent reminder letters as well.
- Still signing process of lease agreement has not been completed.
- (e) Out of debtor balances aggregating to Rs.4,175.71 million as at 31 December 2020, debtors amounting to Rs. 375.42 million were outstanding for over 3 years and out of that debtor, amounts aggregating to Rs.116.82 million had remained outstanding for over 5 years without being recovered. In the meantime, debtor aggregating to Rs.397.88 million which relates to completed projects had not been recovered even up to 31 December 2020.
- Effective actions should be taken to recover the outstanding balances without further delay.
- Company has implemented debtors retention collection unit to speed up the collection process.
- In 2021, the company was able to recover Rs. 99 million from over 5 years debtor balances.

- (f) Retention receivable as at 31 December 2020 was amounting to Rs. 2,672,63 million. Out of that a sum of Rs. 358.81 million and Rs.293.24 million relating to completed projects were outstanding from 3 to 5 years and over 5 years respectively and had remained without being taken proper recovery actions by responsible officers.
- Effective action should be taken to recover the outstanding balances without any delay.
- Company has implemented the debtors retention collection unit to speed up the collection process.
- Debtors and retention collection unit and responsible officers in all bases continuously send the remind letters to relevant parties to collect retention receivable balances.
- (g) According to the age analysis provided for audit, the creditors amounting to Rs. 261.98 million and retention payables amounting to Rs. 230.52 million shown under current liabilities had remained in the accounts from 2 to 5 years without being settled.
- Action should be taken to settle all possible long outstanding creditors' balances without delay and to treat others as income.
- Without collecting that money from our clients there is no possible way to settle these outstanding amounts as credit terms agreed with the suppliers.
- Therefore, Company is in the process of speed up the debtor and retention collection process.
- Since the financial issues faced by the Company due to prevailing condition in the county, it is difficult to accelerate the process of clearing creditors and retention payable balances.
- (h) Mobilization advances received shall be fully settled before the project works reached to 90 per cent complete level. However, such advances received amounting to Rs.222.95 million with regard to fully completed and 90 per cent completed
- Action should be taken to get settled the advances without delay.
- In 2021, amount of Rs. 23,511,130 mobilization advances were settled.
- Engineer's will work on get certified the issued final bills immediately. Once those are certified mobilization advances relevant to

- construction projects belongs to those projects will be cleared.
- 05 Base Offices of the Company had remained in the accounts as at 31 December 2020 without being settled.
- (i) The Company shown a balance of Rs. 1,652.54 million as payable to the parent Company i.e. Central Engineering Consultancy Bureau (CECB) as at 31 December 2020 and this amount included vehicle hiring charge, value of fixed assets and stock transferred and temporary loans etc. However, there is no proper and updated agreement between the parties with regard to these transactions and it was further noticed that this balance continuously increased since year 2017 onwards without being taken any effective action to clear this balance. Further, the Company had not calculated any interest on this payable balance even up to the date of this report.
- Actions should be taken to have a clear agreement between the Company and the Parent Company and to control the continuous increase of related party payable balance.
- The Company is in the process of reviewing long outstanding balances to identify a way of capitalizing the balance negotiation with CECB by a way of issue of shares.
- In the recent board meeting CFO of the CESL and CECB management were advised to prepare the proposal to resolve this problem. But this is still in initiation stage.
- (j) The Company is not in a position to generate an inventory aging report from their ERP system. Therefore, this Company is facing difficulties in identifying slow moving, non – moving and obsolete items based on the inventory aging.
- Action to be taken to upgrade the system parameters to generate the inventory aging report from ERP system itself to verify the accuracy, existence and
- No any Action
- Still CESL management is making discussions with system development team with regard this issue and not yet resolved.

completeness of  
inventory as at  
reporting date.

- |     |  |   |  |  |
|-----|--|---|--|--|
| (k) | The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 Km or after carrying out a major repaired to the engine whichever occurs first. However, the Company had conducted this test during the period from 2016 to 2020 only for 12 vehicles out of 82 vehicles of the Company. | The consumption of fuel must be tested periodically as per the provisions in said Circular in order to ensure the economical use of fuel consumption. | Still CESL is not complying with the provisions in circular.   | The Company has initiated the fuel testing once in every six months for the vehicle used by CECB but own to CESL. But company is not complying with the provisions in circular relevant to other vehicles owned by CESL. |
| (l) | According to the information provided for audit, the Company has sustained a gross loss of Rs.973.3 million, Rs. 722.8 million and Rs. 724.2 million by the end of the years 2020, 2019 and 2018 respectively from its completed construction projects. Further, a loss of Rs. 43.03 million was reported from 04 ongoing projects of the year 2020.     | The Company should take effective measures to mitigate the losses of construction projects.   | The Company has implemented the project monitoring unit to monitor the progress of ongoing projects and identify the loss making ongoing projects and take immediate actions to minimize the losses. | Project monitoring unit closely monitor the ongoing projects specially loss making ongoing projects and steps taken by bases to mitigate the losses.   |
| (m) | The Company had earned a pre-tax net profit of Rs.70 million, Rs. 206 million and Rs. 152 million during the years 2020, 2019 and 2018 respectively by utilizing its total assets base of Rs. 12,558 million, Rs. 12,681   | The Company should take effective measures to mitigate the losses of construction projects and get maximum benefit by utilizing                       | The Company has implemented the project monitoring unit to monitor the progress of ongoing projects and identify the   | Project monitoring unit closely monitor the ongoing projects specially loss making ongoing projects and steps taken by bases to mitigate the losses.   |

million, Rs. 12,890 million asset base of the loss making respectively. Hence, the average Company effectively. ongoing projects rate of returns on total assets and take were only 0.56 per cent, 1.62 per cent and 1.17 per cent immediate actions respectively. When compared to minimize the this ratio we observed that this losses. ration far below in the year 2020. Although it was expected to maintain the net profit margin at a rate of 2.18 per cent in the year 2020, the Company has unable to achieve it.

- (n) A sum of Rs. 6.3 million was spent for the construction of a Technology Park at the Sri Lanka Planetarium premises for celebration of Dr. A.N.S. Kulasinghe's 100<sup>th</sup> birthday ceremony. The Company had made payments for supply, construction and installments of equipment for this park (excluding procurement) directly to the officers of the Company on the basis of the certification of the bills by the officers concern without obtaining work completion certificates from a suitable independent party to ensure that the equipment which supply and installed in the above park was properly installed in line with the required standard.
- These types of CSR projects should be carried out in a transparent way in order to obtain financially most advantageous and to provide qualitatively the best services to the general public.
- No any action No any Change



Further, cost of procurement and installments incurred for some of the items in the above park were very high and remained impractical as compared to the current market prices. Therefore, there was a serious problem in the audit of the accuracy and transparency of the expenditure incurred for the construction of this park.

In the meantime, our physical inspection revealed that the park had been constructed and declared opened without any formal agreement with the relevant party and since there was no preparation for the maintenance of the park, some equipment in the park had become unusable and perishable condition within less than a year period. Due to the above reasons, none of the objectives of constructing this park had been achieved and the cost of Rs. 6.37 million incurred for the above park had become fruitless.

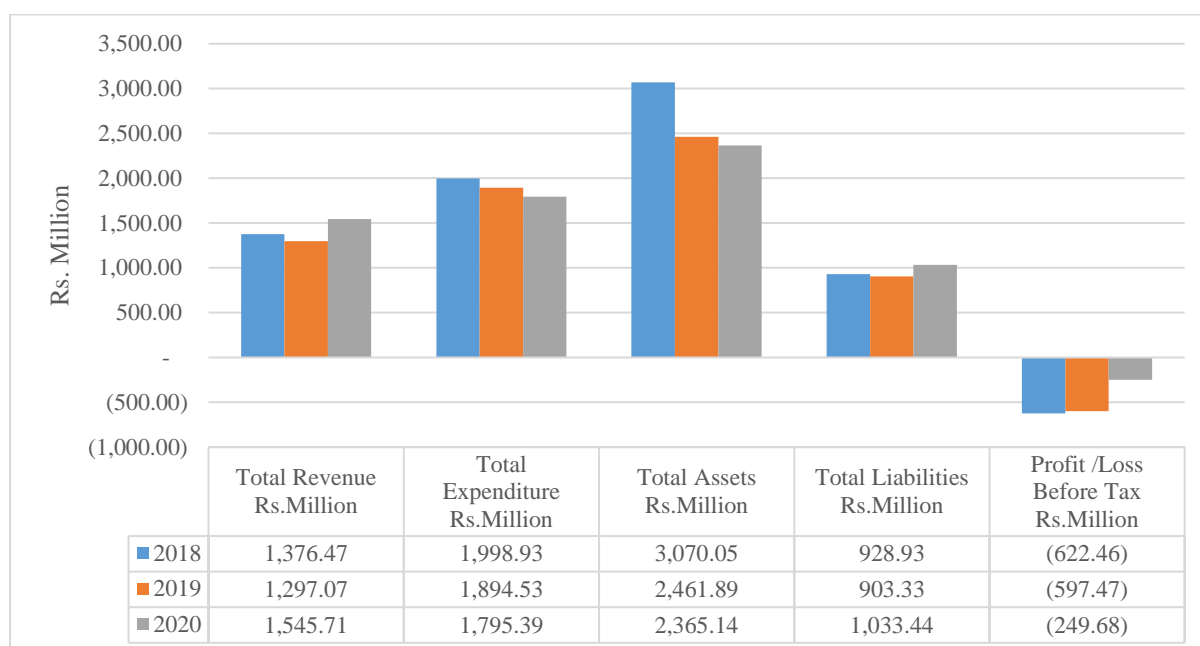
- |     |   |   |   |  |
|-----|---|---|---|--|
| (o) | The Company had earned a net interest income of Rs.132.85 million on short-term investment of Rs. 2,291.21 million invested in Repo, savings account and fixed deposits etc. as at the end of the year under review. If the | The management of the Company should pay attention to utilize its financial, human and other physical resources efficiently in order to enhance | The company is taking actions to improve operating performance but due to some adverse conditions affected to the | Project monitoring unit closely monitor the ongoing projects specially loss making ongoing projects and steps taken by bases to mitigate the losses. |
|-----|---|---|---|--|

- Company is not earned this much of interest income during the year 2020, the profit before tax of Rs. 70.40 million shown in the financial statements would have been an operating loss of Rs.62.45 million and this net interest income is represent 188.7 per cent of the profit before tax of the year 2020.
- the operating income of the Company.
- construction industry such as inflation, import restrictions, Covid-19 pandemic etc. our operating results were diminishing.
- (p) It was observed that 04 Base Offices i.e. Polonnaruwa, Uva, COE South and Anuradhapura of the Company were running at a total net loss of Rs.490.77 million during the year 2020. Meanwhile, the Anuradhapura and UVA Base Office has sustained a gross loss of Rs. 163.87 million and Rs. 196.88 million respectively as at 31 December 2020.
- The management of the Company should pay attention to utilize its financial, human and other physical resources efficiently in order to mitigate the operating losses of the Company.
- The Company has implemented the project monitoring unit to monitor the progress of ongoing projects and identify the loss making ongoing projects and take immediate actions to minimize the losses.
- Project monitoring unit closely monitor the ongoing projects specially loss making ongoing projects and steps taken by bases to mitigate the losses.
- (q) The balances of due from customers and due to customers as at 31 December 2020 were amounting to Rs. 1,599.05 million and 1,929.33 million respectively. Out of that, balances of Rs. 325.05 million relating to 50 completed projects was remained in the accounts without take proper actions to clear these account balances. It was further observed that this
- Effective and proper work plan should be introduced without further delay to clear the long outstanding balances with regard to completed projects and to make proper adjustments in the accounts by preparing an age analysis.
- All bases have been informed to give high concern on final bill certification process.
- Engineers will work to get certified the issued final bills immediately. Once those are certified, due from and due to balances relevant to completed projects can be ignored.

issue has been arisen mainly due to not having a proper and timely billing system.

#### 4.21 Independent Television Network Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,376,472,384	1,998,934,332	3,070,053,703	928,932,018	(622,461,949)	Qualified
<b>2019</b>	1,297,065,499	1,894,534,118	2,461,894,011	903,333,321	(597,468,619)	Qualified
<b>2020</b>	1,545,710,313	1,795,391,986	2,365,143,615	1,033,443,885	(249,681,673)	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The equity capital of the Network had been decreased continuously and a continuous loss had been incurred since the year 2016 to the year 2020. The loss of the Independent Television Network for the year 2020	Actions should be taken to avoid the losses.	It is expected to achieve the revenue targets in coming years continuously and to turn the loss situation into a profitable situation.	It had been estimated that the income for the year 2021 had increased by Rs. 250 million compared with the year 2020 and the net loss had

was Rs.210,623,700 and the losses incurred by ITN FM, Vasantham FM under the Independent Television Network were Rs.52,557,304 and Rs.13,177,729 respectively. However, the profit earned by Vasantham TV was Rs.62,384,227. Accordingly, the total loss of the Company for the year 2020 was Rs.213,974,507.

decreased by 17.6 per cent.

- (b) The balance of contra deal debtors as at 31 December of the year 2020 was Rs.26,102,280 and the total of balances of contra deal debtors more than 5 years was Rs. 14,641,728 as a result of non-obtaining the relevant service by the Network and adjustment of impairment had been done in the financial year for the whole amount.
- Immediate actions should be taken to maintain proper documents and to obtain relevant services in connection with contra deal transactions.
- Currently actions were taken to carry out transactions relating to contra deal debtor balances properly.
- Actions had not been taken to correct up to now.
- (c) A balance of Rs.18,866,794 less than 5 years, a balance between 05 to 10 years was Rs. 16,108,606 and a
- Actions should be taken to settle the balances of differed income.
- Actions will be taken to make adjustments in the accounts for the year 2022.
- Timely actions had not been taken to settle the unclaimed balances

balance of Rs. 28,954,081 more than 10 years were included in the differed income of Rs. 63,929,480 shown in the financial statements. However, actions had not been taken to settle those balances even during the year 2020.

- (d) The balance of Rs.33,620,223 exceeding 10 years had been included in the balance of client advances of Rs.137,772,746 which had been shown in the financial position statements as at 31 December 2020 and actions had not been taken to recover the said balance even during the year 2020.
- Actions should be taken to settle the balances of client advances.
- The clients relating to these client advances were identified and actions will be taken to make adjustment in the accounts for the year 2021.
- Timely actions had not been taken to settle the unclaimed balances
- (e) The value of 554 cheques amounting to Rs.4,541,250 which had been brought forward over a period more than 05 years and the value of 570 cheques amounting to Rs.6,602,258 between 02 to 05 years had been included in the balance of cancelled cheques
- Actions should be taken to settle the balances of the cancelled cheques account.
- Actions were taken to make adjustment regarding the balances of the cancelled cheque account as at 31.12.2017 in the accounts for the year 2021.
- Timely actions had not been taken to settle the unclaimed balances

amounting to Rs.11,898,232 shown in the financial statements. However, actions had not been taken to settle the said balances even during the year 2020.

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| (f) | Out of the unclaimed payment of Rs.2,268,386 shown under the balances of other payables, actions had not been taken to refund or to take other proper accounting treatment regarding the unclaimed balance of Rs. 1,208,728 older than 3 years after getting confirmed the right. | Actions should be taken to settle unclaimed balances.                  | Actions were taken to make adjustment of the unclaimed balances, in the accounts for the year 2021.   | Timely actions had not been taken to settle the unclaimed balances |
| (g) | Actions had not been taken to recognize or settle the balance brought forward since the year 2012 amounting to Rs. 50,628,651 even up to 31 December 2020.  | Actions should be taken to settle the balances of payable accounts.    | Taking actions to recognize the relevant balances.  | Timely actions had not been taken to settle the unclaimed balances |
| (h) | Although 3 years had been lapsed, actions had not been taken to refund or to follow other proper accounting procedure regarding the total of 112 refundable deposits  | Actions should be taken to settle the balances of refundable deposits. | Out of the balance remained in the refundable deposit account; actions were taken to make adjustments for the balances brought forward before 31.12.2017. | Timely actions had not been taken to settle the unclaimed balances |

amounting to Rs. 855,707 which had been included in the balance of refundable deposits of Rs. 1,687,956 as at the end of the year 2020.

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| (i) | The unidentified credit balance as at 31 December of the year 2020 was Rs.1,253,409 and it had been included in the unidentified creditors account without taking actions to identify the client and settle.  | Actions should be taken to identify and settle the credit balances. | Actions will be taken to adjust in the accounts for the year 2022 on the recommendation of the Audit and Management committee and the approval of the Board of Directors after analyzing the unrecognized balances properly. | Timely actions had not been taken to settle the unclaimed balances |
| (j) | Although a sum of Rs.5000 can be paid per person in government owned companies which had been reduced the loss compared with the financial year 2018 even though it had been reported a loss in the year 2019, contrary to the said requirement a sum of Rs 9,046,000 as Rs. 13,000 per person had been paid by the Network in December 2020 for 696 employees. | Actions should be taken as per the circular instructions.           | Taking actions in the year 2021 as per the circulars.  | Timely actions had not been taken to settle the unclaimed balances |



- (k) Impairment provision had been made for the whole value of Rs. 1,210,620 which should be further recovered from a fraud done by a former employee of the Network during the year 2011 without taking actions to recover. Actions should be taken to make recovering without delay. Preparing the internal control procedures as to be minimized the possible frauds in future. Legal actions had been taken to recover this balance.
- (l) Twenty tele dramas had been purchased by the ITN channel during the year 2020 and out of that, the loss incurred from 13 tele dramas was Rs.60,965,986. Further when purchasing tele dramas payments had been made exceeding the approved rates payable for an episode and the amount overpaid for 6 dramas during the year 2020 was Rs. 15,565,000. Proper and transparent way should be followed for purchasing of tele dramas. Actions were taken to purchase at the minimum price as far as possible. Actions had not been taken to regularize the tele drama purchasing procedure up to now.
- (m) According to the letter of the Director General of the Management Services No. DMS/1590/VOL II dated 8 May 2018, the cadre had been approved for the Independent Television Network and as per the said approval Immediate actions should be taken to get approved the scheme of recruitment. Scheme of recruitment relating to a part of the salary categories were approved by the Department of Management Services in the year 2021 and even though other categories were referred to the Recruitment schemes relating to a part of posts were not approved up to now.

- even though proposed scheme of recruitment had been prepared, actions had not been taken to get it approved even up to 31 December 2020.
- Department of Management Services, JM 1-1 recruitment schemes were not approved up to now.
- (n) Recruitment had been made to a post of Working Director which had not been included into the approved cadre and a sum of Rs. 550,000 had been paid during the year 2019 as salaries and allowances. Further recruitments had been made to 7 posts without having an approved scheme of recruitment and promotions had been made for two posts.
- Recruitment should be made to the posts included in the approved cadre according to an approved scheme of recruitment.
- According to the Public Enterprises Circular, a sum of Rs. 75,000/-, according to the decision of Board of Directors No. 327/09, a sum of Rs. 25000/= as entertainment allowance and Rs. 10,000/= as telephone allowances were paid.
- (o) Contrary to the instructions of the Public Enterprises Circulars, a sum of Rs. 21,639,349 had been paid during the year 2020 as transport and fuel allowances for 337 officers who were not entitle for transport and fuel allowances
- Actions should be taken as per the circular instructions.
- These payments were made in order to motivate the employees according to the Article of Association and the approval of the Board of Directors.
- Actions had not been taken to recover up to now

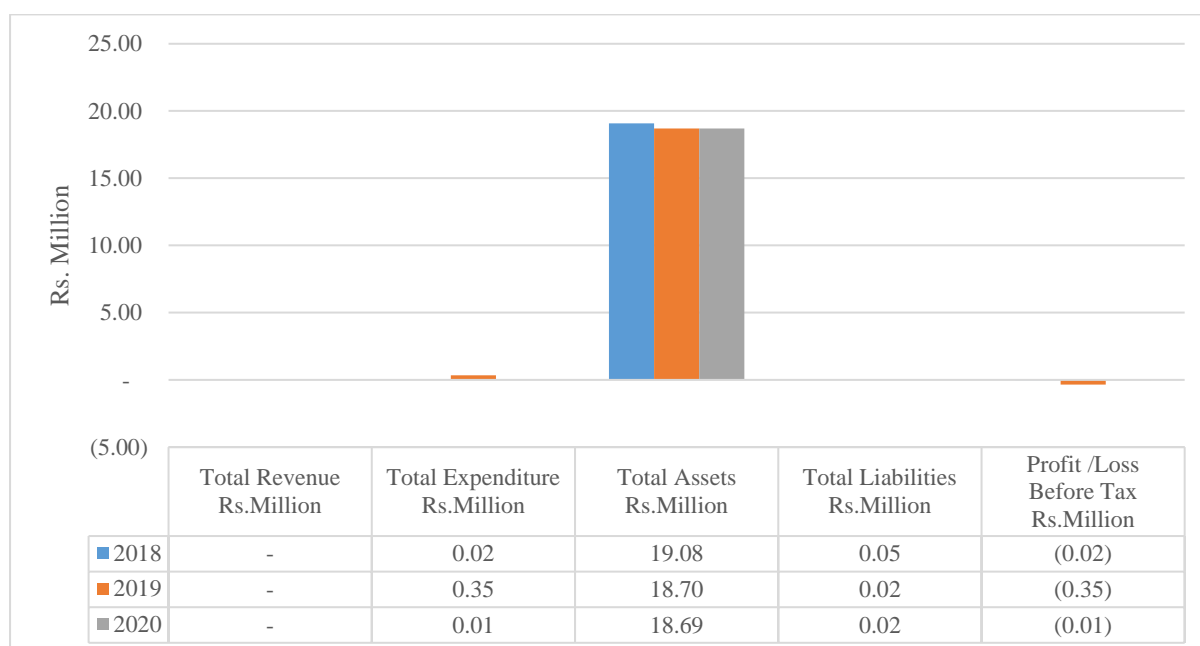
- (p) Seven cases had been filed by the Company as at 31 December 2020 against the client debtors for recovering a sum of Rs. 9,869,852 which should be recovered for the sale of air time and out of that, 4 cases valued at Rs. 6,652,442 had been terminated due to inability of handing over the summons. According to the information made available to audit even though the debtor balance exceeding two years of time as at the end of the financial year was Rs. 266,926,032, out of that legal actions had been taken to recover only 4 per cent.
- Actions should be taken to recover the balances of client debtors.
- This receivable amount were remained due to the issues of the telecasting. Actions are taken to recover 98 per cent of the debts approximately and the rest were referred to the legal section to recover through legal actions.
- Actions had not been taken to correct up to now
- (q) Hot Swappable Power Distribution Rack purchased at Rs.1,588,500 by the Network during the year 2015 since the date of purchased and Arose Flexus FT- 30, 30KVA UPS Systems purchased at Rs. 1,218,274 in the year 2010 since a period of 3 years had been
- Assets should be utilized properly.
- After preparing a part of the main building as necessary and completing the civil works, the Hot Swappable Power Distribution Rack was installed. Electricity can be connected as soon as the necessary equipment receives.
- Remained idle up to now.

remained idle without using.

- (r) Thirty four officers had been recruited on contract basis for the posts included in the approved cadre of the Network without taking actions to recruit on permanent basis and recruitments had been made for 4 posts which are not approved on contract basis.
- Permanent officers should be recruited for the posts of permanent carder.
- Details mentioned under the no. 7 (a) and (b) of the audit query number MED/B/ITN/2020/B/8.8 04.
- The number of officers who had been recruited for the posts of permanent cadre on contract basis as at 31 December 2021 was 84.

#### 4.22 Lake House Property Development (Pvt) Ltd

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	-	15,000	19,079,497	45,000	(15,000)	Unqualified
<b>2019</b>	-	352,430	18,702,067	20,000	(352,430)	Unqualified
<b>2020</b>	-	9,600	18,692,467	20,000	(9,600)	Unqualified



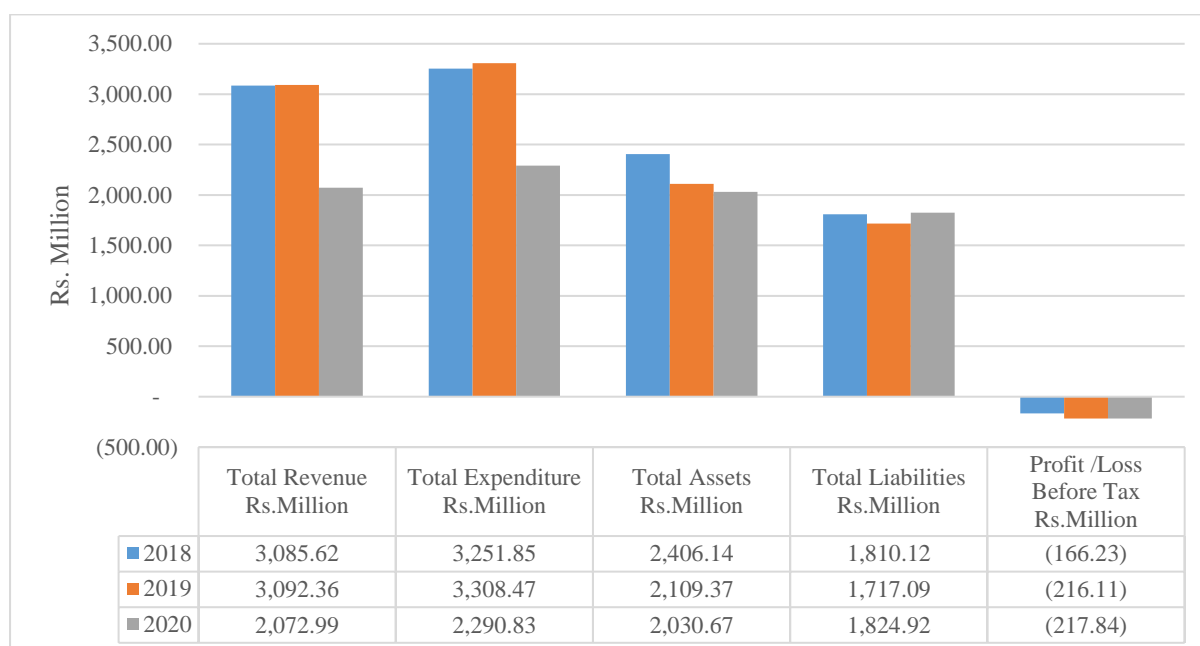
<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The company had been initially performed in 1985 to engaged in property development business and later in 2007, its objectives had been changed to Venter in to new activities of purchase sell/ take on lease, or hire motor cars, lorries, busses, vans, taxi, cabs, omnibus or any other motor vehicles and ect.	Management should direct the Company to achieve its objectives.	Ownership of the Hokandara Land transferred from Lake House Property Development (Pvt) Ltd to ANCL in year 2013 and mortgage to Commercial Bank for obtaining loan for VRS	A recurring issue. It has not been solved yet.

However, the company has not engaged in any of those business activities up to now.

in year 2016 and working capital.

### 4.23 Associated Newspapers of Ceylon limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	3,085,621,000	3,251,848,000	2,406,141,000	1,810,124,000	(166,227,000)	Qualified
<b>2019</b>	3,092,361,000	3,308,465,000	2,109,369,000	1,717,092,000	(216,105,000)	Qualified
<b>2020</b>	2,072,985,000	2,290,825,000	2,030,669,000	1,824,916,000	(217,840,000)	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	According to the section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, Audit and Management Committee should comprise at least three non-executive Board members, chaired preferably by a treasury representative or person possessing financial management skills. However, no treasury	Audit and Management Committee should be conducted in accordance with the provisions in the Circular.	Noted and action would be taken to rectify this in year 2021.	It had not been solved yet.

representative had been participated and an executive director had chaired the meetings.

- |     |  |  |   |   |
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| (b) | According to the public Enterprises Circular No. PED 3/2015 of 17 June 2015, the Company has been categorized as a state owned enterprise. However, the Company had not followed directions issued by the Department of Public Enterprises.  | Should be adhered to the provisions in the Circular.   | The position with regard to the applicability of PED circular to ANCL is a matter for clarification yet. And PED has not given a ruling over this despite many previous requests. | This issue has not been solved yet.   |
| (c) | The Company had issued 192,665 copies of "Budusarana" periodical to the Department of Divinaguma in 2014 and the value of these copies were amounted to Rs.2,209,560. However, without taking any recovery action, a full provision for doubtful trade debts had been made by the Company since 2015 even up to now. | Action should be taken to recover the outstanding balances without delay.                                    | No Comments had been provided by the management.  | Department of Divineguma is already dissolved and this issue has not been solved. |
| (d) | An amount of Rs.6,881,484 was outstanding for 01 to 20 years as staff receivables from employees of the Company who had already been left due to retirement, termination of service or death.  | At the time of loan issued recoverability with their age, repayment and capacities should also be evaluated. | Sent reminders requesting to settle the balance to be recovered from the employees left. Actions have already taken to recover the  | The full amount had not yet been recovered.                                       |



unsettle distress  
loan balances from  
respective  
guarantors.

- (e) The Company had allowed Government Ministries, Departments, Corporations and general public to subscribe for Company's publications. However, the outstanding balance appeared in the subscription account as at 31 December 2020 amounting to Rs.14,899,522. Out of that, an amount of Rs.2,171,715 had remained outstanding since year 2011 to 2020 and no action had been taken to recover this amount even as at the end of year under review
- When newspapers are delivered on subscription, recoveries should also be monitored.
- Under analysis, A recurring major outstanding issue. It had not been solved yet. cases were limited to 06 month credit periods and bills are being sent by monthly in order to minimize the credit risk.
- (f) According to the Section 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Company had not obtained the approval of the Board and the concurrence of the Department of Public Enterprise for its Scheme of Recruitments and Promotions.
- If the company wants to deviate from Public Enterprises Circulars, a direction should be obtained.
- No Comments This issue has had been not been solved provided by the yet. management.
- (g) Contrary to the Section 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003, seventeen officers including nine journalists, four editors, assistant manager, photographer, senior executive and cashier had been released for
- If the company wants to deviate from Public Enterprises Circulars, a direction should be obtained.
- As per the Company policy decided at the Board decision dated 26/08/2020 with regard to release

- government institutions during the year under review and the Company had incurred a sum of Rs.5,476,800 as their salaries, wages and allowances. Although nine journalists and four editors released, twenty six journalists and twenty three editors had been newly recruited on contract basis during the year under review.
- the employees, such releases can only be done to President's Office, Prime Minister's Office and to the Media Ministry.
- (h) There were 263 dishonoured cheques valued at Rs. 26,800,895 as at 31 December 2020. Out of that, 60 cheques valued at Rs.2,155,046 and 10 cheques valued at Rs.216,802 had been remained outstanding for more than 5 years and 3 years respectively.
- Prevailing system should be carefully monitored.
- Please refer the A recurring dishonored cheque issue. This list already issue has not provided to audit been solved for the measures yet. taken
- (i) Although the Company had paid an amount of Rs.1,200,000 as an interim payment to purchase 1200 shares of Lanka Puwath Ltd – National News Agencies of Sri Lanka in December 2008, no return had been received even as at 31 December 2020. Further, a sum of Rs.2,194,637 paid as salaries and wages for three employees relating to Lanka Puwath Ltd in 2017 had been shown as receivable even as at 31 December 2020.
- Investments should be made to generate a return.
- Based on the A recurring Board Decision issue. It had not LKPB 202.17 been solved ANCL had yet. invested in 1200 shares of Lanka Puwath (Pvt) Ltd.
- (j) The actions against eight debtors amounting to Rs.7,673,033 which were outstanding for more than 720
- Responsibilities should be established over the
- Preventive measures have been taken by
- A recurring issue. It had not

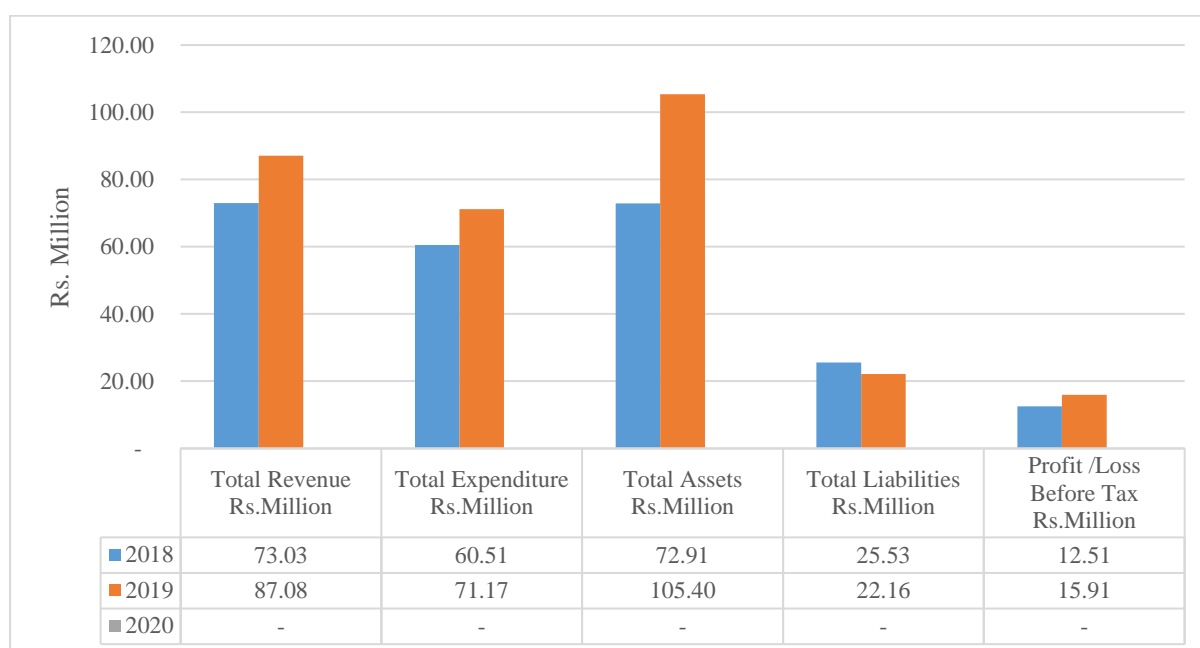
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|--|--|---|---|
| <p>days could not be taken by the Company due to misplace of relevant supporting documents with regard to transactions made with them near two years.</p>  | <p>custody of documents.</p>   | <p>tightening credit control process to rectify the same and avoid such laps in future.</p>   | <p>been solved yet.</p>                               |
| <p>(k) The court had decided to give the judgment in favor of plaintiff because the Company's Attorney –at –Law who represented the Company had not appeared at the relevant room of the court. The Plaintiff had claimed Rs.500 million from the company. The Company had appealed to the Supreme court again in 2019. The company has been paid Rs.18,230,000 as legal fee and the Attorney –at –Law who presented in a wrong court room for this case retired on 08 April 2020 and then had been reappointed on 15 May 2020 on contract basis. No any disciplinary action had been taken against the officer up to now.</p> | <p>The company should take actions to minimize the defamation cases against the company.</p> | <p>No Comments had been provided by the management.</p>   | <p>A recurring issue. It had not been solved yet.</p> |
| <p>(l) A land with an extent of 8 acres located at Hokandara purchased for constructing a housing scheme had remained idle since the year 1985.</p>  | <p>The company should utilize this asset to generate a return.</p>                           | <p>Ownership of the Hokandara Land transferred from Lake House Property Development (Pvt) Ltd to ANCL in year 2013 and mortgage to Commercial Bank for obtaining loan</p> | <p>A recurring issue. It had not been solved yet.</p> |

for VRS in year  
2016 and working  
capital.

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| (m) | The board approval had not been obtained for the cadre prepared on 06 June 2017 even up to the date of 26 March 2021. As per that cadre, the numbers of staff for the general and editorial departments were 658 and 327 respectively. However, general and editorial actual staff was 964 and 483 respectively and the excess staff was 462. Out of them, 434 employees were on contract basis as at 31 December 2020. The staff cost as a percentage from revenue was stood at 62 per cent and 53 per cent respectively during the year under review and the preceding year. | The board approval should be taken.                         | No Comments had been provided by the management. | A recurring issue. It had not been solved yet. |
| (n) | Although seven policies such as talent acquisition, promotion, leave policy, performance management etc. had been prepared in 2017 by paying Rs.2,250,000 to a consultant and used by the Company, the Board approval had been received only for the performance management policy as at 31 December 2020.   | The board approval should be obtained for all the policies. | No Comments had been provided by the management. | A recurring issue. It had not been solved yet. |

**4.24 Sri Lanka Computer Emergency Readiness Team / Coordination Team (CERT)**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	73,028,310	60,514,040	72,910,689	25,525,245	12,514,270	Qualified
<b>2019</b>	87,075,386	71,169,633	105,402,768	22,160,247	15,905,753	Qualified
<b>2020</b>	Financial Statements not submitted.					

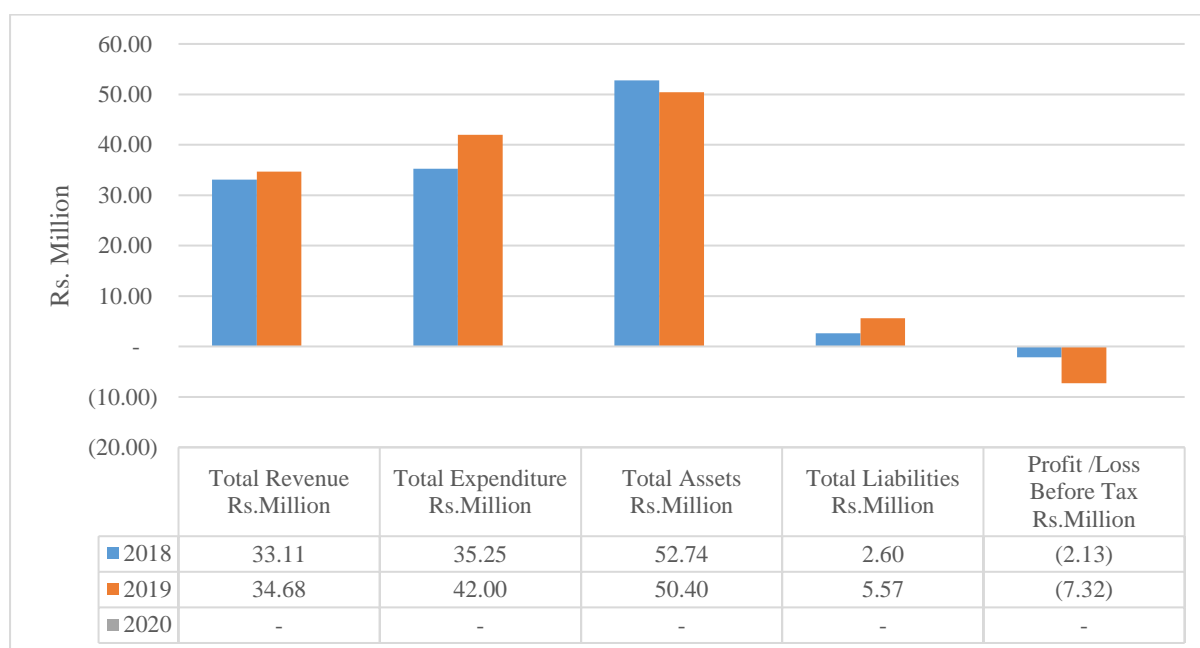
**Audit observation****Recommendation of  
the Auditor General****Preventive  
measures taken  
by the institution****The current  
position**

- (a) As per Guidelines 9.2 of the Public Enterprises Circular No. PED/12 dated 2 June 2003 Guidelines for Good Governance, The Company does not have an organization Chart with an approved cadre.
- Company should comply with the requirement of the guidelines for good governance.
- Conducting a organizational structure approved by board of directors.
- Action had not been taken as per the circular.

- (b) As per Guidelines 9.3.1 of Company should Even though Action had not been the Public Enterprises comply with the Scheme of taken as per the Circular No. PED/12 dated requirement of the recruitment and circular. 2 June 2003 Guidelines for guidelines for good promotion for the Good Governance, The governance. Company had Company does not have a been prepared, the scheme of recruitment and approval had not promotion for each post. been received.
- (c) Although Rs.1,382,800 had Relevant agreement Get action to Agreement had not been paid as a Acnetix Web should be submitted to renewal software been entered. Valnerably Scanning the audit. by an agreement in future years. software renewal charge for the year 2020 an agreement between the two parties had not been presented to the audit.

**4.25 Lanka Government Information Infrastructure (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	33,112,670	35,245,997	52,742,788	2,603,929	(2,133,327)	Disclaimer
<b>2019</b>	34,680,250	41,997,214	50,395,871	5,574,071	(7,316,964)	Disclaimer
<b>2020</b>	Financial Statements not submitted					



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	All fixed assets of the company had been revalued for Rs.11,601,568 in the year 2017 and re-valued assets amounting to Rs.2,307,807 and related accumulated depreciation amount of Rs.461,561 had been removed from financial statements during the year under review without proper approval. Further, the net book value of the	Fixed assets should be accounted properly.	Maintaining the fix asset register.	Even though the fix assets register had been prepared the accuracy of information could not be ascertain.

respective assets amounting to Rs.1,846,245 had been debited to the profit and loss account during the year under review

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| (b) | <p>The assets valued at Rs.2,033,673 which were sold in the year 2017, and its accumulated depreciation amounting to Rs.406,735 had been removed from the financial statements of the year under review without adjusting in the year 2017. Further, a sum of Rs.1,626,938 had been erroneously charged as loss on disposal of assets to the profit and loss account instead of charging a sum of Rs.1,269,838 during the year under review. As a result, net surplus for the year under review had been decreased by Rs.357,100. Further; proceeds on disposed assets amounting to Rs.357,100 had been erroneously recognized as sundry income in the year 2017.</p> | <p>Transactions should be accounted without erroneously.</p> | <p>The company had taken steps to conducting a valuation by the Department of valuation.</p> | <p>Planning the</p> |
| (c) | <p>Without an approval, the assets valued at Rs.901,673 in the year 2018 and related depreciation of Rs.180,335 had been removed from the financial statements in the year 2019.</p>  | <p>Relevant approval should be obtained.</p>                 | <p>The company had taken steps to conducting a valuation by the Department of valuation.</p> | <p>Planning the</p> |

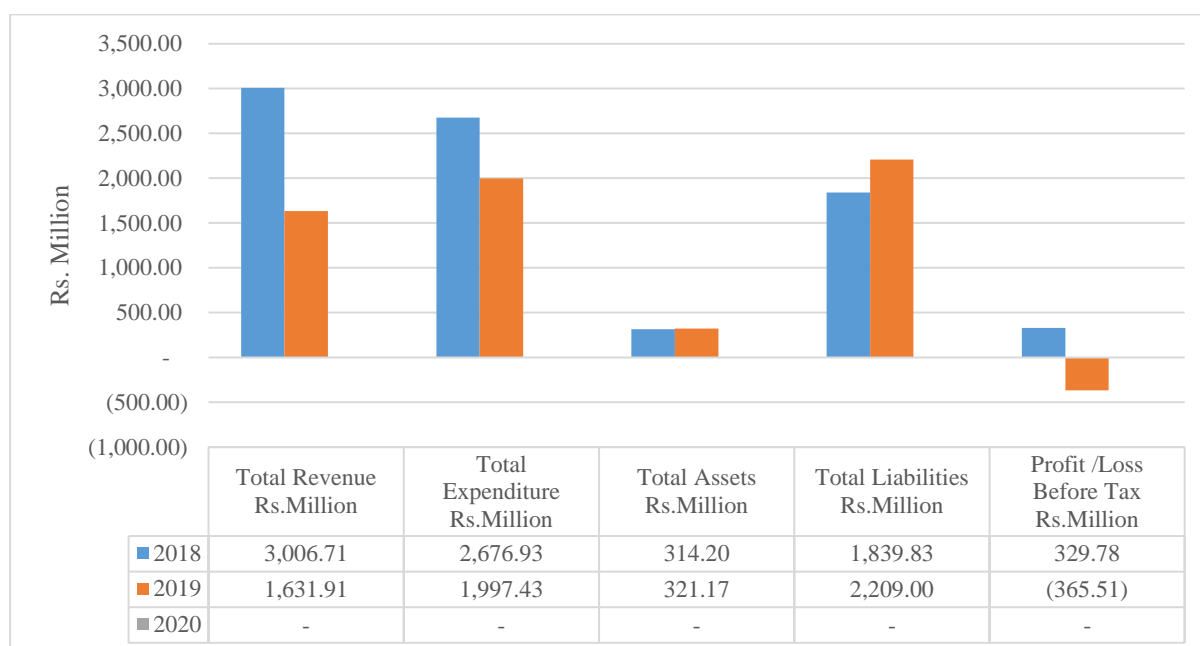


- (d) As per section 133(1) of the Companies Act No.07 of 2007, No annual general meetings of the Company had been held following the establishment of the Company on 18 July 2011. Action should be taken to conduct annual general meetings in accordance with provisions of the Companies Act. Action had not been taken. Annual general meetings of the company had not been held.
- (e) Public Enterprises Circular No. PED/12 dated 02 June 2003
- (i) Clause 3&4  
Board of director's meetings had not been conducted. Action should be taken to conduct board of director's meetings according to the circular's provision. Action had not been taken. Board of directors meetings had not been conducted.
- (ii) Clause 5.1  
Company had not prepared a Corporate Plan. The Company should prepare a Corporate plan. Cabinet approval had been granted to control scope of the LGII under the ICTA. Corporate plan had not been prepared.
- (iii) Clause 9.2  
The human resource plan should be prepared in consolidated with the Human resource budget and the approved cadre should be registered with the Department of public enterprise, General Treasury. Nevertheless, action had not been taken accordingly. Circular instructions should be followed. Action had not been taken. Human resource plan had not been prepared yet.

- (iv) Clause 9.3(1)
- |   |   |                            |   |
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| The Company had not prepared a Scheme of recruitment and promotion for each post. | Circular instructions should be followed. | Action had not been taken. | Action had not been taken in accordance with the provision of circular. |
|---|---|----------------------------|---|
- (f) Since the World Bank as the funds provider of the e-Sri Lanka project had indicated the necessity of independency of the Sri Lanka Information and Communication Technology Agency, absolute independency for the financial and administration Sectors had been received by the Sri Lanka Information and Communication Technology Agency according to the Cabinet decision dated 16 July 2003. However, as a subsidiary thereof, the Company totally depends on the consolidated funds at Present. Nevertheless, it was observed that the previous financial and administration independency existed in terms of the Cabinet decision further remained unchanged.
- |   |                            |  |
|---|----------------------------|--|
| In case of an institute funded by the Consolidated Fund of the Government, it should be considered as to whether the financial administrative independency further applicable on that behalf. | Action had not been taken. | Financial and administrative independency were remained unchanged. |
|---|----------------------------|--|

**4.26 Information and Communication Technology Agency (Private) Limited (ICTA)**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	3,006,711,680	2,676,933,580	314,204,847	1,839,832,852	329,778,080	Disclaimer
<b>2019</b>	1,631,910,961	1,997,425,571	321,168,542	2,209,002,549	(365,514,611)	Qualified
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Although the property, plant and equipment were revaluated during the year under review, the audit was unable to determine the accuracy of the value of the plant and equipment included in the financial statements as at 31 <sup>st</sup> December 2018 due to the lack of a fixed assets register and revaluation basis.	A fixed assets register should be maintained including the values of revaluation. Also, the basis of the assets revaluation should be submitted to the audit.	Maintaining a fixed asset register.	Even though a fixed assets register had been prepared the accuracy of information could not be ascertain.

- (b) The value of total liabilities exceeding total assets as at 31<sup>st</sup> December 2018 was Rs.1,525,628,004 and the current liabilities exceeding current assets of the company was Rs.1,527,245,089. Accordingly, it was observed that there was uncertainty about the going concern of the company but the management of the company had not taken any action to avoid such situations.
- Management should be take necessary actions to avoid such situations and disclose the relevant situations in the financial statements.
- Action had been taken to correct this
- This situation remained the same in 2019 as well.
- (c) Agreements reached between the two parties regarding the supply of services of payroll, catering and security services had not been furnished to audit.
- Relevant agreement should be submitted to the audit
- Action had not been taken
- No agreement had been made entered.
- (d) The company had not held its Annual General Meeting as per section 133(1) of Companies Act No.07 of 2007.
- Annual General meetings should be held in accordance with the provisions of the companies Act.
- Action had not been taken
- Annual General meeting had not been held
- (e) The first digital government policy for 2010-2012 had not been prepared and cabinet approval had not been obtained to restructure the policy as per the section 6(2) of the information and communication Act.No.27 of 2003.
- Action should be taken to act in accordance with the provisions of the Act
- The digital government policy had been prepared and presented for approval.
- Cabinet approval had not been received.

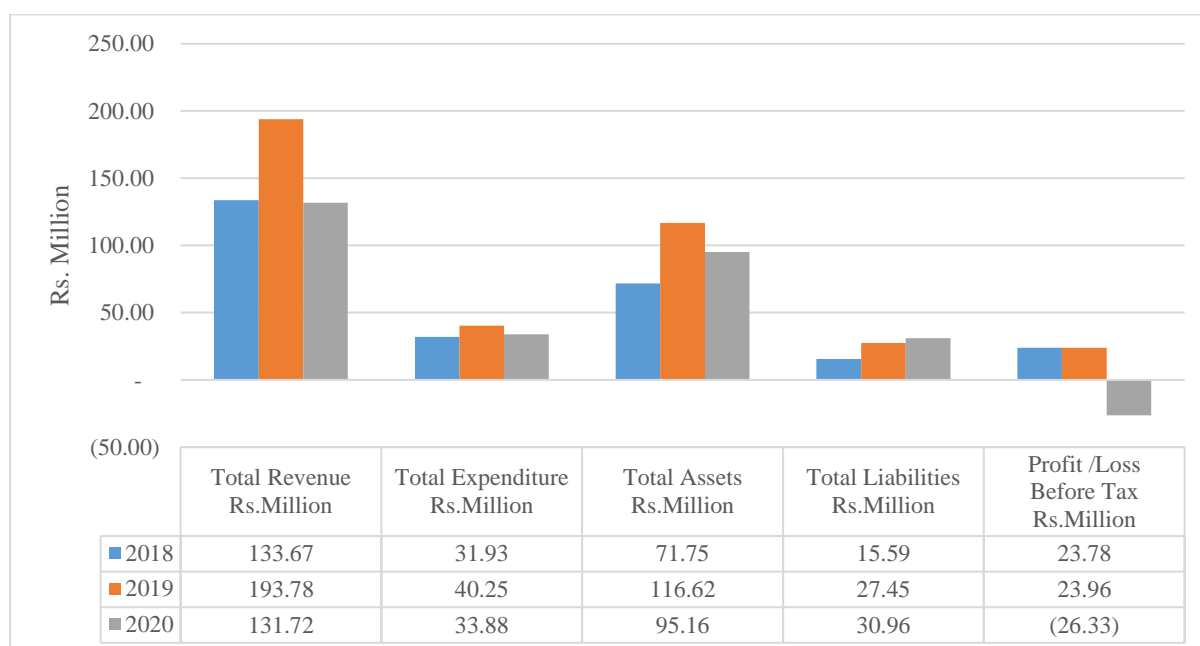
- (f) As the main sponsor of the e-Sri Lanka project, this institution was granted full independence of the financial and administrative divisions by a cabinet decision at the request of the World Bank. It was observed that, at present the company is fully dependent on consolidated funds but that financial and administrative independence continues further.
- As an institution that grants money from the consolidated fund of the government, it should be considered whether further financial and administrative independence is required.
- Taking action to get cabinet approval
- The financial and administrative independency were remain unchanged.
- (g) The Rs.32,085,570 received for the implementation of 3 projects under the Bill and Melinda Gate Foundation could not be completed due to the expenditure incurred on the operational activities of the company.
- Money received for the project should be used only for projects.
- Action had not been taken
- Projects had not been implemented
- (h) As per the paragraph 9.2 of Public Enterprises Circular No. PED/12 dated 2 June 2003 - Guidelines for Good Governance, the Human resource budget and integrated Human Resource plans had not been prepared and registered with the Department of public Enterprises.
- Should be act in accordance with the provisions of the Circular.
- Action had not been taken.
- Not compliant with Circular.
- (i) As per the guideline 9.3.1 of Public Enterprises Circular No. PED/12 dated 2 June 2003 - Guidelines for Good Governance, the Company had
- A scheme of Recruitment and promotion should be prepared in accordance with the
- Not act in accordingly
- Not compliant with Circular.

not been prepared a Scheme of provisions of the recruitment and promotion for Circular. each post.

- (j) According to paragraph 6.5.1 of The financial Not presented in In 2019, There Public Enterprises Circular No. statements and draft accordance was a delay PED/12 dated 02 June 2003, the annual report should financial statements and draft be submitted to the annual report should be auditor general in submitted to the Auditor General accordance with the within 60 Days of the end of provisions of the financial year, but the financial Circular. statements for the year 2018 have been submitted with a delay of 21 months.

**4.27 Lakdiva Engineering (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	133,673,206	31,933,865	71,754,545	15,587,411	23,778,392	Disclaimer
<b>2019</b>	193,783,770	40,248,431	116,624,664	27,448,674	23,956,337	Disclaimer
<b>2020</b>	131,721,818	33,884,474	95,161,076	30,961,369	(26,326,283)	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The year of purchase had not been mentioned with respect to the assets worth Rs. 8,290,423 included in the balance of fixed assets totaling Rs. 27,075,878 as at 31 December 2020. As no depreciations had been made on those assets up to the year under review in terms of Sri Lanka Accounting Standard 16, the profit	According to the Sri Lanka Accounting standards depreciation should be provided in correctly.	Action had not been taken.	Relevant action had not been taken and corrected.

- of the year under review had been overstated by that value.
- (b) Section 60 of the Inland Revenue Act, No. 24 of 2017. A company is liable to pay income tax, but it was observed that the Company had not taken action even up to the date of audit on 31 December 2020 to fulfill that requirement.
- Liability to tax should be fulfilled in terms of the Inland Revenue Act.
- The relevant Laws and Rules will be followed in due course.
- Action had not been taken.
- (c) Public Enterprises Circular, No. PED/12, dated 02 June 2003. A sum of Rs.1,839,840 had been paid during the year under review as incentives without adhering to an incentive scheme approved by the Treasury and the Board of Directors. Furthermore, a sum of Rs.795,600 included therein had been paid to the staff of the factory by disregarding the failure to meet the time based target.
- Incentives should be paid under approval of the Treasury through a proper evaluation.
- The relevant Laws and Rules will be followed in due course.
- Relevant Laws and Rules had not been followed.
- (d) The main bin cards maintained at the Procurement Division had not been updated, and maintenance of stocks for regularly used items had been neglected, thus paving way for the lack of buffer stocks. As such, instant purchases had been made to the value of Rs.38,348,373 which was attributable to the 80 per cent increase in the total purchases. Furthermore, it was observed in examining the bin cards that action
- Stock control should be done properly, and bin cards should be maintenance accurately.
- The manufacturing process could not be continued properly with enough buffer stocks owing to the spread of pandemic in the year 2020. However, action will be taken correctly in due course.
- Action had not been taken.



- had not been taken to eliminate a stock of 90 items no more in use.
- (e) The approved cadre of the Company was 121 as at 31 December 2021, and 96 employees of them had been recruited permanently whereas 12 had been recruited on contract basis. The chief managerial post of General Manager had not been included in the approved cadre of the Company, and recruitment to the post of Factory Engineer had also been done on contract basis. Although 06 posts of Foreman had been approved for the Company, 03 of them remained vacant up to February 2021.
- (f) Approval on the new structure of employees had been granted through the Letter, No. DMS/1623 of the Department of Management Services dated 03 October 2018. However, action had not been taken even up to the end of the year under review to prepare and approve the Scheme of Recruitment.
- (g) The Company had been maintained at a land in extent of 23 acres owned by the Sri Lanka Transport Board and located in Ja Ela. However, a written agreement had not been entered into with the owner of the land relating to the use of land.
- Vacancies should be filled in a suitable manner.
- Necessary recruitments will be made in accordance with financial position of the Company as soon as the Scheme of Recruitment for the Company is approved.
- The Scheme of Recruitment should be prepared and approved.
- Action will be taken to obtain approval for the Scheme of Recruitment in the year 2021.
- An agreement should be entered into with the owner of the land.
- Not commented.
- Corrective action had not been taken.
- Action had not been taken.

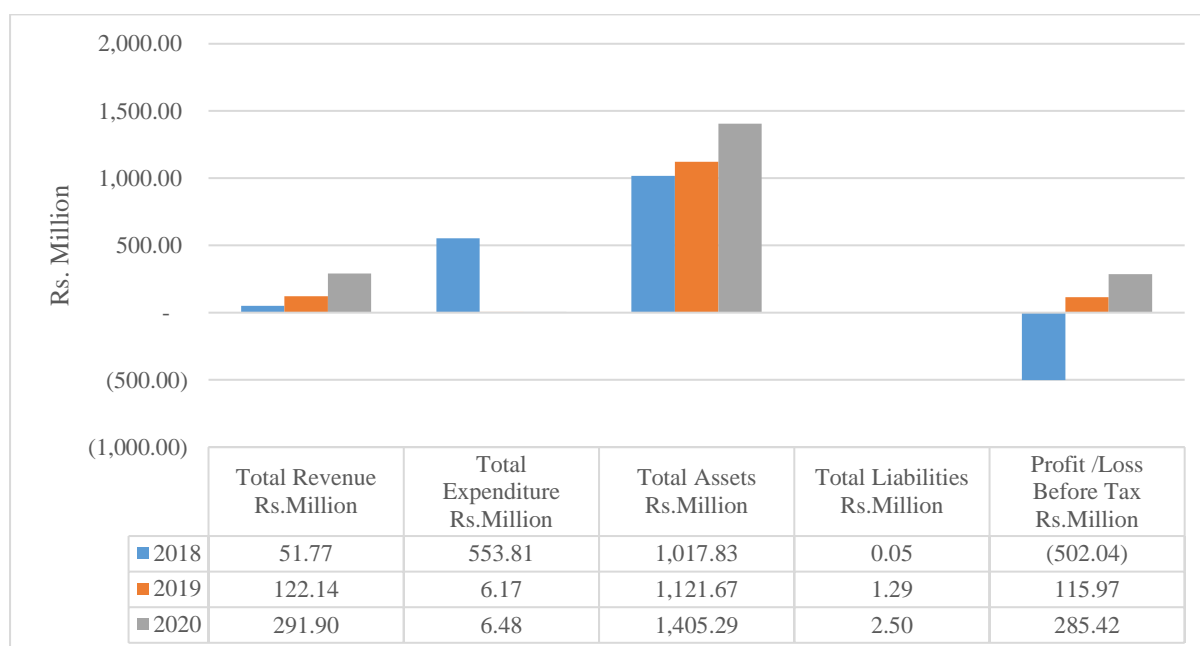
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| (h) | Although 12 companies had been registered with the company in 2018 for repairing busses the audit could not confirm the number of members required to determine the experience of such companies and the fields they were belonging to. Furthermore, for repairing busses in 2018 Rs. 4.82 million had been paid to contractors without following any procurement procedure. | As per section 4.2 manage the awarding of labour contracts by following correct procedures. | Will follow the correct procedure in future.   | Correct procedure had not been applied.                                  |
| (i) | It was found in the annual survey conducted in the year 2020 that 86 items valued at Rs. 1,400,559 had been shown in excess of the balance of the books whereas 51 items valued at Rs. 244,631 had been understated.   | Annual surveys of stores should be conducted properly thus making adjustments in the books. | Despite not being brought to the books at the annual survey of stores conducted by the end of the year 2020, the relevant Board of Survey had brought them to the books in view of being used in the manufacturing process or dispose in due course. | Action had not been taken.   |
| (j) | Section 23 (a) of the National Environmental Act, No. 47 of 1980 as amended by the Act Nos. 56 of 1988 and 53 of 2000. Institutions servicing vehicles should obtain a license, but the Company had not taken action even by 31 December 2020 to obtain such a license.  | The Laws, and Rules relating to the environment should be followed                          | Action will be taken in due course in accordance with the relevant Laws, and Rules.  | The Laws, and Rules relating to the environmental had not been followed. |
| (k) | Factories (Amendment) Act, No.33 of 2000 Section 39(1) Fire exit should be provided for the persons  | Provisions of the Factories Ordinance, should be followed.                                  | The relevant Laws and Rules will be followed in due course.  | Action had not been taken.   |

employed in the factory. However, it had not been done so.

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| (l) | Guideline 3.2 (Procurement Guidelines 2006) Spare parts worth Rs.74,935,429 had been purchased from private companies during the year under review for repairs of the busses without taking action to evaluate bids through national competitive bidding. | Purchases should be made in accordance with the Procurement Guidelines.  | The relevant Laws and Rules will be followed in due course. | Laws and Rules had not been followed. |
| (m) | Guideline 4.2 (Procurement Guidelines 2006) Action had not been taken to prepare a Master Procurement Plan and a Procurement Time Schedule.   | Procurement activities should be envisaged in accordance with Circulars. | The relevant Laws and Rules will be followed in due course. | Laws and Rules had not been followed. |

#### 4.28 Lanka Leyland (Pvt) Ltd

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	51,767,838	553,809,695	1,017,828,751	50,000	(502,041,856)	Qualified
<b>2019</b>	122,144,176	6,174,862	1,121,665,369	1,294,787	115,969,314	Unqualified
<b>2020</b>	291,896,507	6,478,598	1,405,289,860	2,501,818	285,417,909	Qualified

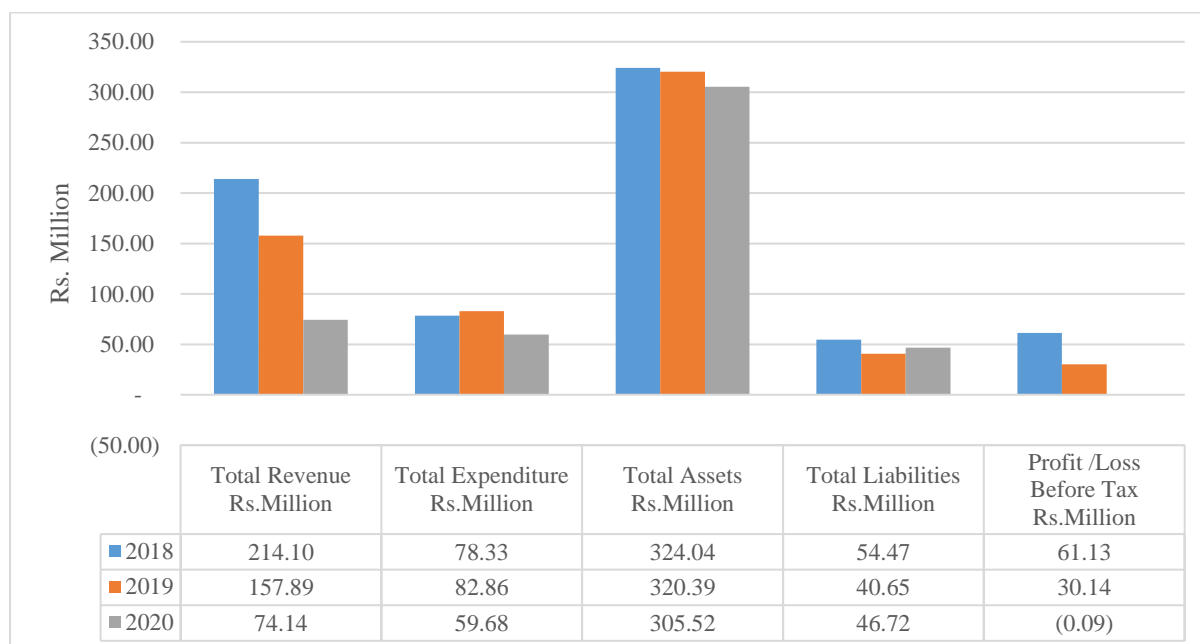


	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	Even though lands worth Rs.626,473 had been included in the financial statements of the company, the tenure of a part there of was not in the possession of the Company.	Action should be taken to establish the right, existence and tenure of the lands stated in the financial statements.	According to the deed, the company owns the land, whereas relevant written evidence of lands, which are not included in the tenure, was not in the possession of the company for the elimination of such lands from the books.	Action should be taken to establish the right, existence and tenure of the lands.

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| (b) | There was no documented policy regarding human resources of the Company and Rs.6,465,067 had been spend as administrative expenditure including payments for the Board of Directors during the year 2020 /2021 incurring more than Rs. 6 million as administrative expenditure without and approved staff and any operating activity was observed to be and uneconomic expenditure. | Since there are no adequate operating activities, administrative expenditure should be incurred limitedly. | Not replied.  | Administrative expenditure had incurred without having operating activities. |
| (c) | There was no proper written business plan or corporate plan with the company.   | Action should be taken to prepare a proper business plan and corporate plan and to take steps accordingly. | Since there no other operations our business plan is to increase our investment income. | No business plan or corporate plan.  |
| (d) | There was no written Human resource plan with the company.  | Permanent employees should be recruited according to the business plan.                                    | Human resource plan had not been prepared.  | No written Human resource plan.  |

#### 4.29 Academy of Financial Studies (Guarantee) Ltd

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	214,100,654	78,327,066	324,042,712	54,465,797	61,131,633	Qualified
<b>2019</b>	157,886,847	82,861,412	320,390,536	40,648,052	30,137,234	Qualified
<b>2020</b>	74,143,605	59,675,485	305,520,982	46,722,007	(90,945)	Unqualified

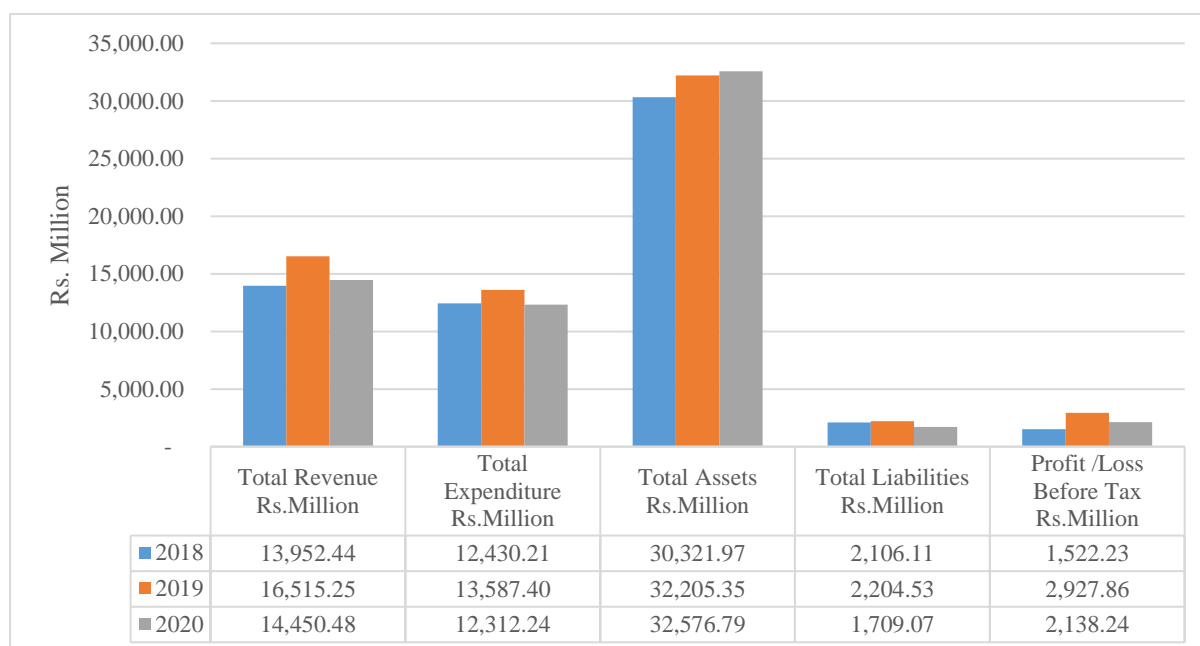


	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	In terms of Section 4.2 of Sri Lanka Financial Reporting Standard for Small and Medium Scale Entities, instead of stating the payable income tax of Rs.12,149,018 as a separate item in the statement of financial position, it had been stated under the payable statutory expenditure.	Relevant disclosures should be made in the financial statements.	Action has been taken to disclose the payable income tax as a separate item in the financial statements in terms of the Standard.	Timely Action had not been taken to rectify the issue.

- (b) No Audit and Management Committee meetings had been conducted during the year under review. Action should be taken to conduct Audit and Management Committee meetings in accordance with the relevant circulars. Due to the changes in the top management, it was not possible to conduct the Audit and Management Committee meetings scheduled for the relevant years. Timely Action had not been taken to rectify the issue.
- (c) Contrary to the Sri Lanka Financial Reporting Standard for Small and Medium Scale Entities, specific benefit liability had not been computed based on the discountable current value. The specific benefit liability should be computed in terms of provisions of the Standard. Action should be taken to make corrections. Timely Action had not been taken to rectify the issue.
- (d) Due to erroneous calculation, income tax of Rs. 2,241,192 had been overpaid for the assessment year 2019/2020. Action should be taken to recover the overpayment. The overpayment of income tax was stated as Refundable Amount in the tax returns and submitted to the Inland Revenue Department. Necessary steps are being taken to recover the overpayment of income tax and follow-up steps are taken constantly in this regard in collaboration with the Inland Revenue Department.

### 4.30 Ceylon Petroleum Storage Terminals Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	13,952,435,115	12,430,205,006	30,321,966,787	2,106,107,929	1,522,230,109	Disclaimer
<b>2019</b>	16,515,254,612	13,587,398,579	32,205,354,378	2,204,531,398	2,927,856,033	Disclaimer
<b>2020</b>	14,450,477,900	12,312,241,019	32,576,788,664	1,709,065,251	2,138,236,881	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Fully depreciated assets, comprising 15,148 items of approximate cost of Rs.7,727.6 million have been continuously used by the Company without being reassessed the useful economic lifetime of those assets as per the LKAS 16. Further, the Company had not established a proper	The Company should comply with the requirement of the Standards.	Management is planning to complete this task and restate the value of fixed assets to bring up to its market conditions	Revaluation of assets has not been done up to date.



- policy to revalue its assets since the inception of the Company in 2003.
- during the F/Y 2022.
- (b) The Company had not recognized the right of use assets relating to 6 motor vehicles acquired in the year 2017 on operating lease basis and corresponding lease liability in financial statements in the year 2020 in accordance with the paragraph 47 of SLFRS 16.
- The Company should comply with the requirement of the Standards.
- The 06 no's motor vehicles hired from M/s.Rajagiriya Tours (Pvt.) Ltd are under the operating lease agreement where ownership of these vehicles does not transfer to company at the end of the contract period.
- Right of use assets have not been recognized in terms of standards
- (c) An unreconciled difference of Rs.199.8 million, 437.53 million and 409.50 million were observed between total of Income Tax Payable, Value Added Tax (VAT) payable, Withholding Tax Payable, Pay As You Earn (PAYE) payable and Economic Service Charge (ESC) payable balances as financial statements and records of Inland Revenue Department (IRD) in 2018, 2019 and 2020 respectively.
- Appropriate actions should be taken to rectify these differences with IRD.
- For the purpose of preparation of reconciliation between IRD balances with ledger balances we have requested detail breakdown from IRD which is still pending.
- Reconciliation made between IRD balances and ledger balance have not been received to audit
- (d) Other receivable amounting to Rs. 8.8 million and Rs. 7.2 million was remained unrecovered for over 5 years as at the end of the year 2019 and 2020 respectively. However, sufficient confirmation regarding the recoverability of that amount was not made available to audit.
- Appropriate actions should be taken to recover long outstanding receivable balances.
- Most of these balances are carried forward from prior to SAP ERP implementation in year 2010. The likelihood of recoverability of these balances are very remote. Audit
- Other receivable amounts are remained uncovered for over 5 years yet.

& Management  
Committee

recommended write  
off these long  
outstanding balance  
receivable with the  
prior approval of  
Board of Directors.

- (e) There were debit balances in 07 trade and other payable accounts amounting to Rs. 2.7 million as at the end of the year 2020, which includes 02 debit balances totaling Rs. 0.18 million remaining over 05 years. Further, there were 05 debit balances totaling Rs. 2.5 million remained unsettled ranging from 01 to 05 years. There were debit balances in 48 trade and other payable accounts amounting to Rs. 38.96 million as at the end of the year 2019. It shows unsettled 14 trade and other payable accounts amounting to Rs. 2.98 million from the year 2010 or before, 03 debit balances totaling Rs. 0.55 million over 05 years to 10 years and 31 debit balances totaling Rs. 35.42 million over 01 year to 05 year. However, the Company had made some subsequent transactions with vendors without being settled their debit balances. Therefore, existence and accuracy of those debit balances were questionable in audit.
- Appropriate actions should be taken to get all reconciled balances cleared.
- Most of the debit balances in Vendor accounts are reflected due to reversal of erroneous invoice verifications in SAP (MIRO) without clearing the balances.
- There are debit balances in trade and other payable accounts currently.
- (f) Outstanding trade payable balances amounting to Rs. 333.3 million, Rs.86.81 million and Rs.72.32 million were remained as at the end of 2018, 2019 and
- Appropriate actions should be taken to get all unreconciled balances cleared.
- There are certain vendor liabilities lying as long outstanding
- Long outstanding trade payable

2020 respectively. However, the management of the CPSTL had not taken proper actions to settle them. Accordingly, existence and accuracy of those balances were in doubt.

payables which are no longer required to be paid by the company. The Sri Lanka Financial Reporting Standards (SLFRS 9), or IFRS-9, provides a list of criteria that must be met before any account payable can be written off.

According to these guidelines, financial liabilities should only be derecognized by the company when the obligation to pay is expired, canceled, or discharged. As such, they are not written off based on the time frame.

- (g) It was observed the un-reconciled net differences of Rs. 2,475.8 million, Rs. 1,623.13 million and Rs. 993.89 million of intercompany receivable and payable balances respectively between the Company and CPC as at the end of 2018, 2019 and 2020 respectively. However, the CPC had decided by its Board Decision taken on 22 July 2021, to pay disputed
- Appropriate actions should be taken to settle all unreconciled balances.
- Actions have been taken to resolve the balance outstanding disputes with CPC during the year 2021.
- The unreconciled differences in intercompany balances with CPC are still continuing.

outstanding loan interest amounting to Rs. 637.04 million to CPSTL.

- (h) It was observed the un-reconciled differences of Rs. 55.1 million, Rs. 5.1 million and Rs. 40.18 million in the intercompany balances between the Company and LIOC as at the end of the 2018, 2019 and 2020 respectively.
- Appropriate actions shall be taken to settle all unreconciled balances.
- Rs. 43,458,458 Refund of loan interest CPSTL AMC has decided to write off an amount of Rs. 37,057,076 plus taxes in comply with directions given by the Secretary to the Ministry of Energy. Accordingly, CPSTL has written off total of Rs. 43,458,458 from the receivable amounts of LIOC as at 31st December 2020. Remaining outstanding disputes of Rs. 3,308,922 with LIOC resolve during the year 2021.
- The company should comply with the Guideline
- CPSTL Board of directors approval will be obtained on all capital development projects, where representation from
- Required prior approval has not yet been obtained.

for the capital expenditure exceeded the amount of Rs. 10 million.

Treasury, Ministry, CPC & LIOC, director members were nominated to the Board of Directors of CPSTL to take concurrent approval from the respective agencies.

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| <p>(j) A proper organization Chart including the approved cadre had not been prepared and registered with the Department of Public Enterprises, General Treasury. Further, in the event of creation of a new cadre, or instances where there is excess cadre, the Company had not taken action in consultation with the Department of Public Enterprises, General Treasury. Accordingly, the Company has acted in contrary to the Guidelines for Good Governance of Public Enterprise Circular No. PED/12.</p> | <p>The company should comply with the Guideline.</p> | <p>The cadre approved by the Board of Directors for 2016-2021 has been submitted to the Department of Public Enterprises by our letter Rf. DGM (HR-07) dated 22nd July 2016 which has been endorsed and received by the PED. However, we have not received any document to say that it has been approved or not. After introducing the new cadre, we have not created any new cadre positions.</p> | <p>Organization Chart including the approved cadre have not yet been registered.</p> |
| <p>(k) According to the Guidelines for Good Governance of Public Enterprise Circular No. PED/12, the Company had not taken</p>   | <p>The company should comply with the Guideline.</p> | <p>Action has been taken to review the SORAP for</p>   | <p>The scheme of recruitment</p>   |

appropriate actions to prepare a scheme of recruitment and promotion (SORAP) with the approval of the Board of Directors, and to get the approval from the Ministry with the concurrence of the Department of Public Enterprise, General Treasury.

Executive Grades and as a preliminary promotion stage and to obtain (SORAP) the approval of the for the Board of Directors Company for B and C Grades had not yet will be reviewed in been future and will prepared obtain the approval with of the Board of required Directors, Ministry approvals. and Department of Public Enterprises, General Treasury.

- (l) According to the Guidelines for Good Governance of Public Enterprise Circular No. PED/12, approvals from the Secretary to the Treasury had not been obtained by the Company for the appointment of contract basis employees. There were 50, 29 and 30 employees recruited on contract basis at the end of the year 2018, 2019 and 2020 respectively.
- The company should comply with the Guideline.
- As per the Public Administration Circular, the Company has not yet obtained Treasury by the approval and Company. absorbed these contract employees into permanent cadre.
- (m) Approval from the Department of Public Enterprises, General Treasury had not been obtained for the welfare scheme adopted by Company. However, an amount of Rs. 239.29 million and Rs. 222.28 million had been paid as staff welfare expenses during the year 2019 and 2020 respectively by the Company. Accordingly, the Company has acted in contrary to the Guidelines for Good Governance of Public Enterprise Circular No. PED/12.
- The company should comply with the Guideline.
- Company provides Proper wide range of approval has welfare schemes to not yet been its employees in par obtained for with the CPC as per the welfare the CUF agreement scheme adopted by signed in the year the Company. 2003. These the facilities have been enjoyed by CPSTL employees during the last 18 years

- period. Action will be taken to obtain Treasury approval in the future.
- (n) In contrary to the Government Procurement Guideline – 2006, tender procedure had not been followed in selecting outside transporters (Bowsers), and also, the approval of the Board had not been obtained for this.
- The company should comply with the Guideline.
- Transport rates are decided by CPC and payments made to hired bowsers are reimbursed by CPC & LIOC. There is no formal procedure for selection of hired bowsers as pre-determined rates are used for payments. Management has decided to float a tender to call for competitive bids to award transport of bulk fuel for selected deliveries as a pilot project. Implementation of above decision was on hold due to fluctuation in the demand for fuel during the pandemic period.
- Tender procedure is not followed in selecting outside transporters.
- (o) 07, 27 and 5 officers had been assigned for cover up duties in vacant posts for more than 3 months at the end of the year 2018, 2019 and 2020 in contrary to the
- The company should comply with the Guidelines.
- All temporary acting posts given due to retirements and vacant
- Covering up of duties of vacant posts

provisions of Finance Circular No. 124 of 24 October 1997 of the Ministry of Finance and Planning.

positions have been advertised and vacancies have been filled during the year 2021 except for Stores & Laboratory functions which have already been internally and externally advertised and interviews are scheduled to be held.

- (p) According to the Section 03 of the Settlement Agreement dated 05 January 2007 between the Government of Sri Lanka and LIOC, it was restricted to deliver petroleum products by LIOC from its China Bay installation to a maximum 5 per cent of the Country's throughput of petroleum products and CPC to a maximum 5 per cent excluding deliveries from Sapugaskanda Refinery. However, a regular process had not been established to monitor the compliance of above provisions. As a result, there is a possibility of losing considerable amount of throughput income to the Company.
- A formal process to monitor the compliance of conditions should be established.
- After formation of CPSTL in year 2003. LIOC has commenced its commercial operations in Sri Lanka. Government has appointed Public Utilities Commission of Sri Lanka (PUCSL) to regulate the Petroleum Industry in Sri Lanka with liberalization of the petroleum industry in Sri Lanka.
- A regular process has not yet been established to monitor the related compliances and possibility of losing throughput income is still continuing.

At present due to the absence of PUCSL regulatory



mechanism to regulate the petroleum industry in Sri Lanka. Hon. Minister of Energy will act as the regulator to regulate the petroleum industry related matters.

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| (q) | It was noted that Shareholders Agreement & Share Sales Purchase Agreement for the common user facility between CPC, LIOC and CPSTL was expired on 31 December 2008. However, the Company had not taken any actions to extend the agreement for a further period or to enter into new agreement with participation of all related parties with a proper evaluation and approval of the Board. As a result, the pricing formula used for the purpose of determining the throughput charges, transport charges including slab recoveries with the agreements of all the related parties had not been revised since 2011. | A formal process to monitor the compliance of conditions should be established. | We have requested from Hon. Minister and Secretary to the Ministry of Energy to take necessary actions to sign an agreement with CPC/CPSTL and CPSTL/LIOC to streamline the Operational, Financial requirements of the CPSTL to function as the Common User Facility service provider to CPC & CPSTL. | Agreement has not yet been extended or renewed with the agreement of all the related parties. |
| (r) | Even though a proper agreement should be maintained between the parties who provide any support services to an organization for smooth running of the business and minimizing the cost, any agreement or even a Memorandum of understanding (MOU) had not been  | A formal process to monitor the compliance of conditions should be established. | No Comment  | An agreement or MOU have not yet been entered with CPC and LIOC                               |

- entered into with CPC and LIOC covering all the related business activities. As a result, procedures, roles and responsibilities of each party were not properly defined.
- covering all the related business activities.
- (s) A written procedure manual is not available showing the controls that are in place to prevent and detect internal control weaknesses or any possible errors and irregularities that could occur. It is important and beneficial to the Company to keep a track record of controls in place for each process of the Company to ensure that the management prescribed/designed process is operating without exceptions. Further, once a procedure manual is designed it should be periodically evaluated at reasonable intervals to ensure its relevance.
- Actions should be taken to properly establish and implement procedure manuals with required approval and continuously update.
- Few procedure manuals have already been prepared and action has been taken to review and approve the currently available procedure manuals at finance department.
- IT department has developed Internet Policy, User access policy, Software development policy, email policy, hardware maintenance policy, etc.
- (t) A proper feasibility study for incorporating capital projects to the annual budget had not been conducted in terms of Guideline 5.2.2 of Public Enterprises Circular No. PED/12 dated 02 June 2003 (Guidelines for Good Governance),
- The company should comply with the Guidelines.
- Though the feasibility studies haven't been presented as reports, the projects were initiated and carried out after analyzing the feasible conditions
- Feasibility reports have not prepared.

of the appropriate requirements.

However, feasibility report will be submitted for the future projects from 2021 as per Guideline.

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| <p>(u) Proper and updated records (including financial and physical progress) of 52 Capital projects valued over Rs. 3,662 million which is in the Capital Budget has not maintained. Therefore, the commencement and completion of such projects was a doubt in audit.</p> | <p>Proper and updated records of Capital projects should be maintained by the Company.</p> | <p>Physical progress of 22 projects was submitted by Engineering Function.</p>  | <p>Financial progress of the capital projects and physical progress of 26 projects of them have not yet been received to the audit.</p> |
| <p>(v) It was observed that considerable delays in completion of 33 projects under the carried forward budget for the year 2020 of the Company. Out of them, some projects had been commenced in the year 2015.</p>   | <p>Appropriate actions should be taken to proceed the delayed projects.</p>                | <p>Some jobs are started in 2015 but needed to be attended stage wise due to operational requirements. On the other hand, some jobs were affected by poor performance of the contractors, and appropriate actions were taken as per the Conditions of Contract. Progress of some projects</p> | <p>Some projects have not yet been proceed and further delayed.</p>   |

- was further affected due to COVID-19.
- (w) In contrary to Circular instructions, the Company had released 01 vehicle in 2018 and 05 vehicles (including 3 vehicles for Trade Unions) in 2020. Further, the Company had released 04 persons in 2018, 03 persons in 2019 and 01 person in 2020 and incurred whose remuneration and other allowances.
- The Company should comply with the circular instructions.
- A vehicle each of Vehicles and following has staff have released with the still been approval of released. Chairman/ MD CPSTL.
- for the use of Ministry of Energy (KV-4078 ) (subject to the approval of treasury)
  - for the use of Board Member/ MD CPC (KI – 0786)
  - for the use of trade union activates of SLNSS (PH - 3385) with the approval of Ministry Secretary

These two vehicles (PH-7530 and KF-5256 are used by Trade Union Leaders without approval. They were repeatedly advised to submit

- proper approval both written and verbal forms but no response from them up to date.
- (x) Out of the approved cadre of the Company, 1, 263 post, 343 post and 746 post were in vacant as at the end of 2018, 2019 and 2020 respectively. Out of that, 62 post, 44 post and 58 post were in senior staff level during year 2018, 2019 and 2020. However, it was observed that 944 persons during 2018, 833 persons during 2019 and 1,148 persons during 2020 had been recruited out of approved cadre.
- The cadre of the Company should be critically re-evaluated and the appropriate cadre levels for efficient and effective operations of the Company.
- Internal advertisements for 154 posts have been issued and 95 out of these 150 posts interview processes were completed. Most of the senior positions referred to in the query have already been filled. However, we still have 55 no's of vacancies in A1- A7 (14 in senior positions and 41 in junior executive) grades and interview for most of these post are to be held within next two months.
- (y) A formal system for allocation of vehicles and fuel allowance or usage for officers had not been established and maintained by the Company. According to the information made available to the audit, vehicles had been assigned to unauthorized persons/parties without proper approvals,
- A formal system for vehicle administration within the Company should be established.
- A formal system for allocation of vehicles and fuel allowance or usage for officers had not been established and maintained by
- A formal system for allocation of vehicles and fuel allowance or usage for

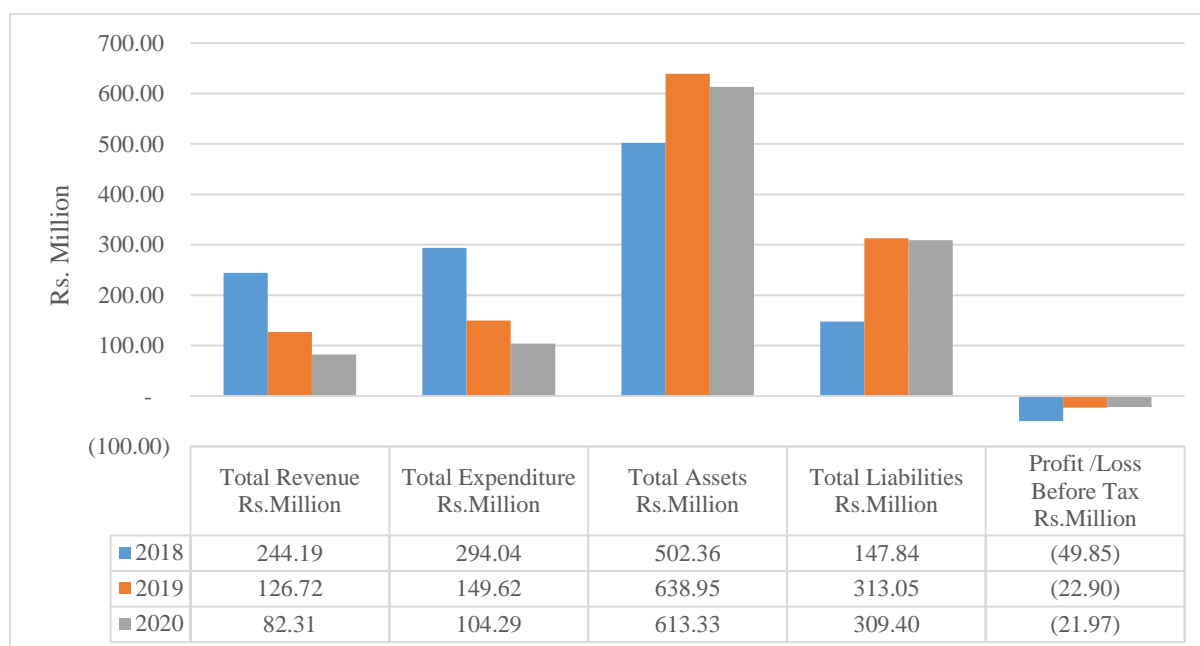
and an instance was observed that more than one vehicle had been assigned for one officer. Records related to the vehicle running had not been properly maintained and closely monitored by the Company, such as keeping vehicles running reports without authorized, unavailability of fuel usage of vehicles, poor updating of running reports in the relevant files, etc. Considerable differences were observed in the details shown in the fuel coupons and ERP (SAP) system. The information on the running condition, maintenance and other related matters of the vehicles could not be verified in audit due to unavailability of separate logs books (driving records) for each vehicle. Therefore, it was observed that the internal control over the Vehicle administration, maintenance and fuel usage of the Company is not up to the standard and not comply with general procedure of the Governments.

the Company. The officers has Company has not yet been stipulated policy for established assigned vehicles and for the officers. maintained a) All DGMs by the are allocated a Company company vehicle currently. with 140 liters of fuel allowance b) HOFs are allocated a company vehicle with 120 liters of fuel allowance c) If HOF use their own vehicle for the official duties they are entitled for Rs. 50,000 vehicle allowance in addition to 120 liters fuel allowance d) Dy. Mangers are entitled only for 100 liters of fuel allowance no vehicle provided e) Fuel allowances are added to officers' monthly salary up to their respective

			limit as per the present fuel price.	
(z)	According to the fixed assets register, 17 motor vehicles had been condemned by the Company up to the end of 2020. However, details relating to the actions taken by the Company with regard to the condemned vehicles were not made available to audit.	Appropriate actions should be taken for condemned vehicles.	No comment	Information regarding the actions taken on these vehicles was not received to the audit.
(aa)	The Company had not prepared a Corporate plan and presented to audit in terms of the Guideline 5.1.1 of Public Enterprises Circular No. PED/12 of 2 June 2003 - Guidelines for Good Governance.	The Company should comply with the Guideline.	Tender for preparation of Corporate Plan was awarded in year 2018 and Draft Corporate Plan was submitted by Consultant M/s. Ernst & Young in October 2018. After change of government in 2020 the scope of the preparation of Corporate Plan have been changed and revised Corporate plan prepared in year 2021.	A Corporate plan has not yet been prepared in terms of the Guidelines.

### 4.31 Cey-Nor Foundation Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	244,188,595	294,040,322	502,356,689	147,840,721	(49,851,727)	Qualified
<b>2019</b>	126,717,300	149,615,433	638,954,914	313,048,497	(22,898,133)	Qualified
<b>2020</b>	82,314,422	104,285,450	613,326,613	309,396,224	(21,971,028)	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	No impairment losses have been identified for the outstanding balance of Rs.9,204,498 since 2011 under the current assets as the name of North Sea Pvt. in the statement of financial position as at 31 December 2020 according to the para 5.5 of SLFRS 9 - Sri Lanka Accounting Standards.	The holding value of the assets subject to damage in accordance with the standard should be disclosed in the Financial Statement.	No action had been taken.	The current situation remains unchanged.



- (b) According to the Sri Lanka Accounting Standards No. 02 - Chapter 28 of the Inventory Standards, at the end of each year a new assessment of the net earnings value of the stock was made and the stock value was not adjusted accordingly.
- A net realisable value of stocks in accordance with the standard should be made and the necessary provisions made in the financial statements.
- No action had been taken.
- The current situation remains unchanged
- (c) No provision has been made for damages in respect of non-moving and damaged stocks amounting to Rs.8,803,275 as per Sri Lanka Accounting Standard.
- A net realisable value of such stocks in accordance with the standard should be made and the necessary provisions made in the financial statements.
- No action had been taken.
- Action had not been taken to rectify the issue.
- (d) Although the Ministry of Fisheries constructed a building worth Rs.146,952,561 given to the Cey-Nor Foundation Limited on 10 August 2018, the value of the land had not been properly assessed and taken into account in accordance with paragraph 07 of the Sri Lanka Accounting Standards 16 - Property Plant Equipment.
- The value of the land should be accurately assessed and taken into account according to the standard.
- No action had been taken.
- At present it has not been assessed and taken into account.
- (e) According to the paragraph 34 of Sri Lanka Accounting Standards 16, the lands and buildings utilized by the Foundation have not been recalculated after 2009.
- Fair trade value should be stated in the financial statement, recalculating the lands and buildings used by the foundation in
- No action had been taken.
- Not recalculated.

- accordance with the standard.
- (f) Although the investment income of the Mattumagala land had been stated as Rs. 2,700,000 as at 31 December 2020, but no such investment asset was mentioned in the financial statement. Although it is stated that the ownership of this land belongs to the Ceylon Fisheries Corporation as per the lease agreement between the Foundation and Frontier Automotive (Pvt) Ltd. there was no written evidence regarding the transfer of this land to the Cey - nor Foundation by the Ceylon Fisheries Corporation and the approval to transfer it to a third party on a lease basis.
- Action should be taken to acquire ownership of the assets from which the investment returns.
- No action had been taken.
- The current situation remains unchanged.
- (g) Provision for bad debts had not been made for total amount of Rs.345,413 of debt balances without transactions since 2008 and 2014 and could not be recovered out of the actual balance of trade debtors amount of Rs.57,275,179 as at 31 December 2020.
- Provision for bad debts should be made for balances that have not been recovered for a long time.
- No action had been taken.
- The current situation remains unchanged.
- (h) 77 creditors' balances amounting to Rs. 3,653,360 were credited to miscellaneous income account without the approval of the Board
- Approval from the Board of Directors is required to write off accounts.
- No action had been taken.
- The loss in 2020 had been reduced.

of Directors during the year under review.

- |     |   |   |                           |  |
|-----|---|---|---------------------------|--|
| (i) | The institute had not taken any action to recover the total amount of Rs.3,527,824 shown under other receivables and withheld in 2015 and 2017 respectively as Rs.1,757,057 and Rs.1,770,766 for the activities related to the Dikowita Fisheries Harbor Project implemented under the Ministry of Fisheries. | Action should be taken to recover long outstanding balances.      | No action had been taken. | The current situation remains unchanged. |
| (j) | No action had been taken to settle the total payable withholding balance of Rs.3,103,068 from 2008 to 2017.   | Action should be taken to settle the amount due in the long time. | No action had been taken. | The current situation remains unchanged. |
| (k) | No legal action has been taken so far to recover the outstanding balance of Rs. 8,878,264 remained from 2003 to 2018 out of the advance of Rs.14,140,125 as at 31 December 2020.  | Action should be taken to recover the advance balance.            | No action had been taken. | The current situation remains unchanged. |
| (l) | Although Rs. 4,909,775 out of the raw material value given in 2011 under a subcontract basis to a private company for the manufacturing of fishing nets had remained in the financial statements for a period of 09 years, the Foundation had not taken any action to recover this balance.                   | Action should be taken to recover the long outstanding balances.  | No action had been taken. | The current situation remains unchanged. |

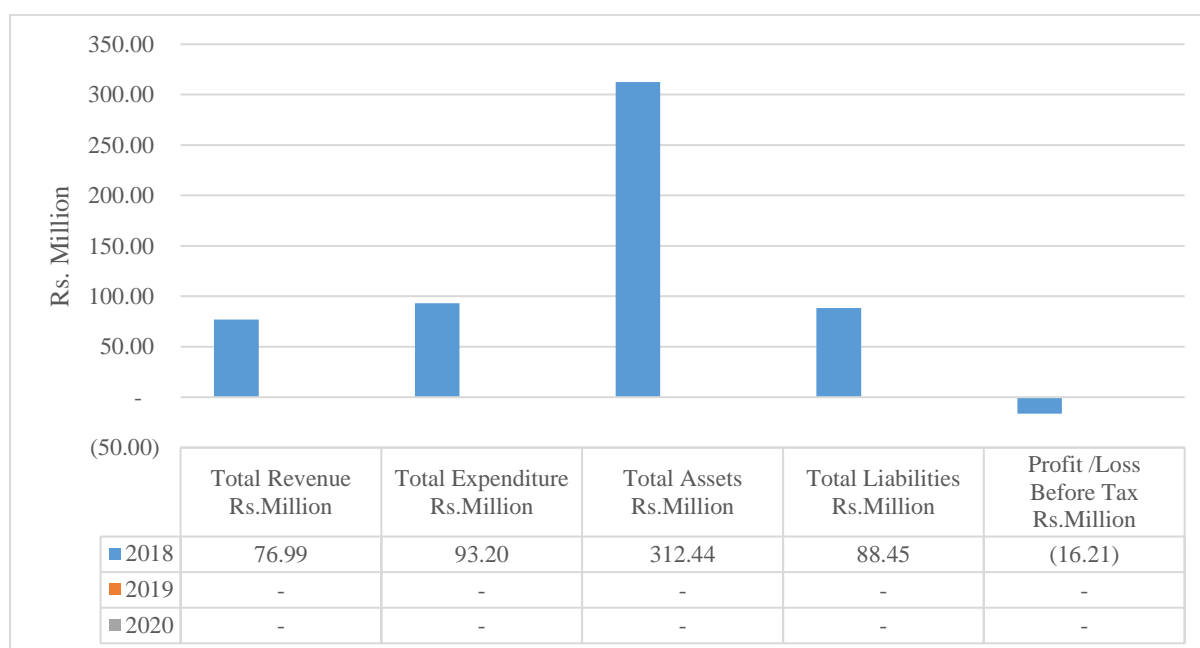
- (m) According to paragraphs 3.3 and 3.5 of the Memorandum of Association, although the Cey-Nor Foundation Ltd. should be engaged in manufacture of ice, marine products, packaging, marketing and exporting, manufacturing of fishing nets and boats and distribution apart from the establishment of the Foundation, It was observed that only boat production was involved in.
- The objectives of establishing the foundation must be worked out.
- No action had been taken.
- The current situation remains unchanged.
- (n) According to Article 58 of the Article of Association, the Chairman of the Foundation was to be appointed by the members of the Board of Directors at the Annual General Meeting, but the Chairman was not appointed accordingly.
- The Chairman of the Foundation shall be appointed by the members of the Board of Directors in accordance with the Constitution of the Association.
- No action had been taken.
- The current situation remains unchanged.
- (o) The vacant land at 335 DR Wijewardena Mawatha, Cey-Nor Foundation Ltd., Colombo 10 was leased to Orient Pearl Hotel Ltd. from 4 July 1998 for a period of 20 years, but after the expiration of the lease agreement the Foundation had lost the economic benefits of the property for more than two years from 2018 to date due to the crisis caused by the Foundation's deviation from the government
- The management should act in accordance with the government procurement process and should take action to recover the profit share and acquire the land.
- No action had been taken.
- Legal action has been taken to recover the land but the economic benefits have not been forthcoming so far.

procurement process. Further, the Foundation had not recovered a profit share of Rs. 323,515 from the company's profit for the year 2018 and had to take legal action to obtain the land.

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|-----|--|--|---------------------------|--|
| (p) | The Foundation had not submitted a Corporate Plan for the Year 2019/2023 in accordance with Paragraph 5.1.3 of the Public Enterprise Circular No. PED / 12 dated 02 June 2003.   | A Cooperate Plan should be submitted in accordance with the circular.                        | No action had been taken. | The current situation remains unchanged. |
| (q) | According to the 2020 Action Plan, Rs. 16,680.91 million has been allocated for the implementation of 15 activities, but according to the progress report submitted as at 31 December 2020, only Rs. 57.33 million had been spent on several activities outside the action plan. | Management should focus on implementing the activities planned according to the action plan. | No action had been taken. | The current situation remains unchanged. |

**4.32 Sri Lanka Poultry Development Company (Pvt) Ltd.**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	76,989,669	93,202,373	312,435,417	88,449,800	(16,212,705)	Qualified
<b>2019</b>	Financial Statements has not received					
<b>2020</b>	Financial Statements has not received					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Although the company further uses fully depreciated property, plant and equipment costing Rs.33 million, the effective life time of those assets had not been reviewed annually and the necessary adjustments had not been made in the accounts in terms of paragraph 51 of the Sri Lanka Accounting Standard No.16	The Financial statements should be prepared in terms of the standard.	Action will be taken to revise as per Sri Lanka Accounting Standard No.08 and disclose as per paragraph 79 of the standard through future financial Statements.	The current situation remains unchanged.

- (b) The animal food grinding machine owned by the company had been repaired at a cost of Rs.3, 853,490 during the year 2016. But it had been lying idle even by June 2019.
- A feasibility study should be carried out before spending money for a project, Before the stoppage of using this machine it should be examine whether a high cost involve in producing food and the quality should be evaluated.
- It has to incur a heavy cost for producing animal food and animal food purchase from the market involves a minimum cost and therefore, this machine has not been used for animal food production. Although, this machine do not generate any cash flow it is depreciated by Rs.578,024 (15%) annually.
- The current situation remains unchanged.
- (c) A performance Reports had not been prepared and as such, it could not ascertain whether all the activities planned in the action plan were carried out and a background had not been made available to evaluate the performance.
- The management should prepare performance reports and take action to achieve the goals
- Not Replied
- performance Reports had not been prepared
- (d) It was observed at the physical examination that there was no under planting in addition to the main cultivation of coconuts in the 330 acre land and therefore the company deprived of income which could have been earned from under planting in certain areas, the land had not been cleaned and unable to reach the coconut trees for fertilization. Therefore, it
- Systems and controls should be introduced in order to gain the maximum productivity from the assets of the company.
- Although coconut cultivation is spread over 330 Acres, only 02 tractors are available with us to clear the land; The existing labor force is also not adequate for breeder project
- The current situation remains unchanged.

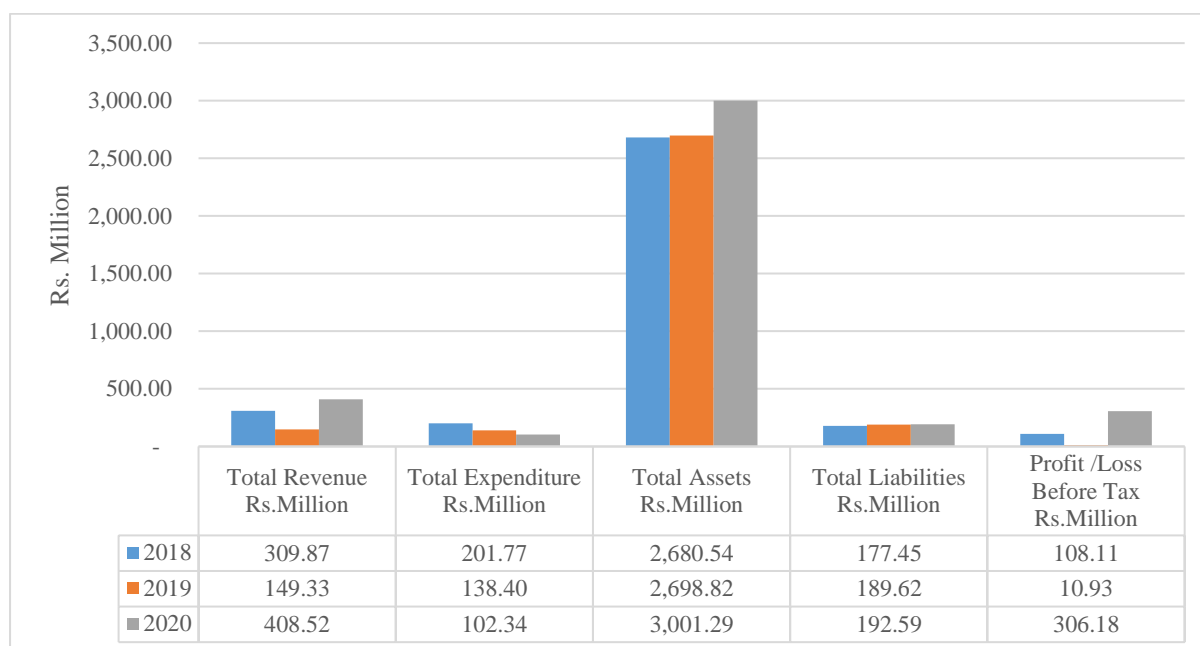
- was observed in the physical examination that the assets owned by the company had not been administered so as to earn maximum revenue.
- (e) According to the cabinet decision on 16 June 2005, the approval of the cabinet should be obtained on the specific assignment and the period in giving appointments to advisers. However, without taking action accordingly and contrary to selections 4.3 and 4.4 of the guidelines issued in November 2017 in respect of procurement of advisory services, 02 Advisers had been appointed for over one year. A sum of Rs. 840,000 at Rs.20,000 per month had been paid to the Engineering Advisor for 03 years and 06 months with effect from 01 June 2015 without obtaining any assurance whether this Advisor had completed the assignments entrusted to him by the letter of appointment.
- (f) Only 50 king coconut trees were observed at the physical examination of Farm and the income received from king coconut during the year amounted to Rs.5,070. Accordingly, the annual income per one tree was Rs.101. Therefore, the correctness of the income from king coconut could not be assured.
- and as such, the existing laborers cannot be used to clear the land
- Action should be taken in terms of the cabinet decision No CP/05/Mis /(026) dated 16 June 2005
- National Livestock Development Board is the parent company of the Sri Lanka Poultry Development Company Private Limited. The Advisors of the above board had been appointed as Advisors of our company too.
- The assets owned by the company should be maintained in order to get maximum productivity.
- Although there are about 50 king coconut trees in the Farm, there was no production due to non-fertilization for over a long periods. At present fertilization was completely done.
- The current situation remains unchanged.
- Physical examination still not done



- (g) According to section 7.4.1 of the Public Enterprise Circular No.PED/12 dated 02 June 2003 a minimum of one Audit committee meeting should be held within a quarter .But action had not been taken accordingly.
- Audit committee meeting should be held in terms of the provisions of the circular
- Audit committee meeting was not held up to now.
- The current situation remains unchanged.

**4.33 Ocean View Development Company (private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	309,873,947	201,768,207	2,680,541,946	177,447,032	108,105,741	Qualified
<b>2019</b>	149,327,560	138,396,098	2,698,823,872	189,618,576	10,931,462	Qualified
<b>2020</b>	408,515,302	102,338,641	3,001,292,476	192,585,690	306,176,658	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) As per Chapter 8.8 of Public Enterprise Circular No. PED/12 Dated 02 June 2003, Delegation of authority should be updated and approved by the board at the beginning of each year. But the Company had not approved delegation of authority from the year 2018 to 2020.	Company should be complied with relevant laws, regulations and circulars.	Clearly mentioned in the company's manual	Board had not updated and approved delegation of authority at the beginning of each year.

- (b) Contrary to the provision in the Public Finance circular no PED/01/2015 dated 25 May 2015, the company had been approved 200 Ltrs of fuel allowance to the General manager and Deputy General manager and also unlimited fuel allowance to the chairman. Company should be complied with relevant laws, regulations and circulars. 200 Ltrs fuel is implied for all vehicles other than chairman's vehicle most occasions the actual fuel consumed is less than 140 Ltrs. Action had not been taken to rectify the issue.
- (c) PAYE tax applicable on directors allowances and bonus had been paid by the company without being deducted from 2018 to 2020. Should be complied relevant tax regulations. According to Board decision the PAYE tax also part of director's allowance. The Company had not complied into relevant tax regulations.
- (d) Five units of the ground floor had been rented out less than the current market rental value and another three units of ground floor had been rented out without obtaining the proper rental valuation from 2018 to 2020. Rent amount should be updated according to current valuation Rent valuation normal practice is to compare it with rent plus service charges and Rent valuation is available in 2012 report. Rent amount had not been updated according to current valuation.
- (e) Other payables amounting to Rs.3.2 million had not been brought to the accounts and shown in the financial statements of the year 2019. While expenses also being not accounted. Possible liabilities should be identified and brought to the accounts. These are litigation fee Rs. 1.025 Mn provision were made for year 2020. In the 2021 Rs 1.65 Mn. Only Rs.1.025 Mn provision were made for the year 2020

(f) Public Enterprise Circular No PED/03/2015 of 17 June 2015.

(i) Paragraph 2.2

Without obtaining the approval of the Secretary to the Line Ministry with the concurrence of the Finance Ministry, the Company had paid monthly allowance from year 2018, 2019 and 2020 within Rs 250,000, Rs.256,250 and Rs.100,000 per month to the Chairman of the Company.

Additional allowance Chairman allowances The Company should be paid and the directors' had not been adhering to the allowances were paid complied with provisions in the according to PED PED 1 / 2020 Circular. 1/2020.

(ii) Paragraph 2.8

Without obtaining the approval from the General Treasury, the Company had paid of Rs. 850,000 and Rs.450,000 bonus in the year 2018 and 2019 to the Board Members.

Bonus should be paid Company was not under Bonus had paid having the approval any line ministry when without from the Treasury. approved the manual by obtaining the Board of the Company. It approvals from follows the said manual. Treasury.

(g) Public Finance Circular No 02/2015 of 10 July 2015.

(i) Paragraph 03 and 4(b)

Without appointing a special evaluation board and the required approval the Company had disposed four vehicles which were purchased in the year 2015 had been sold in year 2019 for Rs. 12,300,000

Action should be taken to appoint a verification board and make approval as required by the Circular.

The board approval obtained to dispose the vehicles.

Action had not been taken to appoint a verification board and approval as required by the circular.

though there were no technical failures.

(ii) Paragraph 05

Without appointing a committee with inspector of Motor Vehicle of the Department of Motor Traffic, the minimum selling price had been determined based on the valuation made by a private valuer. Further, selling prices were lower than the above valuation.

Action should be taken to appoint a committee to dispose the motor vehicles as per the Circular instructions.

The vehicle valuation was done by a reputed and recognized valuer of motor vehicles. The Selling price was decided from the open tender and vehicle was sold to the highest bidder.

Action had not been taken to appoint a committee.

(h) National Procurement Agencies  
Circular No.08 dated 25 January 2006.

(i) Paragraph 04

(ii) Paragraph 8.9

Without signing the agreement with tenants 2 block rented from the year 2018. Therefore, the Company had been failed to increase the annual rental.

Written agreement should be signed with the responsible parties in other to comply with the legal requirement.

Board of Directors has given approval to continue with same rate in the absence of renewal agreement.

Agreement had not been signed with tenants.

(i) The supporting documents relating to the Park Road Project that had been shown under the stock amounting to Rs. 25,183,741 was not furnished to audit.

Should be taken to furnish the requested and relevant document for audit.

The Company couldn't find relevant documents.

The Company had not furnish the relevant document for audit.

(j) According to the financial statement of the Company a sum of Rs 672,301 had been

Action should be taken to reconcile the accounts.

OVDC has not verified the Rs. 5,013,830 receivable to UDA.

Action had not been taken to reconcil.

shown as payable amount to the UDA. The financial statement of the UDA had shown as receivable of Rs.5,613,836.

- (k) Action had not been taken to recover the more than 5 years rent receivable balance amounting to Rs. 4,738,004 even as at end of the year 2020. Action should be taken to recover the receivable balances. Company has taken and continues to take actions which include ongoing discussions, cutting services, legal actions to recover rent. During the year 2021 recovered amount is Rs.1.4 Mn.
- (l) As per paragraphs 6.5.1 and 6.5.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the draft Annual Report of the Company should be furnished to the Auditor General within 60 days after the closure of the financial year. However, the Company had failed to comply with the requirement and as per Paragraph 6.5.3 of the circular, the Annual Reports related to the year 2015 to 2020 had not been tabled in parliament. According to the relevant regulations action should be taken to furnish the draft annual report with the financial statement submit to the Auditor General and table the annual report at Parliament. National Housing Development Authority has been amalgamating Ocean View Development Company (Pvt) Ltd. Financial statements in to their annual report over the years. Therefore, the Company has not separately tabled a annual report in the Parliament in order to avoid duplicating of financial information. Action had not been taken to furnish the draft annual report and table an annual report to the parliament
- (m) The Consultancy fees paid for Aramaya Road and Mahawaththa Housing Projects in the year 2015 and 2016 amounting to Rs.700,000 and Rs.1,050,000 respectively. However, due to abandonment of those housing project, above Action should be taken to write off balance with proper approval. Expenses incurred for Aramaya road and Mahawatta housing projects are similar to cost incurred for winning business projects or Business promotional expenses which has been The Company had transferred to P&L Account.

expenditure had been written off without proper approval for the year 2020.

capitalized. However, in order to present accounts in a true and fair view manner those capitalized expenses transferred to P & L on the basis that these two projects not provide future economic benefit to the Company.

- (n) Out of 44 rented houses, 22 houses had been rented out without agreements and the above houses had been valued by a valuer in year 2015 and the management had taken a decision to increase the rented value by 5 per cent annually. However, contrary to that, the houses had been rented. As a result, the loss incurred to the Company from 11 rented houses was Rs. 2,980,010 for the year 2020.
- Company has taken Action should be taken to 15 rented had  
continues to take sign agreement with not been sign  
action to sign responsible parties and agreement and  
agreement and Action OVDC has to negotiate the Company  
should be taken to rent value with had not taken to  
recover the amended prospective tenants. recover the  
fees. (After easter Sunday amended fees.  
bomb blast and current  
pandemic situation  
adversely affect renting  
of apartments.)  
In addition when  
comparing rent with  
valuation amount, it  
needs to be added with  
service charge as well.  
Because valuers  
normally consider the  
annual maintenance cost,  
renovation cost when  
deciding market values.
- (o) A policy for charging of refundable deposits from the Tenants when entering in to Action should be taken to obtain a refundable deposit. Board has approved for refundable deposits. The Company had not been to stipulated

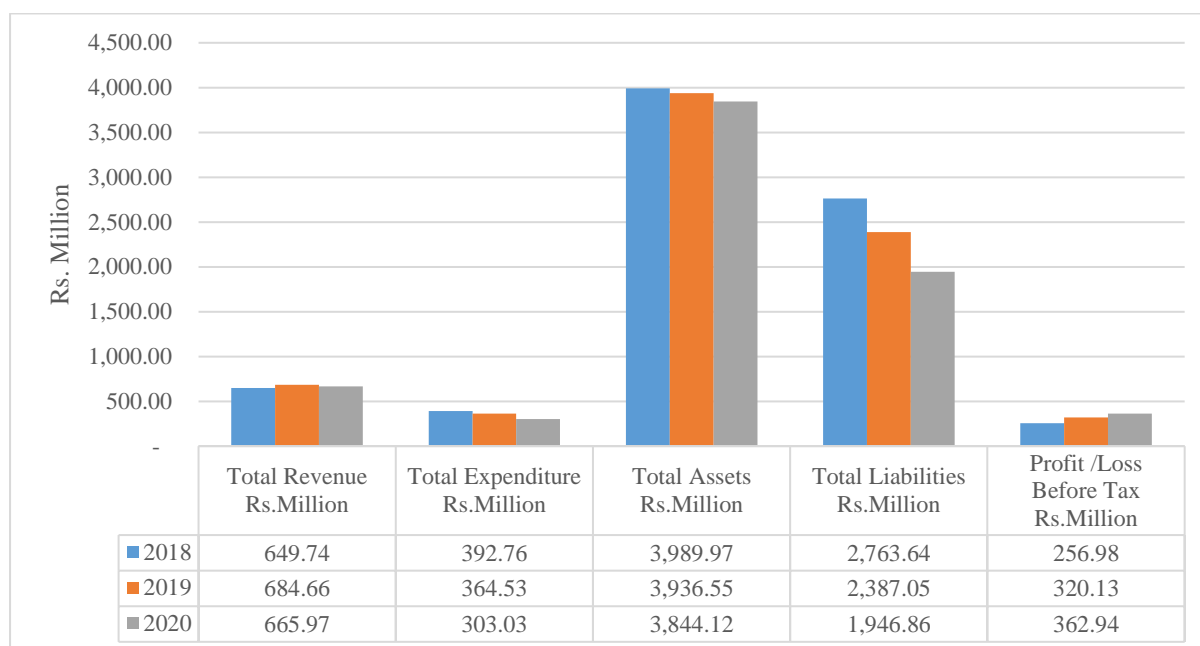
	agreements, had not been stipulated by the Company.		refundable deposits.
(p)	Twenty one (21) shops valued at Rs.25,183,741 in the Park Road housing project could not be sold due to a lawsuit and action had not been taken to sell 11 houses valued at Rs.75,719,339 and 25 plots of lands valued at Rs. 19,558,200 belonging to the Kahathuduwa housing project, one house valued at Rs.10,343,909 and 3 plot of lands valued at Rs. 2,919,158 belonging to the Maththegoda housing project since the year 2016. Further, a land extent of 100 perch situated at Delkada, and purchased for Rs.106,345,401 had not been used for any development activity since the year 2018.	Development activities must be expedited.	Sale of 21 shops at park road project has been delayed due to case filled by apartment owner at the same premises. Therefore, not correct to say that an action has not been taken. Out of 11 houses at Kahathuduwa Housing Project 4 houses completely sold in year 2021 and advance had been made for sale another 3 houses. For Delkada request for proposed (REF) will be called in the year 2021 for apartment project.
(q)	The refundable deposits made by the Tenants amounting to Rs. 3,314,563 had not been settled even after lapse of 5 to 10 years after being vacated the Tenants from respective houses.	Action should be taken to settle the refundable deposits.	Refundable deposit over 10 years set off against trade debtors. Refundable deposit over 10 years set off against trade debtors and over 5 years balances forward to Board of Directors to obtain decision.



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| (r) | A sum of Rs. 876,625 had been incurred for the Maligawaththa housing project and another sum of Rs.10,954,477 had been incurred for the Nuwara Eliya housing project during the period from 2017 to 2019 and shown under working – progress account. However, any development activity had not been carried out during the year 2020. | Development activities must be expedite.    | Following action to take over the relevant land. | Action had not been taken to rectify the issue. |
| (s) | legal cases had been filed against 4 Tenants by the Company those who one occupied houses illegal and in turn two occupants and two staff officers of the Company had filed legal cases against the Company. The Company had incurred a sum of Rs.1,075,000 as legal expenses during the year 2020.                                   | Action should be taken to settle the cases. | Following action given to settle to cases        | Action had not been taken to rectify the issue. |

**4.34 Urban Investment & Development Company (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	649,744,947	392,763,781	3,989,966,601	2,763,641,842	256,981,166	Qualified
<b>2019</b>	684,655,983	364,529,675	3,936,552,819	2,387,054,110	320,126,307	Qualified
<b>2020</b>	665,970,836	303,028,874	3,844,120,237	1,946,859,336	362,941,962	Disclaimer



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) According to the Sri Lanka Accounting Standard 16 (LKAS 16), the fully depreciated assets, but still in use should be disclosed in the financial statements and adjustments for the estimated useful life of the assets should be made in the financial	The company should be complied with the provisions included in the Sri Lanka Accounting Standards.	We would like to inform you that, in the future these assets will be re valued and the necessary actions will be taken to adjust the accounts.	Issue had not been solved by the date of 14 March 2022.

statements in terms of the LKAS 08. However, for the assets amounting to Rs.22.1 million, in the year 2020 which were fully depreciated but still in use had not been acted accordingly.

- (b) Detailed Schedule for noncurrent liabilities amounting Rs.1,901,559,252 for the year 2020 had not been submitted for Audit.
- A copy of the ledger should not be submitted as a schedule for audit purpose and it should be a detailed schedule. The company should make arrangements to submit the relevant schedules to the Audit Division.
- A detailed schedule for the balance of Rs.1,903,019,550 payable by the Urban Investment and Development Company (pvt) Limited to the Urban Development Authority for the year 2020 which year was submitted to Government Audit Division on November 2021.
- (c) When presenting the age analysis for debtors amounting to Rs.263,447,550 for the year 2020 was unable to identify due to being specified the age analysis only as less than 1 month and only 1 to 2 months and more than 3 months respectively.
- Action should be taken to present age analysis of the debtors in such a way as to identify risky debt balances.
- The Company will look into whether it is necessary to change that time analysis in the future.
- By the date of 14 March 2022, no detailed Schedule for this liability had been submitted.
- (d) Out of the office premises rented out by the company, the outstanding electricity bill balance exceeding one year and due from 32 government
- Action should be taken to recover the receivable balances expeditiously.
- I would like to inform you that Rs. 9,450,760 had been already settled out of the balance shown as Rs.18,860,828 as
- Even as at 31 December 2021, the outstanding electricity bill balance amounted

institutions and 3 private institutions at the end of the year 2020 was Rs.15,058,727

electricity bill and the relevant steps have been taken to recover the balance amount. to Rs.20.7 million and the problem had not been sorted out by the Company.

- (e) Actions had not been taken by the company to settle the outstanding balance of Rs. 1,960,987 in the company's financial statements which were coming since more than 5 years.
- The actions should be taken by the company to settle these long outstanding balances. Also action should be taken to write off the non-liable balances to the income subject to the required approvals.
- It is inform that the necessary action will be taken with the approval of the board of management of the company to eliminate the balances form the books and make the necessary adjustments in the final accounts for the year 2021.
- No action had been taken by 14 March 2022
- (f) Without obtaining the approval of the Ministry of Finance, the company had purchased a Toyota Land Cruiser Jeep on 27 June 2014 for a cost of Rs.17,965,749 and it had been rented out to the Urban Development Authority from August 2019 to the date with the approval of the Board of Directors , at a monthly rent of Rs.100,000
- In accordance with the circular provisions, the funds of the company should be utilized to achieve the objectives of the company.
- This jeep was purchased on the official requirement of the then chairman and then officially offered to the new chairman elected in the year 2016. However, as he did not use the jeep, it was given to the then chairman of the Urban Development Authority, the parent company of the company, for use on reasonable rent basis with the approval of the Board of Directors dated 30 January 2019.
- Presently the Chairman of the UDA act as a Chairman of UNIDEP Hence the monthly payment to the UNIDEP as a vehicle rent had been stopped since December 2021

- (g) As per section 8.2.3 of the Public Enterprises Circular No PED/12 dated 02 June 2003, the approval of the Minister of Finance had not been obtained for the value of Rs.5,471,978 invested in a quoted company. The company should be complied with the circular provisions issued by the Department of Public Enterprises. Another public quoted company sought to acquire the managing ownership of Onali Holding's so, Urban Investment and Development (pvt) Ltd purchased the shares of Onali Holdings to minimize the risk. No approval had been obtained from the Ministry of finance by 14 March 2022
- (h) The amount of unaccounted Economic service Tax payable for the year of assessment 2013/14 and 2014/15 was Rs.2,668,338 and although it has been requested from the Inland Revenue Department to offset from the receivable value added tax, in the absence of a decision to that effect, it had been stated in the 2020 financial statement after debiting that value to the receivable Economic Service Tax Account and adjusting to the Payable Income Tax Account. The company should act in accordance with the provisions of the Income Tax Act. Since the company is exempt from income tax for the year 2013/14 and 2014/15 as agreed by the Board of Investment of Sri Lanka, and on that basis, the economic service tax is represented on the balance sheet as a current asset to be deducted from the income tax payable. Even by 13 March 2022, the problem had not been solved
- (i) The value added tax of Rs.85,409,990 paid to the Inland Revenue Department had been accounted for under current assets in financial statements since many years and action had not been taken Action should be taken to analyse and settle the long term balances. Negotiations regarding this refund will be expedited and necessary action will be taken to recover the refund. The issue had not been solved even by 31 March 2022

to settle that debit balance even at the end of the year 2020.

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| <p>(j) The Urban Development Authority had entered into an agreement in the year 2019 with the company to perform the functions and provide consultancy services on 44 proposed development plans, even though the Company had not been provided the relevant consultancy and guidance services to the Authority on behalf of that function the company had been obtained Rs.17,082,061 from the Authority as management fees.</p>  | <p>The company should be entered into agreements which only for functions that the company can perform and action should be taken to get the fee by performing the relevant tasks.</p> | <p>Comment had not been given.</p>  | <p>The Company had been obtained Rs.898,011 in respect of 12 employees as Management fee from the UDA for the year 2021.</p>  |
| <p>(k) The company had not been prepared a procurement plan from the year 2015 to the year under review in terms of section 7.3 of Public Enterprises Department Circular No PED/12 dated 02 June 2003 and section 4.2 of the Government Procurement Guideline, and during the period for 2020 and for the last four years Rs.20,313,474 had been spent for the purchase of non-current assets and Rs.28,786,980 had been spent</p> | <p>The company should prepared the procurement plan in accordance with Government Procurement Guidelines and other circular provisions.</p>  | <p>The Urban Development Authority, the parent company, will carry out the major and minor procurement activities depending on the nature and requirement of the company's purchases.</p> | <p>It had informed that, the Company is a subsidiary of the Urban Development Authority and therefore when they purchase goods or services above Rs.1 million for the company, they are done under the supervision of the procurement</p> |

on 08 service agreements for the year 2020/2021.

division of the the Urban Development Authority. However, by 14 March 2022 no procurement plan had been prepared by the company.

- (l) According to paragraph 9.2 (b) and (d) and section 9.3.1 (1) of Department of Public Enterprises Circular No.PED/12 dated 02 June 2003, an approved cadre had not been prepared and submitted for approval to the Department of Public Enterprises in the Treasury since the beginning of the company had not been prepared a recruitment and promotion scheme and action had not been obtained to get the approval as at 31 December 2020.
- Action should be taken to prepare and approve a recruitment and promotion scheme and to approve the existing staff of the company.
- A cadre will be prepared and action will be taken to obtain the relevant approvals in the future. No recruitment and promotion scheme has been formulated up to date. As the activities of the Urban Investment and Development (pvt) Limited are being carried out by a limited staff of 11 persons, I would like to inform you that appropriate action will be taken in the future if the scope of the institution expands.
- The Company is currently managed by a limited no of staff of 11 members and 9 of these members are employees of the Urban Development Authority and only two are employees of the company. But, during the year 2020, fourteen employees of the company had been appointed to the UDA and, even at the date of 14 March 2022 approval for the cadre and for the recruitment and

- promotion  
scheme had not  
been obtained by  
the Department of  
Public Enterprise
- (m) Nine officers of the Urban Development Authority had been released to the company without having the approval of the cabinet of Ministers contrary to paragraph 9.4 of the Department of Public Enterprises Circular No. PED/12 dated 02 June 2003. During the year 2020 Rs.9.1 million was paid to these officers and, Rs. 8.7 million had been paid for eight of officers in the year 2019. Rs. 8.9 million had been paid for eight officers in the year 2018 in addition to the board allowance, Rs.1,150,000 had been paid as allowances to three officers on the Board of Directors for performing the duties of the company.
- Action must be taken to obtain the approval of the cadre required for the company.
- Provide advice and guidance on all matters related to administration and finance of the company by two Directors of Executive grade. They are also paid an allowance for it. No duty list had been prepared for the two directors so far. Also, since the 09 employees attached to the company have been released to the company full time by the Urban Development Authority, the company has been taken action to reimburse the salaries paid by the Urban Development Authority to the relevant officers for their service in the company and included it in to the company's salaries cost.
- No such approval had been obtained by the company even by 14 March 2022.
- (n) According to the paragraph 6.5.1 of Department of Public Enterprises Circular No PED/12 dated 02 June 2003,
- Action should be taken to prepare the annual reports and
- It is inform that, in the future the annual reports of the company will also
- No Annual Report had been prepared even at the 14 March



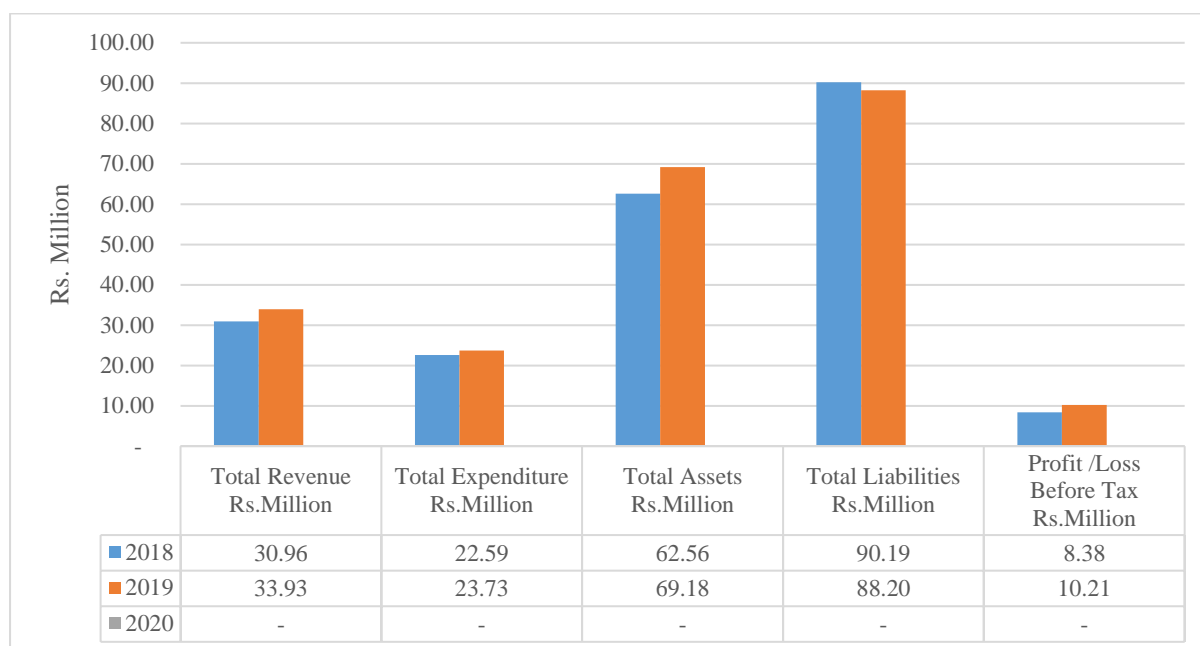
the company is required to submit a Draft Annual Report to the Auditor General within 60 days of the end of the financial year and the Final Annual Report should be tabled in parliament. But action had not been taken to submit annual report or draft annual report from the year 2006 when the company was started to the year under review.

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| (o) | The actions had not been taken by the company to forward the updated Annual budget with the updated corporate plan approved by the Board of Directors from the year 2018 to 2020 to the line Ministry, the Department of Public Enterprises and to the General Treasury. | The company should be complied with circular provisions issued by the Department of Public Enterprises.  | It is inform that action will be taken to forward in the future.  | No action had been taken by 14 March 2022  |
| (p) | The company had not been prepared the Key Performance Indicators (KPIs) for the year 2019 and 2020 as to measure the activities of the company, and due to that the actual and the expected performance of the company could not be evaluated in audit.                  | The key performance Indicators (KPIs) should be formulated to measure the company's expected operations. | Performance Indicators are currently being developed for full time employees and are expected to measure the performance accordingly, annually in the future. | The Company that, It had already been prepared (KPIs) for full time employees. But even by 14 March 2022, action had not been taken to measure the |

- performance of the employees.
- (q) No Internal Audit Division had been established for the company from the beginning, and although the company was audited by the Internal Audit Division of the parent company, the Urban Development Authority, by the date of the audit for the year 2020 even a single audit query had not been issued.
- Internal Audit functions should be carried out effective manner as part of the internal control system.
- Internal audit work for the year 2020 and 2021 is being carried out to avoid this delay.
- Internal Audit Division of the UDA had carried out the Internal Audit for the year 2021. But even by 14 March 2022, no Internal Audit Division had been established for the Company.
- (r) According to the section 7.4.1 of Department of Public Enterprises Circular No PED/12 dated 02 June 2003, although the Audit and Management Committee should meet every three months, four times a year, the company had not been held any audit and management committee meeting from the beginning to the audit date.
- Audit committees should be held in accordance with the circular provisions.
- A management paper will be forwarded to the management staff to establish and to held the audit committees in the future. However, by considering the nature and legal requirements of the future operation of the company and upon arrival of a member of the Board of Directors representing the Treasury Department, an action will be taken to set up the audit committee.
- Even by 31 March 2022 Audit Committee meeting had not been conducted by the Company.

#### 4.35 Lanka Rest Houses Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	30,961,535	22,585,675	62,558,133	90,192,402	8,375,861	Disclaimer
<b>2019</b>	33,934,120	23,727,143	69,177,280	88,195,669	10,206,977	Disclaimer
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) According to paragraph 81 of Sri Lanka Financial Reporting Standard – 16, the revenue received on operational lease should be identified on the Straight line method or any other systematic basis. However, the key money received from 3 rented Rest Houses, given on 10 years	According to the Sri Lanka financial reporting standard, the lease income should be identified.	As this amortized over 10 years period, the Journal entries put for only 2019, and it will be corrected.	Even though the company had been informed that they had corrected the issue, Financial Statement for the year 2020 had not been furnished to the Auditor General by 16 March 2022.

period, on 10 July 2019 amounting to Rs.2,787,000 had been identified as a income of the year under review instead of being identified them on systematic basis throughout the rented period. As a result, the profit for the year 2019 had been overstated.

- (b) According to LKAS – 37, According to the Comment had not been Even though the initiated legal proceedings by requirement of the given. company had been the Company and the legal standard, the legal informed that they cases filed against the responsibilities should be had corrected the Company should be disclosed disclosed as required and issue, Financial in the financial statements. action should be taken to Statement for the However, the legal case filed make necessary year 2020 had not against the renter of the adjustments. been furnished to the Auditor General by the date of 16<sup>th</sup> Weligama Rest House for the period of November 2009 to November 2017 by the Company and the legal case filed against the Company by the renter of the Negambo (old) Rest Houses that rented for the period from November 2009 to November 2017, had not been disclosed in the financial statement of the year 2019. March 2022.
- (c) Even though the property, Actions should be taken The Company had not Even though the Plant and Equipment to verify all assets maintained an asset company had amounting to Rs.10,289,128 belonging to the register and information informed that they had been shown in the Company and they related to prior to the had been corrected

financial statements, the assets purchased subsequent to the year before 2011, had only been represented that amount. The management of the Company had accepted that the assets acquired before the year 2011 are also owned by the Company and other assets including Rest Houses are already existed. However, action had not been taken to revalue those assets and brought to the accounts. An assets register had not been maintained comprehensive and updated manner relating to the assets owned by the Company as at 31 December 2019.

- financial statements, the assets purchased subsequent to the year before 2011, had only been represented that amount. The management of the Company had accepted that the assets acquired before the year 2011 are also owned by the Company and other assets including Rest Houses are already existed. However, action had not been taken to revalue those assets and brought to the accounts. An assets register had not been maintained comprehensive and updated manner relating to the assets owned by the Company as at 31 December 2019.
- year before 2011, the issue, no Asset Register had been submitted even by 16 March 2022
- asset register and those information should be maintained comprehensive and updated manner.
- (d) The payable expenditure for renovation of the Mahiyanganaya Rest House in the year 2019 amounted to Rs.3, 194,655 had not been accounted for as an expenditure and as a payable expenditure.
- The expenditure and liabilities related to the year under review should be shown in the financial statements.
- The expenditure will be capitalized through a Journal entry in order to make the corrections stating it as work-in-progress of the year 2019.
- Action had not been taken to rectify the issue.
- (e) The income receivable from the Rest Houses had been overstated by Rs.1,499,047 in the financial statements of the year 2019. As a result, the profit for the year and trade
- The receivable income should be correctly identified.
- The Company had not maintained a debtor's ledger. However, in order to provide real information, action has been taken.
- Even though the company had been informed that the corrective action has been in progress, no Financial Statements

- debtors had been overstated in the financial statements by that amount. for the year 2020 had been furnished.
- (f) The value added tax payable to the Local Authorities amounting to Rs.3,668,269, on the income generated by the Company by managing the Rest Houses owned by the Local Authorities, had not been shown in the financial statements in the year 2019. After deducting related liabilities from the received income, only the net income should be identified as the income. This had been totally omitted from the accounts and action to be taken to make the corrections. Even though the company had been informed that the corrective action has been in progress, no Financial Statements for the year 2020 had been furnished.
- (g) Even though it had been informed that disposal of fixed assets at the Kataragama Rest House during the year 2019, Board of survey had not been appointed to obtain the authority for the disposal (The particulars of the disposed assets had not been furnished to audit). The relevant adjustments had also not been made in the financial statements. The required system and control procedures should be introduced by the management in order to get the maximum benefits to the Company from the disposals. Most of the assets had been formally handed over to the Mahiyanganaya Rest House and subsequently, those assets had been auctioned. Even though the company had been informed that they had corrected the issue, Financial Statement for the year 2020 had not been furnished to the Auditor General by 16 March 2022.
- (h) Details of bad debt calculations amounting to Rs.4,152,161 and Detailed schedules of income tax and calculation details had not been furnished to audit. Action should be taken to provide the particulars to audit. Even though a register for the calculation particulars had not been maintained, action to be taken to maintain it for the year 2019. No details had been furnished, even by 16 March 2022

- (i) Action had not been taken to recover the trade debtors amounting to Rs.4,836,103 in the year 2018 and Rs.10,352,823 in the year 2019 and other debtors amounting to Rs.6,673,529 for a period ranging from 1 to 5 years.
- Prompt action should be taken to recover the receivables.
- Comment had not been given.
- No details had been furnished, regarding to the progress of recoverability of the debtors.
- (j) It was observed that the payables as at 31 December 2019 amounting to Rs.21,125,835 to the Local Authorities had not been paid within the stipulated time period.
- The payables to the Local Authorities should be paid according to the law.
- Comment had not been given.
- Even though the company informed that, the settlement is in progress no details had been furnished even by 16 March 2022.
- (k) In terms of section 7.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, state companies also should follow the Government Procurement Guidelines equally. However, though the Company had procured goods and services valued at Rs.8,761,999 in the year 2019, a procurement plan had not been prepared for the year 2019.
- The circulars issued by the Public Enterprises Department of the Treasury should be followed by the Company.
- Comment had not been given.
- Procurement Plan had not been submitted even at the 16 March 2022.
- (l) Based on the Gazette notifications issued on 09 September 1980 and 11 December 1981, 38 Circuit
- According to the decisions made by the Cabinet of Ministers, all
- Comment had not been given.
- Though the company informed that, they have followed the instructions, no

Bungalows and Rest Houses functions should be owned by the Local carried out. Authorities had been acquired by the UDA. As well, based on the decision made by the Cabinet of Ministers on 17 July 2006, the administration functions of the Rest Houses had been vested to the Company. The Cabinet of Ministers had decided that the assets including rented assets and good will to brought to the first balance sheet, to appoint a private management Agent and to issue 49 per cent shares to that Agent and to revalue all the assets including good will. However, those decisions had not been implemented, even at the end of the year 2019.

evidence had been submitted.

- (m) Even though in order to manage the Rest Houses, a Company namely Lanka Rest House Ltd had been established under the UDA, the Company had not taken action to rent out the Rest Houses on long term basis applying a specific policy. Particularly, the Rest Houses had not been rented out after being called quotations for select the highest bidders
- Introducing required systems and controls, the management should take actions to enhance efficiency of the operating activities.
- Comment had not been given.
- No specific policy had been forwarded regarding to the rent out of Rest Houses.



while evaluating rest house management experiences and the financial capacities.

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| (n) | Even though an Action Plan had been prepared for the year 2019, a performance report had not been prepared. Hence, the Company had been failed to identify, whether the conducted activities were related to the year or not, the results achieved in the year, none – implemented activities, reasons for such none implementations and reasons for the low progress achieved in the year etc. | The corrective actions should be taken relating to unfavorable results, after being prepared an action plan.     | Comment had not been given. | Performance Report had not been submitted even as at 16 March 2022.  |
| (o) | According to the information submitted by the Company 43 Rest Houses were under the Management of the Company. Out of 40 Rest Houses come under the preview of the Lanka Rest House Ltd, the profit earning Rest Houses were 30 and 26 in the years 2018 and 2019 respectively and 10 and 14 Rest Houses were also in idle.   | Proper registers should be maintained relating to the Rest Houses and the responsibilities of those Rest Houses. | Comment had not been given. | The actions to be taken by the company in respect of idle Rest Houses had not been informed even by 16 March 2022. |
| (p) | In terms of section 9.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, after being prepared the   | After being prepared the cadre of the Company and recruitment and promotion procedure, the                       | Comment had not been given. | Approved Cadre details and approved Recruitment and promotion procedure  |

cadre, it should be registered in Public Enterprises Department of the Treasury. required approvals should be obtained as per the circular instructions.

As well, even though the approval of the Ministry and the Department of Public Enterprises should be obtained for the recruitment and promotion procedure, as per section 9.3.1 of the circular, those approvals had not been obtained. Even at the end of the year 2019. Further, the approval for the cadre had not been obtained from the Department of Management services in terms of their Circular No.30 dated 22 September 2006.

had not been submitted even by 16 March 2022.

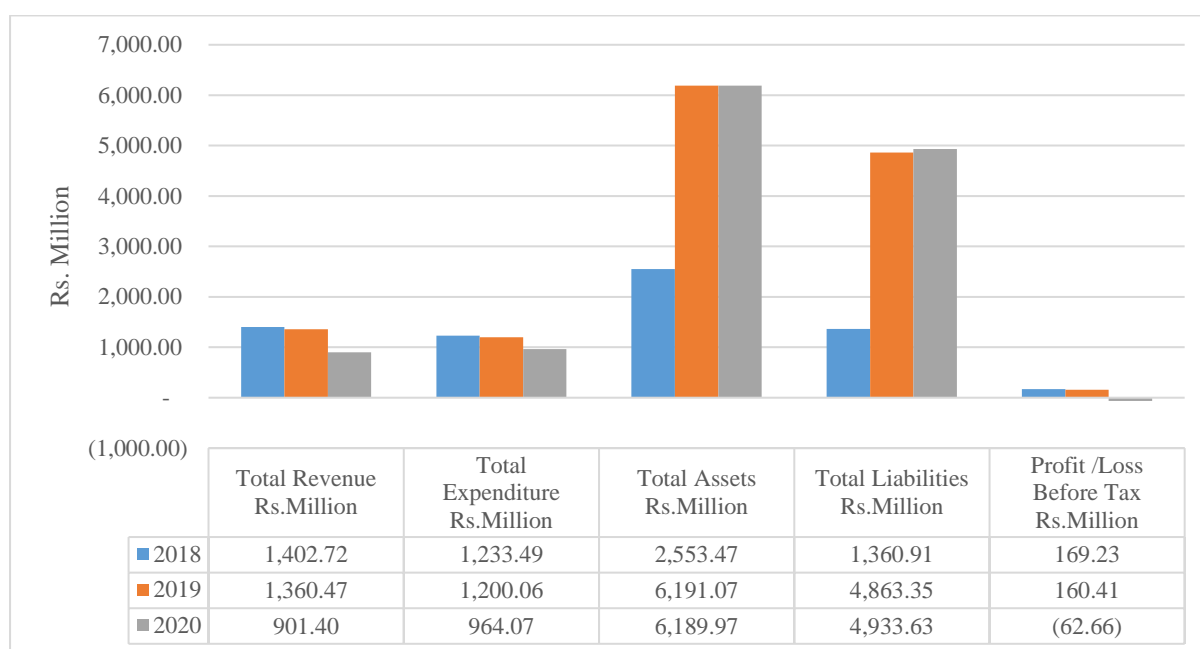
- (q) According to section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the drafted Annual Report should be furnished to audit within 60 days after the closer of the financial year. However, action had not been taken accordingly for the year 2019. Action should be taken to furnish the annual report on stipulated time period. Comment had not been given. Action had not been taken even by 16 March 2022 to furnish the Draft Annual Report.
- (r) According to section 12 of Enterprises Circular No. PED/12 dated 02 June 2003, a Corporate plan had not been prepared for the year 2019. A Corporate plan should be prepared. Comment had not been given. Corporate Plan of the Company had not been furnished even as at 16 March 2022.

- (s) According to paragraph 5(2) of the Public Finance Circular No.01/2014 dated 11 February 2014, an Action Plan should be prepared by the Company based on the Corporate Plan. As well, as per section 5.1.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Action Plan should be furnished to the Line Ministry, the Department of Public Enterprises, Treasury and Auditor General, before 3 months beginning of the respective financial year, after being obtained the approval from the Board of Directors. However, no Action Plan had been prepared for the year 2018 and the Action Plan prepared for the year 2019, had not been approved by the Board of Directors.
- After being prepared the Annual Action Plan, relating to the activities of the Company, the approvals should be obtained.
- Comment had not been given.
- No Action Plan had been submitted even as at 16March 2022.

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| (t) | The Company had not established an Internal Audit Division. Although the activities of the Company could be audited through the Internal Audit Division of the Urban Development Authority, it had not been arranged by the Company. Hence, an internal audit had not been conducted for the Company in the year 2018 and 2019. | Since there is no an internal audit division to the Company, arrangements should be done to conduct an internal audit through the UDA's internal audit division. | An internal audit had not been conducted for the year 2018. | Internal Audit functions had been carried out after the year 2019 by the UDA Internal Audit Division. But no Internal Audit Division had been established even as at 16 March 2022. |
| (u) | Audit Committees had not been conducted by the Company in the year 2018 and 2019.   | Action should be taken to conduct the Audit Committees.  | Comment had not been given.                                 | Even as at 10 March 2012 no Audit committee had been conducted by the Company.  |
| (v) | According to section 5.2.4 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the budget of the Company should be approved before 3 months beginning of the respective financial year, the budget for the year 2018 and 2019 had not been so approved.  | After being prepared the annual budget, the approval of the Board of Directors should be obtained for the budget.  | Comment had not been given.                                 | Even though the company had informed that, they had corrected, no approved budget for the subsequent years had been furnished even by 16 March 2022.                                |

### 4.36 Waters Edge Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,402,717,851	1,233,490,377	2,553,466,276	1,360,907,505	169,227,474	Qualified
<b>2019</b>	1,360,473,507	1,200,060,820	6,191,065,009	4,863,350,663	160,412,687	Qualified
<b>2020</b>	901,404,772	964,067,215	6,189,965,038	4,933,625,754	(62,662,443)	Qualified



#### Audit observation

#### Recommendation of the Auditor General

#### Preventive measures taken by the institution

#### The current position

- (a) The Company had purchased the orchid plants in 2019 at a cost of Rs.14.7 million and planted them at the premises of the Company for commercial purposes. However, no revenue had been generated from the orchid plants and plants had not maintained properly since certain plants are not in good
- Disclosures should be made as per the LKAS 41.
- At the beginning of the Orchid Project, it was decided to sell some of the plant grown under this project, but it did not work. Also, these plants were used only for decorative purposes. Decorating adds a significant indirect value.
- The Company had informed that, such inventories are to be charged against the profit and loss account over the commercial lifetime of the inventory from the year 2022

- condition. However, no disclosures had been made, as required by the LKAS – 41.
- Due to the above, there is no need to identify this project as a separate biological asset.
- Financial Statements.
- (b) The Railway Restaurant constructed by the Sri Lanka Land Development Corporation (SLLDC) had been transferred to the Company for operation on 28 February 2018. According to the SLLDC financial statements and relevant document available in the Company, the amount payable to the SLLDC is in the year amounting Rs.130.8 million and Rs.122.1 million respectively in the year amounting to 2019 and 2020. However, no provision had been made in this regard in the financial statements of the Company.
- Action should be taken to make a provisions for payable.
- A legal agreement regarding the restaurant is currently being worked out and the value to be paid is being negotiated in a conciliatory manner. Accordingly, this obligation will be duly accounted for once a formal agreement is reached.
- No action had been taken even as at 14 March 2021.
- (c) The Company had entered into a development agreement with a foreign private Company on 21 December 2017 to construct a children park within six months. The developer had been agreed to take the management of the Children Park for a period of 15 years immediately after the completion of the construction and the developer shall operate, maintain and manage the
- The amount should be accounted under the receivables in the financial statements on accrual basis.
- I would like to state that our Company has taken active measurements to recover all the revenue due from the relevant Company up to the year 2021. I State that after reaching an agreement on the performance liability between the two parties, the accounts will be duly reported.
- The company had informed that, they have decided to waive off the due amount of Rs. 10.8 million. But no approval had been obtained by the Public Enterprise Department.

children park. As per the section 4.1 of the development agreement and in terms of section 5.1.1 of the agreement, a monthly rent amounting Rs.600,000 should be paid by the Developer to the Company during the management period. However, any amount had not been paid up to end of the year under review. Further, the amount receivable from the developer at the end of year under review amounting to Rs. 10.8 million had not been shown in the financial statements of the Company.

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|-----|--|--|---|--|
| (d) | The bad debts amounting to Rs.7,541,733 had been written-off in 2018, only with the approval given by the Board of Directors, without obtaining the approval as per the Circular No.PED/12 dated 02 June 2003. | Bad debt write-off should be done as per the provisions in the PED/12. | Comment had not been given.   | Even by 31 March 2022 no approval had been obtained from the Public Enterprises Department |
| (e) | The customer wise details relating to impairments amounting to Rs.22,078,073, had not been furnished to audit.   | Action should be taken to reduce the bad debts.                        | The outstanding balance of the year is Rs.22,078,073 the majority Consisted of two Government affiliated parties. That is the Department of Ayurveda spent Rs.10,805,048 and the Sri Lanka Land | No details had been submitted by the company by the date of 14 March 2022.                 |

Reclamation and Development Corporation Rs.4,159,986 and the total was Rs.14,965,035. This figure is 68% of the value of debtors over the year. The response from these parties to the recovery of the loan was uncertain, so the money was allocated for it. From 2018, IFRS-09 calculates the provision for impairment loss with respect to debtor balances, and further provisions have to be made for debtors who exceed 365 days. Therefore, the total debtor balance of the year ended 31.12.2020 was Rs.27,842,273 due to 73% of the debtor balance exceeding 365 days which has resulted in such a high percentage.

- (f) Action had been taken to write-off the receivables amounting Rs.7,541,733 including Rs.1,561,148 the receivable from the Land Development Corporation relating to services rendered to that Corporation, as
- Only after being entered into the formal agreements within the credit limits, rendering of services should be done. Action should
- The comment had not been furnished.
- Company had informed that, they would be taken to obtain the require approval during the year 2022.



bad debts. The approval of the Board of Directors for the write-off had been given on 14 March 2019. Supplying the services to the Land Development Corporation without having a proper agreement or without obtaining the advances were the main reasons for this situation. As well, another services valued at Rs.5,159,986 had been provided to that Corporation in the year 2018 and out of that, a sum of Rs.3,664,986 had not been received by the Company up to 31 December 2019.

- |   |  |  |  |
|---|--|--|--|
| <p>(g) Without entering into a formal service agreement, the sales promotion services had been provided to the Lion Bruawary Company on a verbal agreement and out of the receivable for the rendered services, a sum of Rs.3,440,904, had been written-off without obtaining the approval of the Director Board. As well, a provision for doubtful debts had been made for another receivable amounting to Rs.2,000,000.</p> | <p>Actions should be taken against the responsible officers after conducting formal investigation with regard to providing of services without entering into an agreement and not taking of prompt actions to recover the receivables.</p> | <p>Comment had not been furnished.</p>                                 | <p>No action had been taken by the date of 14 March 2022.</p>  |
| <p>(h) A sum of Rs.16.9 million and Rs. 16.6 million had been shown as receivable in the year</p>   | <p>There should have a proper credit policy to the Company, and</p>  | <p>Legal action has been taken against the Department of Ayurveda,</p> | <p>By the date of 14 March 2022, these receivables had not</p> |

- 2019 and 2020 respectively follow up actions which is a public sector been recovered by from 04 public institutions in should be taken to debtor. The Railway the company. the financial statements of the recover debts in Restaurant has been Company. However, such time. advised to reduce that balances had not been shown in amount when entering into agreement with the respective in the above Land reclamation and institutions. Development Corporation.
- (i) On 06 November 2016, the Company entered into an agreement with Green Leaves Entertainment (Pvt) Limited to build an outdoor theater. According to the agreement, the contractor is required to pay a minimum monthly rent of Rs.3,000,000 from 01 September 2018. However, the total rental income amounting to Rs.84,000,000 due to the Company had not been received as at 31 December 2020 and this amount had not been shown in the income and debtors in the Company's financial statements.
- Actions should be taken to show the income and debtors in the financial statements.
- Green Leaves Entertainment (pvt) Ltd has submitted a proposal to cover the financial costs of its construction from the rental income due to Waters Edge and proposal has been submitted to the Urban Development Authority to obtain accurate valuation. Following these calculations, the accounts will be kept in the future subject to the final decisions and approvals of the Urban development Authority.
- Green Leaves Entertainment (Pvt) Limited had submitted a proposal to transfer its property to Waters Edge. This proposal has now been forwarded to the holding company the Urban Development Authority for their observations and comments.
- (j) Waters Edge is a wholly owned subsidiary of the Urban Development Authority. Waters Edge Recreation Limited was established on 12 November 2020 as a subsidiary of Waters
- The Company must comply with the Public Enterprises circular.
- The Urban Development Authority does not have the capacity to assist in the operations and administration of the Otters Aquatic club,
- The company had not been obtained the approval from the Public Enterprise Department to form

Edge and Otter Aquatic Club was acquired by Waters Edge Recreation on 20 November 2020, only with the approval of Waters Edge's Board of Directors. The land where the Otter Club located belonged to the District Secretariat and when it was acquired by the Water’s Edge Recreation Limited, the Urban Development Authority and the Water’s Edge Limited had proposed to enter into a lease agreement for the land. In addition, the assets and liabilities of the Otter club had been acquired by the Waters Edge Company. However, contrary to section 8.2.3 of the Public Enterprise Department Circular No. PED/12 dated June 2003, Instead of seeking the approval and recommendation of the line Ministry and the Ministry of Finance, the new Company was established and the action had been taken by this new Company to acquire the Otter aquatic club to that Company.

since the land where the the subsidiary  
 otters aquatic club is company even by  
 located has been acquired 14 March 2022.  
 by the UDA. So it was  
 decided to setup a  
 Company, Waters Edge  
 recreation Limited, to  
 oversee the operations  
 and management of the  
 Otters Aquatic club.  
 Accordingly, the Urban  
 Development Authority  
 entered in to a three party  
 agreement between  
 Waters Edge Recreation  
 Limited and the otters  
 Aquatic club to  
 determine the future  
 management, fundraising  
 and trusteeship of the  
 Otters Aquatic Club  
 including assets and  
 liabilities.

- |     |  |  |                                 |  |
|-----|--|--|---------------------------------|--|
| (k) | According to the section 4.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, action had not been taken by the | Public Administration Circular should be | Comments had not been furnished | No Credit policy had been submitted to the auditors with |
|-----|--|--|---------------------------------|--|

Board of Directors of the Company to prepare a policy for credit sales and to get the approval for it according to the Circular instructions. Hence, the procedures that should be applied when conducting the credit sales, credit sales limits, approving limits of sales, debt collection procedures were not specifically made available. Thus, tools to apply the informal procedures when conducting the credit sales were existed. Significant delays in recovering the debts and writing – off of large amounts as bad debts were shown owing to the lack of such a policy.

- (1) According to the Paragraph 5(2) of the Public Finance Circular No. 01/2014 dated 11 January 2014 and section 5.1.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. An Action Plan should be prepared for the coming year, based on the business plan of the Company including the expected commercial targets. However, no Action Plan had been prepared from the year 2018 to 2020 as per the Circular instructions.
- Action plan should be prepared based on the business plan of the Company.
- From the year 2022 an annual action plan is to be prepared and implemented accordingly.
- The action plan had not been submitted even as at 14 March 2022.

- (m) Contrary to the Paragraph 7.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, assets amounting to Rs. 109,254,182 had been purchased during the year 2020, without being prepared a procurement plan. Company should have prepared the procurement plan for works/goods/consultancies and etc. Work is in progress to prepare a separate procurement plan for the property, plant and equipment from 2022, which will be approved by the Board of Directors. Company had not been Submitted the Procurement Plan even as at 14 March 2022.
- (n) As per the public Enterprises Circular No. PED/12 dated 02 June 2003 Paragraph 9.2, The approval for the Organization Chart and cadre of the Company had not been obtained from the Public Enterprises Department of the Treasury since the beginning of the Company to the year under review. The approval for the Organization Chart and cadre of the Company, should be obtained from the Public Enterprises Department of the Treasury. From the year 2022, actions are being taken to obtain the approval from the line Ministry and the Department of Public Enterprises for this set of Policies relevant to human resource planning. The approved cadre from the Public Enterprises Department of the Treasury had not been submitted even as at 14 March 2022.
- (o) In order to purchase orchid plants for the Flora Park Island, the Garden Manager had gone to Thailand and imported 16,000 orchid plants for Rs.8.55 million. In 2018. In addition, 3,900 orchid plants had been purchased locally for Rs.1.24 million and 6,180 orchid seeds had been purchased for Rs.744,250. The total cost incurred for orchid plants amounted to Rs.10.53 million. However, 1,161 orchid plants belonging to 10 categories died and 4,250 plants not bloomed. The projects should be implemented after being conducted a feasibility study and determined the requirement and the projects should be maintained applying a proper management system. Comment had not been furnished. No return had been generated even by 14 March 2022.

though imported them incurring a cost of Rs.1.7 million. Although it had been incurred daily expenses for maintain the orchid plantation, it had been failed to maintain the plantation in healthy manner. Therefore, the expenditure incurred for the plantation without conducting a feasibility study had been become fruitless expenditure.

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|-----|--|--|---------------------------------|--|
| (p) | Without being conducted a proper feasibility study and followed the Procurement guidelines, a sum of Rs.52,890,111 had been incurred to construct Sport Bar Restaurant by assembling several Containers. After being incurred the money for constructions, it had been decided to use that constructions for alternative functions on 03 September 2020, stating that possible protest against the construction, from the general public. However, up to March 2021, that had not been used for alternative function. At the physical examination conducted in 2020, it was observed that the furniture purchased for the Restaurant had been become unusable condition due to | Only after being carried out a feasibility study, the project should be implemented. | Comment had not been furnished. | Corrective measures had not been taken to rectify the issue. |
|-----|--|--|---------------------------------|--|

leaking of 4 strom water into the Restaurant.

- (q) The Company had acquired 01 acre 03 roods and 34.02 perches extent of land from the Urban Development Authority on a 20 years lease basis on 21 September 2018 for a sum of Rs.80,000,000 and, the Company had signed a construction development agreement on 26 January 2018 with a foreign private Company to develop the land. However, at present, development work has been abandoned due to problems with the developer regarding the boundaries of the land. Accordingly, as per paragraphs 8.1 and 8.21 of the Development Agreement, due amount from the developer had not been received to the Company even at the 30 April 2021.
- (r) Significant variances were observed between the budget prepared for the past 3 years and the actual revenue and expenses. Some variances were ranging from 1082 per cent to 210 per cent during the year 2020. Also no capital expenditure was allocated for
- Action should be taken to resolve the issues in accordance with the agreement and recover the fees due.
- The value of the rent was not recorded in the accounts of the Company due to uncertainties in the collection and payment of the rent and look forward to reporting these figures in the financial Statements.
- Waters Edge Ltd had informed that the they would be negotiating with the developer to have this facility in the demarcated premises and even at the reporting date the issue had not been solved.
- Budget should be prepared in realistic manner.
- Capital expenditure was not allocated for capital projects and activities in the budget. However, action will be taken to make provision for the capital expenditure for the capital projects to be started by the institute.
- No Capital budget had been prepared by the company by 14 March 2022.

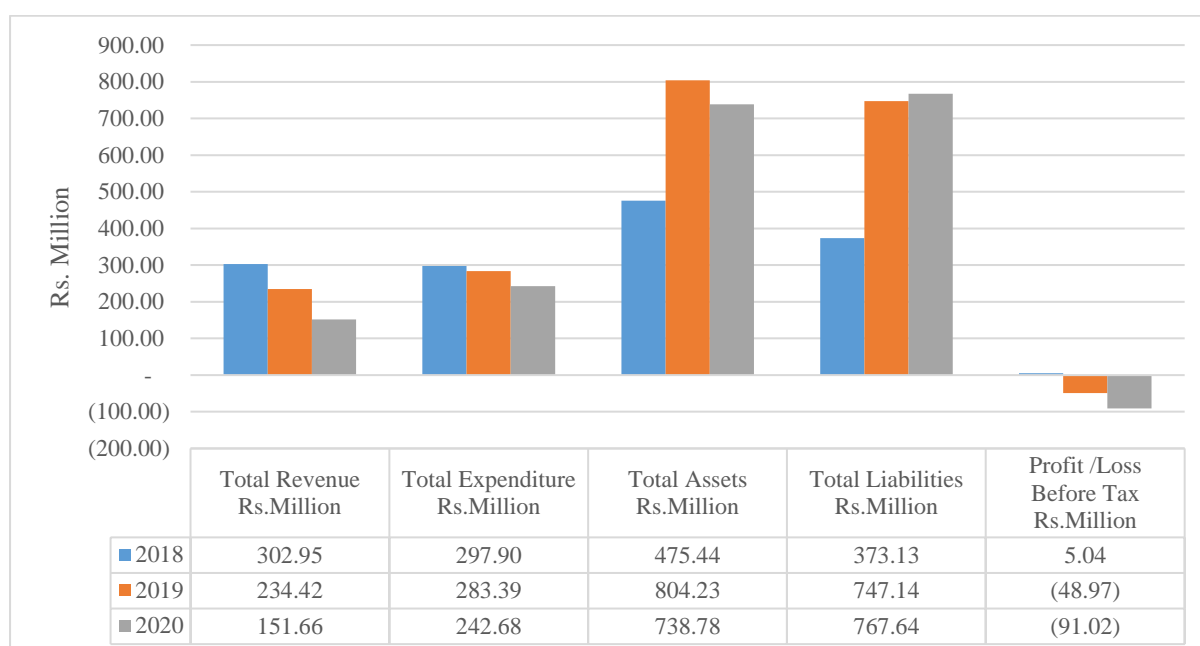
capital projects and it was observed that the budget was not made use as an effective management tool.

- (s) The cabinet approval had been obtained to a construct a hotel building comprising of 48 rooms. The contract had been awarded to private Company on 18 September 2019 for Rs.1,288 million by the Board of Directors even without signing the agreement and, an advance payment of Rs.71 million had been paid. However, subsequent bills had not been settled due to the lack of required funds and the construction works had to be terminated without being confirmed the availability of fund before starting the works, as per the Government Procurement Guideline, section 2.5.1 (a), and the losses incurred by the Company from that construction works had not been explained to audit.
- Should apply the conditions of the Government Procurement Guideline before commencement of the constructions works.
- Comment had not been given.
- 48 room project is in progress and the contract had been awarded to former Contractor M/S Sathuta Builders on 10 November 2021.



**4.37 Land Reclamation and Development Company Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	302,945,489	297,904,848	475,443,700	373,132,570	5,040,642	Qualified
<b>2019</b>	234,419,965	283,394,104	804,229,379	747,144,004	(48,974,138)	Qualified
<b>2020</b>	151,658,790	242,682,525	738,781,158	767,636,391	(91,023,735)	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	Even though the income and expenditure of the construction contracts of the Company should be identified based on the completion of the contract method according to section 23.17 of the SLFRS for SMEs. As a result, the company's contract income in 2018, 2019 and 2020 was Rs. 221.95	According to the standard of the SLFRS for SMEs, the contract income should be identified based on the works certified by the client.	Actions had not been taken to identify the construction income based on the completion of the contract method.	Actions had not been taken to identify the construction income by the company according to the standard.

million, Rs. 127.46 million and Rs. 72.40 million respectively had not been identified accordingly.

- |   |   |   |   |
|---|---|---|---|
| <p>(b) According to Section 13.4 of the SLFRS for SMEs, the stock should be valued for lower of cost or net realizable value (NRV). However, without being considered the NRV, the stock of the Company held as at end of the year 2018, 2019 and 2020 had been valued at the cost for Rs.13.13 million, Rs.13.63 million and Rs.13.23 million respectively.</p>  | <p>According to the SLFRS for SMEs, the stock should be valued.</p>                 | <p>The Cost and the net realizable value (NRV) had not been compared.</p>   | <p>Necessary actions had not been taken to consider the Cost and the net realizable value (NRV) according to the standard.</p>                                |
| <p>(c) According to section 2.26 (b) of the SLFRS for SMEs, the identified losses should be charged to the statement of Financial Performance. However, the losses on the unsuccessful contracts which had been conducted by the Company during the period of 2012-2017, amounting to Rs.24.39 million had been accounted for as work – in – progress instead of being accounted for as the losses. As a result, the profit for the year under review had been overstated by that amount.</p> | <p>According to the SLFRS for SMEs, the losses on contract should be accounted.</p> | <p>During the year 2020, only contracts amounting to Rs. 6.57 million related to 6 such failed contracts were identified as losses in the financial statements.</p> | <p>Work amounting to Rs. 24.3 million on seven failed contracts to be identified as losses is yet to be identified as losses in the financial statements.</p> |

- (d) Except the Nawala precast concrete factory, other 7 factories were contributed negative contribution of Rs.62.25 million. Decrease of sales, not implementing of market oriented marketing strategies and management weakness were attributed for this losses. Further, The Company had projected revenue of Rs. 184.78 million and Rs.230.78 million in the above sectors in 2019 and 2020 respectively and the actual revenue was Rs. 87.62 million and Rs.14.26 million respectively.
- The sites should be converted to the profitable units.
- The company has been advised to avoid this situation in the future as the demand for the product has not been as expected, production costs have increased, adverse conditions prevailing in the country and business decisions have been taken without proper study of the market.
- By the end of the year 2021, the company had purchased more raw materials, increased sales volume and reached a contribution of Rs. 18 million from the Nawala factory. But the Hingurakgoda factory was closed and the total contribution of the four factories with direct contributions was only Rs. 2 million.
- (e) Even though the Company had prepared a recruitment procedure, the approval for the General Manager post had not been obtained. However, an appointment had been made for that post.
- Based on the approved cadre, the recruitments should be made for the higher management posts.
- Recruitment for top management positions should be done through an approved recruitment procedure, but the company has not been done so.
- By the end of 2020, the company had prepared a recruitment procedure, but had not approved the post of General Manager. But the appointment was made without the approval for the post.
- (f) The contract for construction of two stories building at the
- Action should be taken to carry out the works as per
- The company has not been managed to
- By the end of the year 2020, the

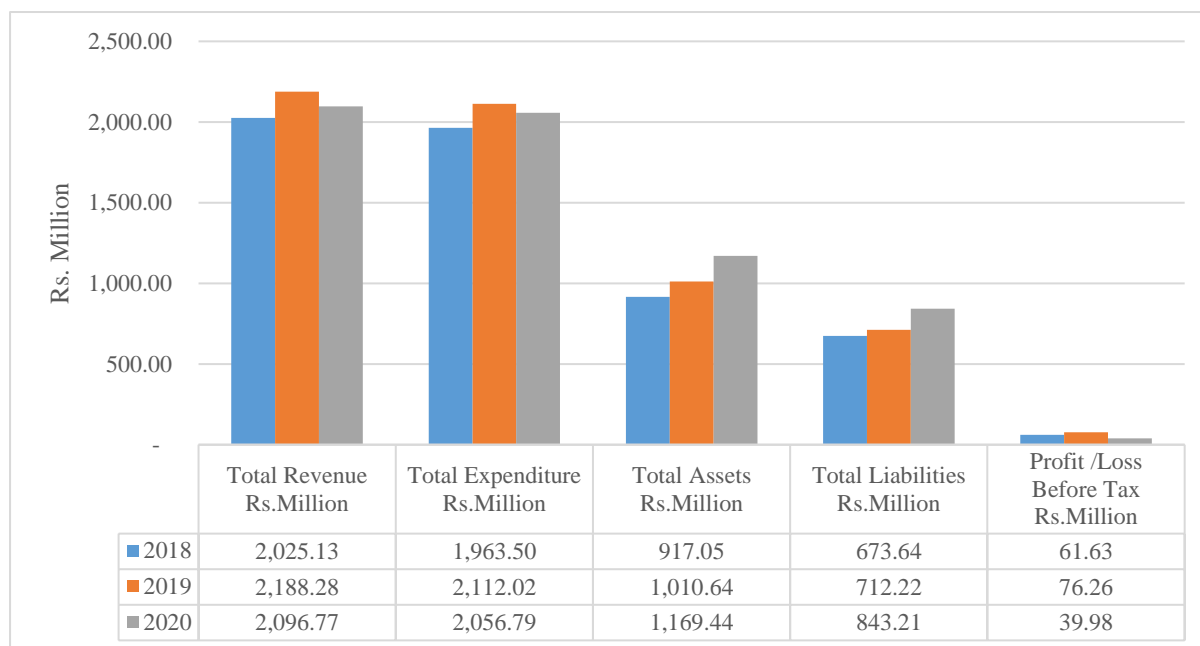
Mundigala Monastery at a cost of Rs.13.90 million had been obtained by the Company on 20 July 2016 and scheduled to be completed the contract within 120 days. However, the physical and financial progress of the construction works as at end of the year under review were 40 per cent and 32 per cent respectively. The loss incurred from this contract as at end of the year under review amounted to Rs.4.79 million.

the agreement and to manage the client physical and recover the receivable projects properly. financial progress of through the bills. this contract was 40 percent and 32 percent respectively and the loss to the company from the contract was Rs. 4.79 million.

- (g) In terms of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Corporate Plan and the Action Plan had not been prepared by the Company.
- Action should be taken as per the circular instructions.
- The company has not complied with the applicable terms.
- The Corporate Plan and the Action Plan had not been prepared by the Company for the year 2020.

**4.38 LRDC Services (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,025,132,493	1,963,502,425	917,045,617	673,635,244	61,630,069	Qualified
<b>2019</b>	2,188,280,130	2,112,017,496	1,010,640,643	712,221,497	76,262,634	Qualified
<b>2020</b>	2,096,768,814	2,056,791,802	1,169,442,522	843,207,995	39,977,011	Qualified

**Audit observation**

- (a) Without being analyzed the recoverable position of the debtors, Provision of 50 per cent for the debtors were existed 1 – 2 years, 75 per cent for the debtors were existed 2 – 3 years and 100 per cent provision for debtors over 3 years had been made. Accordingly, provisions of Rs.63.25 million, Rs.33.24 million and Rs.63.56 million had been made at the end of 2018, 2019 and 2020 respectively and identification

**Recommendation of the Auditor General**

According to an approved accounting policy, the provisions for doubtful debts should be provided.

**Preventive measures taken by the institution**

Analytically, provision for doubtful debtors will be allocated on a more realistic basis in the future.

**The current position**

The accounts for the year 2021 have also not been corrected.

procedure of allocated percentages was a problematic issue in audit.

- (b) According to the accounting policy for recognition of revenue, of the Company, the revenue of the Company should be identified deducting the reliably measured associated costs. However, at the end of 2018, 2019 and 2020 due to preparation of the invoices without considering reliable evidence, a total amount of Rs.100.84 million Rs.71.10 million and Rs.40.31 million had been lost by the Company respectively. Owing to rejecting the payments by clients.
- The company must take steps to minimize surcharges/ fines on the deployment of security personnel in accordance with the terms of the agreements entered into with clients.
- When entering into agreements with customers, has now taken steps to remove the unfavorable terms such as surcharges and enter into new agreements.
- The company has identified and minimized the reduction in invoice values from 2018 to 2020 through controlling activities.
- (c) Providing of security services, security investigations and providing of other investigative services are the main functions of the Company. However, the company had not prepared an action plan indicating the physical and financial targets of the Company for the main functions. Further, the performance indications for the main functions of the Company had also not been formulated for the year 2020. As a result, the performance of the Company could not be evaluated in audit.
- An action plan should be prepared to make operations more productive.
- It is accepted that an action plan has not been prepared for performance measurement and steps will be taken to rectify it.
- An action plan and KPIs had not been prepared for the year 2021.
- (d) Even though the Company had obtained a land situate in Aththidiya, extent of 120 parches, for 30 years of lease period for Rs.16.52 million in the year 2018 from the Parent Company for the
- As the company does not have a building owned by the company to maintain his head
- The implementation of these plans was temporarily halted due to the
- Provisions of around Rs. 100 million have been allocated in the year 2022

- construction of its head office building and the estimated cost amounting to Rs. 200 million in June 2019. It is currently used as a food processing center by its LRDC mutual Aid Association.
- office, the financial viability of the company. construction work should be carried out as planned
- corporate budget for the commencement of preliminary work in the year 2022.
- (e) The company had projected revenue of Rs. 75 million from the CCTV camera installation project as a new venture on business diversification in 2017, but the actual revenue was Rs. 8.5 million and the net loss at the end of 2018 was Rs. 2.64 million. No revenue was earned in 2019 and 2020 and by the end of 2020 there was a stock remaining that cost Rs. 20.93 million.
- Decisions should be made after having a formal feasibility study on new projects.
- The new management has so far taken some decisions to avoid this situation. The CID has been directed to investigate any irregularities that may have taken place in this procurement.
- (f) Compared to the budgeted net profit for the year under review with the actual net profit, variances of 54 per cent, 160 per cent and 31percent were observed at the end of 2018, 2019 and 2020 respectively. Thus, it was observed that the budget had not been made use as an effective control tool.
- The budget should be made use as an effective management tool.
- Steps will be taken to prepare the budget realistically in the budget to be prepared in the coming year.
- (g) The number of service shifts invoiced and the number of shifts served during the month is higher than the number of service shifts invoiced during the sample test conducted by audit. For example, in August, the company paid Rs. 3.52 million and the company had invoiced Rs. 6.89 million more for
- The invoices must be properly verified and submitted at the time of preparation.
- In order to minimize the situation mentioned here, action will be taken to pay salaries through comparison

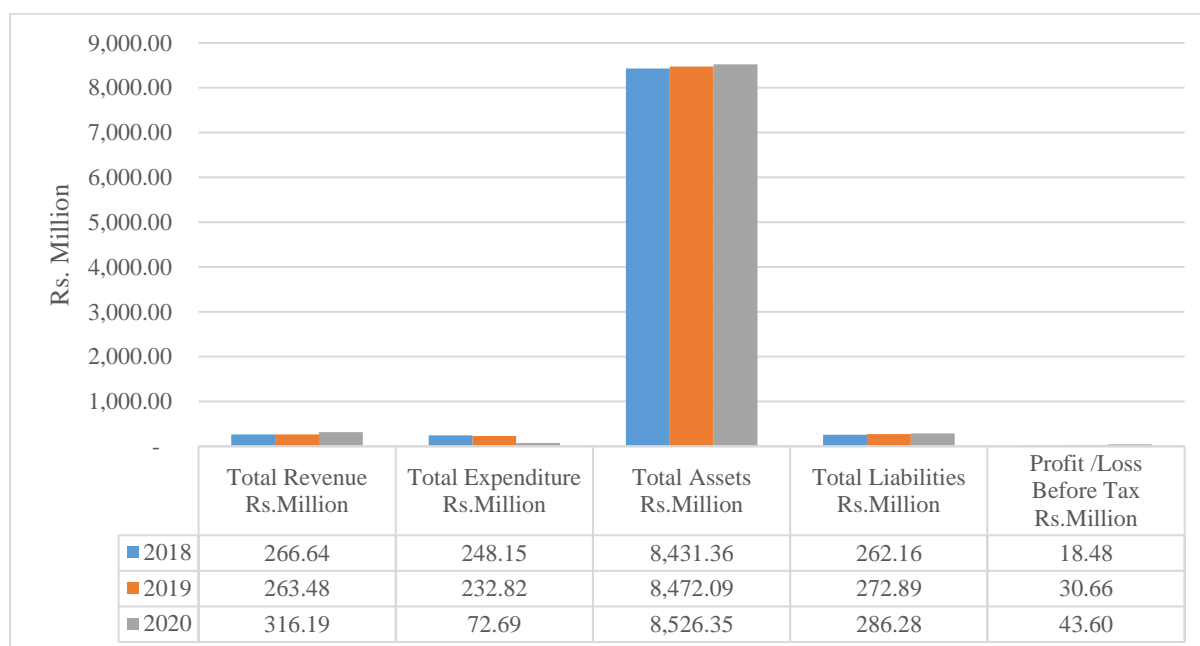
clients during the same month for 6,008 extra working days.

according to the service reports to the preparation of bills.



**4.39 BCC Lanka Limited**

	<b>Total Revenue</b>	<b>Total Expenditure</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Profit (Loss) Before Tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2018</b>	266,637,729	248,153,342	8,431,359,113	262,156,521	18,484,387	Qualified
<b>2019</b>	263,478,393	232,820,104	8,472,091,580	272,886,241	30,658,289	Qualified
<b>2020</b>	316,189,149	72,693,881	8,526,349,986	286,277,607	43,600,867	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The purchase advance balance as at 31 March 2021 was Rs.2,503,673 and of that, there were 32 balances totalling Rs.1,420,474 older than 11 years. However, the Company had not taken action to recover these outstanding balances.	Action should be taken to recover balances.	Letters have already been sent to the relevant institutions for settlement of advance balance of Rs. 1,420,474.	It is intended to take further action regarding the said balance after receiving replies for those letters.

- (b) The rent due from the warehouses given on rent amounted to Rs.14,968,317 by the end of the year under review, of which balances of Rs. 2,834,261 remained outstanding for more than 10 years. The Company had not taken adequate measures to recover these outstanding balances.
- Action should be taken to recover balances.
- The balance of Rs.2,834,261.00 due from warehouses is older than 10 years and most of those institutions are state owned institutions. Moreover, reminders have been sent to those institutions several times for settlement of those balances and certain institutions have informed that action will be taken to pay those moneys.
- Those institutions have not still responded therefor and reminders have been sent again.
- (c) The interest payable by the year under review for the loan amounting to Rs.58,265,037 obtained from the Coconut Development Authority during the years 1985, 2002 and 2004 and Rs.10,000,000 obtained from the Kalubowitiyana Tea Factory Ltd. in the year 2003, had been Rs.53,153,819 and Rs.48,382,429 respectively. Even though provision had been made for the interest payable amounting to Rs.6,747,521 per annum. However, the Company had not taken action to settle the remaining loan amount and interest thereon.
- Action should be taken to settle loans and interest thereon.
- It has been decided to pay the loan amount and interest thereon payable to the Coconut Development Authority and the Kalubowitiyana Tea Factory Ltd. from the compensation due for the land vested in the Ministry of Justice. Even though the Board of Directors had decided to pay the loan payable to the Kalubowitiyana Tea Factory Ltd. in
- The valuation activities of the land vested in the Ministry of Justice is in progress and action will be taken to pay the said outstanding moneys soon after receiving the compensation.

- amounting to Rs. 169,801,285.
- installments, the said Company had not agreed therefor.
- (d) The Company had not taken steps to settle the assessment tax, turnover tax, security tax, goods and services tax and Value Added Tax balances totalling Rs.58,296,534 that remained payable for more than 14 years and the creditors balances totalling Rs.12,976,524 that was brought forward for more than 10 years.
- Action should be taken to settle the balances that remained unsettled over a long period.
- It has been decided to pay all creditors balances, assessment tax and other taxes payable from the compensation received for the land.
- The Ministry of Justice has paid the assessment tax payable to the Colombo Municipal Council, on behalf of our Company.
- (e) No action had been taken either to release deposit of Rs. 1,949,142 that was brought forward for over a period of 15 years as down payment deposits obtained in leasing buildings or credit it to the revenue of the Company following confirmation that the relevant deposits would not be claimed.
- In case of failure to claim, action should be taken to credit it to the revenue.
- As per the instructions of the Audit and Management Committee, action will be taken to credit the deposit of Rs.1,949,142 to the revenue of the Company after confirming that the relevant deposits would not be claimed by those institutions.
- (f) The company buys coconut oil from the suppliers and stores in several small tanks and then the oil is subjected to the straining process and bottled as white coconut oil. Only the Cooks Joy
- Action should be taken to gain maximum benefits and to increase the income.
- As there are legal obstacles to develop the coconut oil refinery section currently established in the BCC Lanka
- The attention of the Board of Directors has been drawn towards the construction of the modernized

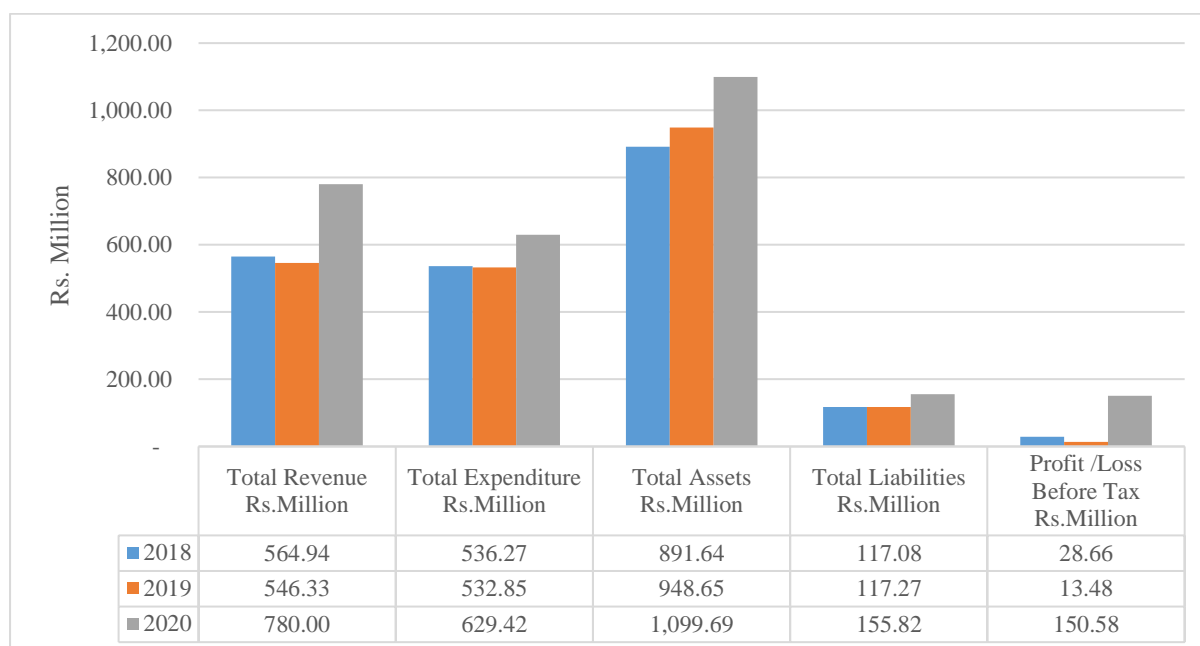
oil is subjected to a refinery process. In the year under review, 311.50 metric tons of white coconut oil and Cooks Joy oil had been so produced and the income thereof was Rs.193,856,378. The Company buys coconut oil only from several limited number of suppliers and bottles at present. However, the Company's attention had not been focused on the implementation of a broadened process continued from the production of coconut oil, the initial stage, up to the sale.

Limited, coconut oil manufacturing activities are carried out under such current position. refinery manufactory and a refinery section on other premises by using the compensation received for the land vested in the Ministry of Justice, as a large cost will be incurred to develop the refinery section.

- (g) The land containing 12 Acres 3 Roods and 8.77 Perches owned by the BCC Company had been valued at Rs.8,195 million in the year 2013. By the Cabinet decision Nos. 15/1874/702/010-VII dated 17 December 2015 and 16/0597/731/009-I dated 20 April 2016, six acres of this land had been given to the Ministry of Justice to construct the Colombo Court Complex. Nevertheless, vesting of lands and obtaining compensation had not so far been completed in accordance with the Government land acquisition process.
- Action should be taken to complete the recovery of compensation expeditiously.
- The Divisional Secretary will take the action required for obtaining the compensation receivable for the land of 06 acres in extent, vested for the construction of the Colombo Court Complex.
- The purpose of obtaining the valuation report for the said land of 06 acres in extent, has already been assigned to the Valuation Department by the Divisional Secretary. The said valuation process is in progress.

**4.40 Lanka Phosphate Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	564,935,103	536,271,853	891,637,547	117,077,974	28,663,250	Unqualified
<b>2019</b>	546,327,194	532,847,032	948,648,519	117,270,430	13,480,162	Unqualified
<b>2020</b>	780,000,404	629,417,936	1,099,694,171	155,821,863	150,582,468	Unqualified

**Audit observation****Recommendation  
of the Auditor  
General****Preventive  
measures taken by  
the institution****The current position**

- (a) There were debtor balances amounting to Rs.1,487,567 prevailing for more than 3 years in the Wariyapola Coconut Fertilizer Project and Rs.10,100,566 prevailing for more than 6 years in the Eppawala Phosphate Company within the debtor balance of Rs. 71,447,853 and the Company was unable to recover these
- The Management should take action to settle the credit balance prevailing from a long period of time and to recover the relevant Debtor's Balance.
- Making it mandatory to implement obtaining all sales money and to provide a similar Bank Guarantee or a Cash Deposit by the client who intend to
- Action is being taken to gradually recover the sum of Rs.1.4 million, take action to file lawsuits against the clients who refrain from making payments, to write-off outstanding Debtor's Value amounting to Rs.8.7 million from

debtor balances. The debtor balances amounting to Rs.550,000 prevailing for several years and balances on cash sales amounting to Rs.2,475,958 prevailing from the year 2005 had been included in this debtor balance. The Company had failed to submit the information on these credit balances and the aforementioned cash sales to the audit.

obtain goods on accounts by discussing lease basis. in the Meetings of the Board of Directors and of the Audit and Management Committee, under several phases, considering the nature and quantity of the Debtor's Values.

- (b) A capital expenditure of Rs.21,226,633 had been incurred for the Coconut Fertilizer Project, which was initiated on 14 February 2014 and it had been anticipated to obtain annual revenue of Rs. 72 million from coconut fertilizer, a net profit of Rs. 10 million and to obtain an annual revenue growth of 10 percent. The long-term goal was to capture a 10 percent market share out of the coconut fertilizer market. However, coconut fertilizer had not been manufactured due to non-supply of raw materials to the project from May to November 2020.
- Procedures should be prepared to bring the Coconut Fertilizer Project initiated by incurring a Capital Expenditure of over a sum of Rs.21 million, to an operative and an effective level.
- Obtaining ERP, Urea and MOP for a concessional price through the Government Fertilizer Company to bring the Company to an operative and an effective level.
- The operating activities of this Project has been temporarily defaulted on the difficulty in obtaining the Urea, MOP necessary for the coconut fertilizer mixtures.

- (c) The basal part the new mill machine, valued at Rs.11,513,434 and purchased in the year 2014 from another private institution of China according to the Condition that it is required to purchase a new 6 Roller (TGM 160) Mill Grinder Machine worth Rs.43,435,115 in order to supply spare parts required for the 6 Roller (TGM 160) mill machine purchased from a private company in China in the year 2011 and spare parts valued at Rs. 14,290,237 purchased for mill machines during the period of 2014 to 2016 and the construction worth Rs. 7,440,000 indicated as work in progress for the installation of this mill machine remained idle without utilizing them until 30 July 2021.
- Action should be taken against the officers who have initiated into purchasing the relevant machinery parts by way of taking action without being cautious about the capability of installing the machinery parts and action should be taken by the Management to bring the project to the operative level by installing the relevant machinery parts expeditiously.
- Making all Action has been taken to install with the contribution of the employees of the Phosphate Company and the installation activities had been wound up in about 85% of them.
- (d) A used Crusher Machine had been purchased at a cost of Rs.34,654,178 with the objective of supplying fertilizer to meet the increasing fertilizer demand and to reduce the expenditure for importing fertilizer and then Production Manager had informed the General Manager in writing with photographic evidences that no
- Action should be taken by the Management to utilize the Machine, purchased by spending a sum of over Rs.34 million for the manufacturing activities effectively.
- Making all Action would be taken to utilize the machine for the manufacturing of raw materials, by way of calling for a report with the participation of the Mechanical Engineers of the North Central Provincial Council and to make the necessary

part of the machine contains information about the type, model, manufacturing company or country of manufacture of the machine. The machine had not been utilized for any purpose from its installation up to 30 July 2021. Further, the Authorities of the Company had not identified the loss incurred to the Phosphate Company by purchasing a used machine in place of a new crusher machine and those who were responsible for not using the relevant machine and had not taken action against such persons. Moreover, it had also been observed that the machine had been destroyed due to its insecure placement since 2014.

updates, based on their recommendations, in order for the machine to be repaired and to contribute to the manufacturing activities again.

- (e) The Double Cab, which had been recommended to remove from running with effect from 07 January 2019 and to auction had not been auctioned or used for running even by 10 November 2021.
- Action should be taken either to utilize the motor vehicle by repairing or to dispose the motor vehicle with the relevant approvals.
- Necessary action has been taken to publish a newspaper advertisement again. It had been decided by the Management to re-auction on the demand quotations being minimal than the Valuation Report despite this motor vehicle had
- A New Valuation Report has been obtained in the recently and, action has been taken to publish a newspaper advertisement and to auction the motor vehicle in the near future.



been referred for auction in the year 2019.

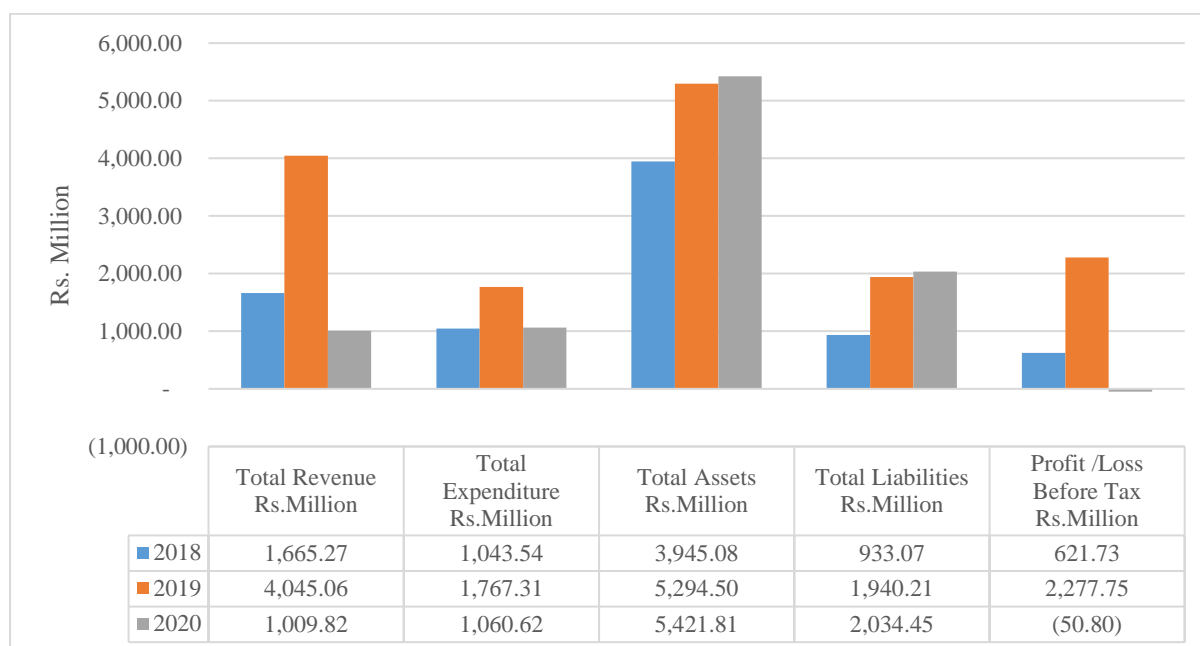
- (f) The Company had not taken action to remove the obsolete stock of Rs.3,808,331, prevailing from the years 2016, 2017 and 2018 even by the date of the audit. The disposal activities should be carried out expeditiously. Taking action to dispose obsolete materials remain belonging to the Institution through an Annual Committee. A request has been made to provide the machinery parts relating to the 03 Roller Mill Machine to the State Engineering Corporation. Action would be taken to provide these machinery parts to the relevant Company on the book value, on the instructions of the Ministry and on the approval of the Board of Directors.
- (g) Scrap metal and other machinery parts that had been disposed of from a number of years had been scattered insecurely in the premises of the plant yard and action had not been taken to dispose of them. The disposal activities should be carried out expeditiously. Action would be taken to auction the scrap metal annually or by considering their requirement by way of publishing a proper newspaper advertisement. All activities had been carried out to sell the scrap metal that remains within the Institution presently to a buyer selected through a newspaper advertisement, at this moment.
- (h) The Company had recruited one Post of Worker in excess of the approved cadre pertaining to the approved staff in the primary level of the Company and 29 Action should not be taken to make appointment exceeding the approved cadre. The service of 29 employees had been obtained from time to time on the daily payment basis Necessary action is being taken to maintain the average employee level by way of making

employees on daily basis and 03  
Posts of Estate Assistants.

for increasing the a revision of the staff,  
manufacturing of in the future.  
phosphate and to  
maintain the  
manufacturing of  
phosphate  
continuously. An  
employee within  
the had been  
attached for the  
sanitation services,  
due to the increase  
of the sanitation  
activities in parallel  
with the increase of  
the number of  
employees. These  
conditions seemed  
normal on the  
attachment of  
employees to the  
Estate Section on  
the  
recommendations  
made to employ  
them in light duties  
on the medical  
recommendations  
during the instances  
where the  
employees  
employed in the  
Manufacturing  
Section face certain  
illnesses.

**4.41 Lanka Mineral Sand Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,665,267,796	1,043,538,000	3,945,079,381	933,069,942	621,729,796	Disclaimer
<b>2019</b>	4,045,059,827	1,767,313,777	5,294,501,665	1,940,208,932	2,277,746,050	Qualified
<b>2020</b>	1,009,819,732	1,060,617,060	5,421,813,644	2,034,453,482	(50,797,328)	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) As per the Cabinet decision dated 09 January 2011, the company has paid Rs. 500 million to the State Resource Management Corporation on 10 January 2012 to pay the employee compensation of the Ceramic Corporation. During the year 2020, Rs 103,484,290	Action should be taken to recover the loan and interests.	Legal actions are being taken to recover the dues and action will be taken to submit a Cabinet Paper to offset dividends at Rs.50 million per year for the dividends to be settled by the entity to the	By the Decision No. PED1/LMSL/03/11(i) dated 25.01.2022, the Department of Management Services had given instructions to gradually eliminate this amount under the writing off loss on the approval

- had been allocated as doubtful debts for this loan and the loan amount of Rs. 517,421,448 and the interest had not been recovered till the end of the year 2020.
- General Treasury in the future in order to settle the case. of the Board of Directors. Accordingly, this will be informed to the Board of Directors' in the future and future action will be taken in accordance with the decision of the Board of Directors.
- (b) The company had not been able to recover Rs. 25,000,000 and Rs. 5,000,000 in loans given to the Plantation Corporation and the National Paper Corporation since 2012. Sufficient allocations should be made in the financial statements and action should be taken to recover the dues. The Line Ministry and the Board of Directors are aware of this inability to recover the money. In case these types of requests are made in the future, action will be taken to draw the attention of the relevant parties to take appropriate decisions in that connection. Arrangements are being made to purchase a land in commensurate with Rs.25 million to be received from the State Plantation Corporation and the possible optional measures are being considered with respect to Rs.50 million that remained receivable from the National Paper Corporation.
- (c) In terms of Public Finance Circular No.02/2015 dated 10 July 2015, although it was stated that action should be taken to dispose of dilapidated and unusable vehicles, 08 vehicles owned by the company which have been taken out of service for a period of 2 to 10 years have not been disposed off so far. Action should be taken to carry out disposals in accordance with circular provisions. No reply had been submitted. Action has not so far been taken for the disposal.
- (d) The total amount of Ilmenite, which was the major product of Action should be taken to receive a The Company has taken a policy decision With the involvement of the Ministry of

the Company in 2019, a quantity of 49 per cent to 70 per cent of the other major products of the Company and 39,775 metric tons of non-magnetic heavy minerals, which is a semi processed product of the Company had been provided to a Sri Lankan private company and the relevant company further processes the minerals obtained from Lanka Mineral Sands Ltd. and export them as a raw material without value addition.

- (e) There were four bids for the tender of 85,000 MT of Ilmenite and the highest bid of US \$165.20 per ton had been rejected, stating that the bid was not a guaranteed liability bid and that the second bid of US \$ 163 had been rejected as only for 5,000 MT. Although last year financial statements had not been submitted, the tender was awarded to the third bidder who agreed to purchase to US \$ 147. As a result, the company had incurred a loss of US \$ 1,547,000 for 85,000 MT at US\$ 18.20 per one MT due to non-agreement to award the tender to the highest bidder. Although the tender for the sale of Ilmenite
- high price through a maximum competition and attention should be drawn on the value addition method for the minerals.
- Action should be taken to receive a high price through a maximum competition following the Procurement Guideline and decisions should be taken in a manner favourable to the entity.
- For the purpose of formulating a new sales methodology to avoid issues and restrictions arisen due to following the existing Procurement Guidelines in the sale of mineral sand, the General Treasury has appointed a committee on the approval of the Cabinet. That committee is taking steps to introduce a new methodology after studying the existing procedure and action was taken to carry out one sale in the year
- Industries, EOIs have been invited for the value addition process. The Ministry of Industries has made arrangements to call for RFPs through the committee appointed thereon soon after the expression of consent to provide a land up to 200 acres of the Sri Lanka Ports Authority situated in Trincomalie District to establish this.
- A pilot project for the sale of mineral sand was implemented on the approval of the General Treasury according to the new methodology formulated by the committee appointed on the approval of the Cabinet. Therein, a high price was received comparatively to the international market and the award of tender was completed within the prescribed period. The matters further to be developed in the new sales methodology being formulated by the

had been awarded on 28 October 2020, it agreed to remove 85,000 MT for US\$ 147 within 130 days. US \$ 3,675,000 had been paid for only 5,032.86 MT at the end of the year under review and another US \$ 2,940,000 had been paid and removed only 30,000 MT by the end of March 2021. The balance of US \$.5,880,000 had not been paid till the end of March 2021.

2021 as a trial under the new methodology. Having made suitable alterations in the methodology by the relevant committee with the practical experience received, necessary arrangements are being made to obtain approval from the General Treasury and the Cabinet through the Ministry of Industries.

relevant committee are being studied at present and the new sales methodology is expected to be implemented once the Cabinet approval for that methodology is received.

Accordingly, it is expected that this issue will be avoided after the introduction of new methodology.

- (f) The expected total sales of minerals of the company was 113,996 MT by 2020 and its sales value was Rs.4,660,524,000 but the actual sales volume was 14,955 MT and its sales value was Rs. 696,597,134. The expected targets could not be achieved due to the limited number of buyers under international competitive bidding, the cancellation of tenders for various reasons and the sale of
- The Company should take measures to increase income, look for new buyers and to prevent cancellations by properly following tender procedures.
- Subsequent to the submission of proposals by the Cabinet to change the sales method by making recommendations to the existing methodology and after the directives issued by the Cabinet thereon, action has been taken to sale mineral productions in the year
- Action has been taken to update production mechanism and increase the production. According to the new methodology, it has been convenient for the buyers to submit bids and make payments for necessary production as per their income status. Accordingly, buyers participation has increased.

large quantities at once. Failure to make sales during the year under review was result in poor financial position and reduced liquidity, on several occasions for daily needs and due to early withdrawal before matured of 6 fixed deposits of Rs.450,000,000, the expected interest income of Rs.7,573,770 had been lost and in the face of the covid 19 epidemic situation, the expected sales did not take place and the storage facilities were not adequate due to non-availability of stocks and the company had faced a number of problems such as weakening of stock conservation.

2021 in accordance with the new sales methodology formulated to obtain bids on the recommendations made considering the deficiencies and weaknesses by a Cabinet appointed committee. Tendering is carried out on the Cabinet approval and the award and cancellation of tenders are determined on the decision of the tender committee or the Cabinet. The sales budget of the relevant year is prepared according to the annual production estimate and most probably, the actual production is less than the estimated production. In the year 2020, more than one hundred thousand metric tons of productions were presented for sale, of which 89,450 M.T was sold. The sales value thereof was US \$ 14.814 (2.7 billion in

Sri Lanka Rupees). In the face of Covid epidemic, the top management gave extension to make payments and withdraw stocks and accordingly, delays were occurred in the payment of money and removal of stocks. According to the new sale system, the buyers have been provided with the facilities to submit bids as per the required quantity from 50 M.T to 5000 M.T.

- (g) During the year under review, the company had 77,247 MT and 15,419 MT of opening stock and production of the year of ilmenite, Of this, 5,436 MT had been sold in January and 5,053 MT in December. As the company had sold 85,000 MT in October 2020, but the buyer had not paid money and removed them properly, exceeding the total capacity of the two warehouses which the capacity of 60,000 MT ilmenite storage. As a result, production of ilmenite had been stopped for a significant number of days from
- The buyer should be directed to remove the stock soon after the sale and action should be taken to recover the charges for the period of delay.
- Within the new sales methodology, measures have been included to publish limited sale tenders for the existing stocks once in 40 days, open tenders within a short period as 3 days and award the tenders and to remove the productions.
- Production of the plant in Block B was temporarily halted from 01 June 2020. Inadequacy of the
- This matter also had been taken into account in the formulation of new sales method and accordingly, this issue will be resolved within the new methodology.



January to May of the year under review, and from June 1, 2020 to March 18, 2021, production at Block B was halted, leaving all other machinery, including Block C, idle until that time.

space facilities to store the ilmenite dried in the Block C Plant after being produced the wet ilmenite by the Block C plant has been the main reason for the stoppage of the production. Already, ilmenite had been stored in the warehouse exceeding its total capacity. As the buyer took steps to remove the stock of 85000 M.T. of ilmenite sold by the comply with effect from December 2020, the production of the Block B Plant was resumed on 12.03.2021 with the availability of space facilities in the dried sand store. Accordingly, the production of Block C Plant was initiated in April 2021. All maintenance activities of the Block B Plant were carried out during the period of stoppage of operations of the Plant

and it was commissioned for 06 days after the maintenance. After this maintenance, it was possible to increase ilmanite recovery from 60 per cent to 90 per cent. Accordingly, it was able to record a higher performance in the production of ilmanite in the Block B Plant exceeding its monthly production of 5000 M.T. As the Block A Plant was in operation, the production of inputs required for the Block B Plant was continuously carried out during that time. As a result, the Plant could be run uninterruptedly after its commission.

- (h) The production capacity of the block A old plant is approximately 100 MT per hour but the current capacity is as low as 40 and 50MT. Low output due to non-delivery of Action should be taken to find sand deposits with high composition. Shifting and Obtaining Sea installation of Exploration Licences machines existed in the (Grid 63) - As a step to old building of the find out new mineral Block A Plant to the deposits, applications new building was have been made for Sea

inputs to full capacity adversely affected the performance of the entire plant. Although Spiral is designed to separate 40 to 80 percent of the lightest mineral sand in the plant, sample tests for the samples taken in March-April-September 2019 and February-March-April 2020 had been less than 40 percent except few days.

started on 15.07.2021. Exploration Licences These activates were (Grid 63). The relevant completed on project proposal has been 01.10.2021 and forwarded to the production of plant Geological Survey and was resume on Mines Bureau and the 02.10.2021. After the recommendations of installation of these relevant institutions have machines, the also been given thereon. production of input in Accordingly, it will be the Plant could be able to obtain relevant 4 increased from 40 M.T observation licences to 60 M.T. per hour. It recently and plans have is expected to maintain already been prepared to that capacity more than initiate explorations. 80 M.T in the future. Apart from that the Although the mineral following land areas sand concentration in have been identified and the rough sand applications have been remained at 40 per cent made for the exploration to 80 per cent at the licences. Accordingly, early stage, it has action will be taken to dropped to 20 per cent obtain exploration at present. As licences during the first solutions, the half of this year and plans following measures have been made to have already been initiate explorations in taken. the relevant areas in this year.

**Placing an order for mobile refinery plant**

It will be able to increase the heavy mineral sand concentration level up to 60 per cent by selecting an area with

1. Panama -(Grid 8)
2. Hambantota -(Grid 11)
3. Nilaweli -(Grid 15)
4. Muttur- (Grid 18)

low weight mineral sand concentration and refining the rough sand within that area using this Plant. This will reduce the transport cost on rough sand.

**Taking action to expand the excavation limit - (Expansion of the limit 100m up to 300m**  
Necessary activities have already been planned to increase the approved limit of 100m under the licence issued by the Department of Coast Conservation and Coastal Resource Management. The relevant initial environmental impact assessment study in its final stage.

**Making plans to obtain new excavation licences**  
Environmental Impact Assessment EIA has been carried out to obtain excavation licences for a land area of 2500 acres the exploration right of which is owned by an institute in the Podawakattu area. The relevant first round discussion is to be commenced on 01February 2022. It has been given by the Central Environmental Authority.

- (i) A land owned by the Urban Development Authority was acquired in 2013 for the construction of the head office of the Mineral Sands Company by paying Rs. 24,220,118 on a 30 year lease. The contract for the construction of this 15,325 sq. Ft. 06 storey building was awarded in March 2018 at a cost of Rs.171,453,486 (VAT free). Section 8.6 of the Procurement Guidelines 2006 stipulates that a formal contract agreement must be signed immediately upon acceptance of the bid submitted by a bidder, but the agreement with the contractor was signed on February 26, 2020, two years after the contract was awarded. However, the agreement did not include key specifications such as contract cost, payment terms and contract period. Construction of the building had commenced in March 2020 and the land had been vacant for seven years. Eight years have passed of the 30-year lease term at the end of March 2020, but only four floors of the six-story building have been upgraded.
- (j) Although the tender was awarded on 27 May 2020 by selecting one of the 6 bidders for
- A formal contract agreement should be entered into by including the key specifications. Construction of the Head Office building should be expedited.
- The contract agreement could not be signed as soon as the bids were selected. The contract was signed to commence the constructions in accordance with Form of Agreement (Refer SBD 02) approved by the CIDA.
- Not replied.
- The Procurement Guidelines should be followed thereby
- Action had not been taken to rectify the issue.

the transport of heavy mineral sand from Poduwakattu to the Pulmudai Machinery and for land reclamation and transportation of sand at a cost of Rs.234 per one MT but the bidder had not transported the mineral sand at that price. The company had not taken any action against the bidder for not transporting the mineral sand at the agreed price and on 11 July 2020, the company had agreed to pay Rs.320 per one Metric Ton for the first bidder without allowing the remaining bidders to transport the sand. Although the amount agreed to be paid according to the original bid was Rs.20,439,258, due to the price changing Rs 27,836,420 had been paid and the company had incurred a loss of Rs. 7,397,161.

- |  |  |   |   |
|--|--|---|---|
| (k) Although paragraph 6-B of the Bonus Payment Procedure approved by the Ministry of Industry on March 12, 1990 stipulates that the payment of bonuses should be based on profit for the year, but for non-profit for the year under review, the total value of bonus Rs.59,500,000 had been paid in advance as Rs.10,300,000 for | The scheme approved for paying bonus should be followed. | As the institution had not earned profits in the year 2020, bonus could not be paid to the employees. The main reason attributable thereto was that the amount of 85,000 metric tonnes of Ilmenite tendered in October 2020 could | Action had not been taken to rectify the issue. |
|--|--|---|---|

Head Office employees and Rs.49,200,000 for Pulmudai employees. Further, this had not been approved by the Board of Directors of the Company, the Ministry or the Treasury.

not be brought away by the client from the institution up to 31 December 2020.

As such, the employees launched a strike demanding a bonus advance of Rs. 100,000 based on the said sale to be taking place in the year 2021. As the strike would affect the performance of Pulmudai factory, the management requested Treasury approval in that connection through the Line Ministry (Ministry of Industries) under consent of the Board of Directors of the institution. The Treasury then gave approval for paying 50 per cent of that amount. As such, the said bonus advance was paid to the employees subject to the fact that the amount would be adjusted to the profit earned after the accounting process

for the year ended as at  
31 December 2021.

As for preventive  
measures, action will  
be taken by the  
institution to pay  
bonus based only on  
the profit and no  
incentives will be paid  
even as advances  
without profits.

- |   |   |  |  |
|---|---|--|--|
| <p>(1) The earned points for one employee should be determined by deducting the bonus of Rs.30,300,767 paid in the year under review based on gross sales revenue from January to March 2019 from bonuses on profit of the year under review. However, without doing so, calculations had been done by adding the interim bonus paid earlier and as a result, an amount of Rs. 26,990,437 had been over paid as bonus. Further, it was observed that these payments were made in contrary to the Circular of 12 March 2019 approved by the Ministry of Industries in relation to the payment of bonuses on profits and even without obtaining the approval of the Board of Directors.</p> | <p>Payments should be made in accordance with provisions of the Circular. Action should be taken to recover the overpaid bonus.</p> | <p>As the amount of bonus paid based on the profit for the year ended as at 2018/12/31 was minimal, employees of the institution requested the management that, based on the stock of Non-magnetic Heavy Mineral Concentrate for which funds had been received after being put out to tender, bonus should be paid as advances in the first quarter of the year 2019. Accordingly, a sum totalling Rs. 30,300,767.74 was paid as interim bonus in the first quarter of the year 2019. In preparing final</p> | <p>Not replied.<br/>(No adjustments have been made thus far)</p> |
|---|---|--|--|



accounts in the year 2019, the advance so paid was considered as expenditure, and adjusted to the balance profit separately. Nevertheless, the amount pointed out by you is incorrect, and we recomputed the bonus. Accordingly, It is noted to make adjustments on the additional bonus in due course.

It is further noted not to pay bonus as advances in the ensuing years.

- |  |   |   |
|--|---|---|
| <p>(m) In 2013, the company acquired 17.6 hectares of mineral sand rich land in the Kokilai area and paid Rs. 2.25 million to the Mullaitivu District Secretary in 2012 and In the same year, Rs.39,339,473 had been spent on the purchase of machinery for the Kokilai project. No excavation work had been carried out in the area until the year under review due to non-availability of the required excavation permit. Further, all the assets purchased for the project had been located elsewhere in the Pulmuday plant</p> | <p>Implementation of the Kokilai Project should be expedited. Action should be taken to implement the project by making use of machinery in the production process.</p> | <p>Not commented.</p> <p>Once recommendations on the environment were obtained from the Department of Coastal Conservation, the mining license for Kokilai-Kokkuthuduwai area has been obtained. Action is being taken to establish the plant in Kokilai.</p> |
|--|---|---|

and had been idle in some of the machinery depots. Twenty-four spirals of these machines had been installed in the old Block A plant, but were not in working condition. Also in 2015, Kokilai project recruited 117 workers for the project and attached them to various locations in the Pulmudai plant. Accordingly, the presence of overstaffing also contributed to the increase in the cost of production.

- (n) To save 50 percent on fuel costs, the company imported Rs.62,370,234 worth of dryers on 30 June 2016 and paid Rs.43,838,767 for them by 31 December 2020, including a late fee of Rs. 1,164,350 even though 5 years had passed, although the company had not yet been able to put the machine into operation and put it to production by 21 March 2021, the company had not identified the responsible officials and taken action against them.
- Action should be taken to make the machine operational and against the responsible officers.
- 75% of the work to implement this has been completed by now. Due to unavailability of password it can't complete the work and Due to the inability to complete, the software will be rewritten or modified in the future.
- Action had not been taken to rectify the issue.
- (o) The company had decided in the year 2014 to import the new Hyarosizer machine for the wet sand plant through a Sri Lankan company, a representative of Australian Mineral
- Action should be taken to use the machine for manufacturing task and against the
- Not replied.
- Hyarosizer machine was started following the commissioning of it. And it became inoperative again after 2 1/2 day. The main reason for this was

Technologies, and had been responsible imported on the value of officials. Rs.15,426,302 on 15 January 2016, as an urgent and essential purchase to enhance the company's manufacturing operations. Although 4 years have passed since the purchase, the company had not yet used of this machine for production by 21 March 2021. Although it was clear that the machine was not purchased for emergencies, the company had not taken action against the officials responsible for purchasing the machine.

the damage caused to the circuit due to sudden power failures occurred in the electricity system. Plans are already afoot to start discussion with the company from which the machine was bought and bring down the part that has become malfunctioned. As soon as the part is received, the machine can be restored to working order and use for manufacturing task.

- (p) After the devastation of the Pulmudai shipyard by the 2004 tsunami disaster, the Kodbay shipyard was no longer in use. As a result, the tugs and barges on board had been in a state of disrepair for more than 16 years, but no action had been taken to transfer or dispose of the relevant vessels and equipment. Action should be taken expeditiously to sell, transfer or dispose of the vessels. It has been referred by now to the Government Valuation Department to value the tugs and barges. And in the meantime arrangements have been made to sell them in public auction once the valuation activities are completed. Action had not been taken to rectify the issue.
- (q) In addition to the (white sand) stockpiles that are being removed from the machinery, the aforesaid stockpiles of sand had been piled up unsafely at various locations over large areas of the company for several years, and the land was blocked Action should be taken to sell or remove sand stocks. Low Geade Zircon, Cude, Final Tailings Lot -02, Hydrosizer Fines, which are the byproducts occurred while the main products such as Ilmenite, Rutile, Action had not been taken to rectify the issue.

due to the failure to sell or remove the stockpiles.

Zircon and Hi-Ti ilmenite are manufactured, are mainly stored in open warehouses. Since there exists some percentage of heavy mineral sand high in value in certain sand stocks as selected samples of these byproducts are sent to the laboratory, such sand is reused for refining purpose and the Tallings that is removed from them are used to fill the mining zones without being stored again. The Low Grade Zircon Crude product has been refined by now. Tenders have been called for selling Hi-Ti ilmenite.

Approximately 40000 MT of Hi-Ti ilmenite has currently been stored. Approval of the Board of Directors is needed to establish new plants to re-refine Final Tallings Lot -02. Board Pepper has been referred for that

- (r) One officer who holding the post of Administrative Officer since 2 December 1997, he was found guilty of 11 charges following a disciplinary inquiry and dismissed from 15 September 2017 from the service and had been appointed as the Deputy General Manager (HM1 -3) by the chairman for Pulmudai Plant and on the decisions of the Board of Directors for the monthly allowances of Rs. 120,000 from 01 April 2020 and 12 October 2020. The Company had paid Rs. 2,052,898 as allowances to the relevant officer from April 2020 to March 2021. Neither the Company nor the Ministry had taken action to rectify this misappropriation appointment and recover the payments made for it from the responsible officials.
- Action should be taken to rectify the improper appointment.
- Not replied.
- The investigation report MI/CIA/LMSL/APP/DG MAdmin/2020 dated 31 05 2021 related to this appointment has been presented from the Ministry of Industries and the recommendations in that regard of the Audit and Management Committee of the institution have been submitted to the Board of directors. Board of directors does not agree with the facts mentioned in the relevant audit report and replies have been given for the relevant audit report as per the decision of the Board of Directors.
- (s) The officer who was appointed to the post of Personal Assistant to the Chairman without the approval of the Department of Management Services had been paid as an allowance of Rs.646,749 from March 2020 to February 2021 and 500,000 for overtime, Rs. 60,000 for travel
- Action should be taken to rectify the improper appointment.
- Not replied.
- (This appointment has been terminated as from 30.06.2021)
- Action had not been taken to rectify the issue.

to Pulmudai Rs. 1000 per day and total Rs. 1,206,749. This post is not in the approved recruitment procedure and no action has been taken to recover the salaries and allowances paid for improper recruitment.

- |     |  |   |  |   |
|-----|--|---|--|---|
| (t) | During the sample examination of promotions to the company, the chairman of the company had changed the salary codes of the officers personal to holder basis and paid the salaries without the approval of the Management Services Department, contrary to the recruitment and promotion procedures.  | Recruitment and promotion procedure should be adhered to. | and Not replied.   | Action had not been taken to rectify the issue. |
| (u) | The post of Chief Analyst at the senior management level of the company has been vacant for 10 years, the post of Medical Officer for 5 years and the posts of Senior General Manager (Finance) and Senior General Manager (Human Resources) have been vacant since April 2019. Until now, the company has not been able to recruit permanent officers for these positions | Officers should be recruited immediately for key posts.   | Not replied.<br>(The two analysts currently employed are engaged in duties related to the lab) | Action had not been taken to rectify the issue. |

- (v) Although the vacant post of General Manager should have been filled permanently from 2015 to implement the policies and decisions taken in relation to the production, administration, accounting and other functions of the organization as a whole, the officers had been recruited on a secondary basis for the relevant post and an officer had been recruited on contract basis for a period of one year from December 2021.
- Action should be taken to recruit a Permanent officer.
- Applications were called through newspaper advertisements published on 05.11.2020. 19 applicants had sent applications and out of them only one application had satisfied the required qualifications. It was referred to the Line Ministry to obtain instructions on the conduct of interview in that regard. It is reported that the Line Ministry has not given any decision in that regard since that applicant had qualifications related to financial sector.
- has been appointed by now on contract basis under the approval of the Cabinet of Ministers to perform the duties of the post of General Manager for a period of one year from 28.09.2021 to 27.09.2022
- (w) Although five officers, including two senior management level officers were attached to the Internal Audit Unit, adequate audit had not been done as per the audit plan.
- Action should be taken as per the audit plan..
- It was ordered through the letter of the Competent Authority dated 05.06.2017 that all payment and procurement activities of the company were subjected to a pre-audit. Accordingly, considerable time had to be dedicated by the staff for pre-auditing
- In the backdrop of closing down the country /limited number of officer being called for duties due to Corona pandemic prevailed in the country in 2020 and 2021, action will be taken to complete all tasks of the audit programme approved for 2021 before 31 03 2022 as has

all procurement and purchasing activities of the head office. The internal audit branch had done considerable amount of work within the time period 2018/2019/2020.

been mentioned in the audit plan.

Noted to act as per the audit plan in future.

However, in this task it was able to block unnecessary purchases, pre-identify uneconomic activities and action was taken to pre-identify the wrong payments and avoid such payments being made.

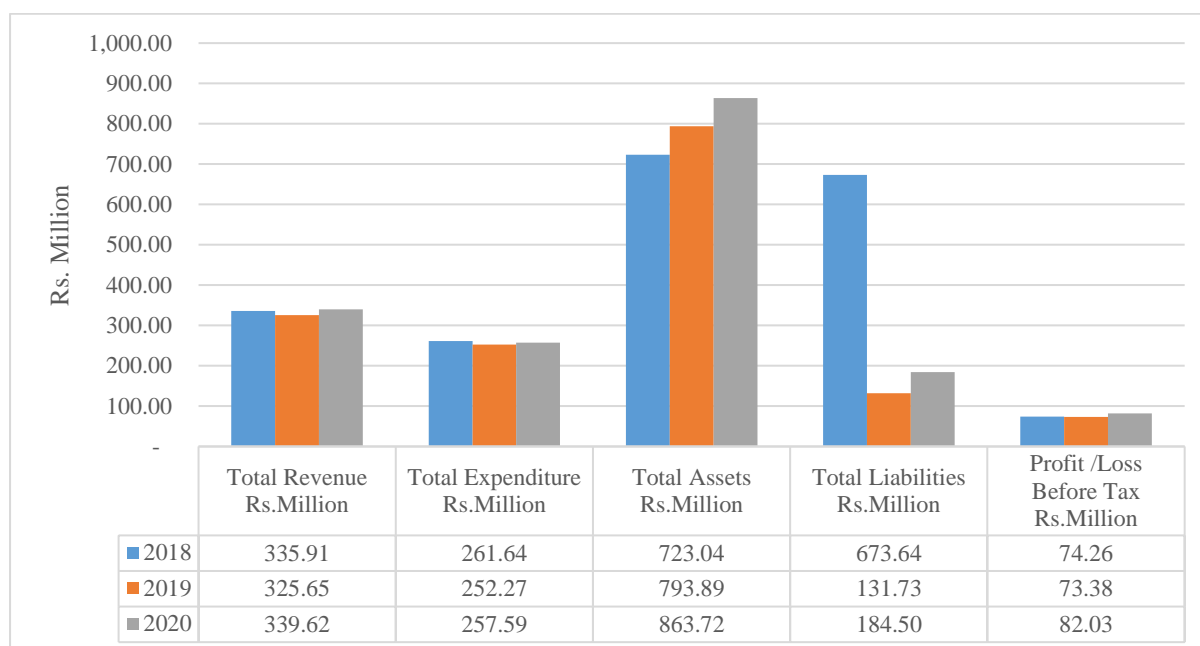
However, in the execution of large amount of pre-audit activities, certain subject parts which were to be carried out as per the audit plan could not be done and currently in the backdrop of pre-auditing being confined to procurement activities, action has been taken again to act as per the



audit plan as from  
2021.

#### 4.42 Paranthan Chemicals Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	335,906,171	261,642,255	723,035,747	673,635,143	74,263,916	Unqualified
<b>2019</b>	325,646,375	252,265,648	793,890,376	131,730,114	73,380,727	Qualified
<b>2020</b>	339,618,072	257,588,332	863,720,313	184,500,513	82,029,740	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
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| (a) Action had not been taken to recover the balance of Rs. 4,579,926 due from the 5 closed institutions or to obtain the necessary approvals and eliminate them from the books. | Necessary approvals should be obtained and adjustments should be made in the accounts. | Action had been taken by the Institution to refer to the Board of Directors to take a decision on the balances receivable from the closed institutions. | The approval of the Board of Directors has been obtained to remove the amount of Rs.3,669,987.50, receivable from the two closed companies, from the books. |
|--|--|---|---|

- (b) The Institution had not taken action to recover the balances amounting to Rs.5,052,627 that had been older for more than 10 years and indicated in the accounts as receivables from the institutions, which are still in operation.
- Action should be taken to recover the loan balances.
- Written notices have been sent to this institution on a number of occasions regarding the amount of Rs.3,631,896 due from BCC Lanka Ltd. and necessary action is being taken with the intermediation of the Ministry to recover the relevant loan amount.
- The General Manager of the BCC had informed over the telephone on 11.02.2022 that the full amount would be paid to Paranthan Chemicals Ltd. within the next three months. It has been informed that the approval of the Board of Directors has also been obtained for this.
- (c) Considering the demand for caustic soda lye, the Project of producing Caustic Soda Liquid was initiated on 30 December 2015 at Nagoda Industrial Estate at Kalutara with the objective of adding value to caustic soda and reaching the market, which is not currently available to Paranthan Chemicals Company Limited and the work of the project had been completed on 25 April 2016. However, the project had been abandoned since caustic soda liquid processor was made of iron and iron and caustic soda
- Action should be taken to recover the losses incurred from the responsible officers.
- This project has been based on the concept of "research and development" and it is still in progress.
- Replace the above iron tank with a white iron tank to further minimize corrosion.
  - This project has not yet been abandoned in any way and production will continue with the help of another tank.

liquid reacted with each other and iron had mixed with caustic soda lye and therefore, caustic soda lye could not be sold. Since the Company had functioned without conducting a proper study, the Company had to incur a loss of Rs.2,089,000. As this machine had not been used, it was corroded and some parts of the machine had been left in several places of that land and they had decayed and weeds had grown over them. Moreover, the building, where the machine had been stored had not been utilized for any purpose and it remained idle.

- (d) Due to the cessation of chlorine production at the Paranthan plant from the year 1986, caustic soda and chlorine requirement of the country had been fully met through imports. It was proposed in the year 2016 to set up a plant for Necessary steps should be taken to start chlorine production at the Paranthan factory. Preliminary work required to start this project in Paranthan has been initiated and carried out by the Company. Feasibility studies related to the project have been completed by EML Consultant (Pvt.) Limited and the Institution is also conducting the Environmental Impact Assessment of the project. Accordingly, the above study is scheduled to be completed on 31.07.2022 and further steps in concurrence to

chlorine production in the land in extent of 227 acres located at Paranthan and even though a feasibility study and an environmental impact assessment were carried out in 2020 by incurring costs amounting to Rs.7,611,111 and Rs.2,116,750 respectively. Activities of setting up the plant has not yet been initiated.

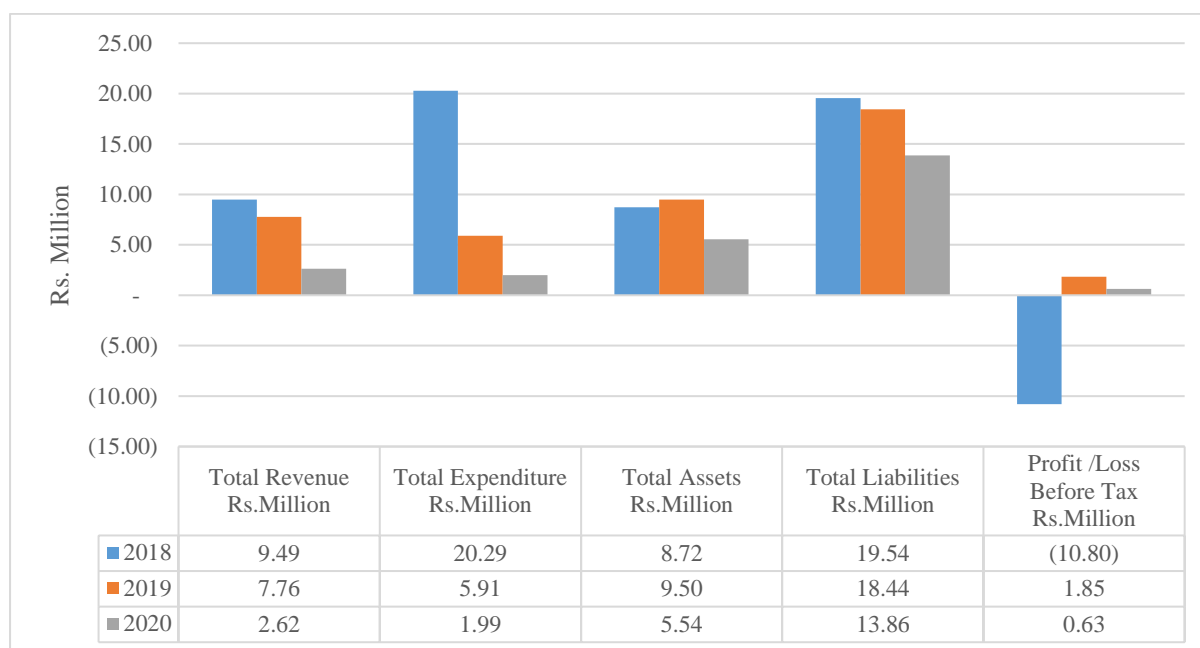
that are being taken in coordination with the General Treasury.

- (e) The approved Cadre of Paranthan Chemicals Company Limited was 70 and the actual staff was 55. Even though the posts such as Deputy General Manager and Auditor included therein had remained vacant since 2019 and the post of Assistant General Manager (Finance) had remained vacant since 2013, the Company had not taken action to fill the relevant posts even by 30 October 2021.
- Action should be taken to fill the vacancies expeditiously.
- No reply had been submitted.
- A number of letters have been sent to the Department of Public Enterprises and the Ministry of Industries requesting expeditious approval to make recruitments to the relevant posts.
- Approval has been received for this, by the letter of the Secretary of the Ministry of Industries dated 07.02.2022 and accordingly, necessary steps will be taken to make recruitments.

- (f) The Annual Reports related to the years from 2015 to 2019 had not been tabled in Parliament.
- Annual reports of each year must be tabled in Parliament.
- It had been governed by a competent authority for the period of 2015 to 2019 and a Board of Directors had not been appointed. Since it had not been possible to hold the meeting of the Board of Directors and the Annual General Meetings, it was not possible to table the annual reports. The General Treasury and the Ministry had been made aware in this regard on several occasions.
- The General Meeting will be held under the new Board of Directors during March 2022 and arrangements will be made to table the Annual Reports from the years 2015 to 2020 in Parliament.

## 4.43 SLINTEC Academy

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	9,493,334	20,292,944	8,722,170	19,541,240	(10,799,610)	Unqualified
<b>2019</b>	7,758,331	5,910,320	9,496,137	18,441,107	1,848,011	Qualified
<b>2020</b>	2,616,661	1,988,842	5,542,498	13,857,021	627,819	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) While having the Sri Lanka Institute of Nanotechnology (Private) Limited as a Degree Awarding institution, the SLINTEC Academy has been registered as a separate degree awarding institution. During the year under review the Company has incurred a sum of Rs.20,293,000 for the	It is recommended to consider the possibility of awarding degree through the Sri Lanka Institute of Nanotechnology (Private) Limited.	The Board of Directors are aware of all the facts highlighted in your query and is in the process of evaluating the relevant options to be implemented in future.	No action has been taken to review the possibility of awarding degree through the Sri Lanka Institute of Nano Technology

PhD and MPhil courses started by the Academy. Out of that the amount incurred for the salaries of two officers of the Academy and the amount paid to the Sri Lanka Institute of Nanotechnology (Private) Ltd for the use of their human and physical resources were Rs.9,612,750 and Rs.7,285,239 respectively. Therefore, audit revealed that the maintaining of SLINTEC Academy as a separate degree awarding institutions is ineffective since those course can be awarded through the Nano Technology (Private) Limited.

(Private)  
Limited.

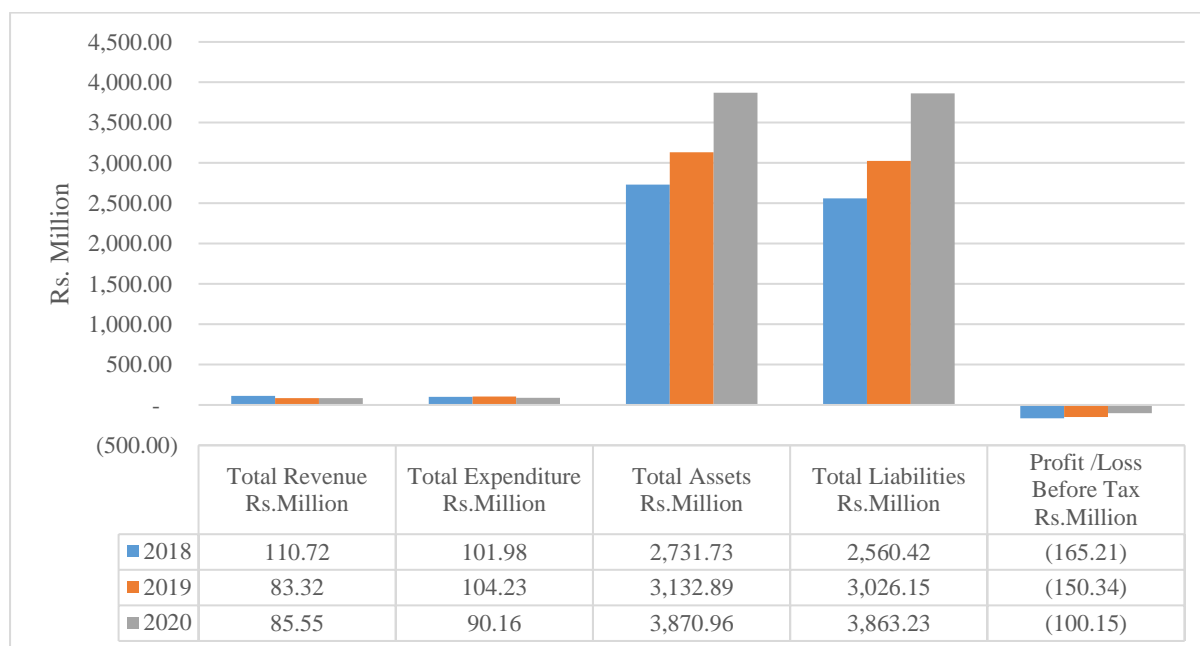
- (b) In comparison with income and expenses of year 2017/2018, 2018/2019, and 2019/2020, the cumulative income and expenses of three years were Rs. 16,891,665 and Rs. 28,115,764 respectively. Hence, the Academy had been failed to generate sufficient income to meet the expenses and management had not taken necessary actions in this regard.
- At least sufficient income to meet expenses should be Generated.
- Since SLINTEC had financial difficulties to allocate funding for research and stipend, student recruitment was halted in 2018. After the graduation of students in Feb 2022, a way forward for SLINTEC Academy will be formulated.
- No action had been taken to resolve the issue.



- (c) The Company's total Assets and total Liabilities at the end of the year under review were Rs. 5,542,498 and Rs. 13,857,021 respectively and the total liabilities exceeded the total assets by Rs.8,314,523. Hence, audit observed that, the Company has a risk of going concern of the business activities.
- |  |  |  |
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| Should be considered about the going concern of the company. | No preventive measures had been taken. | No action had been taken to mitigate the risk. |
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**4.44 Sri Lanka Institute of Nano Technology (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	110,717,975	101,980,053	2,731,731,923	2,560,423,893	(165,205,857)	Unqualified
<b>2019</b>	83,323,479	104,230,652	3,132,890,936	3,026,154,036	(150,335,139)	Qualified
<b>2020</b>	85,549,401	90,163,505	3,870,959,655	3,863,232,080	(100,148,607)	Qualified



<b>Audit Observation</b>	<b>Recommendations of Auditor General</b>	<b>The preventive action taken by the institute</b>	<b>The current situation in that regard</b>
(a) Equipments purchased at a cost of Rs. 73,596,384 for the Synthetic Bio Lab in January 2018 had remained without being used for the said purpose even at the end of September 2019.	Procurement of equipments should be made after identify the specific purpose and utilized them for the said purpose without idling them.	Observation is not clear. Need more details for the response.	Same as the observation.

- (b) As per section 17.19 of the SLFRS for SMES on property plant & equipment (section 17) the useful life of the assets shall be reviewed and if expected to differ from previous estimate the change shall be accounted in accordance with paragraph 10.15- 10.18. However, useful life of the fully depreciated fixed assets amount in Rs. 235,016,653 had not been reviewed by the Company.
- When preparing financial statements company must comply with accounting policies.
- Company policy is to value property, plant and equipment at cost basis, but not on revalue basis. Remaining assets are under working condition and not yet decided to dispose.
- (c) Entity had incurred the accumulated loss of Rs.1,255,772,577 as at 31 March 2020. And net assets had been decreased to the Rs.106,736,899 while stated capital of the entity was Rs.1,362,509,477. Therefore, it had observed that invested capital had been impaired by 92.2% due to the accumulated loss incurred. Net assets of entity was less than half of its stated capital according to the section 220 of company Act, No. 24 07 of 2007 which was critical issue for the going concern of the business entity. According to the circular tabled at board meeting on 10 August 2020 for the purpose of section
- Company should try to minimize the loss by increasing income and decreasing unnecessary expenditures.
- Due to COVID – 19 pandemic, research was not a priority for the major industries in the country. Therefore, SLINTEC had not been able to get the expected income as projected under 5 different pillars. However, SLINTEC had captured business opportunities amidst the pandemic situation and able to generate un-forecasted income of over Rs.86Mn from SWAB production. New mask testing facility contributed to increase the analytical
- SWAB production technology was successfully transferred to the private sector but the expected revenue did not materialize as the Ministry of Health decided to purchase imported swabs due to sharp decline in their prices. However, it should be stressed that during the early stages of pandemic, when the global trade was at a standstill, and when there was no swabs

220 of company Act, No. 14 of 2017, it had mention that science team will be allocated to the 5 pillars and each pillar had been instructed to generate 02 project to earn 4 million in next 9 month as short term revenue strategy of entity. However, it was observed that no revenue had been generated through such project as at audited date of 06 January 2020 while 6 months had been already expired from 9 month.

services income. in the country for Further, SLINTEC has Covid 19 testing, developed LAMP PCR SLINTEC, when test kit and which is in the country was in the process of getting total lockdown, NMRA approval. New worked tirelessly joint venture will be and within a month created with private successfully sector to produced and commercialize the supplied NMRA product once the approved swabs to approval is obtained. the Government. The social benefit accrued to the country with this intervention by SLINTEC cannot be measured in rupees and cents. A joint venture company was formed for the local production of SLINTEC LAMP PCR test kit, after successfully registering with the NMRA. NMRA has also registered the product and granted GMP status for our production facility. Here again the anticipated income did not materialize as the imported

PCR test kit prices have dropped sharply. In addition, Government also approved the use of Antigen test kit, a cheaper but less reliable method for preliminary screening.

Pursuant to the ban of the import/use of fertilizers and agrochemicals SLINTEC pitched several biofertilizer/ biopesticides projects to key stakeholders- Ministry of Agriculture, LPL, SAPP, Lakpohara, and agrochemical companies to get seed funding. Based on the positive feedback received, initiated several projects with in-house funding to complete the POC stage. Unfortunately, with the lifting of the ban, most of them,

except a few, lost interest.

- (d) Debtors included two balances totaling Rs.170,006,139 due from two Indian Companies who had default more than 6 years. Company had made a provision on that, & it was observed that the recovery actions are not taken at a satisfactory level.
- Action should be taken to recover the balances of debtors.
- We wish to highlight that the above matter is a specific issue and overall debtors are followed up diligently every month and the CEO / COO connects with client or e-mails as follow up regularly. As explained in details Nagarjuna bought the rights to a slow release fertilizer and paid a sum of Rs. US\$ 1.0 million. They were due to pay a second tranche along with SLINTEC transferring the patent. However, due to financial challenges the client was unable to settle the dues. We followed up diligently and our chairman along with the CEO and Chief of Research visited the client to request a settlement of the above. We also have not released the patents which are in our name and also issued a letter to client
- Same as the observation.

- indicating that we will proceed to monetize our patent in the event we do not receive the balance amount due.
- (e) From September 2017 to August 2020, the Company had paid a sum of Rs.14,730,754 as salary of four officers who were released on full time leave to study the PhD in SLINTEC Academy. However, the Company had been failed to sign contracts with employees to get specified period of service after completing the PhD Degree course.
- In giving facility to study to employee, company should sign the contract with employees.
- All the lectures have been conducted after 5.00 p.m on weekdays and laboratory practical sessions were conducted on Saturdays.
- The above mentioned officers' academic activities did not interrupt with SLINTEC duties.
- (f) Active pharmaceutical ingredient pilot plant strategic project has been scheduled for 3 years (commenced on 2017) in order to manufacture Active pharmaceutical ingredients in Kilogram quantities. The company had incurred Rs.27,315,188 on this project up to the 31 December 2020. Other than that expenditure Laboratory equipment purchased for the project from year 2017 at a cost of Rs.88,307,858 had remained without been utilized for the said purposes even at the end of
- Socio-economic benefits should be acquired from research conducted with government grants aimed at socio-economic benefits.
- The proposed synthetic route for Thyroxin gave very low yields and hence it was abandoned- such failures are to be expected when carrying out research, particularly in synthetic chemistry.
- Although both Beclamethazone and Betamethasone were synthesized successfully, it was found that the route had too many steps
- Certain assets have been used for the HA Urea project, Once the pilot plant study is completed this technology can be transferred to the Ministry.
- Progress on organic synthesis program is again affected due to the dollar crisis as most of the reagents needed for the synthetic work

March 2021. Management has decided to discontinue the pilot plant studies stating that low overall yield and reduction of economical effectiveness of the 2 researches which were completed successfully. Thus, it is observed that objectives of this project had not been achieved.

with low overall yield and economically not viable. Hence the management made a conscious decision not to continue with the pilot scale study. Since API pilot plant units such as reactors, solvent evaporators, Freezers, Storage cabinets etc., (which are general purpose items), were idling due to the above reasons, they were used for SLINTEC graphene research productively. It should be noted these General purpose pilot plant units can be used for organic synthesis work at any time, if and when promising commercially viable candidates are identified. have to be imported.

- (g) Synthesis of dry spinnable & vertically super aligned, multi walled carbon Nano tube arrays by chemical vapor deposition (CVD) project had completed at a cost of Rs.27,712,850 Government grants should be used to provide socio-economic benefits. Although there is some novelty in the CNT production process due to low commercial potential and high patenting cost it was One of the SLINTEC scientist was able to complete his PhD study successfully under

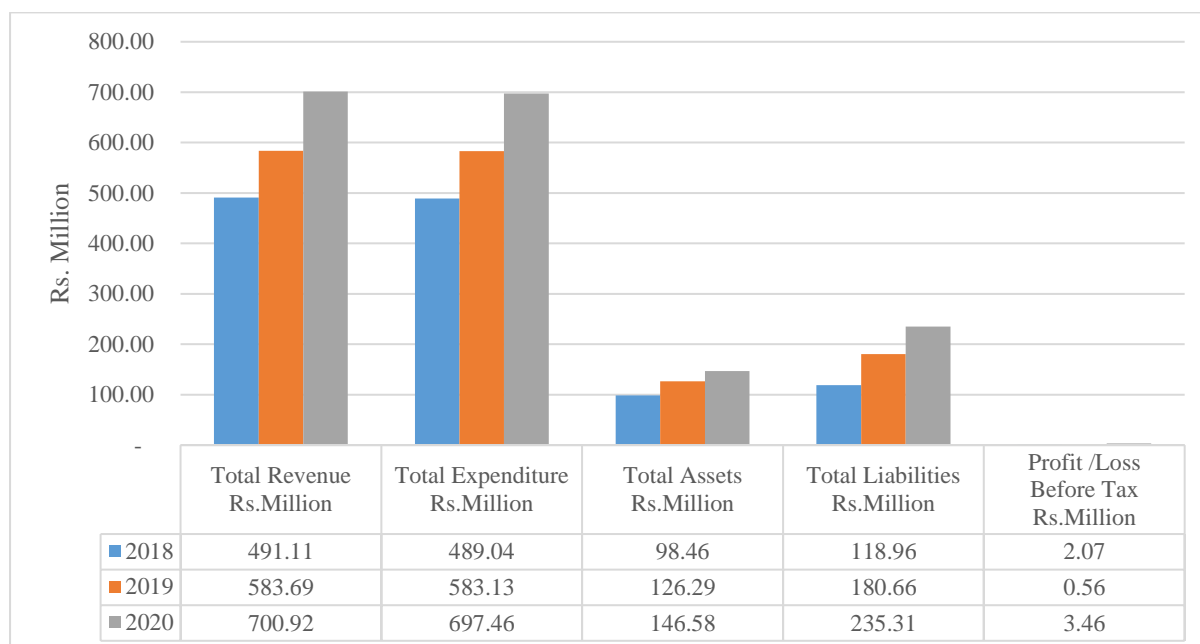


under the government grant in 2019 with the primary objective of commercialization. The company had failed to commercialize those projects by March 2021.

decided not to patent this project. This the process. However, has not only a high quality prevented this publication is under scientist going preparation and will be abroad for a PhD submitted soon. and settling down abroad but also help save valuable foreign exchange. Two full papers are due to be published once they are reviewed by the supervisors.

**4.45 Management Services Rakshana (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	491,112,502	489,043,777	98,463,069	118,963,636	2,068,725	Unqualified
<b>2019</b>	583,689,301	583,133,628	126,289,280	180,660,901	555,673	Unqualified
<b>2020</b>	700,921,898	697,459,039	146,579,314	235,306,493	3,462,859	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The company had maintained journal entries in soft format (in excel sheet) and no physical journal vouchers with serial order number had been prepared and passed with proper approval of the responsible officer.	The management should introduce a sound system of internal controls to pass journal entries with appropriate authority.	As recommended by the auditor we will take necessary action to file the hard copies of relevant journal entries with the proper approval.	This matter is still pending.

- (b) All the payments of the company had been made using the payment vouchers of the Sri Lanka Insurance Corporation Ltd (The Parent). As an independent entity, a unique payment voucher process had not been developed for the company. The management should introduce a unique payment voucher system to the company with sound system of internal controls. Currently, all the payments are handled through SLIC bank accounts. However, after recruiting a Finance officer to MSRPL, all the payments will be handled through MSRPL bank accounts and action will be taken to use MSRPL voucher at that time. This matter is still pending.
- (c) The Loans paid to the employees of the company and its recoveries had not been recorded in the books of Company. Instead those balances had been recorded in the books of the parent company. The staff loans balance as at 31 December 2020 is Rs.134,742,311. The staff loans also the part of the employment benefit. Therefore, the management should take necessary steps to record staff loans in the books of the company. Even though this is separate company, employees are direct with seconded to SLIC. Accordingly, staff loans are granted from SLIC from the inception. This matter is still pending.
- (d) It is observed that, un-reconciled deference of Rs.882,729 with Current Account with SLIC Management should identify the reasons for difference and reconcile periodically We have already stated the reconciliation and we are planning to complete this before finalization of 2021 financial statements. This matter is still pending.
- (e) Approved policy and the approval from the board for The medical leave The company should develop a formal policy and get the This was the practices of the company from the inception and we This matter is still pending.

- allowance of Rs. 20,789,305 had not been furnished to the audit. approval of the relevant authorities will communicate to HR department of SLIC to include this to their policy.
- (f) Approved policy and the approval of the Board for payment of New Year Gift allowance, Rs. 1,215,000 had not been furnished to the audit. The company should develop a formal policy and get the approval of the relevant authorities. For this payment, the board approval is available. This matter is still pending.
- (g) The documentary evidences were not available for the audit to prove whether the six (06) trade unions are active and valid, which are parties to the Collective Agreement on Executive Grade Salaries As per the Article 8(1), 8 (2) of 1935 Trade Union Ordinance (Act) and the Gazette No.8160/25-10-1935. Check whether the trade unions are active and valid trade unions before parties to the Collective Agreement. HR Department is coordinating with EFC on this matter and will come up with their clarification once sorted –out. This matter is still pending.
- (h) According to the Employees' Provident Fund Act No 15 of 1958 The balance of Rs.47,545 brought from the previous year had not been remitted to the fund. Entity should comply with the Act. This amount is not payable to EPF. Accordingly, will take necessary action to reverse it in next year. This matter is still pending.

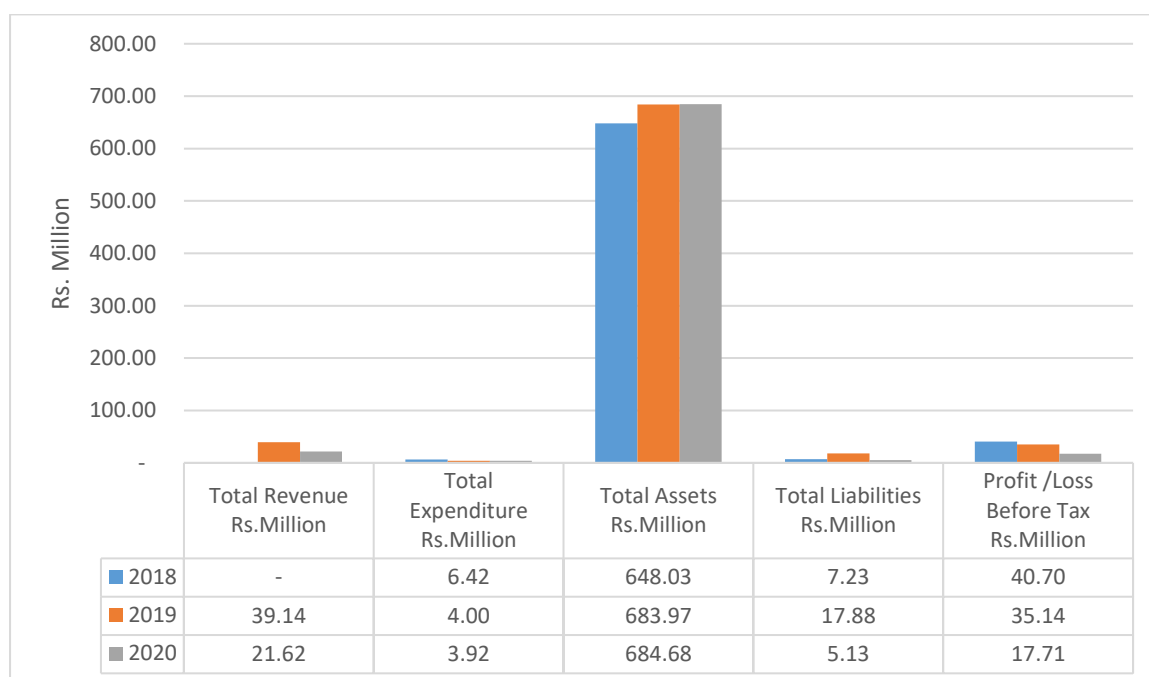
- (i) According to the Entity should comply This Amount is not This matter is still  
Employees' Trust Fund with the Act. payable to ETF. pending.  
Act No 46 of 1980 The Accordingly, will take  
balance of Rs. 5,706 necessary action to  
brought from the previous reverse it in next year.  
year had not been remitted  
to the fund
- (j) The company has a Review the purpose of This was received by This matter is still  
favorable bank balance of maintain the bank the service provided to pending.  
Rs.356,677 in its current account and take SLIC. We are planning  
account maintained with appropriate actions to to recruit new  
Bank of Ceylon, Corporate use or close if not Accounting Officer to  
Branch, which had not required MSRPL and start the  
been used for active payment process  
transactions from the year within the MSRPL and  
2018 funds will be utilized at  
that time.
- (k) There is a fixed deposit of Review the purpose of This was received by This matter is still  
Rs. 1,000,000 from the maintain this fixed the service provided to pending.  
year 2018 which has a deposit and take SLIC. We are planning  
balance of Rs. 1,213,750 as appropriate actions to to recruit new  
at 31 December 2020. In make better use of that. Accounting officer to  
terms of the objectives and MSRPL and start the  
the nature of operations of payment process  
the company, there was no within the MSRPL and  
sufficient reasons or funds will be utilized at  
rational of maintaining this that time.  
fixed deposit.
- (l) Even though the ESC had The company should This will be addressed This matter is still  
been revoked with effect comply with the once we complete the pending.  
from 01 January 2020. The changes to the tax law reconciliation  
the company had continued  
ESC payable balance of

Rs. 1,940,901 and ESC  
receivable balance of Rs.  
4,346,862 in the Financial  
Statements for the year  
ended 31 December 2020.

- |   |  |  |                               |
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| (m) No internal audit had been carried out for the year ended 31 December 2020. | It is recommended to have periodic internal audits or reviews. | We have appointed an internal Auditor to conduct the audit on quarterly basis. | This matter is still pending. |
|---|--|--|-------------------------------|

**4.46 Helanco Hotels & Spa (Private) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	0	6,415,872	648,026,090	7,233,477	40,704,220	Unqualified
<b>2019</b>	39,142,280	4,003,549	683,974,038	17,881,539	35,138,732	Unqualified
<b>2020</b>	21,624,281	3,918,547	684,681,298	5,132,441	17,705,734	Unqualified

**Audit observation**

The company had acquired a land of 3.8 Hectare by investing Rs.177.97 Mn from Urban Development Authority on lease basis. However, the purchased land had not been used for any useful purpose.

**Recommendation of the Auditor General**

The management should make necessary actions to make use of this property for the intended purpose or any other useful purpose until such intended purpose.

**Preventive measures taken by the institution**

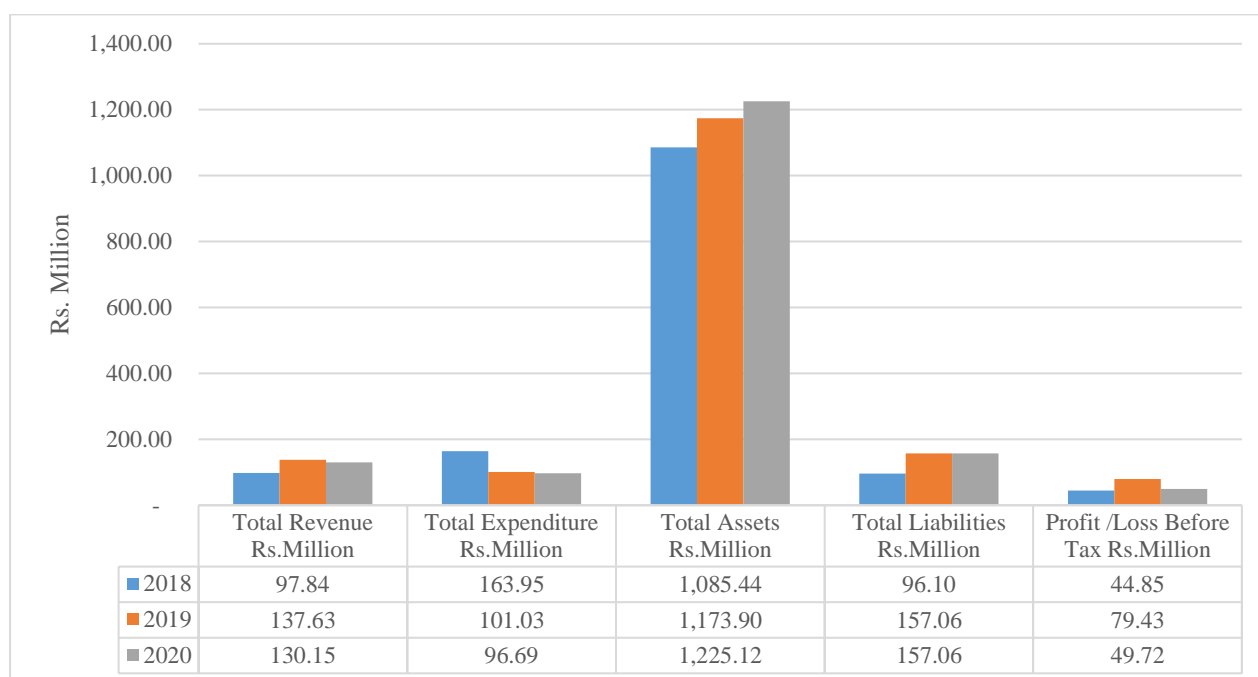
The current management of the company seek necessary directives from line ministry on way forward of the project and the company

**The current position**

No any measures taken by the management.

**4.47 Canowin Hotels & Spas (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	97,835,928	163,950,973	1,085,441,236	96,096,328	44,853,064	Unqualified
<b>2019</b>	137,630,774	101,032,665	1,173,897,099	157,059,219	79,426,574	Unqualified
<b>2020</b>	130,152,100	96,693,193	1,225,121,193	157,059,218	49,716,495	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The company's internal audit division had not been functioning from April 2018.	Steps should be taken to implement an Internal Audit Division	Management has decided to handover internal audit functions of Canowin Hotel and Spas (Pvt) Ltd to the auditing staff of Sri Lanka Insurance Cooperation.	Internal audit had not been conducted yet.
(b)	The upper floor of the arcade "A" side and "B" side had not been	Immediate steps should be taken to	Preventive measurement has not been taken by entity.	Preventive measurement has



- utilized from year 2012 to the audited date, which consists of square feets of approximately 3004 per each side. utilize the space in the upper floor not been taken yet.
- (c) No audit committee had been held by the company for the years 2019 and 2020. The board should ensure that, the audit committee should meet regularly and oversight the affairs of the Company. Company has appointed Audit committee members for the Audit Committee to hold the audit committee. Audit committee had not been held since 2019.
- (d) The annual fixed assets verification had not been carried out by the company. Management should take steps carry out annual assets verification. Preventive measurement has not been taken by entity Entity has not conduct Board of survey to verify fixed assets as of February 2022.
- (e) The entity had purchased water on hiring basis for the consumption of arcade due to lack of water in the installed tube wells. For this purpose Rs.5,526,589 had been incurred additionally by the entity during the year under review. The lack of sufficient fixed water supply to the premises will badly impact to the effective functioning of the affairs of the arcade and The management should ensure the fixed and continued water supply to the premises. Entity had requested to the National Water Supply and Drainage Board to obtain pipe borne water to the Welipenna service zone for shortage of water. Discussion has been conduct with National Water Supply board.

the service provided by  
the arcade.

- (f) The company had not prepared a corporate plan and annual action plans.
- The board should set the strategic direction of the company by preparing a corporate plan and an annual action plans for the company.
- Actions will be taken to rectify it in future
- Corporate plan had not been prepared by the entity.

**4.48 Sinolanka Hotels & Spa (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	11,845,254	214,570,779	21,049,376,711	2,658,856,918	(202,725,525)	Unqualified
<b>2019</b>	12,582,592	5,145,765,374	22,887,517,789	5,577,874,954	(5,133,182,782)	Unqualified
<b>2020</b>	17,160,417	210,450,301	22,364,877,039	5,247,733,550	(193,289,884)	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The company's management has made an assessment on the company's ability to going concern and is satisfied that it has the resource to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant	The management should take appropriate actions to coordinate with the appropriate authority for future direction of the project.	The company is working on a program to infuse USD 175Mn by way of equity and debt to full completion of project.	The company is in the process of coordinating with the relevant authorities for raising funds to continue the project.

doubt upon the company's ability to continue as a going concern. However, the financial support of the Sri Lanka Insurance Corporation Limited or the government will be required to continue to construction activities of the Grand Hyatt Colombo project due to lack of finance.

- (b) The company has incurred Rs. 913,174,853 as project prolongation cost due to delay in execution of three construction agreements. The management should ensure that sufficient inflow of fund before awarding contracts which will enable for avoiding unnecessary cost of this nature. Completion of the project has been delayed on financial constraints being experienced by the company. Ongoing negotiation is carrying out with the contractors for recovering delay charges.
- (c) Under extraordinary Gazette No. 1771/18 of 15 August 2012 the company has started a project to construct and operate a 475 roomed city hotel with 90 serviced apartments at No. 116, Galle Road, Colombo 03 with total investment of USD 158,890,000 (Rs.18.5 Bn). According to the above gazette, the commencement date of the project was 19 July 2012 and the implementation and The management should complete the project within the time frame given for enabling investors to get expected return from their investments and avoid increase of project cost. The reasons for delays and the impact thereon have been duly notified to the respective government authorities. Since this is a company where depend on the government policy decisions, the management of the company follow the directions of the line ministry on way forward. The financial progress is 50% and the physical progress is 52% as at 31 December 2021.

commencement of commercial operations scheduled within 24 months from the commencement of the project.

However, the project has not completed as yet. According to the cabinet decision No. 20/1042/204/050-I dated 10 July 2020, estimated total cost of the project approximately Rs 60 billion. The cabinet has decided, a partial completion of 16 levels together with level 31 to operate as a fully- fledged hotel with 236 rooms out of the 458 rooms. Phase 2 would include completing balance 236 rooms and 100 service apartments. The target completion date of the first phase will be August 2021. However, the delay of five (05) years and five (05) months had been observed for the year under review from the original project completion date of 19 July 2014.

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|-----|--|--|--|--|
| (d) | According to the chapter 5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the entity have | The company should prepare and implement a corporate plan to achieve its strategic objectives. | The company has been currently entrusted to complete the construction of the project and project | No Corporate Plan had been prepared as of 31 January 2022. |
|-----|--|--|--|--|

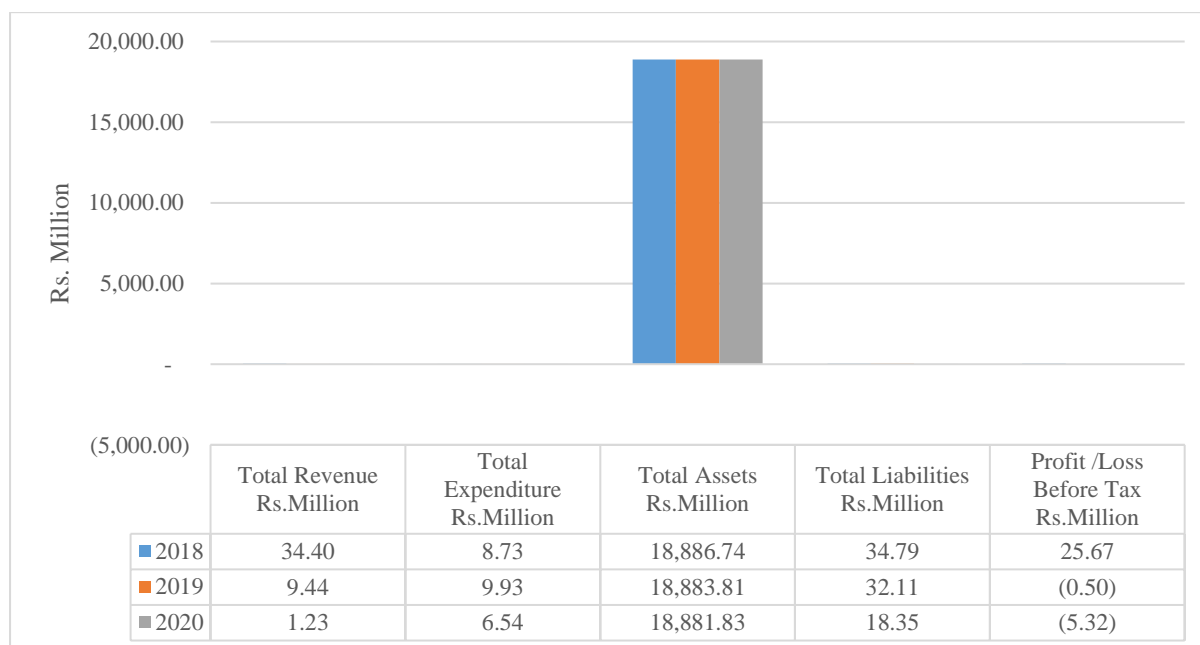
- not prepared a corporate plan.
- completion plan is in place which is to be extended as corporate plan as needful.
- (e) No Annual action plan has been prepared by the entity for the year under review. The company should prepare and implement an action plan to achieve its annual targets. Action plan with regard to completion of the project is in place. No Action Plan had been prepared as of 31 January 2022.
- (f) According to the section 3.7.5 of Public Enterprises Circular No. PED/12 of 02 June 2003, the internal audit manager responsible to review systems and procedures, to ensure that operations are carried out in a true and fair manner. But the role of the internal auditor of the entity has been limited to conduct a pre audit on the payments and certify the payment vouchers. The board should ensure that effective functioning of internal audit for the company as an effective management tool to achieve corporate objectives. From 2015 onwards outsourced periodic internal audit function to a firm of Chartered Accountants by duly following procurement process. They have submitted quarterly reports to the Audit Committee up to 30th June 2018. They were nominated for the year 2019 & 2020 due to suspension of construction activities and subsequent covid19 restrictions not invited for Internal Audit. Will arrange Internal Audit outsource from the year 2022 onwards.
- Key matters have been brought to the attention of the Audit Committee

by the Manager Internal  
Audit.

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| (g) | According to the section 7.4.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, This committee should meet on a regular basis at least once in three months. However, the Audit Committee meeting was held only one time for the year under review. | The board should ensure that effective functioning of the Audit Committee in accordance with applicable laws and regulations and best practices.                       | Due to lockdown, restrictions to gatherings unable to conduct committee meetings on a regular basis. | No Audit Committee meetings had been conducted on regular basis.   |
| (h) | According to section 5.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the entity had not prepared an annual budget for the company and monitored the budget on regular basis.   | The board should ensure that the effective budgetary control is in place within the company for enabling management to proper control over expenditure of the company. | Agreed with observation  | According to the management the annual budget for the project construction had been prepared for the year 2022. However, the copy of the approved budget had not been presented for the audit. |

**4.49 Canwill Holdings (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	34,397,900	8,725,269	18,886,743,754	34,792,015	25,672,631	Unqualified
<b>2019</b>	9,435,080	9,931,740	18,883,814,642	32,110,007	(496,660)	Unqualified
<b>2020</b>	1,225,668	6,540,696	18,881,828,851	18,347,461	(5,315,028)	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The board of directors of Helanco Hotels and Spa (Pvt) Ltd (Subsidiary) has resolved to discontinue the project to construct the hotel in Hambanthota. Further the Ministry of Public enterprise development has given their instructions to transfer the company's stake to its	The management should take appropriate actions to coordinate with the appropriate authority for future directions of the project	The current management of the company seek necessary directives from line ministry on way forward of the project and the company	The matter is still pending.



shareholders in proportion to their shareholding in the company. However, the company had not resolved to liquidate the company.

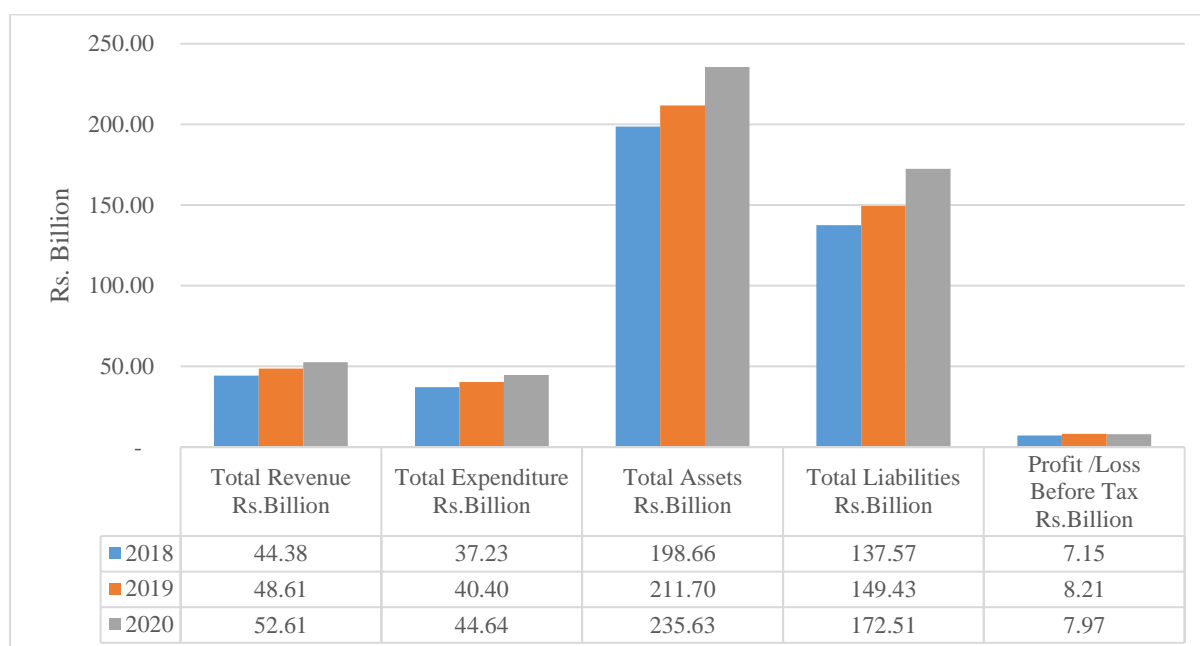
- (b) The management of Sinolanka Hotels & Spa (Pvt) Ltd (Subsidiary) has made an assessment on the company's ability to continue as a going concern and is satisfied that it has the resource to continue in business for the foreseeable future. Accordingly, with the approval of the Cabinet of Ministers construction works of the project were recommenced during the year 2020 and on-going as at the reporting date. However, the government and the Sri Lanka Insurance Corporation Limited (ultimate parent company) have supported financially due to lack of finance.
- The management should take appropriate actions to coordinate with the appropriate authority for future direction of the project.
- The company is working on a program to infuse USD 175Mn by way of equity and debt to full completion of project.
- The company is in the process of coordinating with the relevant authorities for raising funds to continue the project.
- (c) According to the chapter 5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the entity had not prepared a corporate plan.
- The company should prepare and implement a corporate plan to achieve its objectives.
- The company has been currently entrusted to complete the construction of the project and project completion plan is in place which is to be extended as corporate plan as needful.
- No Corporate Plan had been prepared as of 31 January 2022.

- |     |  |   |  |  |
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| (d) | Annual action plan had not been prepared for the year under review.  | The company should prepare and implement an action plan to achieve its annual targets.  | Action plan with regard to completion of the project is in place.  | No Action Plan had been prepared as of 31 January 2022.  |
| (e) | According to the section 3.7.5 of Public Enterprises Circular No. PED/12 of 02 June 2003, the internal audit manager responsible to review systems and procedures, to ensure that operations are carried out in a true and fair manner. But the role of the internal auditor of the entity has been limited to conduct a pre audit on the payments and certify the bills/payment vouchers. | The board should ensure that effective functioning of internal audit for the company as an effective management tool to achieve corporate objectives. | From 2015 onwards outsourced periodic internal audit function to a firm of Chartered Accountants by duly following procurement process. They have submitted quarterly reports to the Audit Committee up to 30th June 2018. They were nominated for the year 2019 & 2020 due to suspension of construction activities and subsequent covid19 restrictions not invited for Internal Audit. Will arrange Internal Audit outsource from the year 2022 onwards. | Audit Committee had been decided to outsource the internal audit function for the 2022 to the professional firm in practice. |
- Key matters have been brought to the attention of the Audit Committee by the Manager Internal Audit.

- (f) According to the section 7.4.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, the audit committee should meet on a regular basis at least once in three months. However, the audit committee meeting had been held only one occasion for the financial year under review.
- The board should ensure that effective functioning of the Audit Committee in accordance with applicable laws and regulations and best practices.
- Due to lockdown, restrictions to gatherings unable to conduct Audit committee meetings on a regular basis. Will strictly comply with in the year 2022
- No Audit Committee meetings had been conducted on regular basis.
- (g) According to section 5.2 of Public Enterprises Circular No. PED/12 of 02 June 2003, the entity had not prepared an annual budget for the financial year under review.
- The board should ensure that the effective budgetary control is in place within the company for enabling management to proper control over expenditure of the company.
- Agreed with the observation.
- No annual budget had been prepared.

**4.50 Sri Lanka Insurance Corporation Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	44,379,869,000	37,229,269,000	198,658,277,000	137,574,392,000	7,150,600,000	Qualified
<b>2019</b>	48,608,572,000	40,403,565,000	211,699,744,000	149,426,747,000	8,205,007,000	Qualified
<b>2020</b>	52,614,494,000	44,642,712,000	235,630,350,000	172,508,826,000	7,971,782,000	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) According to the judgment delivered by Supreme Court of Sri Lanka on 04 June 2009, the Secretary to the Treasury was directed to cause profits of the Company during the period of private ownership, be computed and the profits attributable to the previous	It is recommended to adhere to the Supreme Court Decision.	The Supreme Court directed Secretary to the Treasury to compute and pay the profits attributable to the previous parent be settled. Hence the Company does not have	The matter is still remaining.

- parent be settled. No adjustments have been made in the Financial Statements pending determination of the aforesaid attributable profits.
- any direct involvement to compute the profit.
- (b) A confirmation of balances Of Rs.168,763,399 receivables from Distilleries Company of Sri Lanka PLC had not been available. It is recommended to take necessary action to recover the balances. This balance includes receivable balance from Distilleries Group of Companies. This amount will be adjusted upon the finalization of the payment as per the court decision given on 04 June 2009. The matter is still remaining.
- (c) The company has not segregated the long-term insurance business and the general insurance business being carried on by it into two separate companies according to the Section 53 of Regulation of Insurance Industry (Amendment) Act No. 03 of 2011. It is recommended to follow the IRCSL regulations and requirements. IRCSL has granted an extension by their letter dated 15th June 2020, in order to meet the requirement for the segregation of business up to 31st December 2020. The matter is still remaining.
- (d) According to the Section 31(1) of the Regulation of Insurance Industry Act, No. 43 of 2000, Insurers shall place reinsurance only with a reinsurance company which has Minimum credit and financial strength ratings. It is recommended to follow the IRCSL guidelines on selecting the reinsurer. Due to the global pandemic, it is becoming increasingly difficult to find reinsurance for risks with very large values from reinsurers with a higher rating as many reinsurers have either stopped writing business. The matter is still remaining.

However, It was observed that the company has placed facultative reinsurance arrangements with the reinsurer the rating of the reinsurer is not in line with the rating requirements stated in the terms and conditions for reinsurance placements.

from certain regions or are having very strict guidelines for acceptance. For that reason, SLIC was compelled to place a very small share of 3% with this reinsurer. They had been commented as At the next renewal we will do our best to replace this reinsurer with another reinsurer

- (e) It had been identified 42 non-operating bank accounts

The management must review those non-operating accounts and if thought fit, must take necessary steps to close those non-operating bank accounts

During 2020 company has implemented a pilot project to cluster some bank accounts to reduce the unnecessary increasing of Bank Accounts reconciliations and Bank charges. SLIC will be able to utilize them for newly opened branches in future.

The matter is still remaining.
  
- (f) For the Life insurance business the SLIC has dealt with only one reinsurer.

It is recommended to be highly concerned regarding the above matter.

The reinsurer has been our reinsurer for many decades and has been very accommodative for SLIC. Further that reinsurer is very large and stable reinsurer having AA- (Standard & Poor's Ratings Services) rating and presence in all

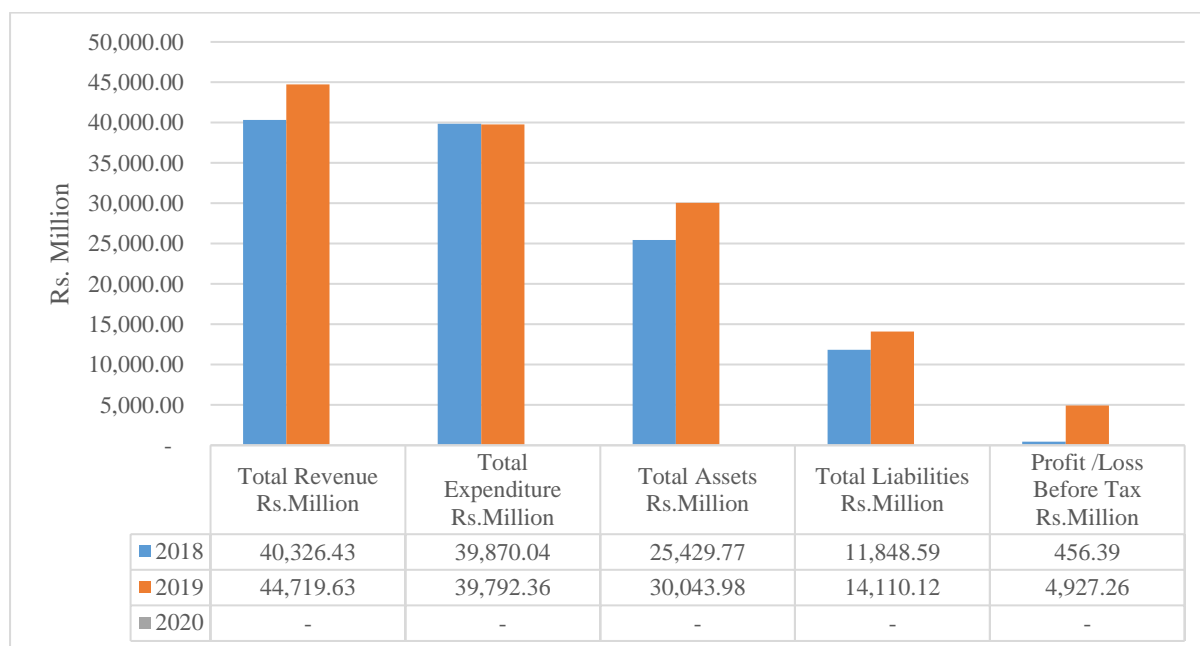
This matter still as pending

## Insurance companies in Sri Lanka.

- (g) The Helanco Hotels and Spas (Pvt) Ltd, a subsidiary of Sri Lanka Insurance Corporation has acquired a land of 3.8 Hectare by investing Rs. 177.97 million from Urban Development Authority on lease basis to construct Hyatt Regency Hambanthota Hotel. However, it has not commenced any operations and the land purchased for this purpose had not been used for any other useful purpose.
- Prompt actions should be taken to utilize the asset by considering the strategic decisions and thereby obtain positive results as expected.
- The management of the company seeks necessary directions from the line Ministry on way forward of the company.
- The matter is still remaining.
- (h) The Group had invested Rs.13.5 billion in Grand Hyatt Franchise Hotel project implemented through Canwill Holdings (Pvt) Ltd and its Subsidiary, Sinolanka Hotels & Spa (Pvt) Ltd. The project had been initially planned to be completed in the year 2014 at project cost of Rs. 20 billion, whereas the constructions of the project was partially ceased from 2018 and fully ceased in 2019. Further, at present the estimated cost to complete project is Rs.60 Billion.
- Prompt actions should be taken to execute and complete the project by considering the strategic decisions and thereby obtain positive results as expected in the cash flow forecast.
- The management of the company seeks necessary directions from the line Ministry on way forward of the company.
- The matter is still remaining.

#### 4.51 Litro Gas Limited

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
2018	40,326,428,839	39,870,041,675	25,429,770,636	11,848,587,127	456,387,163	Unqualified
2019	44,719,625,153	39,792,363,416	30,043,978,698	14,110,122,789	4,927,261,736	Unqualified
2020	Financial Statements not received					



Audit observation	Recommendation of the Auditor General	Preventive measures taken by the institution	The current position
(a) The Company had paid Rs. 15.5 million, Rs.15.1 million and Rs.29.8 million as Ports and Airports Development Levy at the importation of LP Gas in 2013, 2018 and 2019 respectively for the cancelled shipments. However, the Company had failed to recover such outstanding balances yet.	Immediate actions should be taken to recover the outstanding.	The Company has taken actions to recover these amounts from Department of Customs	Only Rs.15.1 million has been recovered.



- (b) Total container deposit receivables as at 31 December 2019 was Rs. 5.2 million. Out of that a sum of Rs. 4.55 million related for the period from 2006 to 2014. Even, it has iterated in previous year audit report, the Company failed to recover such outstanding balances yet.
- Immediate actions should be taken to recover the outstanding.
- The company is continuing the recovering process.
- The matter is still remaining.
- (c) Budget should include budgeted capital expenditure together with the action plan. However, such an action plan was not prepared by the Company for the year 2019.
- The Company should adhere to the provisions in the guideline.
- The budget included the capital expenditure in the budget.
- The matter is still remaining.
- (d) A bonus amount of Rs. 2,269,737 had been paid to Chairman contrary to the provision during the year under review.
- The Company should adhere to the provisions in the guideline.
- The Company has not taken actions on this issue.
- Bonus was not paid to the chairman instead of making the payment for Chief Executive Officer in current year.
- (e) The Company does not have an organization Chart registered with the Department of Public Enterprises with an approved cadre.
- The Company should adhere to the provisions in the guideline.
- The Company has sent a letter including the organization structure, all details of the structure cadres, salary structure and Scheme of Recruitment (SOR) for the registration to Management Service
- The matter is still remaining.

Department on 19<sup>th</sup> September 2019. Response from the Management Service Department has not been received according to the information available to the audit.

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| <p>(f) The Company does not have a Scheme of Recruitment and Promotion approved by the Board and the Ministry with the concurrence of the Department of Public Enterprise.</p>  | <p>The Company should adhere to the provisions in the guideline.</p> | <p>The Company has sent a letter including the organization structure, all details of the structure cadres, salary structure and Scheme of Recruitment (SOR) for the registration to Management Service Department on 19<sup>th</sup> September 2019. Response from the Management Service Department has not been received according to the information available to the audit.</p> | <p>The matter is still remaining.</p> |
| <p>(g) Salaries and allowances should be based on approved schemes of recruitments and promotions and no revision would be permitted without the approval of the Secretary to the Treasury. However, the Company had not complied with the aforesaid provision. Consequently, gross</p> | <p>The Company should adhere to the provisions in the guideline.</p> | <p>The Company has sent a letter including the organization structure, all details of the structure cadres, salary structure and Scheme of Recruitment (SOR) for the registration to Management Service</p>  | <p>The matter is still remaining.</p> |

- salary per month of executive payroll had been established in a range of Rs.38,000 to Rs.1,000,000.
- Department on 19<sup>th</sup> September 2019. Response from the Management Service Department has not been received according to the information available to the audit.
- (h) Evidences were not made available to ensure whether the Company had obtained the recommendation of the Secretary to the Line Ministry and the concurrence of the Minister of Finance before decide the allowances of Chairman and Board of Directors.
- The Company should adhere to the provisions in the guideline.
- The Company has obtained only the Board approval for deciding the allowances of Chairman and Board of Directors.
- The matter is still remaining.
- (i) The Company had paid EPF and ETF on the allowances paid to Chairman contrary to the provision of the circular.
- The Company should adhere to the provisions in the guideline.
- The Company has not taken actions on this issue
- Statutory payments were not paid relating to allowances of chairman instead of making the payment for Chief Executive Officer in current year.
- (j) A project for granting LPG pipelines and heavy duty gas Stove at an estimated cost of Rs.
- Projects should be commenced with a proper feasibility study
- Currently, the Company is continuing the project.
- Currently, the Company is

8,070,000 to 100 religious places and service providers on free of charge had been should be selected commenced as a CSR activity by through a tender the Company without a proper procedure.

continuing the project.

feasibility study. However, Installation of that equipment had been completed only for 82 religious places and 192 heavy duty gas stoves with domestic rubber hose out of 317 and 18 manifold items out of 89 were remained idle in Mabima stores for longer period. Evidences were not made available to audit ensure whether religious places had been selected as specified by the Board and all the equipment delivered to the distributors had been promptly installed in selected religious places. Contrary to the Board Decision Service providers had not been selected through a tender procedure and it was unable to ensure whether agreements had been entered with service providers.

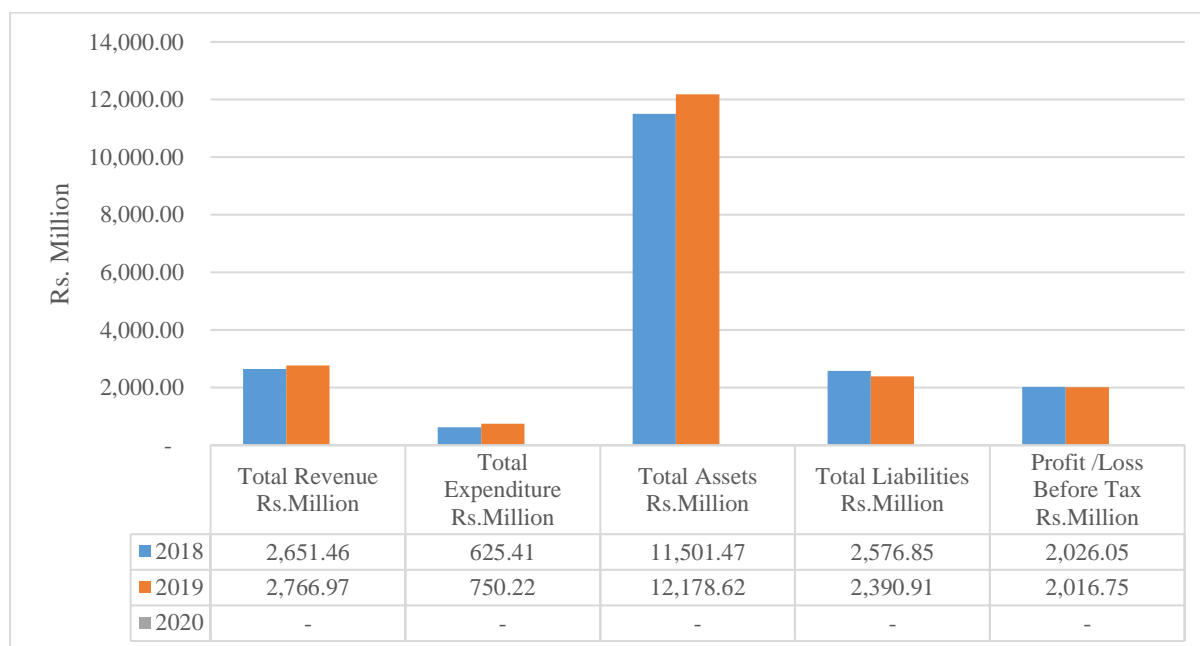
- (k) Land at Orugodawatte had been purchased at a price of Rs. 13 Million in 1986 by the Colombo Gas Company, the former administration Company. However, deed of the land had not been got transferred under the Litro Gas Lanka Ltd and the land had not
- The Company should take immediate actions to get transferred the title of land to the Company.
- As Senior Legal Manager, the Company has the right owner of this property under the provisions of the Land Acquisition Act and was in possession since 2006. It is not required to execute a Deed of
- The matter is still remaining.

been used by the Company since the date of purchased.

Transfer as the absolute title of the land is divested with the Company.

**4.52 Litro Gas Terminal Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,651,460,692	625,408,873	11,501,468,451	2,576,847,707	2,026,051,819	Qualified
<b>2019</b>	2,766,967,293	750,221,929	12,178,620,589	2,390,906,077	2,016,745,364	Qualified
<b>2020</b>	Financial Statements not received					



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	According to the Circular Resolution No.04 of 2014 passed by the Board on 08 August 2014, Rs.100 million interest free advance had been transferred to Sri Lanka Investment Holdings Ltd (SLIHL) for the purpose of segregation of Sri Lanka Insurance Corporation Limited as per the Regulation of Insurance Industry (Amendment)	The Company should take immediate actions to recover the advance.	No Comment	The matter is still remaining.

Act, No 3 of 2011. This amount should be repaid by cash or by way of a dividend settlement on or before 31 August 2015 by SLIHL. At the incorporating SLIHL, then Chairman and Managing Director of the Company had been identified as the initial shareholders having one ordinary share for each on the understanding that the said two initial shares will be transferred to the Secretary to the Treasury as soon as, practically, possible. However, this advance had not been repaid by SLIHL up to date and there was not an agreement entered between Company and SLIHL about the settlement of such advance. Further, According to the records of Registrar of Companies, total two shares of the SLIHL had not been transferred yet to the General Treasury and belong to two individuals. Therefore, the recoverability of the advance and existence of such assets belong to the company is critically doubt.

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| (b) | US\$ 51 per MT for bulk segment and US\$ 31 per MT for domestic segment had been charged as throughput fee from Litro Gas Lanka Limited (LGLL) for the use of storage tanks, pipelines and pumping stations. However, basis of fixing the rate of throughput fee was | The Company Throughput fee should update the agreement has been signed with Litro Gas Lanka Ltd (formally Shell) for US \$ 51 per metric ton and Consumer Affairs Authority reduced | The matter is still remaining. |
|-----|--|---|--------------------------------|

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|     | not clear. Further, the Company had not entered into an agreement with sole customer, LGLL, by fixing any terms and conditions of the business.                   |   | this to US \$ 31 per metric ton for which the pricing agreement available.   |                                |
| (c) | Budget should include budgeted capital expenditure together with the action plan. However, such an action plan was not prepared by the Company for the year 2019. | The Company should adhere to the provisions in the guideline. | The budget included the capital expenditure budget.  | The matter is still remaining. |
| (d) | The Company does not have an organization Chart registered with the Department of Public Enterprises, General Treasury with an approved cadre.                    | The Company should adhere to the provisions in the guideline. | The Company has sent a letter including the organization structure, all details of the structure cadres, salary structure and Scheme of Recruitment (SOR) for the registration to Management Service Department on 19th September 2019. Response from the Management Service Department has not been received according to the information available to the audit. | The matter is still remaining. |
| (e) | The Company does not have a scheme of recruitment and promotion approved by the Board   | The Company should adhere to                                  | The Company has sent a letter including the organization   | The matter is still remaining. |



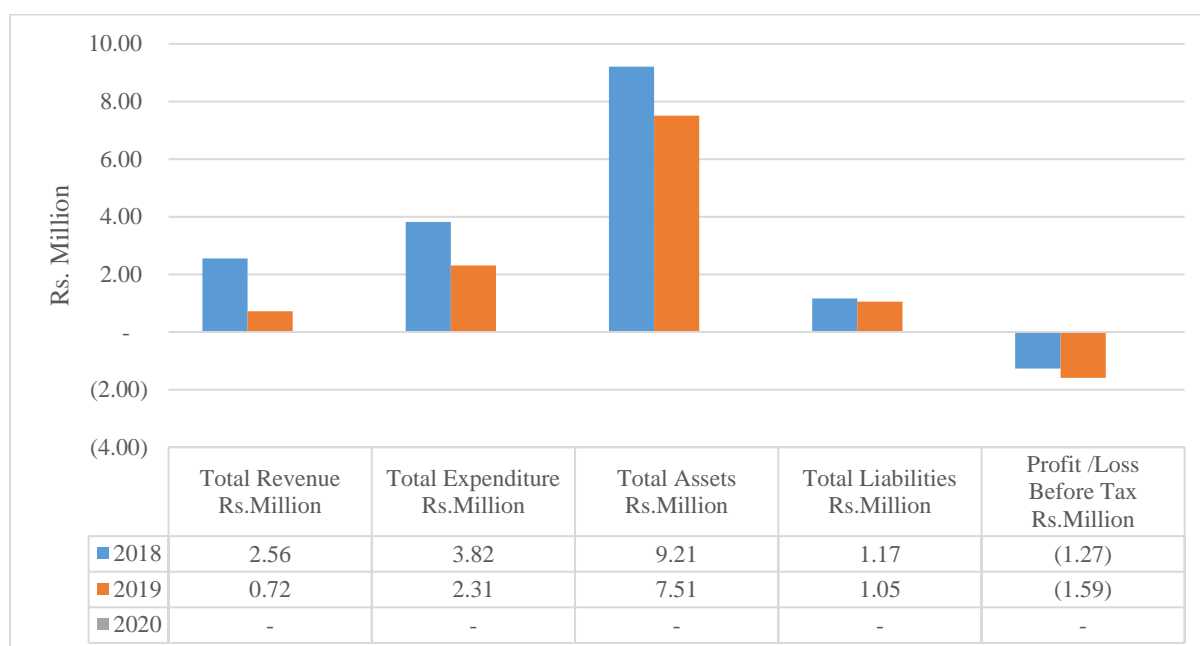
and the Ministry with the the provisions in structure, all details of concurrence of the Department of the guideline. the structure cadres, Public Enterprise, General Treasury. salary structure and Scheme of Recruitment (SOR) for the registration to Management Service Department on 19th September 2019. Response from the Management Service Department has not been received according to the information available to the audit.

- (f) Salaries and allowances should be based on approved schemes of recruitments and promotions and no revision would be permitted without the approval of the Secretary to the Treasury. However, the Company had not complied with the aforesaid provision. Consequently, gross salary per month of payroll had been established in a range of Rs.51,000 to Rs.641,000.
- The Company should adhere to the provisions in the guideline.
- The Company has sent a letter including the organization structure, all details of the structure cadres, salary structure and Scheme of Recruitment (SOR) for the registration to Management Service Department on 19th September 2019. Response from the Management Service Department has not been received according to the information available to the audit.
- The matter is still remaining.

- (g) Evidences were not made available to ensure whether the Company had obtained the recommendation of the Secretary to the Line Ministry and the concurrence of the Minister of Finance before decide the allowance of Chairman and Board of Directors. The Company should adhere to the provisions in the guideline. The Company has obtained the Board approval for deciding the allowances of Chairman and Board of Directors. The matter is still remaining.
- (h) The Company had paid EPF and ETF on the allowances paid to Chairman contrary to the provision of the circular. The Company should adhere to the provisions in the guideline. The Company has not taken actions on this issue. Statutory payments were not paid relating to allowances of chairman instead of making the payment for Chief Executive Officer in current year.

**4.53 Natural Resources Management Services (Pvt.) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,555,284	3,822,354	9,213,402	1,167,856	(1,267,070)	Unqualified
<b>2019</b>	717,910	2,306,952	7,509,648	1,053,143	(1,589,042)	Qualified
<b>2020</b>	Financial Statements not received					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
Even though it had been decided by the Board of Directors of Sri Lanka Mahaweli Authority to liquidate the Company in the year 2012, the liquidation activities	Action should be taken to liquidate the Company in terms of the decision of the Board of Directors.	<ol style="list-style-type: none"> <li>The approval of the Cabinet of Ministers was obtained relating to the liquidation of this Company as per the decision of the Cabinet of Ministers අමැම/19/2250/104/076.</li> <li>As such, even though action had been taken by appointing a</li> </ol>	The liquidation activities of the Company had not been wound up.

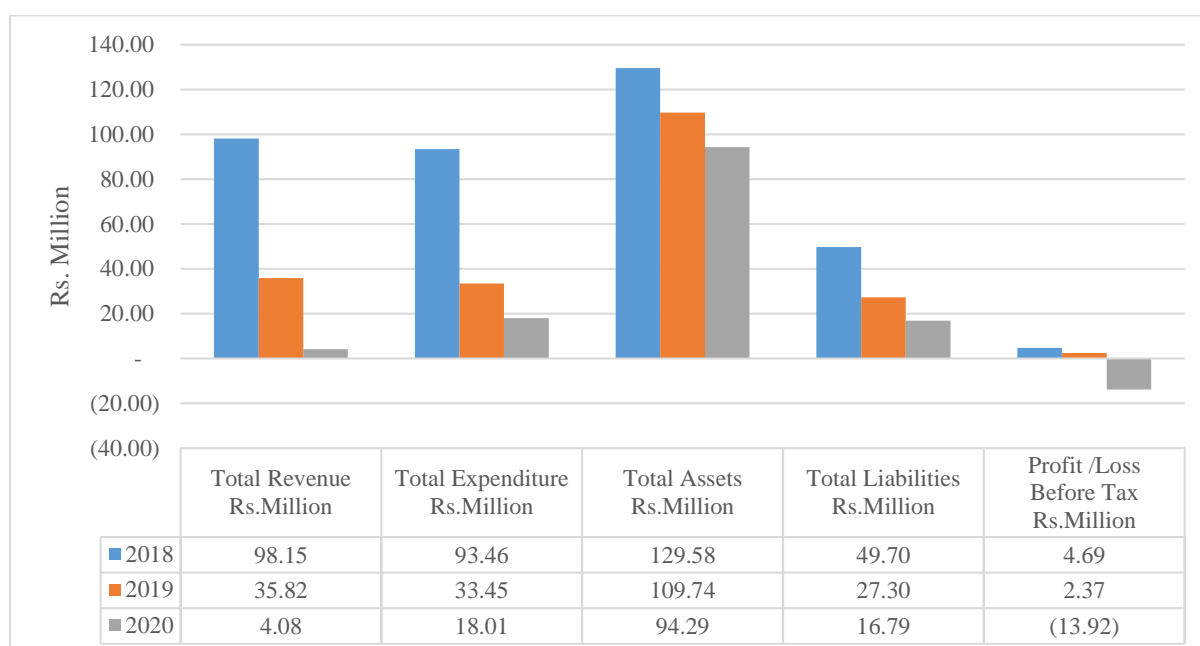
had not been initiated  
by the Company.

liquidator for the liquidation  
process of this Company, the  
liquidation process became  
unsuccessful on a liquidator not  
being operative during the  
required period.

3. As such, a Letter was referred,  
requesting to carry out the  
liquidation process of this  
Company by the Honorary  
Secretary of the Ministry of  
Irrigation to the Secretary of the  
Ministry of Finance on 15 March  
2021 to carry out the liquidation  
activities of this Company by the  
Treasury.
4. An Officer from the Ministry of  
Finance and an Officer from the  
State Ministry of Canals and  
Common Infrastructure  
Development in Settlements in  
Mahaweli Zones has been  
appointed as liquidators relating  
to the liquidation of the  
Company.
5. Action is being taken to refer a  
Board Paper on 28 February  
2022 for the approval of the  
liquidation of Natural Resources  
Management Services (Pvt.) Ltd  
by the liquidators mentioned  
above.

**4.54 Mahaweli Consultancy Bureau (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	98,152,361	93,461,482	129,582,010	49,696,403	4,690,879	Qualified
<b>2019</b>	35,821,402	33,448,217	109,736,841	27,304,698	2,373,185	Qualified
<b>2020</b>	4,083,465	18,007,675	94,287,676	16,788,156	(13,924,210)	Qualified

**Audit observation****Recommendation  
of the Auditor  
General****Preventive measures  
taken by the  
institution****The current  
position**

- (a) Even though fully depreciated fixed assets costing Rs.3,058,326 had been in further use due to the failure to review the effective life of non-current assets annually in terms of Paragraph 19 of the Chapter 17 of Sri Lanka Accounting Standards for small and medium sized
- Action should be taken to Comply with Sri Lanka Accounting Standards.
- As there was a policy decision to liquidate the company at that time, action had not been taken to rectify the estimated errors. Since that policy decision has been
- Assets have not been revalued.

- enterprises. Accordingly, action had not been taken for the revision of the estimated error.
- changed, it has been decided to revise those errors in the financial year, 2022.
- (b) Action has not been taken to settle retention amount exceeding 5 years amounting Rs.1,273,787 and one to five years amounting Rs.6,016,484 at the end of the year under review and to recover other outstanding balances of more than five years amounting Rs.1,762,118.
- Action should be taken to settle and recover the balances.
- Sending reminders to the relevant parties to recover the retention amounts. An amount of 3,058,057 has been settled out of Rs. 6,016,484 retained for 1-5 years.
- A retention balance amounting to Rs.1,273,787 for more than 5 years has not been settled. A balance of other receivables totalling Rs. 1,762,118 and a retention balance amounting to Rs.2,958,427 withheld for 1 to 05 years have been retained even by February 2020.
- (c) National security tax payable over 8 years amounting to Rs.166,039, mobilization advances over 5 years amounting to Rs.8,410,207 and other outstanding balances over two years amounting to Rs.2,454,530 had not been settled.
- Action need to be taken to settle the payable balances.
- Action had been taken to settle mobilization advances and other outstanding balances amounting to Rs.2,454,530.
- The payable national security tax amounting to Rs.166,039 outstanding for over 8 years has not been settled.
- (d) There was no approved staff for the company and the recruitment procedure was not approved by the Management Services Department or the Board of Directors. Due to this, it is not possible to check the accuracy of the recruitment,
- Steps should be taken to approve an approved staff and a recruitment procedure.
- Necessary measures are being considered to change the organizational structure in accordance with the new projects received by the
- The situation remains the same even by February 2022.

- promotion and qualifications of the staff of the company.
- Company under the new management in the year 2022.
- (e) Although the company has submitted a final bill of Rs.11,998,130 for the renovation of Dimuthuwewa located in the Medirigiriya Divisional Secretariat Division, as the development of the Dimuthuwewa downstream had been done outside the scope, that the entire amount not be paid the committee appointed to renovate the Dimuthuwewa had been recommended. Accordingly, the total amount recommended by the Committee to be paid to the Company was Rs.4,840,515 and only Rs.1,869,030 had been paid to the Company after deducting the advance of Rs.2,971,485. Accordingly, the company had incurred a loss of Rs. 7,157,615.
- Construction should be carried out only within the scope of the contract agreement and in case the Company had incurred losses due to carrying out additional work without getting approval, the Company should recover the loss from the responsible parties.
- Taking action to obtain the approval for additional work done. The losses incurred have not been recovered.
- (f) The contract agreement to rehabilitation of the Kanewela anicut, the company had been terminated. Accordingly, Hold of the performance bond of Rs.1,730,055, the balance of Rs.1,000,089 had not repaid in advance bond and including retention money of Rs.419,421 the company had incurred a loss of Rs.3,149,565.
- Should be recovered from the responsible parties.
- Action is being taken to recover the retention amount of Rs.419,421 to the Company.
- The loss amounting to Rs. 3,149,565 has not been recovered.

Furthermore, 10 gates worth Rs.849,744 and re-bars worth Rs.562,941 had been purchased despite the fact that the construction progress had been only 25 percent. Therefore, that expenditure had become an idle expenditure.

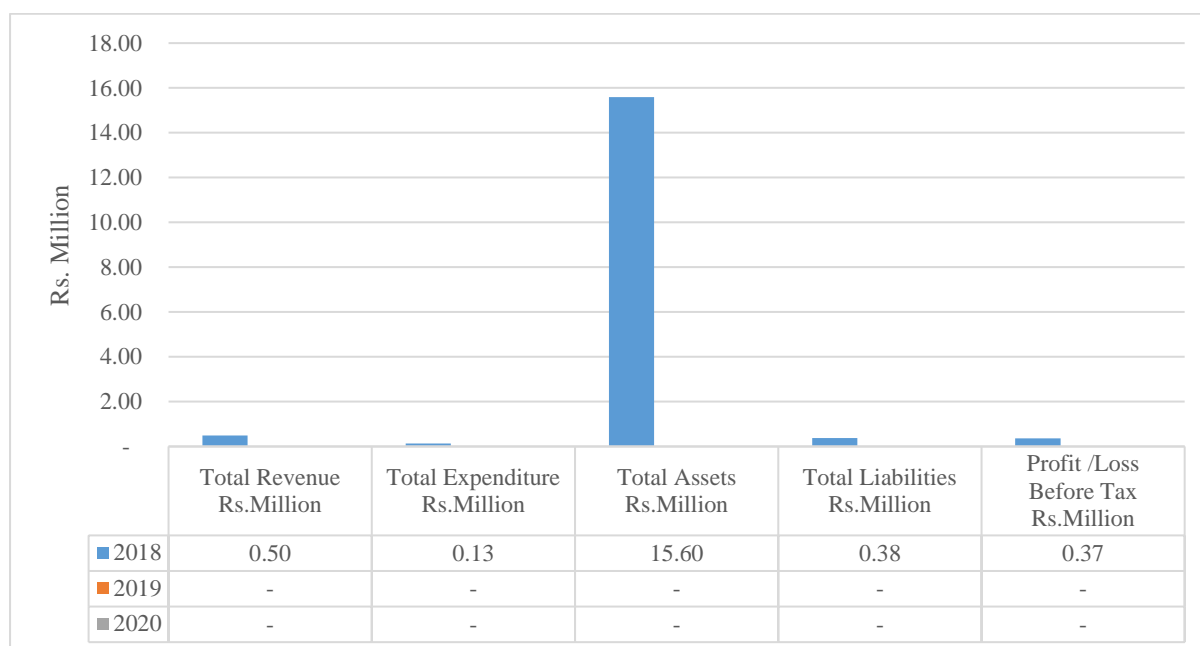
- (g) According to the Debtors age Analysis, the receivable balance of the Company as at 31 December 2019 value of Rs.47,074,872 was and Out of which Rs.4,176,453 account balances were observed to be outstanding for more than 05 years.
- Action should be taken to settle the balances receivable to the Company.
- Measures have been taken to reduce the balance receivable by 31 December 2021 up to Rs. 8,511,509.
- An amount of Rs.4,176,453 outstanding for more than 5 years has not been recovered even by February 2022.
- (h) According to the fixed asset register, as at 31 December 2019, the Mahaweli Consultancy Bureau has Rs.16,749,105 worth of assets but physical verification had not been carried out to verify the physical existence of the relevant assets.
- Action should be taken to carry out a physical verification of goods to ascertain the physical existence of the assets.
- The Company physically verifies the assets every year and such verification had not been conducted by a Board appointed in accordance with the asset survey methodology. 2022 It has been informed that action will be taken in this regard under the new Management from the year 2022.
- Physical verification of goods has not been conducted.



- (i) The company had incurred a loss of Rs.20,200,000 due to non-compliance with the procurement guidelines when awarding sub-contracts for the construction of Moragahakanda Circuit Bungalow and Observation Gallery in the year 2017. Although the Committee on Public Enterprises held on 21 February 2019 recommended that a formal inquiry be initiated into this matter and that a report be submitted to the Committee within one month, those recommendations had not been implemented. Legal action to recover the money had not been initiated until 02 August 2021, the audit date.
- Action should be taken to implement the recommendations of the Committee on Public Enterprises.
- The Attorney General has been consulted to recover the money.
- Money has not been recovered.
- (j) Although there was a vacancy from the year 2019 for the post of Manager (Projects) and Engineer in the Engineering Division related to the implementation of the consulting services which was the main operation of the Company, actions had not been taken to recruit until September 2021.
- Action should be taken to make recruitments.
- The relevant officers could not be appointed as projects carried out by the Company from year to year had been suspended due to the decision taken to liquidate the Company.
- Action has not been taken to recruit.

**4.55 Mahaweli Venture Capital Co (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	496,420	129,929	15,596,230	381,208	366,491	Disclaimer
<b>2019</b>	Financial Statements not received					
<b>2020</b>	Financial Statements not received					



<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures Taken by the Auditee Entity</b>	<b>The current position</b>
In terms of recommendations of the Committee on Public Enterprises held on 13 August 2012, the Board of Directors of the Mahaweli Authority of Sri Lanka had decided at the meeting held on 28 September 2012 to wind up the company voluntarily by the end of	Immediate steps should be taken to complete the liquidation process of the company.	1. Cabinet approval had been obtained to liquidate this company in accordance with the Cabinet Decision No. AMPA/19/2250/104/076. 2. Accordingly, A liquidator was appointed by the company for the liquidation process. The liquidation process could not be completed with the death of the liquidator.	The liquidation of the company has not been completed.

December of the same year and accordingly a liquidator had been appointed to wind up the company as per the special decision of the Board of Directors taken on 20 November 2014 and it had been agreed to make a payment of Rs.125,000 on 21 October 2014 for winding up activities and preparing of accounts moreover out of the said amount, which is Rs.62,500 had been paid on 10 January 2015. Even though it had been decided at first to wind up the company voluntary, it had been confirmed according to the letter No. PD/9854 dated 25 July 2016 of the Department of Registrar of Companies that subsequently it had become a winding up by setting of creditors. It had been informed as per the said letter to hold a meeting for creditors and to proceed further. However, no evidence had been made available that such a meeting had been held and the winding up activities of the company

- Accordingly, a letter was sent by
3. the Hon. Secretary of the Ministry of Irrigation to the Secretary to the Ministry of Finance on 15 March 2021, requesting that the liquidation of this company be carried out through the Treasury.

- After nominating a liquidator for
4. the liquidation process of the Mahaweli Venture Capital (Pvt) Ltd, a proposal of shareholders and a proposal of the directors should be passed in this regard.

There, Mahaweli Venture Capital (Pvt) Ltd has divided 03 shares out of the total among three shareholders, one each. These shareholders could not be traced and some shareholders were reported dead. Accordingly, there are problems in getting the shareholders' resolution passed, and; therefore, legal advice on whether the Sri Lanka Mahaweli Authority, the main shareholder with 1,039,800 shares, has the possibility to pass the shareholders' proposal alone was sought by the letter dated 06 July 2021.

- An official of the State Ministry of Finance and an official of the State
5. Ministry of Canals and Common Infrastructure Development in

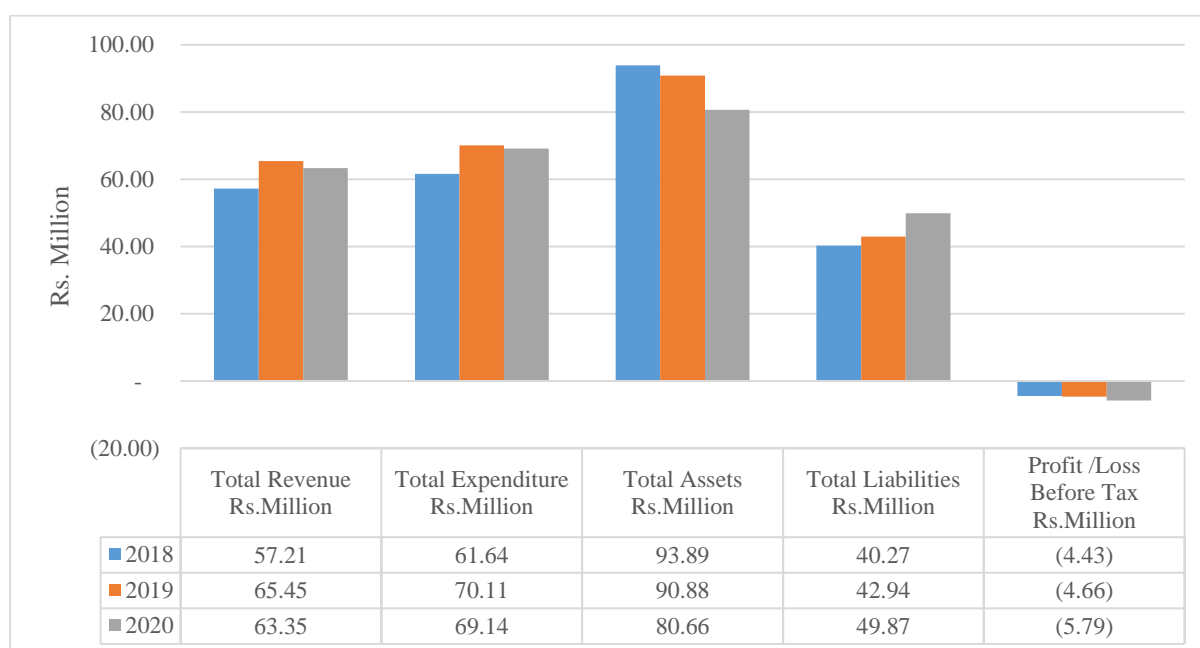
had not been completed even by 31 August 2019.

Settlements in Mahaweli Zones have been appointed as liquidators in connection with the liquidation of the company.

- The above named liquidators are in the process of submitting a Board
6. Paper dated 28 February 2022 to the Board of Directors of the Mahaweli Authority of Sri Lanka for the approval for liquidation of Mahaweli Venture Capital (Pvt) Ltd.

**4.56 Mahaewli Livestock and Agro Enterprises (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	57,207,407	61,636,307	93,888,135	40,265,713	(4,428,900)	Qualified
<b>2019</b>	65,448,978	70,112,509	90,883,438	42,940,439	(4,663,531)	Qualified
<b>2020</b>	63,348,925	69,141,931	80,658,665	49,873,176	(5,793,006)	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) A sum of Rs. 5,820,430 receivable for the stock of livestock owned by the Nirawiya Farm, transferred to the Ministry of Irrigation and Water Resources Management in the year 2010 had not been recovered even by the end of the year under review.	Action should be taken to recover the receivable balance promptly.	Requests have been made to settle these balances.	Has not been settled even by February 2022.

- (b) Although it had been approved by the Cabinet Decision No. 16/0063/704/003 of 28 January 2016 to connect a private investor to reorganize the Mahaweli Livestock and Agro Enterprises (Private) Limited Company as a public private partnership and it had been authorized the secretary of the Ministry of Mahaweli Development and Environment by the Cabinet Decision No.18/2083/803/031 dated 03 October 2018 to proceed by giving approval to a private company, but these decisions had not been implemented even by 29 July 2019.
- Action should be taken to implement cabinet decisions or if it is not done so, action should be taken to revise the cabinet decisions for that purpose.
- Submission of a Cabinet Memorandum to obtain Cabinet Approval for reorganization as a Public Private Partnership
- As per the Cabinet decision No. CP/21/2229/317/025 (I) dated 25 January 2022, action is being taken in relation to the study of the business proposals submitted by the investors pertaining to the reorganization of the Company by a committee with expertise on public-private partnerships.
- (c) Although the farms in Nirawiya, Thunkama, Kanthale, Siddapura and Muthuwella that owned to the Company had been handed over to the Mahaweli Authority during the period of 2005-2010 without exchanging the proper written documents, 164 buildings and fittings amounting to Rs.25,073,083, 26 vehicles, 45 office equipment, 66 machineries and generators and 260 furniture and fittings that owned by those farms had been included in the Company's accounts further more. The annual depreciation of Rs.1,873,629 related to those assets
- Action should be taken to settle assets without delay.
- Information regarding the transfer of these assets back to the Mahaweli Authority has been submitted to the Mahaweli Authority.
- Assets have not been transferred in writing even by February 2022.

had not been accounted and the physical existence of those assets could not be verified as either Company or Mahaweli Authority had not conducted verifications regarding the physical existence of them.

- (d) The balance of suspense account of Rs.3,512,504 had been stated under the debtor balances and, it was observed that the balances of Rs.2,047,972 out of it were prevailed since year 2017.
- Actions should be taken to settle the suspense account without delay.
- A portion of this balance has been analyzed and settled.
- Further, there is a balance that should be settled.
- (e) Salary arrears amounting to Rs.6,893,711 payable to employees as per the salary revision in year 2015, contributions to Employees Provident Fund and Employees Trust Fund amounting to Rs. 18,927,439 and Rs.611,083 respectively from 2013 to 2020 had not been paid. A sum of Rs. 11,830 had been paid to the Employees Trust Fund as surcharges in the year under review.
- Steps should be taken to pay the balance payable immediately.
- An amount of Rs.615,823 had been paid in the year 2021.
- Further, A salary arrears balance amounting to Rs. 6,277,888, a payable provident fund balance of Rs.18,927,439 and payable employees trust fund balance amounting to Rs.611,083 are to be settled.
- (f) According to the Memorandum of Association of the company, the authorized capital included 5,000,000 shares of the value of Rs.10 and only 03 shares had been issued to the initial directors, but, the other shares had not been issued until 31 December 2018. The issued
- Action should be taken to issue shares to the Mahaweli Authority of Sri Lanka.
- It has been decided to take back the three issued shares to the Company and to issue them to the Mahaweli Authority of Sri Lanka.
- The shares have not been issued even by February 2022.

03 shares had been given to three directors of another private company and any share of the company had not been provided for the ownership of the Mahaweli Authority.

- |  |   |  |   |
|--|---|--|---|
| <p>(g) Even though 12 main objectives had been indicated in the Memorandum of Association of the company, action had not been taken in relation to the achievement of the objectives such as carrying out cultivations in company's farms, poultry farming for sale at wholesale and retail, manufacture of poultry feed and supply to farmers, breeding, selling, improving, processing and exporting of animals such as cattle, pigs, poultry etc. carrying out business activities associated with fruits and cereals and only a small scale buffaloes, mulch cows, poultry pigs and goat husbandry and activities on the manufacture of dairy products were being carried out.</p> | <p>Necessary action should be taken to achieve the objectives set out in the Memorandum of Association.</p> | <p>As the Company does not have the capital capacity to implement the provisions of the Memorandum of Association of the company, it has been requested to prepare the background required for it to function as a public-private partnership.</p> | <p>The current situation has not changed.</p> |
| <p>(h) Although 04 vehicles amounting to Rs. 3,162,812 own by the Sri Lanka Mahaweli Authority currently use by the company and a Land, where the head office of the company was located and situated in Dematagoda area and owned by the Mahaweli</p>   | <p>Action Should be taken without delay to settle the assets.</p>   | <p>It has been decided to settle assets in the next year.</p>  | <p>Not vested even by February 2022.</p>      |



Authority had been indicated as Rs. 14,929,159 under fixed assets in the Financial Statements of the Company action had not been taken to vest those assets.

- (i) The dairy production was being carried out with the machineries used since 1986, when the dairy processor located in the Giradurukotte Farm was started and sanitation problems had arisen in the products due to the reasons such as the tiles of the floor of the factory building were broken, dilapidated roof, leaking of rain water in to the factory, dilapidation of the drainage system and weaknesses in the internal cleaning system.
- Necessary action should be taken to correct the sanitary problems, which arises during the production.
- Repairs have been done in minimal level.
- Issues have not been resolved.
- (j) In giving the lands of the Company to the farmers under the seasonal rent method in Maha season of 2020/21 for the cultivation of maize, the selection of farmers and deciding rent money should be done by a committee and, the Director General of the Authority had given approval to use the income earned from the rent to purchase a deep freezer container for storing meat and renovation of broiler cages. However, the selection of farmers and deciding rent money had not been done by the aforesaid committee and, the earned money
- Action should be taken to select farmers and to determine the taxes by a committee.
- It has been decided to carry out these constructions in the future.
- Construction has not been done even by February 2022 and the money has been retained in the current account.

had been retained in the current account of the Company even by the date of the audit.

- (k) Although 57 buildings, owned by Giradurukotte animal farm that constructed in the year 1986 had been revalued and brought to accounts in the year 2019, 07 buildings out of it had not been used as they had been totally dilapidated. Action should be taken to repair the dilapidated buildings. It has been planned to write off in the year 2022. Assets have not been written off.
- (l) The constructions including cattle sheds, goat sheds constructed by "C" Zone of the Mahaweli Authority by spending Rs.12,501,900 in the years 2014 and 2015 with the aim of converting the Giradurukotte animal farm belongs to the company into an animal husbandry training centre and equipment by valuing them at Rs. 8,967,600 had been vested to the Company on 08 February 2016. Since the Company had no any specific plan or methodology to use these constructions, those assets remained idle from the date of vesting them. Methodologies must be formulated to utilize these constructions. It has been planned to utilize after the initiation of the public-private partnerships. Those assets remained idle even by February 2022.

#### 4.57 National Gem and Jewellery Authority - Lanka Gemological Laboratory (pvt) Ltd

**2018** Financial Statements not submitted to audit.

**2019** Financial Statements not submitted to audit.

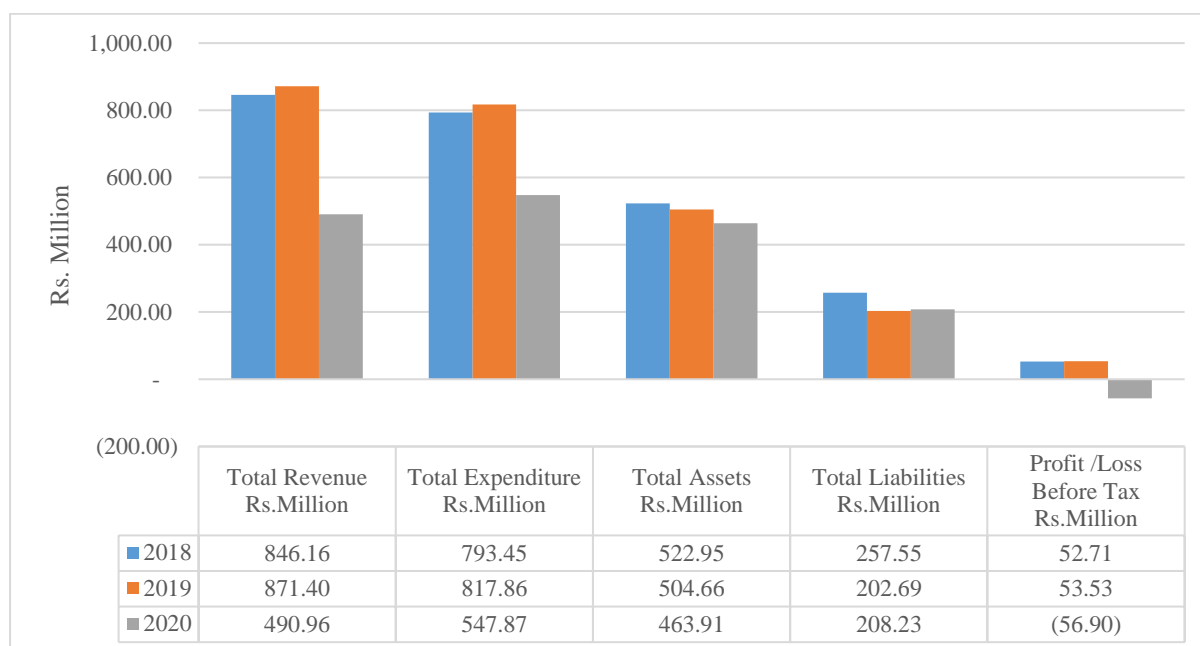
**2020** Financial Statements not submitted to audit.

Audit observation	Recommendation of the Auditor General	Preventive measures taken by the institution	The current position
(a) Financial statements of the company for the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 had not been submitted even as at the date of this report.	Action should be taken to submit the financial statements.	Actions had not been taken	Actions had not been taken
(b) The following books and records had not been maintained by the Company, for the period of 01 April 2014 to 31 March 2021.	Actions should be taken to maintain the books and accounts.	Actions had not been taken	Actions had not been taken
(i) Cash books.			
(ii) Ledger accounts.			
(iii) Journals.			
(iv) Bank reconciliation statements.			
(v) Payment vouchers.			
(c) The Gem and Jewellery Authority had incurred a sum of Rs.369,440 in 2014 for the Chairman's and the director tour to Thailand and a sum of sum of Rs. 1,032,887 for the tour to German. However, those amounts had not been settled by the Company even as at 31 March 2021.	Action should be taken to settle the outstanding balance.	Actions had not been taken	Actions had not been taken

- |     |  |  |                                   |                                   |
|-----|--|--|-----------------------------------|-----------------------------------|
| (d) | <p>Actions had not been taken to register for income tax up to the date of audit. Further, income tax and With-holding tax payable amounting to Rs.14,619,695 and Rs.4,784,831 respectively had not been paid by the company even as at 31 March 2020.</p> | <p>Actions should be taken to register and pay income tax.</p>       | <p>Actions had not been taken</p> | <p>Actions had not been taken</p> |
| (e) | <p>The company had been established in year 2008. However, the management of the company had failed to achieve any objectives of the company, even as at the end of the year under review.</p>   | <p>Actions should be taken to accomplish the company objectives.</p> | <p>Actions had not been taken</p> | <p>Actions had not been taken</p> |

**4.58 GSMB Technical Services (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	846,162,622	793,454,563	522,946,817	257,552,618	52,708,059	Qualified
<b>2019</b>	871,399,061	817,864,289	504,660,454	202,687,861	53,534,772	Qualified
<b>2020</b>	490,964,094	547,867,128	463,912,424	208,230,416	(56,903,035)	Qualified

**Audit observation**

- (a) A container in the project office was remained idle and, the air condition system fixed in there has been brought by some group. Though the audit has informed on this misplacement to the company on 10 September 2020, actions had not been taken to identify the responsible officers until 17 May 2021.

**Recommendation of the Auditor General**

An investigation should be conducted and appropriate action should be taken against the responsible officials.

**Preventive measures taken by the institution**

Actions had not been taken

**The current position**

Actions had not been taken

- (b) The company had not introduced a fair and specific methodology for issuing sand and, 75 percent of the sand mined from the project for lorries of Polonnaruwa Mahaweli United Tipper Association, 10 percent for the other lorries in Polonnaruwa District, 15 percent for lorries out of the District are being issued. In addition, sand issues had been done daily based on the priority list including political requests, public and religious requests and other requests.
- A specific methodology for issuing sand should be prepared in writing.
- Even though a methodology had been prepared it was not circulated as an internal circular among the project offices.
- Even though a methodology had been prepared it was not circulated as an internal circular among the project offices.
- (c) Sand mining in the phase II of Sand Mining Project of Manampitiya had not been started in the year under review.
- The follow-up committee should be appointed soon and work on the project should resume.
- Phase II of the Manampitiya project had not been started.
- Phase II of the Manampitiya project had not been started.
- (d) The police report related to the fire in the project office in year 2019 had been issued on 21 August 2020. According to that report, though it was reported that this fire was not occurred unaccidentally and it has been done deliberately by putting patrol to the documents in the container boxes, actions had not been taken by identifying the responsible officers in this regard.
- As the police report stated that this was a deliberate arson, the responsible officials should be identified and action should be taken for that.
- Actions had not been taken
- Actions had not been taken
- (e) Though it had been incurred Rs.966,565 in year 2019 for repairing the loader that was purchased at Rs.8,883,520 in year 2019 and has zero
- Action should be taken to get the repairs done properly or, if not, take other action.
- Actions had not been taken
- Actions had not been taken

book value as at 31 December 2020, it had been remained in a condition of unusable by 10 June 2021.

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|--|--|--|
| <p>(f) <b><u>Kotikambokka Quartz Project</u></b></p> <p>The company had been handed over in year 2017 to mine that quartz deposit and export by adding value based on the Cabinet approval. Cabinet approval was granted to conduct a Initial Environmental Evaluation (IEE) instead of an Environmental Impact Assessment (EIA) The project had not commenced during the year under review due to the lengthy delay spent in obtaining the approval of the Department of Forest Conservation and the Department of Irrigation for the initial environmental evaluation.</p> | <p>Steps should be taken to start the project.</p>   | <p>Approvals from The project relevant authorities was not yet had not yet been started. received.</p> |
| <p>(g) Although the Cabinet had again decided on 29 October 2019 to seek the first concurrence from the Central Environmental Authority and Department of Forest Conservation on whether an initial environmental observation would be sufficient instead of conducting an EIA, a decision had not been taken until the end of the year under review.</p>  | <p>Action should be taken to start the project by discussing with the relevant agencies and taking a quick decision.</p> | <p>Approvals from The project relevant authorities was not yet had not yet been started. received.</p> |
| <p>(h) No revenue has been earned from the project since 2017 and, Rs.20,942,314 during the period 2017-2020 as recurrent and capital expenditure including renting a land to store the</p>  | <p>Actions should be taken to start the projects.</p>  | <p>Actions had not been taken The project was not yet started.</p>                                     |

mined quartz, purchasing of a scale to weigh the mined quartz and development of security officers for its security.

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|--|---|-----------------------------------|-----------------------------------|
| <p>(i) Even though 103,128 cubes of sand had to be mined by January 2020 as per the agreement entered into with the Mahaweli Authority of Sri Lanka and the Company for sand mining in the Suriyapura Thummodara area in Kantale, only 41,297 cubes of sand had been excavated by 19 August 2020. Due to agreeing to provide a bank guarantee without considering the relevant cost when entering into an agreement with the Mahaweli Authority of Sri Lanka for sand mining, the commission of Rs. 900,000 that had to be paid was an uneconomic expense for the Company.</p> | <p>Actions should be taken to consider the relevant costs when entering into a agreements to execute projects efficiently.</p>              | <p>Actions had not been taken</p> | <p>Actions had not been taken</p> |
| <p>(j) A workshop had been held on 22 June 2020 incurring a sum of Rs.2,893,340 with the covering approval of the Board of Directors to adopt the sand miners who are working on sand projects in the Polonnaruwa District to the Green Sand Ferry Concept. A sum of Rs.235,000 had been paid for this by connecting a private organization instead of the officers of the Geological Survey and Mines Bureau. Out of 1500 bags of dry food items prepared at a cost of Rs.1,049,000 to be distributed to 1500 sand miners, 934 had been</p>                                   | <p>Workshops should be organized only with the relevant approval and necessary steps should be taken to achieve the desired objectives.</p> | <p>Actions had not been taken</p> | <p>Actions had not been taken</p> |

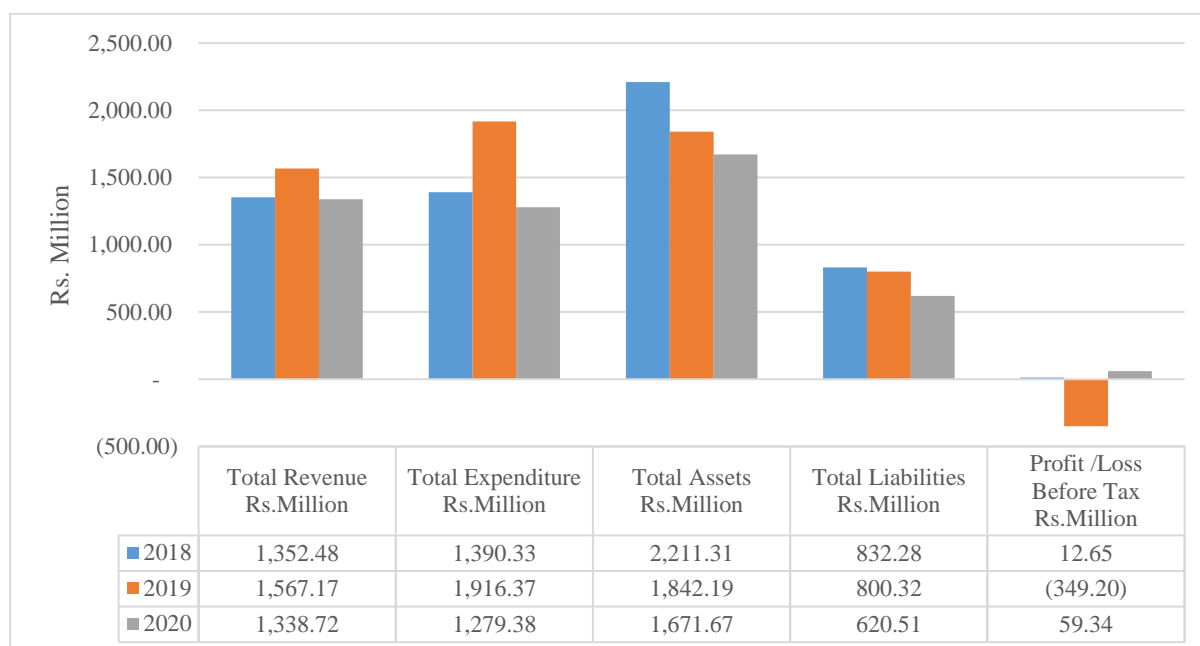


distributed to sand miners on that day and the relevant details of the distribution of the remaining 566 bags of dry food items valued at Rs.396,000 were not disclosed. The Green Sand Ferry Concept had not been properly implemented on the corridors of many of the sand projects of the Company and the intended objectives of the workshop had also not been achieved.

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|---|---|----------------------------|----------------------------|
| (k) The 40-kilowatt generator purchased for the Manampitiya Project at a cost of Rs.2,423,224 had been installed on the roof of a container without any cover and safety. | Actions should be taken to provide security for assets. | Actions had not been taken | Actions had not been taken |
|---|---|----------------------------|----------------------------|

**4.59 Lanka Salt Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,352,481,952	1,390,330,414	2,211,306,078	832,283,123	12,651,164	Qualified
<b>2019</b>	1,567,174,191	1,916,374,623	1,842,185,807	800,324,878	(349,200,431)	Qualified
<b>2020</b>	1,338,719,767	1,279,377,078	1,671,671,949	620,508,951	59,342,688	Qualified

**Audit observation****Recommendation  
of the Auditor  
General****Preventive  
measures taken by  
the institution****The current  
position**

- (a) Although stocks should be valued at net realizable value or cost, whichever is lower according to Section 13.4 of the Standard and should be stated in the financial statements, the Company had not estimated the net realizable value of the stock and stated the cost in the financial statements as Rs.393,325,917.
- Stocks should be valued at net realizable value or cost, whichever is lower in terms of provisions of the Standard.
- Action has not been taken to compute the net realizable value.
- The net realizable value had not been computed for the stock as at 31 December 2021 as well.

- (b) Although the useful life of non-current assets should be reviewed annually in accordance with Section 17.19 of the Standard, the Company had not acted accordingly. The value of non-current assets, which was fully depreciated as at 31 December 2020 was Rs.75,376,038. Action had not been taken to rectify the estimated error, occurred due to not identifying the assets that were further being used out of those assets and not accurately reviewing the useful life of those assets, in terms of Sections 10.15 - 10.18 of the Standard and to properly dispose of the assets that were no longer being used.
- Useful life of non-current assets should be reviewed annually in terms of provisions of the Standard, thus making adjustments in the financial statements.
- A physical verification on the fixed assets is in progress
- No measures have thus far been taken in this connection.
- (c) Confirmation letters relating to a balance of Rs. 38,360,509 payable to the contractors and contract agreements had not been made available to the Audit.
- Confirmatory evidence should be maintained sufficiently relating to the balances in the financial statements.
- As repairs have been scheduled for the year 2022, it has been decided to write off that sum against the relevant cost.
- No corrections have been made even in the financial statements of the year 2020.
- (d) Income amounting to Rs. 7,579,030 earned from the transportation of salt during the period from 11 June 2019 to 13 November 2020 had been misplaced and provision for doubtful debts had been allocated for the total income instead of recovering from the parties involved in that. The income for the year 2019 out of that income had also been brought to accounts as
- Revenue relating to each period should be separately identified, and disclosed sufficiently. Legal action should be taken to recover the lost revenue from
- Investigations are in progress.
- The loss sustained by the Company has not been recovered from the parties responsible by completing the investigations.

the income for the year 2020. This value is as high as 18 percent of the debtor's final balance and it has a significant impact on changing the debtor image of the Company.

- the responsible parties.
- (e) Due to lack of staff with the concurrence of the Department of Public Enterprises as per above "a", the Board of Directors had approved the new staff annually. Accordingly, the staff which stood at 1036 as at 31 December 2016 had been increased by 744 employees upto 1780 as at 31 December 2018. The reasons for the increase in staff had not been revealed in the audit. However, according to the manpower structure of the company as at 31 December 2018, the excess cadre stood at 368 and number of vacancies stood at 384.
- An evaluation should be carried out on staff requirements thus identifying the required number of cadre. The cadre so identified should be approved, and proper staff administration should be ensured.
- It has been decided that manpower requirements should be assessed annually, and the number of employees be maintained in accordance therewith.
- (f) According to Section 3.1 of the Public Enterprises Circular, No. PED 1/2015, dated 25 May 2015, , the maximum monthly fuel allowance entitled to the Chairman of the Company had been 170 liters. However, 05 instances of providing fuel exceeding the limit of 170 liters were observed in the year 2019. Moreover, the approval of the Secretary to the relevant Line Ministry with the recommendation of the Board of Directors had not been obtained therefor.
- All the state companies should follow the Public Enterprises Circulars. As such, fuel allowances should be paid to the officers in accordance therewith.
- It has been decided that action will be taken subject to the approval of the Board of Directors.
- Payments are being made without obtaining approval of the relevant parties contrary to the Circular.

- (g) The Company had allocated vehicles to 13 officers of the Company without preparing the cadre structure and identifying posts entitled to vehicles and fuel allowance according to Sections 2 and 3 of the Public Enterprises Circular, No. PED 1/2015, dated 25 May 2015, Circular and they had been provided with fuel from 125 liters to 250 liters per month. In addition to 13 officers mentioned above, 20 officers of the staff including Managers, Assistant Managers and Clerks of the Company had been provided with motor cycles of the Company as official vehicles and fuel as well ranging from 8 liters to 45 liters by the Company. Moreover, 27 persons of the staff had been provided with fuel from 8 liters to 60 liters for 02 personal motor cars and 25 motor cycles by the Company. Further, relevant approvals for providing vehicles and fuel to the aforesaid 47 officers had not been made available to Audit by the company
- As all the companies should follow the Public Enterprises Circulars, action should be taken in terms of those Circulars when providing the officers with vehicles and fuel allowances.
- Fuel is provided to be approved by the Board of Directors. The Circular is not being followed.
- (h) Although the employer had to obtain the approval of the Commissioner of Labour to increase the employee's contribution of 8% chargeable from an employee to the Employees Provident Fund in terms of Section 11 of the Employees' Provident Fund Act, No. 15 of 1958, the Company had
- Provisions of the Employees Provident Fund Act, should be followed with respect to increase in the percentage of contribution.
- No corrective measures have been taken.
- No action has so far been taken in this connection.

increased that percentage up to 10 percent on the earnings of the permanent employees of the Company without obtaining that approval.

- (i) The financial statements of the previous year should have been submitted to the Auditor General within 60 days after the end of that financial year in order to be eligible for the payment of bonuses as per Section 01 of the Public Enterprises Circular, No. PED 03/2018 dated 07 December 2018. Although the financial statements for the year 2020 had been submitted to the Auditor General on 10 September 2021, a sum of Rs.28,362,054 had been paid as the bonus in May 2021 based on the profit for the year 2020. Moreover, the prior approval of the General Treasury had not been obtained for this payment.
- As the state companies should adhere to the circulars of the Department of Public Enterprises of the Treasury, approval of the relevant department should be sought in case of any deviations.
- Annual bonus has been given in accordance with the approval of the Board of Directors. Action had not been taken to pay bonus by obtaining prior approval of the Treasury.
- (j) Organizational Chart of the Company and the Approved Cadre had not been registered with the Department of Public Enterprises of the General Treasury and the Company had not formulated a manual on the schemes of recruitment and promotion and human resource management and had not obtained the concurrence of the Department of Public Enterprises for that manual in terms of Sections 9.2, 9.3.1, and 9.14 of the Public Enterprises Circular, No. PED/12,
- Provisions of the Public Enterprises Circulars are relevant to all the public companies. As such, such provisions should be followed.
- Approval of the Board of Directors had been given in September 2021 to appoint an external institution to carry out all those activities.
- The requirements have not yet been fulfilled Sabha per the Circular.

dated 02 June 2003. Moreover, it had been informed at the Committee on Public Enterprises held on 3 May 2017 that the approval of the General Treasury should be obtained in the determination of the number of employees in the Company, but action had not been taken accordingly.

- (k) Although a budget had been prepared for the year 2020 in terms of Section 5.2.3 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the approval of the Board of Directors had not been obtained for that.
- The budget should be prepared before the commencement of the year of finance, and the necessary approvals should be obtained as per provisions of the Circular.
- It is agreed to follow the formal methodology with effect from the ensuing year.
- No action has so far been taken in this connection.
- (l) The Company had been operating coconut plantations at Mahalevaya and Bundala salterns and consistent net losses had incurred from these plantations in terms of expenditure incurred and revenue earned during the last 03 years and in the current year. Net losses incurred for the years 2017, 2018 and 2019 were Rs. 7,517,387, Rs. 7,050,800 and Rs. 7,305,655 respectively and it had increased to Rs. 8,086,837 in the year 2020. Accordingly, it was observed that the cost incurred for this cultivation was an uneconomical expense.
- The management should ensure that expenses are incurred economically whist the revenue is increased.
- A supervising officer has been appointed newly relating to the coconut cultivation.
- A loss of Rs. 2,566,170 had been sustained from the coconut cultivation in the year 2021.
- (m) Four (04) machines purchased from an Indian company at a cost of
- Assets should be purchased by
- It has been informed that action
- The said machines still remain

- Rs.24,671,591 in 2011 to produce table salt had not been purchased in prescribed specifications and as a result, they had not been utilized and remained idle in the factory for 09 years.
- properly identifying the requirements thus utilizing them effectively.
- will be taken to sell those machines.
- unutilized due to failure in purchasing as per the specifications. No action has been taken on the machines.
- (n) The Company sells Lak Salt through sales representatives and the price of 1 kg of Lak Salt sold to sales representatives was Rs. 40 and it had been reduced by Rs.12.50 and Rs. 15 on several occasions at the beginning of 2020 and the selling price of 1 kg of Lak Salt was Rs.27.50 by the end of 2020. Relevant factors based on cost benefit analysis and market analysis and recommendations of a Pricing Committee comprised of subject specialists for reducing the selling price by a considerable amount, viz, by 31.25 per cent while the market price remained fixed at Rs.60 had not been submitted to the audit. Accordingly, a sales concession of Rs. 161,273,875 and an incentive allowance of Rs.42,786,475 were paid to the sales representatives on the reduction of prices. The Company had lost Rs. 32.50, viz, 54.17 percent of the market selling price when the market price of 1 kg of Lak Salt was Rs. 60 and the selling price of the Company was Rs.27.50 in marketing Lak Salt through sales representatives.
- It is the responsibility of the management to formulate and implement a sales strategy in order to increase the revenue of the Company.
- It was decided to decrease the price per 01 metric ton of Lak salt to Rs. 32,000 effective from 21 May 2020. It has been decided to implement the previous incentive allowance of Rs. 75 from September 2020 with the approval of the Board of Directors.
- Action has not been taken to increase the profit margin of the Company.



- (o) The Company pays incentives to sales representatives on the sale of Lak Salt, and there had been instances where incentives had been given to sales representatives, who had not achieved the targeted sales in calculating the incentive. According to the audit test checks carried out, 08 sales representatives had been paid Rs. 981,875 as incentives in the year 2020 even though they had not achieved the targeted sales.
- It is the responsibility of the management to ensure that incentives are paid only to the sales representatives who had achieved the sales targets.
- As the sales activities faced, difficulties due to Corona pandemic in the year 2020, the incentives had been given following instructions of the then Chairman and the General Manager.
- There is no formal methodology relating to the payment of incentives.
- (p) Sales representatives are entitled to an incentive on achieving sales targets and the incentive is paid by means of the free issue of salt stocks. Although the incentive earned by the sales representatives on achieving the sales targets by the year 2020 was Rs. 42,786,475 as per the information provided by the Sales Division, stocks of salt, of which the sales value was Rs.44,919,575 had been issued to the sales representatives and thereby, it was observed that the Company had over issued free salt stocks valued at Rs. 2,133,100.
- As for the accurate computation of incentives earned and issue of stocks of salt based thereon, authority should be properly delegated. Issuing freely should not be approved without being recommended by the top level management.
- The methodology has not been revised.
- The methodology has not been revised.
- (q) The Company had paid Rs.3,240,890 as incentives to officers in the Marketing Division for the year 2020. Although the approval of the Board of Directors had been granted to pay this incentive from December 2020, a sum of Rs. 3,082,007 had been paid from
- Payments should be made under proper approval.
- The methodology has not been revised.
- The methodology has not been revised.

January to November 2020 without obtaining the proper approval. Moreover, instances, where payments were made to officers, who had not achieved the targeted sale volumes, were observed in the payment of this incentive. It was revealed during the audit test checks carried out that Rs. 125,012 had been paid to the officers, who had not achieved the sales targets in January 2020.

- (r) There had been 12 field officers working in the Marketing Division and each of these officers had not been formally assigned duties in writing according to their posts. Moreover, it was not observed that each officer had been given a monthly work plan and evaluation of their performance based on that and formal confirmation that the officers had been performing duties in the relevant field. Moreover, it was observed that these officers had not introduced sales opportunities directly to the Company and had supported the work of the sales representatives. Accordingly, it was observed that incentives were paid to sales representatives as well as to the officers of the Marketing Division for the same sales.
- Duties should be assigned to every officer in writing. A proper methodology should be put in place to evaluate the performance after being approved by the Board of Directors. Attention should be brought to incur the expenses of the Company economically.
- It has been informed that duties will be assigned in writing, and execution of duties will be monitored through GPS technology.
- The monitoring process is not sufficient.
- (s) Deed of lease had not been prepared for the Mahalevaya land, which had been acquired on long term lease basis
- Necessary action should be taken to prepare the deed of Land
- Action is being taken through the Land
- Deeds of lease have not yet been prepared.

- for a period of 30 years from the year 1994, even by 15 November 2021, the date of audit. Information on the tenure of lease had not been revealed for lands of Koholankala and Bundala salterns obtained under long term lease basis and deeds of lease had not been prepared for those lands also.
- Commissioner General's Department.
- lease, and follow up action should be done.
- (t) The Company pays an additional allowance to drivers and assistants based on the transportation income of salt and the Company had paid an amount of Rs. 1,541,221 based on the income amounting to Rs.7,579,030 even when the Company had not received the income.
- Payments should be certified and approved only after the accuracy and fairness of such payments are verified.
- It has been informed that investigations have been launched.
- A preliminary report of investigation has not been presented. Action has not been taken to recover the financial loss from the parties responsible.
- (u) The total cost estimates for each of the procurement activities of the company had not been prepared and sanctioned in terms of 4.3 of Government Procurement Guidelines.
- Action should be taken to prepare and approve total cost estimates relating to each procurement activity of the Company.
- Action had not been taken to prepare cost estimates.
- (v) A stock valued at Rs. 2,183,924 under various tools and accessories had been stored in the main warehouses of Mahalevaya, Palatupana and Bundala salterns without utilization for more than two years and a slow-moving stock valued at Rs. 10,001,126 were observed. Appropriate action had not been taken in this regard.
- Purchases should be made in accordance with requirements of the Company and action should be taken to ensure proper stock control.
- It has been informed that suitable measures would be taken following recommendation of the Board of Directors.
- Suitable measures have not been taken on those stocks.

- (w) Although sub imprest should be settled immediately after the completion of the purpose for which it is taken, advances totalling to Rs.231,980 issued on 14 occasions from 01 January 2019 to 30 September 2021 and advance totalling Rs. 4,423,277 provided to external institutions on 55 occasions from the year 2012 to September 2021 had not been settled even by the date of audit in November 2021.
- The officers who obtained advances should be queried in writing as to non-settlement of advances. Action should be taken to promptly settle the advances.
- A new Circular has been issued under approval of the Board of Directors to settle the advances given in respect of goods and services, thus agreeing to properly give and settle the advances.
- There are still advances remaining unsettled over extensive periods.
- (x) The Company had not prepared and approved a master procurement plan at least for 03 years for the Company and an annual procurement plan, which indicates the procurement activities for the year 2020 in detail, as per paragraph 4.2 of the 2006 Government Procurement Guidelines.
- Provisions of the Government Procurement Guidelines should be followed.
- Action had not been taken to prepare a Master Procurement Plan and an Annual Procurement Plan.
- The said Plans have not been prepared.
- (y) Every Government institution should act in terms of "Year 2030 Agenda" of the United Nations on sustainable development and the Company had not been aware of the manner in performing the functions that come under its scope relating to the year under review.
- The Company should adhere to the "year 2030 agenda" of the United Nations on sustainable development
- No measures have been taken in this connection.
- No measures have been taken in this connection.
- As the Company had not been aware of the 2030 Agenda, action had not been taken to identify sustainable development goals, targets and the focal points in achieving those targets

and the indicators in evaluating the performance in achieving those targets.

- (z) According to the recommendation of senior managers such as the General Manager, Deputy General Manager, Financial and Process Supervision Manager, Senior Plant Manager, Chemist and Sales Manager of the Company, a proposal had been made in the year 2017 to the Board of Directors to purchase salt from an external party due to shortage in salt. Evidence that an analytical report on shortage of salt and the impact on the Company on failure in obtaining those stocks, had been prepared by relevant officers considering matters such as the stock of salt existed in the Company, future market demand, production issues including weather conditions, prices of salt etc., had not been made available and the Vice Chairman was authorized to implement relevant recommendations by the Board of Directors without considering those matters. Accordingly, the Company had purchased 13,515 Metric Tons of salt by spending Rs. 268.64 million at 04 instances in the year 2017. However, according to laboratory tests, it was confirmed that the said stock was substandard and as such, it had remained unsold. Therefore, the Action should be taken to purchase stocks after properly identifying the requirements, and manage them correctly.
- The Board of Directors had instructed in the year 2021 that a board of inquiry be appointed and a report be prepared.
- Of the said stock, 4,562 metric tons of salt costing Rs. 90,529,003 had been issued to the factory in order to produce salt whilst 6,391 metric tons of salt costing Rs. 38,948,146 had been sold at the value of Rs. 29,590,139. A shortage of 2,584 metric tons of salt costing Rs. 41,638,458 has been identified, and a sum of Rs. 97,521,853 has been deducted when computing the net realization value. As such, following the purchase of this stock of salt, the Company had sustained a financial loss.

quantity of salt costing Rs. 141.59 million which remained unsold stood at 7,136 Metric Tons as at 31 December 2019. However, in the preparation of financial statements for the year 2019, the said remaining stock of salt had been valued and indicated as Rs. 44.07 million at a rate of Rs. 6,177 per Metric Ton. Accordingly, the impairment of stocks had been recognized as Rs. 117.62 million. However, the Company had not taken any action even by the end of August 2020 against the responsible parties to recover the loss occurred to the Company due to the said stock of salt.

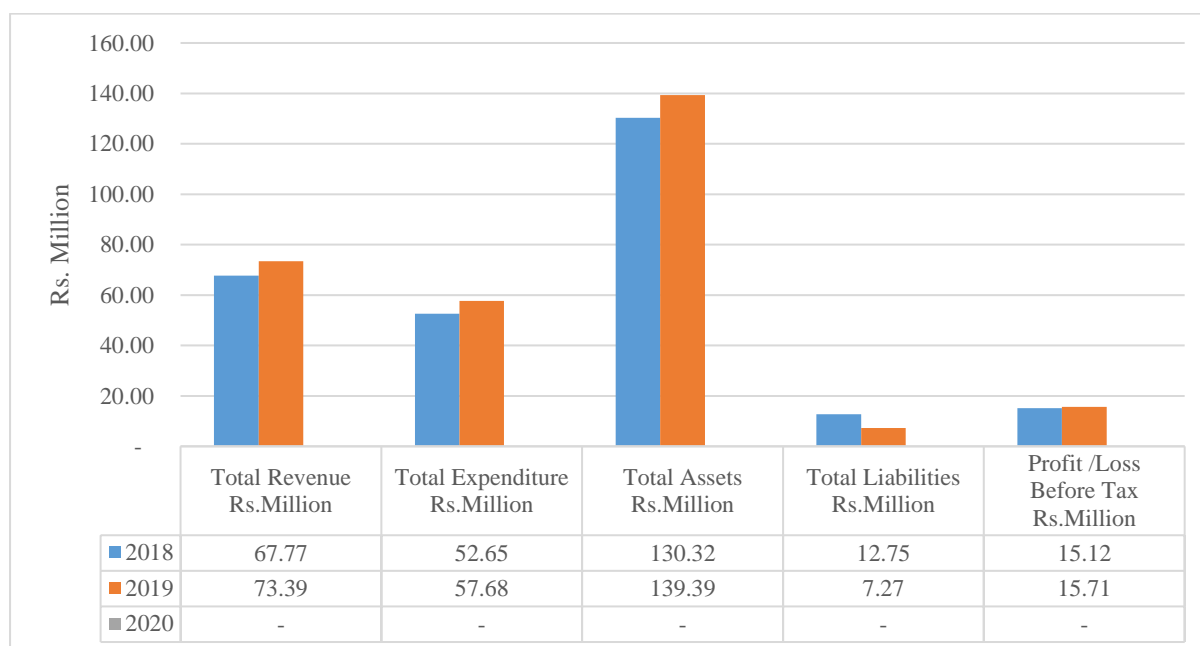
- (aa) The Company had conducted interviews on 04 December 2020 to recruit for the posts of Finance Manager, Internal Auditor and Procurement and Supply Manager and had issued appointment letters to selected officers on 22 and 24 December 2020. Although the Board of Directors of the Company is the Appointing Authority of the posts of the staff of the Company, the approval of the Board of Directors for these appointments had been granted on 23 December 2021, one year after making the appointments. It is observed that taking a long time to fill the vacancies in senior executive level posts and not making such appointments properly had adversely affected the proper
- An unusual time period should not be spent to fill vacancies in the essential posts. Such appointments should be made properly with transparency. It is the responsibility of the management to look into the failure in providing documentary information for the Audit.
- Approval of the Board of Directors has been obtained later.
- Proper approvals have not been obtained on the staff. Issues relating to the appointments and filling of vacancies have been observed continuously.

functioning of those Divisions. Moreover, the files of the interview including the marks obtained by the candidates at the interview related to filling the above posts had not been submitted to the audit and it was not possible to ascertain at the audit whether the relevant appointments had been made in a transparent manner.

- (bb) The Company had not prepared an Action Plan for the year 2020 to outline the activities expected to be implemented in the year 2020, the time frame of implementation of those activities and the expected outcome of those activities and the key performance indicators.
- It is the responsibility of the management to prepare an Action Plan for each year and act accordingly in accordance with the functions of the Company.
- It has been informed that action will be taken to prepare such a plan properly in due course.
- Not prepared even for the year 2021.

**4.60 Distance Learning Centre Limited**

	<b>Total Revenue</b>	<b>Total Expenditure</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Profit (Loss) Before Tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2018</b>	67,769,778	52,651,915	130,321,946	12,751,153	15,117,863	Qualified
<b>2019</b>	73,388,537	57,676,699	139,394,473	7,273,986	15,711,838	Qualified
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The Distance Learning Centre had arranged a study tour for the Western Provincial Ministry of the Education from 19 to 25 December 2018 and incurred a sum of Rs.243,228 to reserved air tickets. However, the DLC had canceled the tour since approval of the Chairperson had not been received. As a result, the expenditure incurred on air tickets reservation	Payments should be made only after obtaining required approval.	Even though explanations are provided, No any action had been taken.	The amount paid for the Air tickets has been remained as an uneconomic transaction.

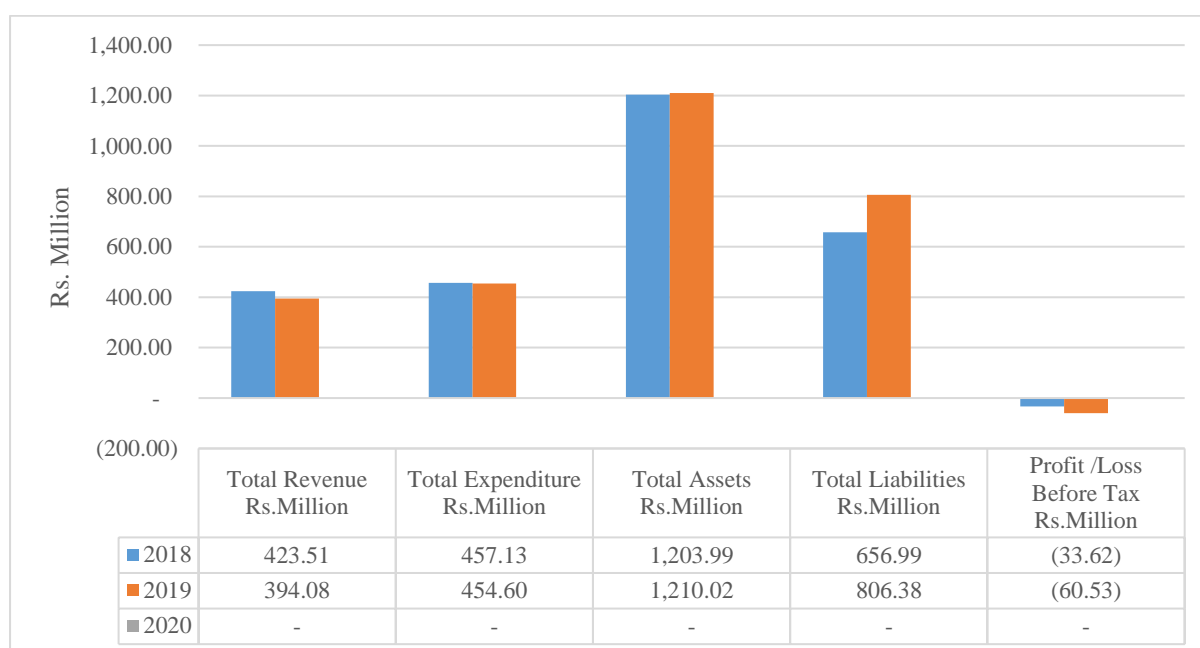


are identified as an uneconomic transaction.

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|-----|---|--|--|--|
| (b) | The Company had paid a sum of Rs.9,620,390 to a private institution for obtaining catering service and it was observed that the procurement procedure in this regard had not been followed in selecting Catering Service. | Procurement Guideline should be followed when selecting a supplier for catering services | No action had been taken.              | The catering service is being obtained from the same service provider without considering the Procurement Guideline.   |
| (c) | Not Complying with the Section 8.3.3 of Public Enterprises Circular No. PED 12 of 02 June 2003, a sum of Rs. 575,512 and Rs.632,539 paid by the Company as incentives during the year 2018 and 2019 respectively.         | Incentives should be paid after obtaining required approvals.                            | Actions had not been taken.            | The payment had been made without required approval. But Distance Learning Centre had been exempted from obtaining such approval for the incentive scheme by the public Enterprise Circular No 01/2021 dated 16.11.2021. |
| (d) | As per Section 4.2.1 of the National Procurement Guide Line a Master Procurement Plan at least for a period of 3 years had not been prepared by the Institution.  | Actions should be taken to prepare Master Procurement Plan as required by the circular.  | Preventing actions had not been taken. | Master Procurement Plan had not been prepared.   |

4.61 **Elkaduwa Plantations Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	423,507,872	457,130,131	1,203,985,035	656,988,376	(33,622,258)	Adverse
<b>2019</b>	394,076,557	454,602,829	1,210,019,400	806,382,601	(60,526,270)	Not decided
<b>2020</b>	Financial Statements not submitted					

**Audit observation****Recommendation of the Auditor General**      **Preventive measures taken by the institution**      **The current position**

- (a) Although the control accounts maintained to record transactions by the Head Office and each Estates should be set off by balances, as a result of there was a debit balance of Rs.299,934,257 in control accounts maintained at the Head Office as at 31 December 2018 and a debit balance of Rs.
- Actions should be taken to recognize the difference between the balances in the control accounts and take action to correct the accounts.
- Recognize the difference between the balances in the control accounts and take action to correct the accounts.
- Subsequent to reconciliation the difference has been brought down to Rs.4,173,530. This balance also will be reconciled with the 2021 accounts.

327,247,677, as per estate control accounts, a difference of Rs.27,313,240 had remained between these accounts

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|-----|---|--|---|---|
| (b) | Actions had not been taken to recover trade and other account balances receivable for more than 03 years amounted to Rs. 87,385,616 in respect of transactions executed by the Company by the end of the year 2018.   | Actions should be taken to recover trade and other balances receivables.                       | Actions to be taken to recover trade and other balances receivables.  | Most of the balances are remaining unsettled as at 31/12/2021 and due to unavailability of details.   |
| (c) | According to the section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka acting appointments should be made on a temporary basis until a permanent appointment made, without appointing an officer on a regular basis to the post of General Manager, three officers have been appointed on acting and temporary basis from the year 2011 | A permanent officer should be appointed to the post of General Manager.                        | Arrangements are being made to revise the scheme of recruitment procedure of the company and take necessary action to recruit an officer to the permanent post immediately after the SOR is being approved. | To fill the vacancy, application were called. But due to the salary anomalies between market rate and the approved carder for the position appointment could not be made. SOR has been approved by the Board of the company and now presented to the ministry for approval. |
| (d) | According to the section 16 (I) of Part II of the Employees' Trust Fund Act, No. 46 of 1980 and Section 15 of the Employees Provident Fund Act, No.15 of  | As stipulated in the Employees' Trust Fund Act, contributions must be paid in a timely manner. | Settle the liabilities related to the current period and outstanding will be settled in due course.   | Outstanding had not been settled.   |

1958 although the employer should calculate contributions to the employee's total earnings and remit it to the Fund on or before the last day of the next month, actions had not been taken with regard to the unpaid amount from the year 2002 to 2016 amounting Rs. 9,284,933 of Employees' Trust Fund Liabilities and Rs. 113,681,008 Employees Provident Fund Liability and Rs. 5,828,972 to the Employees Provident Fund, and Rs. 8,370,625 had not been paid to Ceylon Plantation's Provident Fund up to the end of the year 2018.

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| (e) | According to the section 5 (I) of the Gratuity Act, No. 12 of 1983 gratuity shall be paid within 30 days from the date of termination of employment; actions had not been taken to settle gratuity obligations amounting to Rs. 116,127,708, from the year 1992 to 31 December of the year 2018. | Actions should be taken to make payments in a timely manner in accordance with the provisions of the Gratuity Act. | Make arrangement to settle the payments according to the retirement and requirement of the employees and the available cash flows. | Still remain outstanding as at 31/12/2021   |
| (f) | Violating paragraph 02 of the Public Enterprises Circular, No. 01/2015 dated 25 May 2015 two permanent officers of the Company pertaining to the salary scale MM 1-1 had been paid a transport allowance totaling Rs.1,910,000 whilst a transport and fuel allowance totaling                    | Action should be taken in accordance with the Government Circulars.  | Company grants approval from the Board of Directors for such payments / allowances.  | SOR has been approved by the Board of the company and now presented to the ministry for approval. |
|     |  |  | Company's SOR will be revised including such changes.  |   |

Rs.1,729,679 had been paid to two other officers recruited on temporary basis in the year 2019 although they had not been entitled to such perks. An Estate Superintendent of the salary scale MM 1-1 had also been paid a transport allowance of Rs. 1,260,000.

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| (g) Violating Public Enterprises Circular, No. 95 dated 14 June 1994 in addition to the salaries paid to the officers of the Company for the year 2019, unapproved allowances totaling Rs. 331,980 had been paid as special allowance, recreational allowance, temporary allowance, interim allowance, and acting allowance. | The unapproved payments already made, should be deemed as illegal act according.    | Company will include this in the proposed (new) scheme of recruitment.    | Continue the payments and management will take necessary arrangement to include such allowance to the relevant employee's salary with the proposed (new) scheme of recruitment. |
|  |   |   | SOR has been approved by the Board of the company and now presented to the ministry for approval.   |
| (h) At the time of establishing the Company, a building located in a land 1.8 hectare in extent received on lease from State Plantation Corporation of Sri Lanka had been alienated to the Ministry of   | The Company should take actions to obtain the compensation related to land release. | Litigation process needs to be starting to get compensation for the Land. | Compensation had not been obtained yet.   |

Defense on the agreement of compensation for obtaining a sum of Rs. 1,756,912 by a decision of the Board of Directors on 25 July 1996, actions had not been taken to recover the relevant amount even by the end of the year 2018.

- (i) Even though the 4.25 hectares of land belonging to the Pallepola Divisional Secretariat, had been handed over with agreement to obtain a compensation of Rs.4,700,000, actions had not been taken to recover the relevant amount by the end of the year 2018.
- The Company should take actions to recover the compensation related to land release.
- Litigation process needs to be starting to get compensation for the Land.
- Compensation had not been obtained yet.
- (j) Instead of establishing a coconut plantation launching a feasibility study and in a suitable land for coconut cultivation based on environmental factors and started a coconut cultivation 10 hectares in the year 2007 in the Rathwaththa Estate without a suitable land for coconut cultivation, a sum of Rs.6,396,615 had been incurred and the cultivation had failed completely at the end of the year 2018.
- Coconut plantations should be commenced by checking the Soil suitability and feasibility of cultivation before starting new plantings.
- Implemented a feasibility study before commencing the cultivation.
- Presently the management has observed feasibility of cultivation projects before commencing the cultivations.

- (k) Even though the candidates who had met the minimum qualifications required for the post of Human Resources Manager of the Company were called for the interview, an officer who has not fulfilled these qualifications has been recruited to the post of Human Resources Manager on a contract basis in the year 2019.
- According to the approved recruitment procedure, the most suitable candidate should be selected from the candidates who have completed the approved qualifications.
- No action had been taken in respect of the audit observation.
- Disqualified officer is still working as Human Resources Manager.
- (l) Six vehicles had been obtained on rent from miscellaneous persons and institutions in order to be used by the Chairman of the Company during January 2018 and May 2019. A rental totaling Rs. 2,601,726 had been paid thereon. The following observations were made in that connection.
- (i) Quotations had not been called in terms of Guideline 3.4 of the National Procurement Guidelines; No. 08 dated 25 January 2006.
- The Government Procurement Guidelines should not be violated.
- Preventive measures had not been taken.
- No action had been taken in respect of the audit observation.
- (ii). No legal Agreements had been entered into in accordance with Guideline 8.9.1 (a) of the Procurement Guidelines.
- The Procurement Guidelines should be followed.
- Preventive measures had not been taken.
- No action had been taken in respect of the audit observation.
- (iii). As monthly running charts and monthly summaries had not been maintained for those vehicles, fuel expenses totaling Rs. 993,022
- The Government Procurement Guidelines should be followed, and running charts and monthly summaries
- Preventive measures had not been taken.
- No action had been taken in respect of the audit observation.

- incurred on the vehicles should be prepared & could not be examined presented to the Audit
- (iv). The average running cost of the overall vehicles obtained on rent, being Rs. 133 per kilometer, had exceeded the market prices
- The Procurement Guidelines should be followed, thus performing transactions under a minimum cost favorable to the Company.
- Preventive measures had not been taken.
- No action had been taken in respect of the audit observation.
- (v). As for the rentals payable for those vehicles, vouchers for each month had been prepared in favor of the owners. However, it was verified in audit that cheques worth Rs. 937,401 had been encashed by the Chairman, Financial Manager, Human Resource Manager, Information Technology Managers, and an Assistant Manager. In order for those cheques to be encashed by anyone other than the payee, the phrase "Account Payee Only" had been crossed under the recommendations of the Financial Manager, Information Technology Manager, the General Manager, and the Chairman. The bank having followed those recommendations had paid the monies to those who had presented the cheques.
- As the top-level management of the Company including the Chairman had fraudulently utilized the funds in collusion, legal action should be taken.
- No any preventive measures had been taken.
- The issue remains unresolved.



As such, it is observed that the responsible officers of the Company had not acted accordingly. Documentary verifications that the relevant monies had been given to the Chairman, were presented to the Audit by the officers who had uncashed the cheques

- (vi). The Chairman appointed through a Letter of the Secretary to the Ministry of Finance and Mass Media dated 30 January 2019, had acted in the capacity of the Chairman of the Company prior to the date of the said letter during 17 December 2018 and 29 January 2019, and obtained the vehicle No. 32 8 4764 owned by an Estate Superintendent of the Company on rent for his use. Furthermore, a rental of Rs. 250,161 and a sum of Rs. 60,150 on 615 liters of fuel for the vehicle had also been paid by the Company relating to that period. This expenditure is observed to have been incurred without Authority. Moreover, it is documentarily verified to the Audit that the rental had not been received by the owner of
- Misappropriation of funds is observed; hence, legal action should be taken against the parties responsible.
- No any preventive action had been taken.
- The issue remains unresolved.

the vehicle, the Estate Superintendent.

- (m) The Ratwatta Tea Factory owned by the Company had been given on lease to a private company since the year 2008. Action had not been taken even up to the date of audit, 31 December 2020 to recover the outstanding lease rent of Rs. 7,468,900 that had remained recoverable from that company from the year 2013 up to the end of the year 2019.
- The outstanding lease rent should be recovered expeditiously.
- Property will be acquired by the EPL and litigation needs to start to claim for outstanding lease rentals.
- Property has been acquired and now litigation process claiming rentals has started.
- (n) In case of a vacancy in a permanent post, no appointments should be made on casual basis until an appointment is made permanently. However, when a casual appointment is made due to an urgent requirement, action should be taken to make a permanent appointment as soon as possible. The post should be filled within a period of 03 months. However, an under qualified officer had been appointed to the post of Human Resource Manager on contract basis from 15 January 2019, and allowed to remain in that post for over a period of 02 years until the date of audit, 31 December 2020.
- Action should be taken to fill the vacancies in permanent post within a period of 03 months.
- No action had been taken in respect of audit observation.
- The issue remains unresolved.

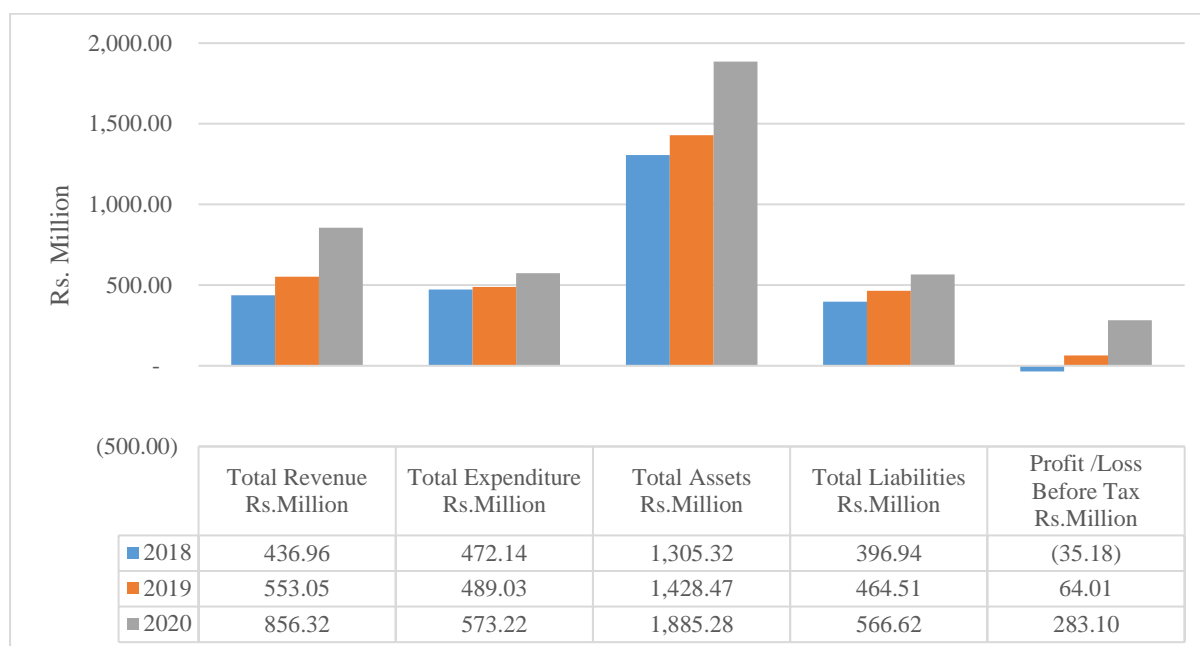
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| (o) The finger scanner at the Head Office of the Company had not been properly maintained in the year 2019, and only the registers of arrival had been maintained in many instances.  | Arrival and departure of the officers should be recorded through the finger scanner.                                   | No action had been taken.  | No finger scanner machine maintains currently. |
| (p) The Tea Factory in Selagama had been given on lease in the year 2006 without including sections to the Lease Agreement relating to the revision of the percentage of lease rent every 05 years. Accordingly, the Company had been deprived of a lease rent income totaling Rs. 1,430,542 from the year 2006 up to the end of the year 2019.   | Action should be taken to include the revised sections to the Lease Agreement and recover the outstanding lease rents. | Present management has proposed to rectify the lease agreement after obtaining a government valuations report to finalize to new monthly rental.   | Still not revised the agreements.              |
| (q) An extent of 379 hectares of lands yielding less than 550 Kg of finished tea per hectare annually had been provided for external planters being pensioners. According to the data of the Ministry of Plantation Industries, the standard yield of finished tea that would have been harvested from such lands was 604,856 Kg, but only 8 per cent of that amount equivalent to 50,495 Kg of finished tea had been provided by the external planters in the year 2019. | Measures should be taken to enhance the harvest rather than providing for the external planters.                       | Listed out the out growers and identify the problem and motivate them for improve the productivity. EPL has deployed dedicated manager for overlook the operation and improve the productivity of the out-grower's tea fields. | Evaluation had not been done.                  |
| (r) Despite the ability to sell quartz by weight, as a result of the decision   | Disciplinary actions should be taken against   | Present management has Rectified the   | Still no disciplinary                          |

- to sell the quartz according to the size by the Company, the Company had missed the opportunity to get a higher price. In spite of the buyer agreed to buy 1 cube of quartz for a sum of Rs. 13,650 per each according to the agreement, the Company had incurred a loss of Rs. 1,323,190 as the General Manager (acting) has given permission for the sale of 104.6 cubes per 1,000 rupees.
- the officials who have been made the loss to the income of the Company by giving permission for the sale of the quartz at the price lesser than the contract price.
- selling price as per the agreement which is Rs.13, 650/- for every quartz cubs. This agreement will be expired on and will follow the procurement guideline for selecting new investors at the end of present contractual period.
- actions taken against responsible officers.
- (s) Out of the 06 factories owned by the Company, 03 were inactive and actions had not been taken the inactive factories to contribute to tea production or to lease out.
- Actions should be taken to get contributed the inactive factories for manufacturing activities or lease the Companies.
- No preventive measures had been taken.
- Inactive factories both Elkaduwa & Pitakanda are obsolete long period. These factories cannot be upgraded without Rs. 1 Bn capital infusions. Company cannot invest such amounts and finding alternative arrangements to revenue generation process.
- (t) The Tea Factory in Ratwatta that could have been used in production process had not been made use of from July of the year
- Action should be taken either to commence the operations or give on lease.
- Litigation process has been imposed.
- Still not commence the operations of the factory.

2019 up to the date of audit on 31  
December 2020.

**4.62 Chilaw Plantations Limited (CPL)**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	436,957,031	472,135,727	1,305,324,678	396,941,839	(35,178,696)	Qualified
<b>2019</b>	553,045,334	489,034,730	1,428,470,323	464,505,238	64,010,604	Qualified
<b>2020</b>	856,323,535	573,223,873	1,885,276,761	566,620,177	283,099,662	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Although a plantation comprised of 3,850 cashew nut trees started in an extent of 18.75 hectares in Mangala Eliya Estate, Puttalam in the years 2013 and 2014 at a cost of Rs. 4.45 million by the Company even without doing a site study had been fully destroyed by the year 2015,	Action should be taken to remove assets that do not exist physically from the accounts.	A committee consist from three members appointed to investigate the matter.	Committee has been given a report to write off the relevant values and no other action had been taken in respect of the audit observation.

adjustments related to that had not been made in accounts and this expenditure had been capitalized in the financial statements of the year 2019.

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|-----|--|---|---|--|
| (b) | Out of the 5,733 hectares of land at the time of establishment of the Company valued at Rs. 142,502,287 in the year 1992, although 187.44 hectares had been acquired by external parties as at 31 <sup>st</sup> December 2018, as the company had not owned the relevant land plans the management had failed to take legal action against unauthorized acquisition of property by submitting the ownership clearly. | Lands which were not owned by the Company should be surveyed and demarcated accordingly and legal actions should be taken against unauthorized acquisitions. Further Deeds and Plans relating to leased lands should be prepared. | The company is in the process of surveying Lands and preparing plans for lease lands. | Company has done the Survey activities of Mangalaeliya and Bingiria Area Estates and other estates survey is going on. |
| (c) | According to the Management Services Circular No. 30 of 26 May 2009 although the recommendation of the National Salaries and Cadre Commission and approval of the Department of Management Services should be obtained when determining the allowances, without so, a sum of Rs. 7,740,249 had been paid in the year 2018 as "Labour Allowance" for 28 officers in the JM and above salary categories.               | The Approval should be obtained from the Salaries and Cadre Commission and the Department of Management Services before payment of allowances.  | No any preventive action had been taken.  | Based on the decision of the board of directors this payment is still continuing.                                      |

- (d) There was a shortage of 259 kg of finished cashew nuts worth Rs. 551,581 between the documented stock balance and the physical stock balances of the two Sales Centers in Chilaw and Palugaswewa and cashew nut processing Centre in Palugaswewa. There was a shortage of 200 bottles of coconut oil worth Rs.76,860 in Palugaswewa and Head Office in by 30 July 2019. Any action had not been taken against the officers responsible for these shortages even by 31 July 2020.
- Action should be taken against the officials responsible for the shortages in the stocks and to recover the relevant losses.
- No any preventive action had been taken.
- Preliminary investigation has been conducted by the company and steps have not been taken to conduct a formal disciplinary inquiry up to February 2022.
- (e) In contrary to the provisions of paragraph 02 of the Public Enterprises Circular No. 95 of 14 June 1994, the Company has provided budgeted allowances amounting to Rs. 1.72 million for 28 Senior Level Managers and Staff Officers, drivers' allowances amounting to Rs. 2.12 million and transport allowances amounting to Rs.438,934 for nine middle level and low-level Managers had been paid during the year 2019.
- Action should be taken in accordance with the provisions of the Circular.
- No any preventive action had been taken.
- Based on the decision of the Board of Directors this payment is still continuing.



- (f) Although there is no legal authority for the Company to lend and for the Corporations, Companies and Ministries mentioned herein to borrow, action had not been taken even by the end of the year under review to recover a total of Rs. 164.5 million comprised of a loan of Rs.105 million lent by the Company to the Janatha Estate Development Board, Elkaduwa Plantations Limited, Sri Lanka State Plantations Corporation, Ministry of State Resources and Enterprise Development and Sri Lanka Rubber Manufacturing and Export Corporation Ltd in the year 2010 and the interest related to the amount as at the end of the year 2019.
- Action should be taken expeditiously to recover these loan balances.
- No any preventive action had been taken.
- Reminders has been sent to the relevant Institutions and accumulated interest have not been settled up to February 2022.
- (g) In coconut cultivation, the average number of coconut trees per acre stands at approximately 70 and accordingly, the number of coconut trees that should exist per hectare is 172 trees. The total extent of coconut cultivation owned by the Company stands at 3,099 hectares and as such, the number of trees that should exist in one hectare is 624, 007. However, the total number of coconut trees presently cultivated by the Company stands at
- An optimum number of coconut trees should be cultivated and maintained in coconut lands.
- Company continuing the resupplying process and 12% of plantation will be maintaining out of total cultivated land extent.
- No action had been taken by the company to utilize the land for cultivation in an optimal manner.

310,635, thus observing an underutilization of 313,372 trees representing 50 per cent coconut lands than the average number.

- (h) In terms of Guideline 4.2.1 of the Procurement Guidelines, the Master Procurement Plan should be prepared at least for a period of three years and should be regularly updated within a period not more than six months and thereafter a detailed Procurement Plan should be prepared for the following year. However, the Company had failed to prepare the Master Procurement Plan.
- Action should be taken in terms of the Procurement Guidelines.
- Company's year 2022 plan will be updated accordingly.
- The issue remains unresolved.
- (i) In terms of Section 5.1.3 of Public Enterprises Circular No.12 of 02 June 2003 and paragraph 5(2) of Public Finance Circular No.01/2014 of 11 February 2014, updated copies of the Corporate Plan approved by the Board of Directors should be forwarded to the Secretary to the line Ministry for approval and thereafter to the Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of each financial year. Nevertheless, the Corporate Plan 2018-2022 had been forwarded with a delay to the
- The Corporate Plan should be approved within the due period and forwarded to the Auditor General.
- Company's year 2022 plan will be submitted on time
- The issue remains unresolved.

National Audit Office on 30 November 2021.

(j) In terms of Section 5.1.2 of Public Enterprises Circular No.12 of 02 June 2003, the following matters which should be included in the Corporate Plan had not been included in the Corporate Plan 2018-2022.

The Corporate Plan Company will be The issue remains should be prepared submitted relevant unresolved. in terms of the documents along with the year 2022 plan Circular.

(i) The current resources available to the enterprise

- Land and buildings
- Production and operating facilities
- Human resources and management skills
- Technical know-how
- Markets and Suppliers

(ii) Organization Structure

(iii) Strengths and weaknesses in the organization and the external threats and opportunities (SWOT analysis)

Action Plan clearly identifying the responsibilities of Managers with goals and targets to be achieved during the Plan period.

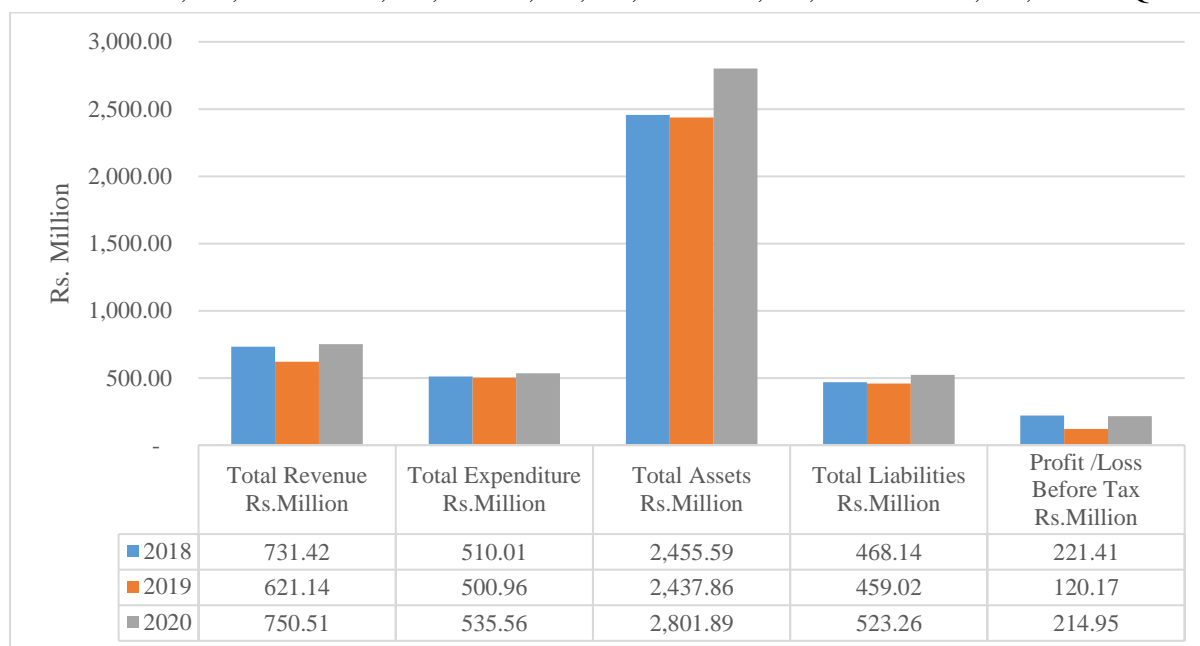
- (k) In terms of paragraph 5(2) of Public Finance Circular No.01/2014 of 17 February 2014, an Action Plan including commercial activities expected to be implemented in the ensuing financial year based on the Corporate Plan, should be prepared and the following shortcomings were observed in schedules which should be included in the Action Plan so prepared.
- (i) Annual Procurement Plan including proposed major investments, capacity expansion and major procurements
- (ii) Human Resource Development Plan
- (iii) Plan on repayment of loans
- (l) Even though it had been entered in to an agreement on 11 January of the year 2018 for the reconstruction of Marawila II Tank at Bingiriya Estate belonging to the Company and to remove 35,000 cubes of sediment pull out and to pay Rs. 1800 each to the Company for removal, and although the contractor had removed the sediment, the Company had not taken legal action to recover the money
- Action should be taken to prepare the Action Plan by including accurate schedules.
- Company's year 2022 plan will be submitted along with the given information.
- According to the agreement entered in to, legal actions should be taken to recover the money for the sediment removed or to stop the removal of sediment.
- Legal actions have been taken by the company and legal case is in the progress.
- The issue remains unresolved.

relevant to that or to stop the removal of sediment.

- (m) About 40 acres of land in Mawatha Gama Estate belonging to the Chilaw Estate has been excavating by unauthorized persons since 2012 and the Company had not taken actions to stop the unauthorized mining.
- Lands owned by the Company should be surveyed and the fence boundaries should be maintained accordingly, and Estate supervision should be maintained so that revealing of the unauthorized acquisitions and activities.
- Legal actions have been by the company and legal case is in the progress.
- The issue remains unresolved.

**4.63 Kurunagala Plantation Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	731,419,015	510,007,212	2,455,590,043	468,138,351	221,411,803	Qualified
<b>2019</b>	621,135,627	500,964,720	2,437,860,149	459,015,622	120,170,906	Qualified
<b>2020</b>	750,511,013	535,564,262	2,801,888,968	523,263,772	214,946,751	Qualified

**Audit observation****Recommendation  
of the Auditor  
General****Preventive measures  
taken by the  
institution****The current  
position**

- (a) The approval of the Ministry of Plantation Industries or Treasury had not been received for the decision reached by the Company to discontinue the lease rental since the year 2009, payable to the General Treasury relating to lands of 1,751 hectares in extent released for various purposes of the Government, out of lands
- Approved of the line Ministry or the Treasury should be obtain for the relevant decision
- Company is in the process of obtaining the approvals of the line Ministry and the Treasury.
- Treasury or line Ministry approval has not been taken Up to February 2022

leased out to the Kurunegala Plantations Ltd. for plantation activities. Moreover, the lease rental of Rs.221 million not paid up to the end of the year 2020 had not been disclosed in the financial statements.

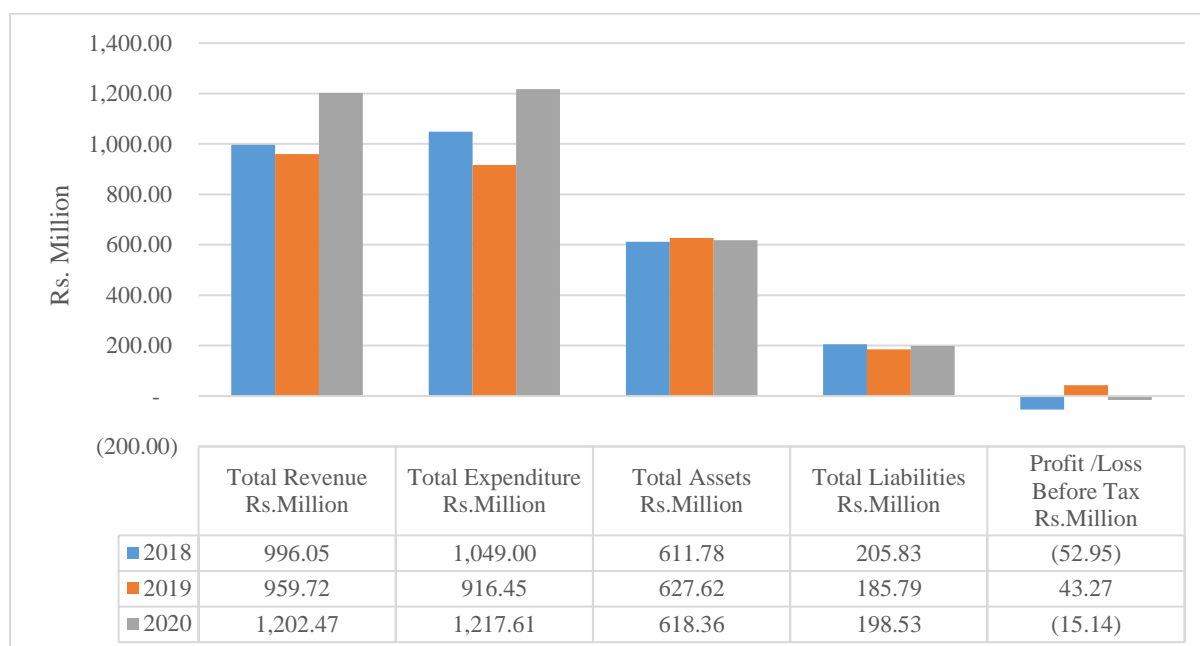
- (b) Plans relating to lands leased to the value of Rs.139 million shown under property, plant and equipment in the statement of financial position, were not available in the year 2020 with the Company. As such, the Company had failed to confirm the legal ownership and clear title of lands.
- Plans relating to leased lands should be prepared. The Company is in the process of surveying lands and preparing plans for lease lands. 70 plans out of 87 divisions have been received and balance 17 divisions survey is continuing.
- (c) Violating the paragraph 02 of Public Enterprises Circular No.95 of 14 June 1994, an allowance called Adjustment allowance totaling Rs.1.08 million at the rate of Rs.10,000 per month and a medical allowance of Rs.1,418,894 had been paid in the year 2020 by the company to 09 Managers of Medium Level and Officers of Executive Level respectively in the year 2020 despite not having made any provision whatsoever by the circular therefor.
- Action should be taken considering these allowances as improper. No action had been taken in respect of the audit observation. The payment is continuing in year 2021

- (d) Violating paragraph 1 of the Department of Management Services Circular No.39 of 29 May 2009, Employees' salaries, amounting to Rs.5.4 million payable to 09 officers of Senior Level and Staff Officers of the Company for deploying estate workers in the service in the year 2020 as well without the approval of the Department of Management Services or the General Treasury had been paid to the relevant officers as employees' allowances convertible to cash without deploying workers in the service.
- Action should be taken considering these allowances as improper.
- No action had been taken in respect of the audit observation.
- The payment is continuing in year 2021
- (e) In terms of the letter dated 16 September 2011 of the Department of Management Services, the approved cadre of Kurunegala Plantations Limited stood at 268. However, the actual cadre of the Company as at 31 December 2020 stood at 212. As such, there were vacancies in 56 posts of the Company by 31 December 2020.
- Recruitments should be made for vacancies after reviewing the approved cadre.
- No action had been taken in respect of the audit observation.
- Approved carder is being reviewed by the company.



**4.64 Kalubovitiyana Tea Factory Company Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	996,054,982	1,049,003,013	611,782,270	205,826,033	(52,948,031)	Qualified
<b>2019</b>	959,715,256	916,447,679	627,617,237	185,787,222	43,267,577	Qualified
<b>2020</b>	1,202,465,377	1,217,610,337	618,356,191	198,529,380	(15,144,959)	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Although the rent payable, amounted to Rs.750, 000 has been taken into account as payable for a building taken on a lease basis from BCC Lanka Limited a formal agreement has not been signed between B.C.C Lanka and the Company.	Actions should be taken to enter into an agreement with an external party to obtain buildings on lease.	Necessary action had not been taken to enter a lease agreement.	Formal agreement had not been signed between BCC Lanka Ltd and the Company.

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| (b) | In terms of the paragraph 9.3.1 (vi) of Public Enterprise Circular No. PED / 12 dated 02 June 2003, Appointments should be made on a temporary basis until a permanent appointment is made, an officer has been appointed as the Assistant Manager (Marketing) on acting basis in the Head Office of the Company on 22 March 2017, without making a permanent appointment. | Action should be taken to obtain a permanent post of Assistant Manager (Marketing) with the relevant approvals.             | At present a permanent appointment has been made to this post. | At present a permanent appointment has been made to this post. Action had not been taken to recover the allowances paid contrary to the Establishments Code. |
| (c) | An officer who works full time in a permanent post as a manager of another government agency and receiving the salary and allowances relevant to that post was appointed as the Executive Director of this Company and the Executive Director's allowance and fuel allowance amounted to Rs.718,825 had been paid by the Company in the year 2018/2019                     | An officer working full-time in another government agency should not be paid full salary in the post of Executive Director. | Preventive measures had not been taken.                        | The Director resigned on 1 December 2019. Necessary action had not been taken to recover the salary and allowances paid contrary to the circular.            |
| (d) | Even though a worker can only be paid a bonus of Rs. 3000 each, only a sum of Rs. 252,000 can be paid as bonus considering sympathy for employees of companies that have reported a loss in the financial year 2016 and failed to reduce their profitability in financial year 2017 in terms of the Public Enterprises Circular No. PED 03/2018 of 07                      | Actions should be taken to pay bonus to the officers according to the Circulars.  | Preventive measures had not been taken.                        | Bonuses paid contrary to the circular had not been recovered.  |

December 2018, a sum of Rs. 559,719 had been paid as bonus exceeding that amount and the bonus payable for the financial year 2017 was Rs. 501,000, an additional Rs. 1,665,978 had been paid as bonus in excess of the relevant limit.

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| (e) | A sum of Rs.2,167,569 had been paid as incentives to leaf suppliers for the implementation of green leaf promotion programme with the objective of increasing production at Menikdiwela Tea Factory in the year 2018/2019 and even though a Board Member had been appointed to supervise the programme, the purchase of green leaf had declined by 74,540 kgs as compared to the previous year. Accordingly, the desired objectives had not met through the implementation of the promotional programmes. | The Management should work towards achieving the targeted objectives.                                  | A bought leaf incentive allowances had been discontinued in the year 2019/2020 and management had been decided to purchase high quality green leaves. | Strategic plan had not been introduced to procure high quality green leaf.             |
| (f) | Although the Company had paid incentives amounted to Rs. 672,028 to the green leaf suppliers to uplift the green leaf yield of the Hiniduma Tea Factory and the also the obtaining of green leaf yield in the year 2018/2019 had dropped by 349,704 kg as compared to the 2017/2018 year, the management had not taken the necessary measures for that.   | Management should be responsible to meet the Company's desired objectives whilst providing incentives. | The leaf incentives have been discontinued and the management has decided to purchase high quality green leaves at a higher price (Enhance Rate).     | The expected amount of leaves could not be obtained through the payment of incentives. |

- (g) The cost and cumulative depreciation of the tea dryer which was disposed amounting to Rs.1,000,000 in 2014, had not been adjusted to the accounts till the end of the year 2020/2021.
- The cost and accumulated depreciation of the tea dryer disposed should be eliminated from accounts.
- Since there were no adequate documents to find the cost of this tea dryer, it has not been eliminated and as the revaluation of assets has already been completed in this year, the said value will be rectified accordingly.
- It had not been removed from the accounts yet.
- (h) According to a decision of the Board of Directors of No.KTFL /1419/2019 dated 28 March 2019, an Operating Consultant had been recruited for one year in order to identify the deficiencies in production of Tea in factories functioned under the Company and to convert the current loss-making tea factories to profit-making factories. Nevertheless, no progress was shown in the activities such as obtaining tea leaves, production process, tea auction, local and foreign tea sales etc. which were stated in job specifications. An expenditure of Rs. 1,602,040 had been incurred for the relevant Consultant by the time he left the service after 8 months.
- Action should be taken to get the functions performed, stated in job specifications, by the officers recruited for specific purposes.
- The service of a Consultant has been obtained by the Company on the approval of Board of Directors and the relevant request has been forwarded to the Ministry to seek the Cabinet approval. However, since the Consultant has resigned before the approval was received, his service has not been obtained.
- It was observed that the task assigned under the agreement had not been fulfilled.

- from November  
2019.
- (i) According to the criteria of Tea Board, a production level of at least 21.5 kilo grammes of Made Tea should be maintained from 100 kilo grammes of green tea leaves. Nevertheless, the production of 04 factories owned by the Company had not achieved that level in the year 2019/2020, thus an uneconomic expenditure of Rs.24,101,145 had been incurred on green tea leaves. Even though a sum of Rs. 1,566,580 had been spent under the concept of Super Tea Leaves to yield green tea leaves of high quality in the year 2019/2020, the expected objective could not be achieved.
- Action should be taken to maintain the production level as per the criteria of Tea Board and to look into the other reasons for drop in Made tea, if any and also to take necessary action.
- Necessary action had not been taken to maintain the production level as per the existing criteria.
- Although it was able to get tea leaves that suitable for the capacity of the factories at a high price, it had not been able to get the required quantity of finished tea.
- (j) It was observed that the factories owned by the Company were functioning at a level less than the production capacity in the year 2019/2020 and Hiniduma and Menikdiwela factories were being underutilized representing 71 per cent and 72 per cent respectively. Sums amounting to Rs.1,531,453 and Rs.1,543,417 had been paid as incentives to suppliers of tea leaves with the intention of increasing the supply for tea leaves at Hiniduma and Derangala Tea Factories in the year 2019/2020. Nevertheless, the
- Action should be taken to utilize the production capacity of factories
- Preventive action had not been taken.
- Total production capacity had not been utilized due to difficulty in competing with private tea factories.

expected objective had not been achieved.

- (k) A sum of Rs.966,860 had been spent on the Carnival, “Nuwara Eliya Wasantha Udanaya” and other trade fairs in April 2019 with the intention of increasing the local sales income. Nevertheless, sales income of the year 2019/2020 had decreased by Rs.10,577,492 as compared with the 2018/2019 year. Incurring of such expenditure had not contributed to increase the local tea sale income of sales center.
- When incurring promotion expenditure, attention should be paid to effective promotion strategies.
- As there are a large number of tea categories under different brands in the market, the Kalubowitiyana Tea Factory Company had launched advertising campaigns to promote and aware Kalubowitiyana tea among consumers.
- Despite the launch of advertising campaigns, tea sales revenue had been relatively decreased
- (l) Accordance to the paragraph 51 of the Sri Lanka Accounting Standards No. 16, the assets such as plant and equipment, furniture and fittings, office equipment and motor vehicles which were fully depreciated by the year 2018 amounting to Rs.240,350,688 were still being used due to an annual review of the effective life of non-current assets had not been conducted. The action had not been taken to rectify those estimated errors in accordance with Sri Lanka Accounting Standard No. 08 and show the accurate carrying value in the financial statements.
- The effective life of the assets should be re-valued and accounted in accordance with Sri Lanka Accounting Standards.
- As the asset revaluation will be completed in the financial year 2021/2022, it had been informed that this estimated error will be corrected in the next financial year.
- The error had not been corrected yet.

- (m) The lands of Kalubowitiyana and Derangala factories acquired in 1994 at a total cost of Rs.2,550,000 had not been revalued and taken into financial statements as per paragraph 34 of the Sri Lanka Accounting Standard No.16. Land should be revalued and the value should be accounted in according to Sri Lanka Accounting Standards No.16. An assessment report on the lands which are the Kalubowitiyana and Derangala factories are located had not been obtained. The value of lands had not yet been re-valued and accounted.
- (n) Although a Procedure Manual for the formulation of rules and regulations for human resource management should be prepared, and approved by the Secretary to the Treasury, the company had not acted accordingly. A Procedure Manual should be prepared immediately and relevant approval should be obtained. The Procedure Manual is being prepared for the formulation of rules and regulations for human resource management. A procedure manual for human resource management had not yet been prepared.
- (o) According to the Section 14 (1) of the Employees Provident Fund Act No.15 of 1958, although the cost of living allowance should be added to the basic salary and the provident fund contribution should be calculated on that earnings, the outstanding contribution to the provident fund from the year 2012/2013 to the year 2017/2018 was Rs.1,695,177 due to the calculation of the provident fund contribution by the company irrespective of the cost of living allowance and it was also observed that the surcharge to be paid on that was Rs.847,589. The company had not made any provision for this The provident fund contribution should be calculated and as per Section 14 (1) of the Employees Provident Fund Act No. 15 of 1958. Preventive measures had not been taken. The arrears had not been credited to the provident fund until now.

expenditure in the financial statements of the year 2020/2021.

- (p) A sum of Rs.1,408,881 was stated as other advances under pre-paid expenditure and other receivables and according to the schedule submitted for audit, these balances were the balances on transactions from 2014 to 2018. These long outstanding balances are observed in the audit as contentious items. It should be recovered from the responsible officers or the relevant institutions. It will be submitted to the Audit Committee and action will be taken to rectify it in the future as it is long outstanding balance. These balances had not been recovered or settled.
- (q) Although it had been stated in the balance confirmation letters of the year 2019/2020 and 2020/2021 that there is no payment due from the Giragama Estate owned by the Pussella Plantation Company, a sum of Rs.1,046,771 had been stated as a balance due from that Company in the financial statements of the year. Balance receivables should be compared with the balance confirmation letters of the Giragama Estate and adjustments should be made in the financial statements. The approval of the Board of Directors had been received to correct of the accounts and has informed that this will be rectified in the financial year 2021/2022. It had not been corrected yet.
- (r) Although a loan of Rs.10,000,000 at an interest rate of 22 per cent had been given to BCC Lanka Limited in the year 2003 on the basis of recovery by 12 installments, any installment could not be recovered out of it. Therefore, the loan and interest receivable at the end of the year 2020/2021 was Rs.58,382,429. Action should be taken to recover the loan amount and the interest thereon immediately. While reminders had been issued regarding the loan given to BCC Lanka and the interest thereon, according to the letter issued by BCC Lanka on 21 October 2021, After handing over 06 acres of land Thus far loan amount or interest had not been charged.



belonging to BCC Lanka Company to the Ministry of Justice, it has been informed that necessary action will be taken to repay the loan after receiving the compensation entitled to that company.

- (s) A sum of Rs.798,461 due from a private tea broker company was being carried forward since 2009 and action had not been taken to recover it until at the 28 February 2022.
- Action should be taken to recover the relevant amount or to write it off in the books with proper approval.
- Although a complaint was lodged with the CID on 17 December 2021 regarding this amount, it has been informed that since this is not within the purview of the CID, a complaint will be lodged with the Nugegoda Special Criminal Investigation Division to resolve the issue.
- Effective action had not been taken to recover the amount due.
- (t) The total amount due to the Tea Shakthi Fund and two other private companies for more than four years were Rs. 3,710,375, cheques returns and accrual surcharges of
- Steps should be taken to, settle the debts immediately or to credit the revenue by
- Action will be taken in the future to submit this to the Audit Committee and to
- The balances had not been settled until now.

- Rs. 843,158 and Rs. 59,344 respectively and the amounting to balances payable to trade creditors Rs. 1,582,797 had not been settled by the end of 2020/2021.
- (u) The company had given a loan of Rs.50 million to the Tea Shakthi Fund in 2015 at an annual interest rate of 11 per cent and Buildings were constructed on the Menikdiwela land belonging to the Tea Shakthi Fund by spending a sum of Rs.59,532,264. According to the Cabinet Decision No. CP/19/0743/117/024 dated 19 March 2019, approval had been granted to legally take over the ownership of the Hiniduma and Menikdiwela factories for the loan, interest and development expenses incurred by the Company. However, the ownership had not been acquired till the end of the year under review and receivables interest of Rs.5,500,000 per annum also had not been accounted.
- (v) The Hiniduma Hills and Menikdiwela Tea Factories, which were established by the Tea Shakthi Fund, had been handed over to the production process by the Cabinet Paper No. CP/19/0743/117/024 dated 19 March 2019 and it was stated that it should keep the two
- ensuring that claims did not further arise.
- As per the Cabinet decision, immediate action should be taken to take over the ownership of the tea factories to the Company.
- The Company shall make all necessary arrangements to maintain a profitable manner in accordance with the Cabinet decision without
- rectify as it is the long outstanding balances.
- Although the Menikdiwela Tea Factory had been handed over to the Company as per the decision of the Cabinet, the necessary steps are being taken to take over the ownership of the land.
- Leaf suppliers had been offered to enhance rate to get tea leaves according to the capacity of the factories and to maintain the
- It has failed to acquire ownership of the land or obtain the relevant loan and interest. This situation has also led to financial difficulties for the Company.
- Procure of leaves at a higher price due to the shortage of green leaves had resulted in losses.

factories profitable without cost incurring any cost to maximum Net Sale effect to the Treasury. After the General Treasury. Average (NSA). handing over these factories to the company in 2015, it was continued at the unprofitable condition until the year 2020/2021 and the cumulative loss at the end of the year 2020/2021 was Rs.112,475,388. The Derangala Tea Factory had also been suffering losses continuously since 2015.

- (w) A sum of Rs.1,566,002 had been retained due to the non-supply of 02 radiators to be supplied as per supply conditions for the water heat generator purchased in the year 2014 for a sum of Rs.23,414,275 from a private supplier by the Kalubowitiyana Tea Factory. Despite this, although the Board of Directors had decided to stop this payment on 21 December 2016 as the installation of the water heat generator had also been done defectively, that balance had not been settled until the end of the year 2020/2021.
- Should be settled Accounts for these Action had not immediately. transactions are been taken to corrected in the settle. 2021/2022 financial year.
- (x) Although the approval of the Minister of Finance and the relevant Minister should be obtained when investing funds, the Company had invested Rs.159,454,572 in short-term deposits as at 31 March 2021 but
- The approval of the relevant Minister and the Minister of Finance should be obtained as per Section 8.2.2 of the Circular.
- Action will be taken to obtain the required approvals in the future.
- Action had not been taken to comply with the circular.

the necessary approvals had not been obtained accordingly.

**4.65 Sri Lanka Rubber Manufacturing and Export Corporation Limited****2018** Financial Statements not submitted**2019** Financial Statements not submitted**2020** Financial Statements not submitted

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive action taken by the institution</b>	<b>The current position</b>
(a) The Competent Authority appointed for a period of one year by the letter of the Director General of the Department of Public Enterprises bearing No.PE/GOCO/TR9 of 01 July 2010 had not taken action to extend his appointment also in the year under review and had acted without a written assignment of duties to be performed.	As the term of one year of the Competent Authority has expired, expeditious action should be taken to legalize the holding of that post immediately.	Preventive action had not been taken.	A letter has been sent to the Ministry of Finance in February 2022 to regularize the post of competent authority.
(b) The Director General of Treasury Operations had reported to the Secretary of the Ministry on 07 October 2019 that an amount of Rs.773.34 million by 30 September 2019 and a sum of Rs.612.80 million as accrued interest as at that date had to be recovered out of the sub-credit provided to the Company by the General Treasury in the years 1999 and 2001 for the provision of relief to rubber small holders by	Action should be taken as per the instructions of the Director General of Treasury Operations.	A committee had been appointed by the Ministry of Plantation to sell the goods of Elpitiya Foam Rubber Factory.	It is working accordingly.

establishing factories of rubber related finished products. Although the Director General of Treasury Operations had instructed to lease out the Elpitiya Foam Rubber Factory to a suitable investor and sell its machinery to repay that loan amount, action had not been taken to settle the aforementioned sub-credit by adhering to those instructions.

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| <p>(c) As stipulated in the Lease Term No. 05 of the Lease Agreements relating to leasing of Mawanella Centage, Mawanella Tire Tube and Baduraliya Crepe Rubber Factories, the lease installment should be increased by 50% in every 05 years from the beginning of the tenure of lease. Accordingly, the first five years had ended on 12 March 2017. However, it was observed that rental had been under charged for 36 months and 19 days from those three factories by an amount of Rs.11,033,847 as at 31 March 2020 since the lease installment had not been increased according to the Agreement.</p> | <p>Action should be taken in terms of the Lease agreement.</p> | <p>Preventive action had not been taken.</p> | <p>There had been no increase in premiums and recovery of arrears.</p> |
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(d) Although the lessee shall insure against all risks, including buildings and other permanent constructions, in accordance with the Condition (xi) of the lessee in clause 5 of the Lease Agreement related to Centage / Block Rubber Factory located in Mawanella, which had been leased out to a private company called "Aroma", it had not been done so and assets had not been properly maintained and as a result,

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| (i) Although more than 02 years had passed since the roof of the main building of the factory had been collapsed, the roof had not been renovated again.                          | Action should be taken expeditiously to repair the roof of the factory in accordance with the lease agreement. | Preventive action had not been taken. | The roof had not been repaired.                |
| (ii) The collapse of the roof of the building had not been fully investigated.  | A full investigation should be carried out in relation to the damage.  | Preventive action had not been taken. | A full investigation had not been conducted.   |
| (iii) Lease amounting to Rs.13,856,787 (Rs.659,847*21 months) payable by this factory had not been recovered even by July 2018, when the roof was collapsed, up to 31 March 2020. | Action should be taken to collect rental as per the agreements.  | Preventive action had not been taken. | No action had been taken to rectify the issue. |

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| (e) | It was not possible to ascertain whether the assets available at that time had been removed from the books as the lists of assets handed over to the lessees at the time of leasing out three factories owned by the Company had not been submitted to the audit.   | Action should be taken to submit the updated information to the audit.                         | Preventive action had not been taken. | A lists of assets had not been provided for audit.                       |
| (f) | Particulars of the current position of the investments valued at Rs.52 million made in the Lanka Products Export Corporation as stated in the audited financial statements as at 31 March 2011, had not been made available to Audit.   | Action should be taken as per the instructions of the Director General of Treasury Operations. | Preventive action had not been taken. | The current status of investments had not been presented.                |
| (g) | Schedules and age analysis had not been submitted on the balances recoverable as at 31 March 2019 pertaining to the sum of Rs.764,957,506 receivable from the related parties and trade and other balances receivable amounting to Rs.56,133,035 as stated in the audited financial statements as at 31 March 2011. | The records on balances receivable should be properly maintained.                              | Preventive action had not been taken. | Age analysis had not been prepared for the balance due.                  |
| (h) | According to the audited financial statements as at 31 March 2011, motor vehicles costing Rs.17,357,133 and machinery costing   | The reports pertaining to the disposal of fixed assets should be kept safely.                  | Preventive action had not been taken. | valuation report and confirming receipt of funds had not been submitted. |



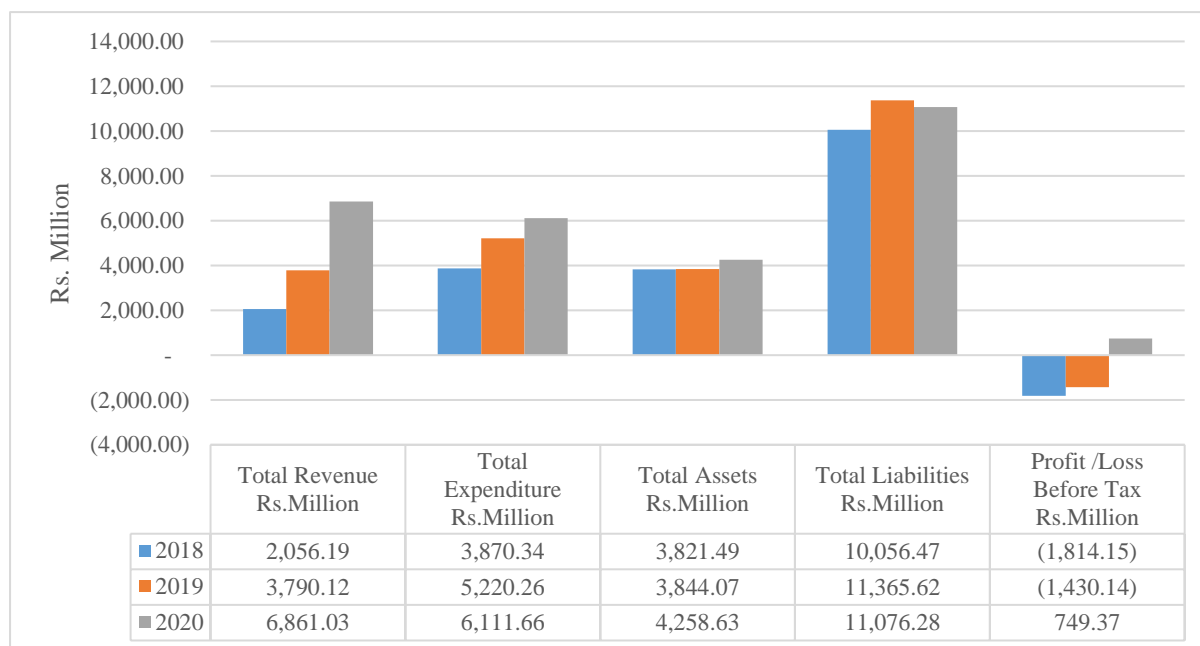
Rs.23,530,433 had been valued and sold to an investor. Nevertheless, valuation reports and confirmations on receipt of money had not been made available to audit.

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| (i) | Necessary information had not been made available to audit to confirm the cash balance of Rs.1,283,471 and the balance of fixed deposits amounting to Rs.3,037,306 as per the audited financial statements as at 31 March 2011.  | Updated records should be maintained on the relevant assets as at 31 March 2011.                | Preventive action had not been taken.   | Balance confirmation had not been done.                 |
| (j) | Information on the current position of long term loans totalling Rs. 901,610,000, bank overdrafts of Rs. 17,185,562 obtained from financial institutions on the guarantee of lands and the balances thereof, had not been made available to audit.   | Updated records should be maintained on the assets and liabilities existed as at 31 March 2011. | The bank overdraft at the People's Bank Borella branch had been settled with advances from investors. | Action had not been taken to settle the long-term debt. |
| (k) | Relevant particulars had not been made available to audit for the confirmation of trade and other balances payable totalling Rs.10,768,203 and a sum of Rs.17,874,912 not identified due to the removal of fixed assets according to the audited financial statements as at 31 March 2011. | Updated records should be maintained on the assets and liabilities existed as at 31 March 2011. | Preventive action had not been taken.   | Balance confirmation had not been done.                 |

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| <p>(1) Information had not been made available to audit on the current position of the case filed at the Commission to Investigate Allegations of Bribery or Corruption regarding a misappropriation of public funds amounting to Rs.500 million approximately which occurred at the Elpitiya Foam Rubber Factory.</p> | <p>The current position of the steps taken on the cash misappropriation, should be maintained in an updated manner.</p> | <p>The case has been heard in court.</p> | <p>That case has not over yet.</p> |
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**4.66 Galoya Plantations Company (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,056,190,222	3,870,336,141	3,821,489,956	10,056,468,066	(1,814,145,920)	Qualified
<b>2019</b>	3,790,122,454	5,220,262,153	3,844,074,341	11,365,617,753	(1,430,139,698)	Qualified
<b>2020</b>	6,861,029,424	6,111,662,414	4,258,630,129	11,076,284,900	749,367,009	Not decided



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Due to non-payment of lease installments due in the year under review for the leasing facilities obtained by the company from financial institutions, a sum of Rs.5,812,203 had to be paid as an additional interest.	Attention should be paid to the possibility of having to pay a large additional interest on non-payment of lease installments on the due date.	No preventive action had been taken.	Lease interest paid in the year 2020/2021 was Rs.13,875,476 due to non-payment of lease installments on due dates.
(b) The management had not taken action to recover the advances provided to suppliers of raw	Necessary measures should be taken to	No preventive action had been taken.	The advances had not been recovered.

materials and services of the company older than 03 years amounting to Rs.3,951,090 and Rs.2,831,338 respectively by the date of audit.

- (c) Although the financial statements have been presented by assuming that the company has a going concern, the company continued to make losses and had a net loss of Rs.1,430,139,698 for the year ended 31 March 2020 and the cumulative net loss for the day was Rs.8,677,402,641. The liabilities of the company at that day exceeded the total assets by Rs.7,521,543,411. Also, when the share capital of the company was Rs.1,011,764,730, the total loan amount was Rs.8,272,917,286 including the loans of Rs.6,092,272,225 obtained from shareholder companies and other companies associated with those companies, although the capital debt gearing ratio was 818 percent despite a bank balance of Rs.50,633,696 as at 31 March 2020, the bank overdraft on that day was Rs.62,844,095. It is observed
- recover the advance payments made.
- Take necessary steps to reduce the cost of debt and make the company profitable in accordance with the terms of the shareholder's agreement.
- The Treasury had not intervened and taken any preventive action to ensure the going concern of the company.
- The cumulative loss on 31<sup>st</sup> March 2021 was Rs.7,935,198,192.

that due to this the going concern of the company has been abolished and a risk has been created and The General Treasury which oversees the process on behalf of the government, which owns 51 percent shares in the company, had not reviewed the situation and made the necessary remedial recommendations.

- (d) In accordance with the Article 18.2.1(10) of shareholders' agreement signed by the Company with the General Treasury in the year 2009 and Article of 19.1.1(a) of the Management Agreement signed with Galoya Holdings Private Limited in 2010, has been stated that the government has the power to terminate the share agreement if the company does not make a profit after annual tax so that the General Treasury can pay a dividend equal to the minimum treasury bill interest rate that exists at the beginning of the year. This Company running at a loss since its incorporation in 2010 and the cumulative loss at the end of the year under review was Rs.8,677,402,641 as mentioned in the paragraph
- Those terms should not be violated as they have agreed to make a profit after the annual tax so that the Treasury can pay the dividend in accordance with the shareholders' agreement and the management
- The clauses in the shareholders' agreement and the management agreement on dividends were not focused directly. It was not confirmed to the audit that a preventive actions had been taken to ensure the going concern.
- As per the terms of shareholders' agreement and the management agreement no any dividend had been paid to the Treasury.

(c) above. Accordingly, no dividend had been paid to the Treasury until the year 2020. It is observed that the breach of the share agreement and the management agreement has created a risk of termination of the company's going concern.

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| (e) | Although the company continued to make losses, it borrowed from two stockholder private companies and their affiliates at high interest rates of up to 24 percent and paid substantial interest annually and amounting Rs.1,673.6 million or 32 percent of the total expenditure of Rs.5,220 million for the year under review was the interest cost for the affiliated companies. | Extraordinary interest expense should be minimized as the company's loss making status has affected its going concern by borrowing at high rates.                                   | Preventive actions had not been taken. | Rs.2,083.4 million or 34 percent out of the total expenditure of Rs.6,111 million was the interest expenses paid to those associated companies in the year 2020/2021. |
| (f) | Failure to perform a physical verification regarding stocks amounting Rs.782,388,545, cost of Rs. 3,580,142,292 of Non-current Assets and capital work in progress amounting Rs. 3,138,361 as stated in the financial statements on 31 <sup>st</sup> March 2020.   | Physical verification at the end of the financial year should be done and the value and existence of the stocks and assets included in the financial statements should be verified. | Preventive actions had not been taken. | Only items other than sugar, molasses and compost stocks had been verified on 31 <sup>st</sup> March 2021.  |

- (g) According to the Section 220 of the Companies Act No. 07 of 2007, although it is the responsibility of the Board of Directors to convene a general meeting of shareholders within 60 days when the net assets of the company less than half of its stated capital, to state the nature and extent of the losses, the causes thereof and the steps to be taken to prevent them, but the company's management had not acted accordingly, even though net assets of the company had fallen to a negative value of Rs. 7,521,543,411.
- Must comply with the provisions of the Companies Act.
- A general meeting of shareholders had not been convened.
- No action had been taken to rectify the issue.
- (h) When considering the 03 years period from the year 2017/2018 to year 2019/2020, the average annual sugarcane yield per hectare has generally decreased as 65, 53 and 54 metric tons respectively and by the year 2019/2020, it had dropped by 11 metric tons compared to the year 2017/2018. However, the company failed to develop this position.
- Factors affecting to the decline in annual sugarcane production should be identified and necessary remedies should be applied.
- It has been reported that due to weather conditions, various diseases and pests, fluctuations in water flow, have reduced the yield per hectare of outdoor sugarcane farming sector has decreased and not been reported that preventive actions were taken.
- The average annual sugarcane yield per hectare in the year 2020/2021 was 55 metric tons and it was not observed that proper measures have been taken to increase it.

- (i) The energy required for the factory is generated with the help of Baggas discarded during sugar production and when it is not enough it is connected to the National Power System and operates the machineries. Internal power generation, which was 2,800 megawatts hours in 2015/2016, had dropped to 766 megawatts hours continuously by 73 percent by the year 2019/2020. To prevent this decline, a project to increase the capacity of the company's existing power generation from 2 megawatt to 10 megawatt was scheduled to begin in 2018 and be completed by mid-2020, but the project was not implemented until the end of the year under review.
- Necessary steps should be taken to maximize internal power generation.
- It had not been reported that the necessary action had been taken.
- Domestic power generation had been reduced to 105 megawatt hours in the year 2020/2021.
- (j) Although the company's by-products for the year 2019/2020 were estimated to be 5000 metric tons of compost, but the actual production was about 1000 metric tons or 20 percent. Although the compost yard, built at a cost of Rs.2,625,200 in the year 2017/2018, was expected to produce 7000 metric tons of compost
- Feasibility needs to be identified and estimates made to move towards the goal.
- It is reported that the expected production capacity of 7000 tons can be reached once there is a good demand.
- The company had failed to make full use of the compost yard because of an expected compost production was 6,000 metric tons and the actual production was 1,250 metric tons at the year 2020/2021.



annually and sell it to both public and private buyers, after 3 years the company was unable to reach the desired level of compost production due to insufficient attracting buyers and failed to make full use of compost yard.

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| (k) Although Galoya Holdings Private Limited, which was set up to manage the company, is entitled to a management fee of only 2 percent of the Galoya Plantations Company's profit after tax, the statement of the financial position stated that Galoya had a non-refundable balance of Rs.15,873,623 due over many years and the financial statements did not adequately disclose how the balance was formed. The company had also made a provision for doubtful debt of Rs.12,392,179 for this purpose. | Adequate disclosure should be made in the financial statements regarding this balance and action should be taken to recover that amount. | No action has been taken to recover this amount. | No action had been taken to recover and doubtful debt allocation of Rs. 12,392,179 had been maintained without adequate disclosure from the financial statements for the year 2020/2021. |
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- (l) It is controversial that Rs.47,214,354 has been written off from the loan of Rs.82,642,083 which was receivable from the farmers and out of the remaining amount, Rs.22,953,208 was due by March 2021. The company must recover the total amount of debt owed and disclose the indebtedness and the reason for the write-off. It is reported that with the approval of the Board of Directors, Rs. 47,214,354 has been written off from the loan of Rs.82,642,083 due from farmers over 4 years and out of remaining Rs.35,427,728, Rs.12,474,521 (35%) has been charged so far. The remaining of Rs.22,953,207 is expected to be recovered during this short grind season and the next long grind season. As at 31 March 2021, the loan amount overdue from farmers for more than 5 years was Rs.22,770,870.
- (m) Out of the total loan amount of Rs.8,272,917,286 as at 31 March 2020, Rs.6,092,272,225 or 73.6 percent were loans borrowed for working capital purposes at an annual interest rates ranging from 15 percent and 24 percent of the company's stockholders and their affiliates. Accordingly, interest was paid to shareholding companies and their affiliates was Rs.1,673,581,209 or 79.9 percent out of the total loan interest expenditure of Rs.2,093,733,282 in the year under review. Also, the loan amount of Rs.746,679,237 to Actions should be taken to minimize interest expenses on loans. Actions had not been taken to minimize interest expenses on loans. The loan interest expenditure for the year 2020/2021 was Rs.2,119 million and of this, Rs. 2,083.4 million or 98 percent was interest expenditure of shareholder companies and their associates.

be paid to the affiliated companies of those companies by 01 April 2019 and the interest amount of Rs.768,609,290 which had to be paid for that was added together at an interest rate of 20 percent, converted into a refinanced loan of Rs.1,515,288,527. Due to the company has obtained loans from 02 public and private banks at 6 percent of interest rates in the years 2016/2017 and 2018/2019, it is observed that at a time when there is a very low interest rate in the money market, the company facing a serious financial crisis due to borrowing from shareholders and related companies at such high interest rates, converting the interest payable into loans and not performing the Treasury about the financial requirements and it was observed that the Treasury had not paid attention to these controversial transactions.

- (n) According to the information provided by the institute, it was observed that there are unauthorized occupants in 113 official quarters which can be As the District Secretary is a member of the Board of the Directors, action should be It was reported that, the institute has no legal basis to acquire official quarters due to the government has By the year 2021, 207 official residences and 05 hostels have been occupied by

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| provided for the employees of the institute. But the company had not taken steps to acquire those quarters.   | taken to obtain these houses with the assistance of the District Secretary.   | failed to grant that long term lease agreement. | unauthorized occupants.  |
| (o) According to the paragraph 9.3.1 of Public Enterprises Circular No.12 of 02 June 2003, a staff recruitment procedure had to be prepared for each institution, but no approved recruitment procedure had been prepared for the company.  | An approved recruitment procedure should be prepared in accordance with the circular instructions.  | No any preventive action had been taken.        | No steps had been taken to formulate a recruitment procedure for the company.  |
| (p) Although the draft annual report together with the financial statements should be prepared and submitted to the Auditor General within 60 days from the end of the year of accounts in terms of Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, but the Company had submitted its financial statements on 24 November 2020 after a delay of 06 months, but had not submitted its draft annual report. | According to the circular instructions, the financial statements should be submitted to the Auditor General along with the Drafted Annual Report within 60 days from the end of the financial year. | No preventive action had been taken.            | Financial statements were submitted 5 months late as at the 31 <sup>st</sup> March 2021 and the Annual Report to be submitted with it, had not been submitted. |
| (q) Pursuant to the Section 40 of the National Audit Act No.19 of 2018, the Company should have its own internal auditor duly appointed by the Board of Directors of the Company to   | In accordance with the Act, should be create an internal audit position responsible for the Board of Directors of   | No preventive action had been taken.            | An internal Auditor position had not been created.   |

carry out its audits but the the Company and  
internal audit staff of Lanka appoint a staff.

Orix Leasing Company shall  
conduct internal audits without  
holding the post of Internal  
Auditor.

**4.67 Hingurana Sugar Industries Ltd.****2018** Financial Statements not submitted**2019** Financial Statements not submitted**2020** Financial Statements not submitted

	<b>Audit Observation</b>	<b>Auditor General Recommendation</b>	<b>Preventive Measures taken by the Institution</b>	<b>The current position</b>
(a)	Although the financial statements of the year 2018 should be submitted to the Auditor General within 60 days after the closure of the accounting year as per the section 6.5.1 of the Department of Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements related to the years 2016, 2017 and 2018 had not been presented to the Auditor General even by 31 December 2021.	The necessary actions should be taken to forward financial statements and liquidation accounts to the Auditor General by the due date.	No action had been taken to maintain the books of account and liquidate the company after 2015.	Financial Statements and Liquidation Accounts have not been prepared since the year 2015.
(b)	Eventhough this company which was undergone privatization in the year 1993 had been retaken over by the government in 1997 due to unsuccessfulness, since the absence of any production process from the year 1998 the service of the employees had been terminated by paying the compensations to all of them in the year 2001 and the Galoya Plantation Private Company had been established handing over a portion of the lands and buildings belonging to the factory that had	Since the assets belonging to the company have already been handed over to the Galoya Plantation Private Company, attention should be drawn to ascertain whether the actions should be taken to wind by settling the transactions of this company.	No action had been taken to protect the assets of the institution and administrative matters.	It was reported to the Audit that at present there are no employees and it has been decided to appoint a committee to prepare a cabinet paper to settle the transactions and for liquidation.



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| (e) | Although 11232 acres in extent had been distributed among 4493 farmers with 2.5 acres per each by lease agreements, lease had not been received from those lands and the time of those lease agreements had been expired. Accordingly the necessary actions had not been taken to sign new lease arrangements and transfer them and to charge the leases.                   | Steps should be taken to renew the lease agreements and to charge the relevant leases.  | Preventive measures had not been taken. | Necessary actions had not been taken to sign new lease agreements and transfer them and to recover the tax money. |
| (f) | Since the actions had not been taken to perform a physical verification for more than 20 years with regard to the assets and stock that belonged to the Factory, accuracy of assets it had not been able to ascertain the accuracy of the assets.   | A physical verification of the assets should be carried out in order to examine the existence of the assets and the accuracy of them. | Preventive measures had not been taken. | Physical verification had not been done.  |
| (g) | Due to assets including machinery and equipment, 3 motorcycle and a car belonging to the bottle manufactory of the Narahenpita Office and the machinery and equipment in the Hingurana Factory premises remaining inactive from the year 1997, they were not in a condition to be used and actions had not been taken to dispose them and earn an income to the Government. | Necessary actions should be taken to reassess the unusable assets and to dispose them.  | Preventive measures had not been taken. | Necessary actions had not been taken to revalue assets and dispose of them.                                       |

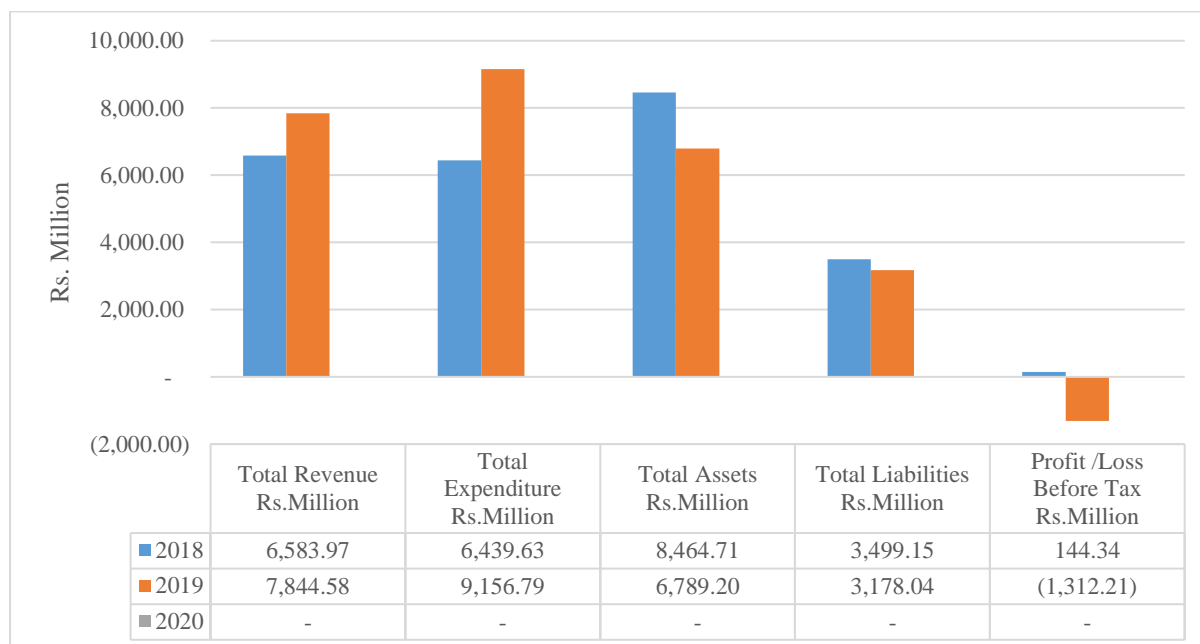


- (h) It had been informed by the letter dated 27 February 2018 of the Secretary to the Ministry of Industry and Commerce to take actions to obtain Government valuation reports on all assets of the Factory and despite it had been given Directives by the Committee on Public Enterprises to take necessary actions to identify assets and responsibilities and to settle them for the winding up the factory, necessary measures had not been taken up to this date.
- Necessary arrangements should be made promptly to act in accordance with the Directives given by the Committee on Public Enterprises.
- Preventive measures had not been taken.
- Necessary steps had not been taken to identify assets and liabilities and settle them.
- (i) Although the assets usable valued at Rs.222 million that were in the possession of the Hingurana Sugar Factory and the stock had been transferred to the Galoya Plantation Pvt. Company, actions had not been taken to remove those assets from the accounts of the Hingurana Sugar Factory.
- Actions should be taken to give necessary instructions by the relevant responsible institutions.
- Preventive measures had not been taken.
- The issue remains unresolved.
- (j) The employees had been removed without taking the required measures to properly handover the assets remained in the Hingurana premises and the Narahenpita Head Office before removing the employees.
- The Management should be responsible to hand over the assets that were in the possession of the employees to a person who is responsible before the resignation from their posts.
- Assets have not been properly handed over to the responsible officers.
- Employees were removed by not taking over assets properly.

- (k) Six employees at the Narahenpita Office and 03 employees at the Hingurana Office had been employed until March 2017 and the service of 5 employees have been removed from the date of 28 February 2017 by the letter issued on 29 March 2017. Only 2 employees have been working by the end of 2018 and only one officer is employed currently.
- Until the winding up transactions of the institution have been settled, required actions should be taken to ensure the safeguard of the relevent books, documents and assets.
- Necessary actions had not been taken for the safeguard of assets.
- At present there is no any employee in the company.

**4.68 Lanka Sugar Company (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	6,583,972,070	6,439,629,701	8,464,705,122	3,499,146,170	144,342,369	Qualified
<b>2019</b>	7,844,580,613	9,156,793,506	6,789,204,509	3,178,038,995	(1,312,212,893)	Disclaimer
<b>2020</b>	Financial Statements not submitted.					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) After vesting the Pelwatte Sugar Industry and Sevanagala Sugar Factory in the Lanka Sugar Company (Pvt) Limited, assets had been revalued in the years 2013 and 2014. However, action had not been taken to adjust the revalue amounts of other assets in accounts except for a part of machinery of Sevanagala Factory. Problems relating to revaluation errors and ownership of assets had been indicated in the financial statements as reasons therefor. However, action had not been taken to	Action should be taken to resolve problems regarding the ownership of assets and to revalue assets in terms of Sri Lanka Accounting Standard 16 and to adjust accounts on accurate values.	Expected to make accurate assets revaluation in the future and make relevant adjustments.	No action was taken to revalue assets.

revalue assets again in terms of Sri Lanka Accounting Standard 16 by correcting relevant errors. Instead of that, the book value of assets vested amounting to Rs.2,900,032,369 owned by Pelwatte Industry had been included in the financial statements. Moreover, action had not been taken to vest and account other assets except for assets of the Sevanagala Factory, purchased later. As such, it was observed that those assets and corresponding depreciation values had not been disclosed in the financial statements in a fair manner.

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| (b) | Even though the Company had failed to recover the sum totalling Rs.19,498,293 receivable from five related parties, for a period of 5 years, provision had not been made for losses relating thereto in terms of paragraph 59 of Sri Lanka Accounting Standard 36. | Proper action should be taken to recover the said amount and to make provision for losses relating thereto in terms of paragraph 59 of Sri Lanka Accounting Standard 36. | As it is impossible to recover the said amount, action will be taken to write off from accounts. | No action was taken to recover or make reservation. |
| (c) | The Company had not computed output tax amounting to Rs.10,453,438 for income from other services amounting to Rs.43,889,267 and sundry income of Rs.25,800,321 including the Value Added Tax earned during the year of assessment.                                | Tax computations should be done accurately and payments, be made on due date.  | Further steps will be taken to pay tax liabilities payable.                                      | The taxes due had not been paid.                    |

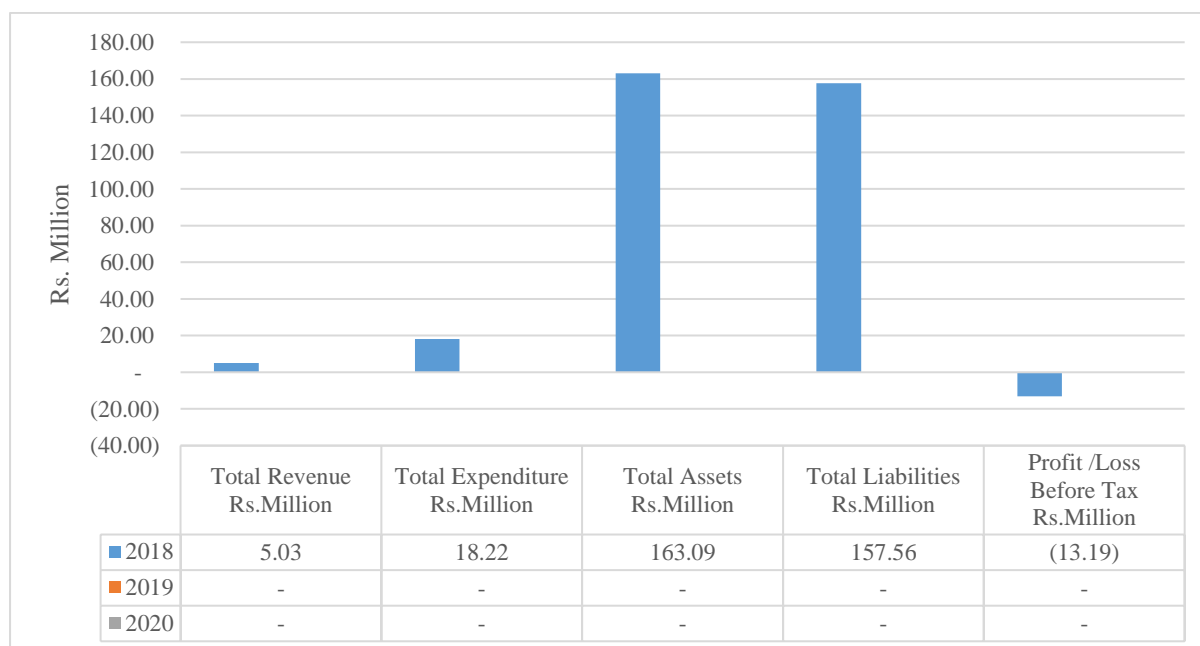
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| (d) | Action had not been taken even up to the end of the year under review to obtain supplies relating to advances of Rs,4,074,404 or to recover the said moneys granted to factory spare parts suppliers of the Pelwatte Sugar Unit from the year 2000 to the year 2017. | Steps should be taken to find out the reasons for non-receipt and the responsible officers. | It is report that action will be taken to write off those balances from financial statements with the approval of the Board of Directors.   | Had not been charged.   |
| (e) | Sums of Rs.326,014,262 and Rs.6,475,123 as farmers' loans in the Pelwatte Unit and Sevanagala Unit and Rs.7,741,248 receivable to the Sevanagala Unit from a private company had remained unrecovered for over a period between 3 and 5 years.                       | Proper action should be taken to recover outstanding loans.                                 | It is report that action will be taken to recover loans.  | Had not been charged.   |
| (f) | Action had not been taken to recover a sum of Rs. 1,202,124 receivable to the Pelwatte Unit from 07 private parties since the year 2014.   | Proper action should be taken to recover all loans receivable.                              | It is reported that action will be taken to recover Rs. 1,021,627 given in the 2014 for the renovation of the staff club of the company and to write off from books, the balance of Rs. 180,467 receivable from 06 parties. | Had not been recovered. |

- (g) Action had not been taken to settle the sum of Rs. 136,789,984 payable to 04 suppliers of the Pelwatte Unit for over a period from 05 years to 07 years. Proper action should be taken to settle moneys payable. It is reported that it is expected to be paid or removed from the reports of accounts. Action had not been taken to settle.
- (h) According to the Section 26(1) of Value Added Tax Act, No.14 of 2002 and Section 04(i) of Nation Building Tax Act, No.09 of 2009, tax should be remitted to the Inland Revenue Department on or before 20th day of the following month. However, action had not been taken to pay the value of Value Added Tax amounting to Rs.35,054,595 and Nation Building Tax of Rs.93,091,778 payable from the year 2012 to the year 2017. Taxes should be paid duly in terms of relevant Acts and action should be taken to pay taxes in arrears. Preventive actions had not been taken. Action had not been taken to settle.
- (i) According to the Section 6.5.1 of the Circular No. PED/12 of 02 June 2003 of the Department of Public Enterprises, even though the financial statements and Draft Annual Report should be presented to the Auditor General within 60 days after closure of year of accounts, financial statements of the year 2018 had been presented to the Auditor General on 31 July 2020 with a delay of 17 months and those financial statements had been approved by the Board of Directors only on 31 October 2019. In terms of circular instructions, the financial statements and Draft Annual Report should be presented to the Auditor General within 60 days after closure of the year of accounts. Financial Statements for 2019 had been submitted 18 months late. Action had not been taken to avoid the delay.

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| (j) | Provision of Rs. 9,251,437 made for out-dated stocks remained at the time of vesting the Pelwatte Unit in the Government had been brought forward in the financial statements up to the end of the year under review without taking action to settle it.   | Out-dated and slow-moving stocks should be disposed of in a manner beneficial to the Company. | After obtaining the approval of the Board of Directors, it can be eliminated from financial statements. | Had not been settled.               |
| (k) | The project commenced by spending Rs.37,410,797 before vesting the Pelwatte Unit in the Government and 05 other projects commenced by spending Rs.53,701,955 after vesting in the Government had been abandoned halfway without completing. However, the Board of Directors had not paid attention thereon and those had been indicated as work in progress in the financial statements. | Projects should be completed without delay by looking into reasons for delay.                 | It is reported that decisions can be taken after drawing attention of the Board of Directors.           | The project had not been completed. |

**4.69 Kanthale Sugar Industries Ltd.**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	5,027,588	18,219,852	163,089,006	157,556,815	(13,192,264)	Disclaimer
<b>2019</b>	Financial Statements not submitted					
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) In terms of Section 09 of the Sri Lanka Accounting Standard 02, the closing stock should be measured on the cost or the net realization value, whichever is lower. However, the stocks remained in the stores for 20 years without being used had been computed based on the cost,	A survey should be conducted on the items existing in the stores of the Company thereby showing the accurate stock value in the financial statements.	Preventive measures had not been taken.	The issue remains unresolved.



and shown as Rs. 47,440,818 in the financial statements.

- (b) The balance of Rs. 840,774 shown under work in progress with respect to the period from 2005 up to the end of the year 2018 had not been identified and adjusted to the relevant accounts. The works in progress continuing to exist in the accounts since the year 2005, should be accurately brought to accounts. Preventive measures had not been taken. It was reported that as the Kantale Sugar Industries Limited had been closed with effect from 1994.04.01, information as to whether the building had been completed could not be obtained.
- (c) Although the value of Property, Plant and Equipment is Rs.73,849,491 according to the financial statements, value as per the Corresponding Reports was Rs.540,000,000 and due to that a difference of Rs. 466,150,509 was observed. The assets belonging to the Company should be assessed and brought to the accounts under the fair value. The Ministry had assessed the assets with the Government Valuation Department in 2007 and 2017. The issue remains unresolved.
- (d) The Audit had not been provided with letters of confirmation of balances in order to verify the trade and other payable balances totalling Rs. 16,598,342 existed as at the end of the year 2018. The audit evidence required to verify the balance shown in the accounts, should be made available to the Audit. It has been reported that the company has to pay the excess amount of Rs.16,598,342 received from the Industrial Development Board for the sale of iron. No confirmations were submitted.

- (e) Action had not been taken for the recovery of amounts receivable and paid in advance totalling Rs. 42,183,209 continuing to exist since the year 1993. Action should be taken for the immediate recovery of monies receivable. As the Attorney General's Department has informed that the case filed in the court to recover the amount of Rs.14,036,375 due from the previous investor which has been around for about 20 years cannot be continued, it has been reported that this amount cannot be recovered. No action has been taken to recover the remaining amount. No action had been taken to recover.
- (f) Action had not been taken to settle the sum of Rs. 76,352,246 shown as being payable to the Ceylon Electricity Board since the year 2010. Action should be taken to settle the dues Ceylon Electricity Board. No action has been taken to settle. The balance remains unsettled.
- (g) Under the restructuring programme to increase the local sugar production by reopening Kantale Sugar Industries Limited that had remained closed over a period of 25 years without being engaged in any production process, the investors should have invested a sum of US \$ 100 million thereby implementing the said project within a period of 05 years. Nevertheless, no such an The Company should be immediately restructured and the production process should be commenced in order to increase the local sugar production. Restructuring and production has not begun. Unable to restructure and begin the production.

investment had been made even up to 31 January 2020 whilst being observed that the Government of Sri Lanka had been deprived of the ownership of buildings belonging to the Company including all the machinery. It was further observed that a sum totaling Rs. 40.392 million had been paid during 2015 - 2018 as salaries and allowances to the employees of the Company that had not been engaged in any production process.

- (h) An open tender procedure had not been followed to select an investor for the restructuring of Kantale Sugar Industries Limited; instead, the evaluation of investments had been done based on 02 applications received directly by the Ministry of Lands and the Board of Investment. It was observed in audit that invitation for proposals for investment had not been done with adequate transparency. Furthermore, the Audit was informed that no document whatsoever had existed in the possession of the Ministry of Lands.
- Action should be taken to follow an official tender procedure thus selecting a suitable investor with transparency.
- It was observed that no preventive measures have been taken.
- It was not observed that a suitable investor was selected.

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| (i) | It was observed that the shareholder agreement for restructuring Kantale Sugar Industries Limited had been prepared by the then legal consultant of the Ministry of Finance by disregarding the clearances given by the Attorney General's Department on 01 August 2016. Moreover, without further studying the technical and commercial aspects relating to the clearance given on 01 August 2016, it was informed that, by presenting a clearance on 04 August 2016, there was no legal objection on the implementation of that project. | When observations were presented by the legal consultant of the Ministry of Finance relating to the clearances of the Attorney General, the Secretary to the Ministry of Finance should have been informed in that connection thus obtaining approval thereon. Before signing the final shareholder agreement, the conditions set out therein should have been examined. | No action was taken in this regard.                          | The issue remains unresolved.       |
| (j) | It was observed that the Secretary of the Treasury or other officer had not been informed on the matters mentioned in the letter sent by the former legal consultant of the Ministry of Finance to the Attorney General's Department in response to the letter sent by the Attorney General's Department to the Ministry of Finance including the observations. It was also observed that, even at the time of signing the final agreement, observations of the  | The legal consultant should have apprised the relevant parties of the conditions set out in the agreement prior to signing the final shareholder agreement.  | It was observed that no preventive measures have been taken. | No action was taken in this regard. |

Attorney General, dated 01.08.2016 had not come under the attention of the Secretary of the Treasury.

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| (k) | Contrary to the condition that the investor should bring the machinery to the factory, it was observed that the former legal consultant of the Ministry of Finance had included a condition to the signed agreement enabling the investor to use the existing machinery. The Audit also observed that the final drafts sent to the Attorney General seeking clearance for that condition, had not been included in the shareholder agreement. | An investigation should be launched on the legal consultant who had included a condition which had not been in the draft agreement sent to the Attorney General's Department for clearance, to the final and signed agreement. | It has been reported that the officer who made this revision, is not currently working in the Legal Affairs Department of the Ministry of Finance. No preventive measures have been taken. | The issue remains unresolved. |
| (l) | It was observed in audit that the shareholder agreement that had been entered into had caused the disposal process of machinery including the buildings of the Kantale Sugar Industries Limited, to end up in disruption.   | As a condition stated in the Cabinet Paper had not been included in the signed agreement, the disposal process could not be done. This should be identified and suitable action should be taken in that regard.                | It was observed that no preventive measures have been taken.   | The issue remains unresolved. |

- (m) It was observed that the signed agreement had been prepared by the former legal consultant of the Ministry of Finance in a manner which is favourable to the investor and unfavourable to the Government of Sri Lanka. It was further observed that the decision of the Singapore International Arbitration Centre wanted the Government of Sri Lanka to pay sums of Singapore Dollar 894,516.83 and Rs. 211,913.93 as compensation to the investor whilst the project cost had been increased by 15 per cent.
- The compensation to be paid due to the inclusion of conditions that were unfavourable to the Government of Sri Lanka, should be recovered from the parties responsible.
- Due the decisions of arbitration are not as appealing as court decisions, it has been reported that there is no legal possibility to lodge an appeal against this arbitration.
- No action had been taken to recover the compensation from the responsible parties.
- (n) As the Cabinet Memorandum had been presented to the Parliament without proper coordination between the Ministry of Finance, Ministry of Land Reforms, and Board of Investment being the institutions responsible for restructuring Kantale Sugar Industries Limited, the Company the sugar production process of which had been halted in the year 1994, could not be vested with an investor even up to the date of audit. Hence, the production process could not be commenced.
- Action should be taken for the immediate completion of restructuring the Kantale Sugar Industries Limited.
- Had not been assigned to a suitable investor.
- Restructuring had not been made.

- (o) It was observed in audit that an expensive chain, named "Jungle Cleaning" used to clear the cultivated lands of the Company, had been engulfed in wilderness. Necessary action should be taken to safeguard assets of the Company before being damaged. It was not reported that any action had been taken to protect these assets. It was not observed that the necessary measures were taken to protect the assets from being destroyed.
- (p) The Audit observed that vehicles belonging to the Company had remained parked while falling into decay without security and being sheltered at the premises over a period of about 25 years. The chassis numbers of the vehicles had been removed in view of the tender procedure. However, the tender procedure had become cancelled since the ownership of the vehicles including the machinery had become under the ownership of the investor thus observing that the identity of vehicles could not be verified owing to the removal of the chassis numbers. Action should be taken for the safe custody of those assets until being disposed of. The disposal process should be expedited. No preventive action had been taken. It was not observed that assets were disposed.
- (q) The Kantale Sugar Industries Limited with the annual production capacity of 16,320 metric tons of sugar, 9,000 metric tons of molasses, and 3.9 million liters of sugarcane spirit, had temporarily been taken over by the Government on 01 September 1993. However, the production of sugar had discontinued from The responsible institutions should take measures to restructure this Company remaining closed since the year 1994 and vest in a suitable investor whilst disposing the unusable assets. It was reported that the machinery and vehicles were put up for auction. It was not observed that action was taken to transfer to a suitable investor and dispose the unusable assets.

April 1994 and as such, thousands of people in the area had lost job opportunities directly and indirectly. Moreover, the machinery and vehicles parked at the premises of the Company of which the value had been assessed to be Rs. 125 million in the year 1991 by the Department of Valuation had become unusable due to lack of security and shelter. The value of vehicles had declined by Rs. 12,463,500 during the 05 preceding years in accordance with the valuation reports presented by the Department of Valuation in the years of 2012 and 2017; nevertheless, no action had been taken for the disposal of unusable machinery and vehicles.

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| (r) | An extent of 8596 hectares of land is owned by the Company. The sugar factory and the complex of official residences are located over an area of 164 hectares. An area of 4800 hectares had been made use of for sugarcane cultivation during the heyday of the sugar factory, but at present sugarcane is not cultivated anywhere. The lands have been used by the encroachers for paddy and other cultivations though, no action has | As the lands belonging to the Company have not been in use for any cultivation over many years, it is likely for the lands to be encroached. As such, necessary action should be taken to avoid such incidents. | No preventive measures have been reported. | It was not observed that action was taken to remove the encroachers. |
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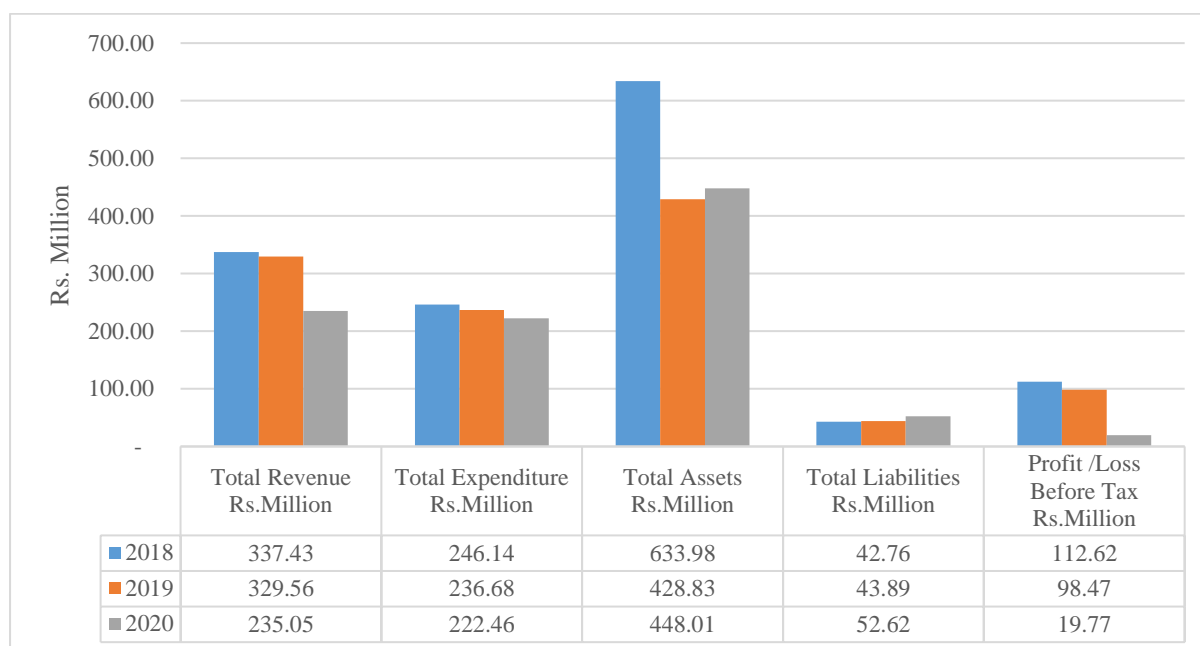


been taken by the management for the eviction of encroachers.

- (s) The group of buildings at the premises of the factory valued at Rs. 133,150,000 by the Department of Valuation for the year 2017 comprising the head office building, stores, laboratories, sugar storages, security building, and official quarters, had not been maintained, nor had security been provided therefor. As such, it was observed that many such buildings had been damaged by wild animals such as elephants and monkeys. Furthermore, furniture, machinery and spare parts in the stores and the factories were decaying.
- Action should be taken immediately to dispose of unusable assets belonging to the factory whilst securing the other assets.
- It has been reported that they have informed to the Wildlife Office and to the Police to protect the buildings from wild elephants.
- It was not observed that unusable assets were disposed and necessary measures have been taken to protect the assets.
- (t) The valuable galvanized pipes belonging to the factory had been placed insecurely without shelter. Another stock of metal pipes had been brought away to a nearby army camp and the Buddhist temple. However, no action had been taken to get them back to the factory.
- Action should be taken to securely maintain the stocks existing at the stores of the factory.
- It was reported that action will be taken to get the pipes back.
- There was no information that action would be taken to get back.

**4.70 Jaya Container Terminal (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	337,434,783	246,140,155	633,982,773	42,759,596	112,616,660	Unqualified
<b>2019</b>	329,561,000	236,675,352	428,834,353	43,891,892	98,466,635	Unqualified
<b>2020</b>	235,051,947	222,456,068	448,005,375	52,617,485	19,772,978	Qualified

**Audit observation****Recommendation of the Auditor General Preventive measures taken by the institution The current position**

- (a) It had been stated that residual value, useful lifetime and depreciation method of property, plant and equipment would be annually reviewed in accordance with Accounting Policy No. 2.3.8 contained in the Financial Statements of the Company. The useful life of motor vehicles cost at Rs.65,507,108 had been
- Necessary adjustments should be made on the recommendations given by an Asset Review Board.
- The useful life of the motor vehicles was increased up to 07 years from 05 years on the recommendations of the heads of Engineering Division. Some of these vehicles have elapsed a period of 5 years and as it is expected to sue them in
- Action has been taken to set up a committee consisting of the head of the Engineering Division, Executive Engineers and individuals with

increased from 5 years to 7 years without the recommendation of the Asset Review Committee and a review had not been conducted by a Review Board as stated in the Accounting Policy as at 31 December 2020 in respect of other property, plant and equipment of the Company cost at Rs.58,432,733.

the ensuing years, that the technical decision was taken. In the knowhow on the future, an Asset Review other sectors for Board will be set up and reviewing the action will be taken in useful life, accordance with the salvage value etc. recommendations made of the assets since by the Board. the year 2021.

- (b) Even though it had been stated that the balance receivable to the Company from the Sri Lanka Ports Authority as at 31 December 2020 was Rs. 28,268,536 as per the financial statements, the amount to be paid to the Company by the Sri Lanka Ports Authority as per the balance confirmation letter given to the Company by the Authority as at the date was Rs.26,947,624. Accordingly, a shortage of Rs.1,320,912 was observed in the balance due from the Sri Lanka Ports Authority. A sum of Rs. 544,684 included in this difference and due from the Ceylon Petroleum Corporation from 2014 had not been recovered even by 23 February 2022.
- Action should be taken to recover the dues in arrears to the Board of Director's meeting held on 25 February 2021. The relevant institutions.
- The Head of the Division It has been submitted a report on this promised that the amount of Rs. 544,684 will be paid by the decision of the Board of Managing Directors was that the Director of the said monies were Ceylon Petroleum Corporation by January 2022. Further, the Head of Enterprise Development and Operations was instructed to deal with the matter.

- (c) Although the Board of Directors should bear the statutory responsibility in directing the operations and management of the organization as required by Section 3.1 of the Circular No. PED 12 dated 02 June 2003 on the Good Governance issued by the Public Enterprises Department, it was observed at the audit test check that the Chairman was empowered to take decisions regarding recruitment, promotion, retirement and other matters relating to employees at the meeting of the Board of Directors held on 29 August 2011 at Jaya Container Terminals and the Company had not made arrangements to correct that decision even by the 9 April 2021.
- As the Board of Governance should be responsible for the affairs of the Company, relevant activities should be carried out on the decisions of the Board of Directors.
- The matter on the delegation of powers to the Chairman as per the Board of Directors' Decision dated 29.08.2011 to take decisions on the recruitment, promotion, termination and other matters relating to employees was discussed at the Board of Directors' meeting held on 25.02.2021. It was decided therein that the course of actions to be taken under the said powers shall be informed to the Board of Directors. It was further decided that any action taken contrary to that requirement shall be deemed nullified and invalidated.
- It has been decided that those activities should be taken subject to report to the Board of Directors and if the Chairman has not obtained covering approval for such activities, those will be nullified and invalidated.
- (d) A Corporate Plan had not been prepared showing the future direction of the Company and including realistic and achievable goals as required by Section 5.1 of the Circular No. PED 12 dated 02 June 2003 on the Good Governance issued by the Public Enterprises Department.
- It is the responsibility of the Management to prepare a Corporate Plan including a long term vision as per the circular.
- Pages Nos.20-21 of the Corporate Plan prepared by the entity include a plan on the projects expected to be completed by the entity within the ensuing 5 years on short term and long term basis. These are the goals and
- The Corporate Plan had not been prepared as required by the circular.

- targets of the entity expected to be achieved within the 5 years to come.
- (e) In terms of Section 8.2.2 of the Circular No. PED 12 dated 02 June 2003 on the Good Governance issued by the Public Enterprises Department, if a state-owned company makes short-term deposits, Treasury Bills, Fixed Deposits or other financial investments, the concurrence of the Minister of Finance should be obtained, whereas the concurrence of the Minister of Finance had not been obtained for investments amounting to Rs. 185,420,331 as at 31 December 2020.
- In the investment of surplus funds of a public institution, relevant concurrence should be obtained as per the circular.
- The entity has invested all surplus funds in the fixed deposits of the Bank of Ceylon. All these deposits have been made before the year 2019. Action will be taken to obtain the concurrence of the Minister of Finance in respect of the future deposits.
- Action has been taken to obtain the concurrence of the Minister of Finance for the investments made with effect from 2021.
- (f) In terms of Section 9.2 of the Circular No. PED 12 dated 02 June 2003 on the Good Governance issued by the Public Enterprises Department, although every government enterprise should register the Organizational Chart and the Cadre with the Department of Public Enterprises in Treasury, the Company had not met the above requirement.
- The management should take steps to meet these requirements on human resources as required by the circular.
- A Consultant has been appointed through the Procurement Committee appointed for the selection of a Consultant and initiated measures to register the Organizational Chart and the Cadre with the Department of Public Enterprises.
- Procurement activities have been initiated for the selection of a Consultant to prepare relevant documents. Bids were accepted as at 10.12.2021 and 06 bids have been received.

- (g) In terms of Section 9.3.1 of the A scheme of Having appointed a Procurement Circular No. PED 12 dated June recruitment should Consultant through the activities have 2003 on the Good Governance be prepared and Procurement Committee been initiated for issued by the Public Enterprises obtained approval appointed for the the selection of a Department, a formal Scheme of as stated in the selection of a Consultant Consultant to Recruitment for the Company had paragraph for and prepared a formal prepare relevant not been formulated with the ensuring formal scheme of recruitment, documents. Bids approval of the Board of Directors and transparent measures have been were accepted as and the Line Ministry and the human resource initiated to obtain at 10.12.2021 and concurrence of the Department of management. approval of the Board of 06 bids have been Public Enterprises. Directors and received. concurrence of the Line Ministry and the Public Enterprises Department.
- (h) In terms of Section 9.9 of the All the details This will be dealt with in Action has been Circular No. PED 02 June 2003 on related to the the future. taken to submit all the Good Governance issued by the overtime payments the details related to the Public Enterprises Department, should be to the overtime payments to the although all the details related to submitted to the Board of Directors' meetings from the the overtime payments for each Board of Director. year 2021. month should be submitted to the Board of Directors to obtain the Covering Sanction, the detailed information of overtime payments made by the Company in the year 2020 amounting to Rs. 26,915,745 had not been submitted to the Board of Directors monthly to obtain the approval.
- (i) In terms of Sections 3 and 7 of Part The necessity to According to the service Approval has been I of the Shop and Office Employees comply with the requirement of the granted at the Act No. 19 of 1954 dated 9 August requirements of the Company, a 24 hour shift Board of 1954, if an organization deploys the Shop and Office has been introduced to Directors'

- employees on a shift basis, Employees Act ensure efficient and meeting held on although it should be limited to a should be looked uninterrupted operations. 25.02.2021 for the maximum of 8 hours per day and 45 into. Approval for the continuous hours per week, 46 employees who continuous maintenance maintenance of were attached for operational of the said 24 hour shift the 24 hour shift activities in the year 2020 had been deployed for a 24 hour shift. has been granted at the method Board of Directors' introduced as per meeting held on the service 25.02.2021. requirements of the Company.
- (j) In terms of Section 2 of the Action should be Approval for the payment Action had not Management Services Circular No. taken in accordance of Cost of Living been rectify the 01/2014 dated 06 January 2014, with the circular. Allowance was received issue. although the Company is not eligible for a cost of living allowance as it is an institution which does not determine the staff and relevant salaries as per Management Services Circular No. 30, Cost of Living Allowance of Rs. 7,800 had been paid from 2018 to 95 employees each. at the Board of Director's meeting held on 03 May 2018. In response to the letter sent to the Secretary to the Line Ministry on 23.02.2018 for obtaining approval for this purpose, the Line Minister concerned has sent a letter to the Director General of the Department of Management Services on 23.02.2018 and sought approval.
- (k) In terms of Sections 4 (i) and (ii) of The shares of the It is expected to make a A request in this the Articles of Association, each 06 officers who request to the Authority regard has been officers working in the Sri Lanka resigned from the to put in place a made to the Ports Ports Authority, should hold one Authority should mechanism to inform the Authority on share of the share capital issued by Jaya Container Terminal 06.10.2021.

the Company. Similarly, when an officer holding a share in the company resigns from the service of the Authority, the shares should be transferred to the officers nominated by the Authority, whereas actions had not been taken to transfer the issued shares of five officers who had retired on 31 December 2020 to five officers nominated by the Authority. As a result, the risk of arising of legal issues regarding updates and validity of the transferring of shares could not be ruled out.

be transferred to the officers nominated.

Limited promptly on the resignation of an officer from the Authority who holds the shares of the Jaya Container Terminal Limited.

- (l) In terms of the letter issued by the Secretary to the Ministry of National Policies and Economic Affairs bearing No. NP / SP / SDG / 17 dated 14th August 2017, every Government institute should take actions according to the United Nations' "Agenda for the year 2030" on Sustainable Development. Nevertheless, Sustainable Development Goals, targets and how to achieve those targets, indicators to measure the targets had not been identified.
- It is the responsibility of the management to identify the sustainable development goals, accordingly set targets and to take steps towards the achievement of those targets.
- Action will be taken to implement this in the future.
- Sustainable development goals had not been identified and circular instructions had not been followed.
- (m) The withholding tax balance receivable as at 31 December 2020 was Rs. 1,540,551 as per the financial statements and the
- The management is responsible for keeping relevant certificates for the
- The Company accounts for interest income and the withholding tax on accrual basis up to 31
- An impairment allocation will be made on this



relevant withholding tax withholding tax December each year in withholding tax certificates were not submitted to expected to be accounting for the in the future. audit. As a result, it was observed obtained the tax interests for the fixed that there is an uncertainty credits. deposits. (Before 2020) regarding the deduction of the Nevertheless, the bank above withholding tax from the issues certificates for the income tax in the payment of withholding tax only up to the relevant maturity income tax. date.

As the amounts indicated in the certificates are deducted in the payment of income tax, a certain amount of money was saved in the Withholding Tax Account each year from 2014 to 2019.

- (n) The Company had paid 20% of the agreed contract value amounting to Rs. 45,517,357 to the Sri Lanka Ports Authority during the year under review to pay to the Contractor to construct a new oil tank with a storage capacity of 3200 MT and to install a fire extinguisher system covering 10 oil tanks. Actions had been taken by the Company to obtain the Value Added Tax (VAT) of Rs. 3,371,656 consisted in the above amount as tax credit from the Inland Revenue Department in October 2020 as input tax based on a tax invoice issued under the letterheads of the
- Action should be taken to carry out tax deduction based on the tax invoice submitted by the contractor.
- A sum of Rs. 45,517,357.58 was paid to the Sri Lanka Ports Authority on 06 October 2020 in relation to 20 per cent of the advance for the construction of an oil tank with a storage capacity of 3200 MT and to install a fire extinguisher system.
- This is an error that took place in the issuance of invoices for the first time by the Sri Lanka Ports Authority. This is being corrected for the time being.
- Once the above payment was made to the Ports Authority, the Chairman of the Jaya Container Terminal Limited had addressed a letter to the

Sri Lanka Ports Authority without obtaining a tax invoice issued by the Contractor.

Ports Authority on 20 October 2020 and requested to refund the Value Added Tax (VAT) of Rs. 3,371,656.11 contained in that amount to the JCT and he further requested to bear the Value Added Tax applicable to the payments made for these capital expenditure by the Ports Authority itself in the future and to claim it as an input tax. Nevertheless, the Sri Lanka Ports Authority submitted a tax invoice for this expenditure on 05.11.2020. According to that tax invoice, our institute deducted this as an input tax. If it is not so deducted, it will result in an over calculation of expenditure of our institute due to this tax amount.

- (o) Three types of oil owned by 07 It is the The every measurement As a place where agents in 13 oil tanks owned by the responsibility of method used in the world oil of the licensees Company are stored and there, the management to for the oil industry is not are stored in tanks are commonly used by use the technically 100% accurate. There is a mixture, we use agents. As a result of deficiencies in advanced methods probability of varying it the most accurate the equipment used to measure the for the by about 0.05 per cent. method available

amount of oil pumped into the tanks and pumped out of the tanks, and due to not measuring the oil stock correctly, an excess of 557 metric tons of oil was observed in between the book balance and the physical balance of the oil stock as at 31 December 2020.

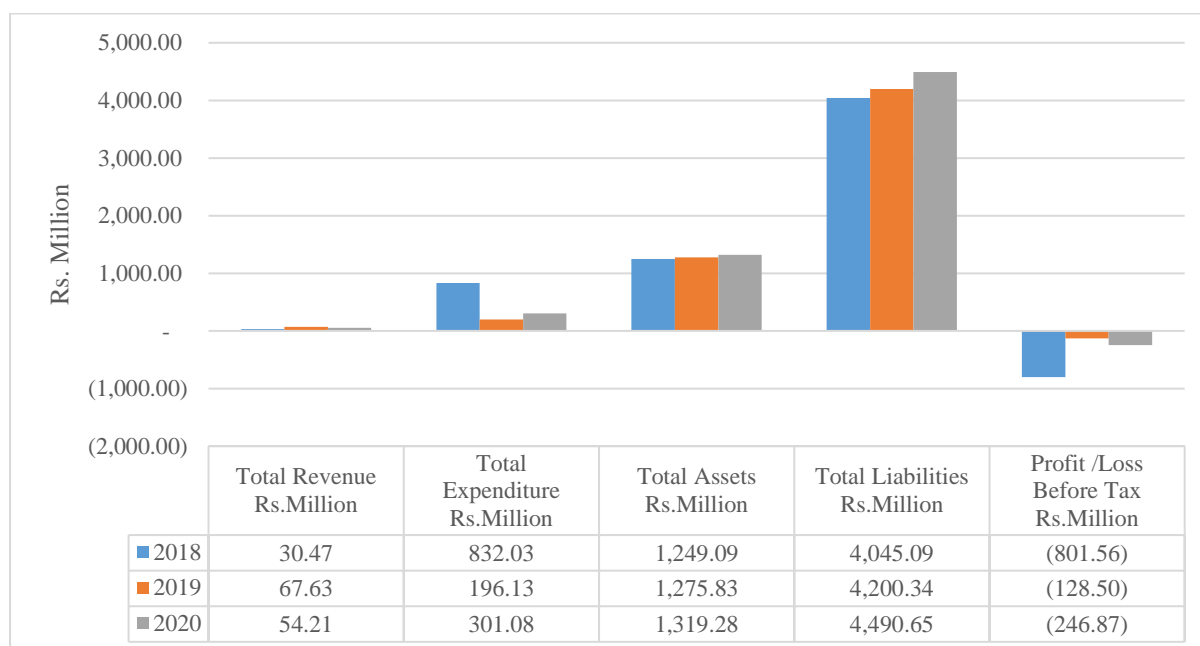
measurement of the oil volume so as to minimize the differences between the book balance and the physical stock

The amount of 557 MT oil had collected as a result of converting HSFO tanks and oil pipelines to LSFO in addition to the said difference.

in the world and this is a correct method used in the field of oil industry. Eg: CPC, CPSTL are using this method.

**4.71 Magampura Port Management (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	30,472,055	832,031,579	1,249,093,942	4,045,091,813	(801,559,524)	Disclaimer
<b>2019</b>	67,625,610	196,129,361	1,275,834,471	4,200,336,094	(128,503,752)	Disclaimer
<b>2020</b>	54,206,475	301,080,892	1,319,275,274	4,490,651,313	(246,874,417)	Disclaimer

**Audit observation****Recommendation  
of the Auditor  
General****Preventive measures taken  
by the institution****The current  
position**

- (a) Stocks valued at Rs.12,430,943, Management is No property, plant and Investigations fixed assets at the carrying amount responsible for equipment whatsoever are have not been of Rs.406,546 and cash in hand taking action in currently available with the conducted to amounting to Rs.173,727 which had accordance with Company. The said Company ascertain been indicated under assets of the Accounting has been notified in writing to individuals statement of financial position had Standards and pay the said value to the who are not physically existed. As provision making provisions Company on the basis that responsible as well had not been made in the for security of those properties are being used therefor and financial statements for these losses assets. by the Hambanthota impairment

amounting to Rs.13,011,216, it was observed that annual /cumulative loss should be overstated by the same amount. An investigation had not been carried out to ascertain the reasons for non-availability of assets shown in the financial statements, physically and to ascertain individuals who are responsible therefor. It was further observed that adequate action had not been taken by the Management for the security of assets.

International Port Group. provision is Action will be taken to make due to be made impairment provision therefor. for stocks Further, action will be taken to which are not make impairment provision for physically stocks valued at Rs.12,430,943 available with and for cash amounting to the Company. Rs.173,727 based on a decision of the Board of Directors.

- (b) The cumulative loss of the Company as at 31 December 2020 was Rs.3,246,376,040 and the net assets of the Company as at that date were Rs.3,171,376,040 reflecting a minus value. The operations of the Company have been ceased since 13 November 2017 and the Board of Directors had decided to liquidate the Company on 15 February 2018. However, a Liquidator had not been appointed even up to 15 March 2021.
- As it has been decided to liquidate the Company, the responsible officials should take action to implement it expeditiously.
- The Magampura Port Management Company (Pvt) Ltd., has been established under a Cabinet approval and as such, the Company decided that a Cabinet approval should be obtained for the liquidation of the Company as well. As such, the Sinhala and English versions of the Cabinet Paper have already been submitted to the Secretary to the Ministry for seeking the Cabinet approval in this regard. Other necessary steps will be taken soon after receiving the Cabinet approval.
- The Cabinet approval has been received for liquidation of the Company. Accordingly, action will be taken to liquidate the Company by holding an Extraordinary General Meeting (EGM) with Sri Lanka Ports Authority which is the parent company.

- (c) Source documents, letters for confirmation of balances, age analysis reports and other supporting documents relating to balances such as Rs.17,782,563 receivable from the Government as at 31 December 2020, Rs.28,040,453 receivable for insurance of fuel for ships and Rs.3,589,879 receivable from trade debtors and Rs.7,297,497 payable by the Company as at that date according to the statement of financial position, had not been made available to Audit. Further, no action whatsoever had been taken by the Management during the year for the recovery of receivable balances of Rs.49,412,895 mentioned above.
- Action should be taken to submit this connection. Further action will be taken in this connection. The Board of Directors was notified to take action for the recovery of balances receivable.
- (d) According to the financial statements of the Company, the balance receivable from the Sri Lanka Ports Authority which is the parent company as at 31 December 2020 had been indicated as Rs.103,666,952. However, according to the financial statements of the Sri Lanka Ports Authority, the balance payable to the Company as at that date amounted to Rs.98,938,252, thus observing a difference of Rs.4,728,700 in the balance receivable to the Company. However, action had not been taken to reach a settlement by holding
- Action should be taken to recover balances receivable to the Company. A letter has been sent on 25.01.2021 for the recovery of the said money from the Sri Lanka Ports Authority. However, said moneys have not yet been provided by the Sri Lanka Ports Authority. Previous letters for confirmation have been made available to Audit for balances receivable from the Sri Lanka Ports Authority. The Board of Directors has been notified to take action for the recovery of

discussions with Sri Lanka Ports Authority regarding matters attributed to the said difference. Further, Compensation for tug boats amounting to Rs.25,719,981, management service charges amounting to Rs.76,547, 855 and Rs.1,399,116 for 11,449 liters of petrol and diesel which had been issued from the filling station located in the premises of the Company to vehicles owned by the Sri Lanka Ports Authority included in the above balance which should be recovered from the Sri Lanka Ports Authority since the year 2017, had not been received to the Company even up to 15 May 2021.

balances  
receivable.

- (e) According to the financial statements of the Sri Lanka Ports Authority for the year 2020, a sum of Rs.5,800,921 had been shown as receivables to the Authority from the Company. However, the said amount had not been indicated as payables according to the financial statements of the Company for the year 2020. As per the information obtained from the Sri Lanka Ports Authority, the said amount was receivable to the Authority for management service charges receivable to the Authority and for
- After having discussions with the Sri Lanka Ports Authority, if the relevant amount is a balance payable, action should be taken to record it in the financial statements of the Company.
- Action will be taken after inquiring into this connection.
- Payment of the said amount will be taken into consideration when the Company is liquidated.

settlement of various bills of the Company.

- (f) No loan installments or interests whatsoever had been paid by the Company in the year 2017 or years thereafter relating to the loan amounting to US\$ 24,002,438 equivalent to Rs.3,144,178,059 obtained from a local private bank by the Company in the year 2014 for the purchase of fuel for ships. However, according to the financial statements of the Company, the loan amount and the interest thereon payable as at 31 December 2020 including the interest of Rs.180,268,282 as well payable for the year under review, had been Rs.971,528,124. Accordingly, as per the financial statements as at 31 December 2020, the loan amount and the balance of interest thereon had been US\$. 24,038,495 equivalent to Rs.4,480,972,700. Even though letters for confirmation of balances had been summoned on 12 January 2021 by the Company regarding the said balance, the relevant bank had not submitted the confirmation for balances. As such, the accuracy of the said balance payable was uncertain. Further, a law suit had been instituted and proceeded by the relevant bank
- Action should be taken as per the judgement passed by the Court.
- Matters on the lawsuit instituted by the relevant bank against the Company in the year 2020 will be disclosed in the financial statements of the ensuing year.
- Payment of the said amount will be taken into consideration when the Company is liquidated.



against the Company in the year 2020 for the recovery of the said loan. Nevertheless, it had not been disclosed in the financial statements.

- (g) According to Section 2.2 of the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, this Company falls under the Subcategory F and as such, the recommendation and the concurrence should be obtained for the payment of sitting allowance for attending meetings of the Governing Board of the Company. Further, according to the categorization from A to E set out in the Circular, the highest sitting allowance amounting to Rs.12,500 is paid to state owned enterprises in subcategory A. Under such circumstances, the Company which is an inoperative state owned enterprise in subcategory F, had paid a sum of Rs.475,000 as the sitting allowance at a rate of Rs.25,000 for members of each Board of Directors who had participated in 04 meetings held in the year 2020 and Rs.1,875,000 for 15 meetings held in the years 2019 and 2018 contrary to the said Circular. Further, it was observed that the economy of the said expenditure incurred on behalf of the
- Action should be taken to recover moneys paid without proper approval.
- According to the President's Recommendation No. 02/2020 dated 13 January 2020, the monthly allowance for the members of the Board of Directors can be paid up to Rs.25,000.00. Payments had been made subject to the approvals of Board of Directors for the previous meetings held in the years 2019 and 2018.

Company which is due to be liquidated, is contentious.

- (h) In terms of Section 3.8 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Company Secretary should check on the progress of Board decisions and report thereon to the Board of Directors. However, it was revealed in audit that the Company had failed to do so during the year.
- Action should be taken to submit reports to the Board of Directors. The Company Secretary has been instructed thereon and it is a responsibility of the Company Secretary.
- It has been informed that it is a duty of the Company Secretary and that instructions have been given thereon.
- (i) Even though the withholding tax balance receivable according to financial statements as at 31 December 2020 amounted to Rs.5,037,187, tax certificates relating to Rs.3,021,258 of that had not been furnished to Audit. Moreover, as tax certificates were not available, it was observed that the realization of the above mentioned receivable balance was uncertain.
- A final decision should be reached after having discussions with the Inland Revenue Department.
- Making all payments relating to tax, submitting appeal etc. are being carried out. Prompt action will be taken to settle this value as well after computing again.
- Withholding tax certificates relating to years 2017 and 2018 have not been issued by the bank during the said period. Moreover, as there is no income tax liability of the Company after year 2019, a situation exists in which this withholding tax balance cannot be set off against the income tax liability.

- (j) Even though statutory payments should be settled within due periods, action had not been taken by the Company even in the year under review to settle the balance of payable income tax amounting to Rs. 2,381,117 which had been brought forward since the year 2017. Management should take action to settle the income tax balance which is a statutory payment. Not replied. A written appeal has been forwarded to the Inland Revenue Department by the then Finance Manager for settling the income tax balance payable amounting to Rs.2,381,117 brought forward since the year 2017.
- (k) The dispute which arose in the year 2018 with the employees of the Company in the removal of employees by payment of compensation, was ended on Industrial Mediation Resolution No. A/37/2017 of the Colombo Industrial Court and the agreement to conditions of mediation set out between the parties on 02 February 2018. Arrears of overtime for November 2017 and /or arrears of salaries up to January 2018 if any, had been agreed to pay before 28 February 2018 according to In the payment of compensation, action should be taken according to conditions of mediation. The Management should take action to recover relevant payments from responsible officers if any payment has been made contrary to The then Management of the Company had participated in the discussions of the mediation board. The conditions agreed relating to payment of arrears of salaries of employees have been indicated under 18 "a" and "b" of the said conditions of mediation. The basis on which those conditions were agreed, is as follows. Necessary corrections had not been made after looking into the audit observation on payment of compensation.

Condition No.18 (b) of the the aforesaid mediation agreement. Contrary to those conditions agreed, the Company had paid other allowances amounting to Rs.12,211,073 including travelling expenses, accommodation allowances, performance allowances and vehicle allowances to employees relating to December 2017 and January 2018 in which the Company had been inoperative. The said situation had been pointed out by the audit reports of years 2017, 2018 and 2019. However, necessary action had not been taken by the Management and responsible parties to hold inquiries relating to the said matter and identify responsible parties for those additional payments and for recovery of same.

All employees have been notified to vacate the premises on 29 November 2017.

As payment of overtime and salaries had not been made at that time for the period worked so far in the month of November, it has been specifically agreed to pay overtime for the month of November.

Moreover, the basic salary of 97 per cent of majority of employees remained between Rs.12,000 – Rs.20,000. As such, the performance allowance had been paid to every employee as a permanent allowance by the Company since its inception.

Moreover, fuel, transport, accommodation allowance etc. were paid only to 07 employees of the Middle and Top Management of the Company. The said employees had been instructed to be deployed in the service continuously for the operation of remaining activities of the Company. Even though the business operations of a

company in which more than 360 employees were deployed, was suddenly wound up employees should be available to represent the Company in activities such as removal of employees, discussion of compensation, vesting of assets, removal of documents etc. As those employees served the Company as before up to 31.01.2018, all their salaries should be paid.

- (l) In a strong internal control system, all payment vouchers should be arranged according to serial number and kept safely. Moreover, the officer in charge of vouchers should be responsible for completing and preparing all vouchers for auditing. However, 123 payment vouchers relating to Rs.29,975,094 and Rs.4,543,395 paid by the Magampura Port Management Company in the years 2017 and 2018 respectively, had not been submitted to Audit even up to 15 May 2021.
- Proper steps had not been taken relating to documents and assets of the Company when vacating the premises. As such, necessary disciplinary action should be taken relating to officers responsible therefor.
- All employees and files had to be removed from the Hambantota port premises at short notice, within a few hours. Moreover, the employees engaged in trade union action by forcefully remaining in the premises. The then Chairman as well pointed out to you that there was a probability of misplacement of the said documents in such a backdrop. However, copies of cheques relating to these payments have been submitted to you.
- The Secretary to the Ministry of Ports and Shipping has appointed a committee to examine the misplaced vouchers and supporting documents for the years 2017 and 2018.
- (m) According to the objectives of the Procurement Manual and the Procurement Guidelines, the Company should be responsible for It is a responsibility of the Management to follow a procedure Payments for the lawyers who appeared for the legal activities of the Company were paid on the approval of the Board of These monies have been paid for the lawsuit. No payment

the transparency and the proper with transparency Directors. At the first meeting whatsoever administration of procurement. and proper of the Board of Directors, the will be paid However, even though the Company administration in matter relating to the court case again therefor. had paid a sum of Rs. 7,250,000 to a the procurement No. DDR 1347/19 filed in the Colombo District Court was submitted to the meeting of the Board of Directors. It was scheduled to be called in the Court on 18.08.2020. The peculiarity of these cases is that objections must be filed on the first day of the trial. Otherwise, the Company would face a crisis if the Decree Nisi is issued by the Court for Rs.4.4 billion which was claimed in the case. As the amount owned already by the Company was Rs. 1.2 billion, an immediate requirement of filing counter arguments to the Court was essential and due lack of time, it was essential to have legal advice. Therefore, subject to the approval of the Board of Directors, service of the said lawyers was obtained. Also the payment made was the full amount which should be paid to the law suit. There was no requirement to make any other payment.

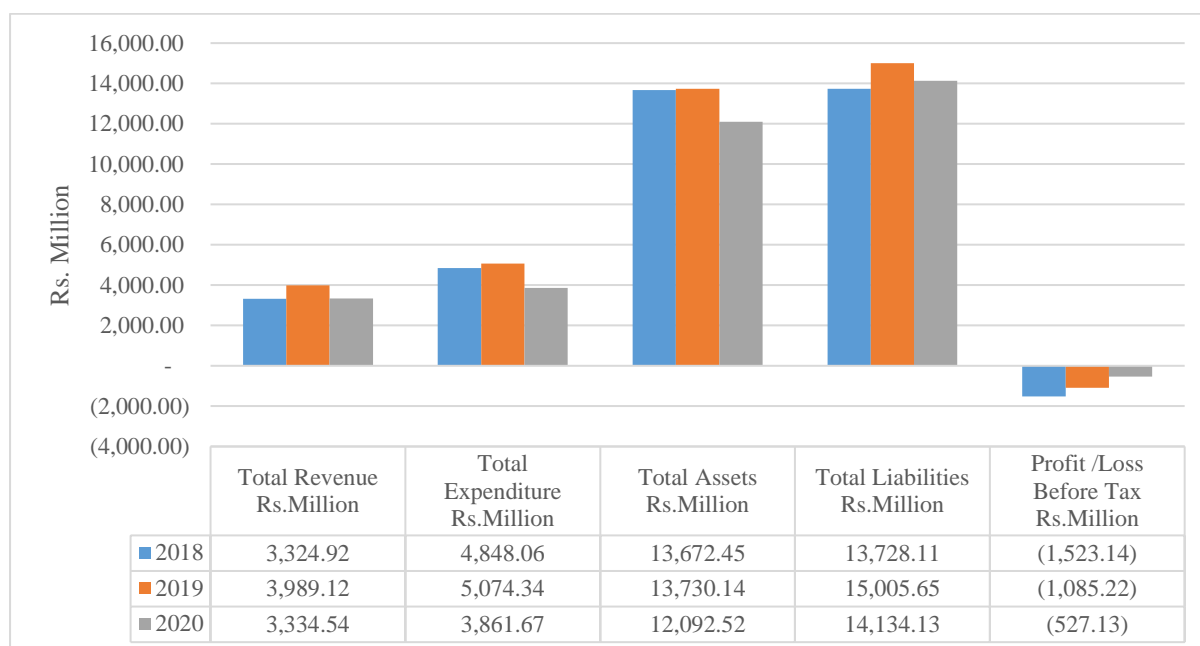
law firm which appeared for the activities. legal activities of the Company during the year 2020, evidence and information had not been made available to audit to confirm that lawyers had been selected following a proper procedure with transparency and proper administration. Further, agreements entered into with the relevant consultancy firm had not been presented to audit.

Matters such as consultations, filing counter arguments, filing of written submissions related

to the case, filing of written submissions if there is any issue relating to the legal matters including appearance before the Court etc. will be covered by the payment made for the lawyers.

#### 4.72 Ceylon Shipping Corporation Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	3,324,917,174	4,848,058,265	13,672,450,365	13,728,113,672	(1,523,141,091)	Qualified
<b>2019</b>	3,989,119,660	5,074,335,216	13,730,143,678	15,005,645,794	(1,085,215,556)	Qualified
<b>2020</b>	3,334,544,974	3,861,670,002	12,092,519,473	14,134,132,967	(527,125,027)	Not decided



#### Audit observation

- (a) The balance of Rs.95,420,000 of Crude Oil Transport (CPC) Control account had remained without any transaction during the last 3 years. The Company had not take actions to reconcile this balance. According to audit examinations, it was noted that 5 invoices amounting to Rs.82,192,817 had issued in the

#### Recommendation of the Auditor General

Management should reconcile those control accounts and action should be taken to identify variances.

#### Preventive measures taken by the institution

CSCL has act as a middle person in between the CPC and the Agent and raised the invoices to both parties and when recoveries are collected settlements are made accordingly. For

#### The current position

Matter has been referred to Attorney General Department by the Legal Department of CSC. Presently, consultation is in the process.



year 2014/15 to CPC to recover the demurrage paid to ECB international. However, the Company had paid only Rs. 51,890,465 to ECB international as demurrages and the deference of Rs. 30,302,352 between invoiced amount and the paid amount had included in the above balance.

your information, this was the control accounts that we extract final balances due for each other to present on Financial Statements and to them. This has not any violation of reporting in accordance with LKAS 01. Actual balances due for each party have been reported on CSC financial statement.

- (b) As per the paragraph 32 of the Sri Lanka Accounting Standards on Presentation of Financial Statements (LKAS 01), offsetting of assets and liabilities or income and expenses is not permitted unless required by other SLFRS. However, contrary to that the Company had set off trade & other credit balances amounting to Rs.46,755,453 against the debit balances of trade and other receivables though they accounted separately. As a result, total trade and other receivable and trade and other payables had been Management should ensure the accuracy completeness and transparency of the financial information. And presentation should be done as required by the standards.
- We do not agree with and .in accordance with the LKAS 01, we have kept our ledger accounts, all Expenses and Income as well as Assets and Liabilities. As of your statement Rs. 46,755,453 has arisen from the container refunds and those will be reimbursed to CSC consignees. This is in accordance with Company has make necessary arrangements to identify this exchange rate differences as Exchange Gain and Loss or Other Income from the financial year 2021/2022.

- understated by that amount as at the end of the year under review.
- the LKAS 01, paragraph 33, 34, and 35.
- (c) According to the paragraph 23 (a) of the Sri Lanka Accounting Standard on Effect of Changes in Foreign Exchange Rate (LKAS 21), at the end of each reporting period, foreign currency monetary items shall be converted using the closing rate. However, contrary to that, foreign trade debtors and foreign trade creditors as at 31 March 2019, amounting to Rs.348,746,443 and Rs.536,871,355 respectively, had been converted using the spot rate that prevail at the date of transaction occurred. Further, US Dollar values for foreign creditors did not submitted to audit.
- At the time of converting financial statement balances, Management should be compliance with Sri Lanka Accounting Standard No 21 (LKAS 21).
- Most of said debtor balances had not been recovered by the Commercial Department. Therefore, management has made a decision that those figures do not convert to the rate of exchange for the Financial Statement.
- (d) As per the Sri Lanka Accounting Standards on Impairment of Assets (LKAS 36), the Company had assessed that there was no impairment of the two vessels of its own. In that process the Company had estimated, expected future cash flows for next 23 years. As per that scheduled average charter rate of each vessel was USD 13,754 per day on open market operations
- Realistic predictions should be made as much as possible and appropriate impairment provisions should be made if deemed necessary.
- Based on M/S Clarkson Research Intelligence Weekly Reports Supermax average charter hire, freight rate per MT for annual earning and PLATTS bunker wire index for bunker adjustment were taken for calculation which
- Even in financial statement in 2019/20, no disclosure has been made on this matter.

for the year 2020/21. However, it is observed that actual earnings up to August 2020 as per the agreement entered into with commercial management companies were only USD 5,893 and USD 8,236 per day for MV Ceylon Breeze and MV Ceylon Princess respectively. It had shown a significant difference between actual and forecasted charter rates. However, no disclosure had been made in the notes to the financial statements on that matter by the Company.

was more reliable fair source but world economic drastically decline due to unexpected situation with outbreak Covid – 19 outbreak situation. Year 2020 has seen historical market low with pandemic. Both vessels were open for chartering during the period where majority of countries were entering lockdown and force majeure was being declared at various ports in the Indian subcontinent and Mv. Ceylon Prince delivered to charter on 19<sup>th</sup> April 2020 and at the time BSI Asia index was at USD 2886 per day as well as M/S Clarkson index supermax size was USD 2,312 per day for RBCT. South Africa to West Coast of India.

- (e) As per the paragraph 25 of the Sri Lanka Accounting Standard No.01, when preparing financial statement management should make and assessment of an entity's ability to continue as a going concern. In making its assessments, if management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities ability to continue as a going concern the entity shall disclose those uncertainties. However, though uncertainties were cast from the financial statements, it had not been disclosed in the financial statements.
- Management Should take immediate steps to prevent further occurrence of such losses and present the same in the financial statement to show the accuracy and the completeness of the same.
- Agreed with observation
- To overcome this situation the company had proposed some mitigating measures in their extra ordinary meeting held on 3<sup>rd</sup> July 2021. The report submitted to the EGM relevant to the financial year 2019/20 main reason for the loss for the year under review was exchange loss amounting to Rs. 1,009 million arising from converting USD loan balance to rupee value as at 31<sup>st</sup> March 2020. Even though, in this meeting management was given the consent to convert the USD loan to LKR loan and rescheduling the loan with favorable terms and condition including reduce the interest rate from 7.88 percent to 2 – 4 percent as the ship building industry normal practice. However, consent had not been granted by the Central Bank and loan could not converted to LKR. Loan had rescheduled by the bank from 15 year to 20

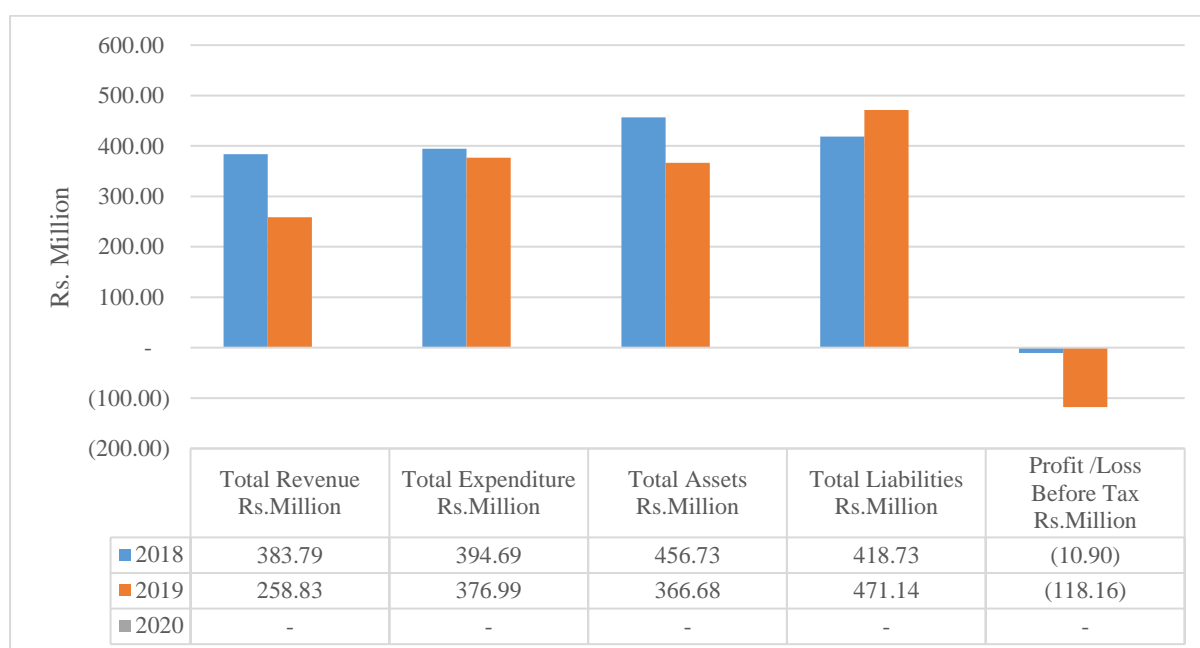
years. But the interest rate had not reduced as expected up to 2 - 4 percent and only 0.25 percent from 5.25 percent +6-month LIBO had been deducted. Therefore, the main loss mitigating factor based on cash flows generating before and after converting the loan from USD to LKR as per the board resolution No: 259/2021/151 had not been succeeded.

Further, refinancing process of loan as per the cabinet decision on 17 November 2020 had not been completed even by 21 January 2022. Other proposals for diversification the business as a business strategies in achieving long-term growth as ; promoting Sri Lanka flag registry, operating a floating bunker storage, building a boat for the transportation of passenger and cargo at Norachcholai, operating a feeder service between

Colombo and Bangladesh in coordination with Bangladesh shipping corporation and hiring a tanker vessel in time or bareboat charter basis to enter for the sea transportation of crude oil, have not been implemented.

## 4.73 Northsea Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	383,791,242	394,688,954	456,729,008	418,731,312	(10,897,711)	Qualified
<b>2019</b>	258,829,633	376,990,294	366,679,295	471,140,734	(118,160,662)	Disclaimer
<b>2020</b>	Financial Statements not submitted					

**Audit observation****Recommendation  
of the Auditor  
General****Preventive measures  
taken by the institution****The current  
position**

- (a) Proper actions had not been taken by the Company to settle the statutory payments such as VAT and NBT which relevant to the period from November 2001 to December 2019. As a result, aggregating outstanding as at 31 December 2019 was Rs. 212,299,019. Further, due to non-payment of VAT and NBT on timely
- Management should comply with relevant tax laws to avoid any unnecessary penalty payments
- The company did not pay any penalty for non-payment of Value Added Tax and an appeal has been sent to the Ministry of Finance to waive it.
- Submitting a cabinet memorandum to cancel the liabilities is processing.

basis, company had to pay a penalty of Rs. 34,677,273.

- (b) Even though the factories of the company situated in Weerawila and Jaffna and permanent buildings had been constructed to the value of Rs.11,247,881, ownership of these lands had not been transferred to the company name or rather the lands had not been leased out to the company.
- Management should take action to transfer the ownership of land to the name of the company to avoid any legal issue arise in the future and protect the investment and continuation of business in the same premises.
- The current management of Northsea Ltd will take the necessary steps with regard to the ownership of the lands of the Jaffna and the Weerawila factories respectively
- We are in the process of negotiating the transfer of land to Northsea Ltd
- (c) The Company had purchased a waste water system for the Lunuwila factory, spending a government grant of Rs. 3,076,305 in 2018 and subsequently spent Rs.2,531,801 in 2019 for the same. However, plant is idling and not functions even by 31 May 2021.
- Management should take proper action regarding the idle assets after the investigation regarding the matter.
- The company has encashed the performance bond amounting to approximately Rs. 7.3 Mn pertaining to the waste water treatment plant, for its non-performance and recovered the money partly. This asset was installed by the previous management and they are answerable for its nonfunctional state.
- Since, it is not a chemical waste water treatment plant, it is not used. But, money have been recovered by encashing the performance bond.
- (d) Issue of Share, immediately following incorporation of a company under section 5, the company shall issue to each shareholder named in the application for incorporation the share to which that person is entitled. Even though
- Share certificates should be issued to shareholders.
- The company had a Stated capital of Rs. 700, since its incorporation up to the financial year 2014/15 which consisted of seven shares of Rs.100 each, issued to seven



the company had issued shares, share certificates had not been issued to its shareholders as the company incorporated in 2001 and reregistered under the Company act.

shareholders. Subsequently, it was cancelled in the year 2015/16 and assets were vested as Stated capital. The previous management had not issued any share certificates and we had sent a request to the General Treasury to guide us on the matter, but we did not get any response.

- (e) Interest expense related to the period from 2018 to July 2020 amounting to Rs.14,420,368 arisen due to obtaining LC loan from state bank in 2018, had been shown as expenses in the current period, hence, net loss for the year and current liabilities had been overstated. Further, confirmation for outstanding loan of Rs.56,399,310 also not obtained until finalization of Audit.
- Management must identify expenses relevant to particular period and prepare the financial statement to avoid over or understatement of profit/loss and assets/liabilities.
- The Bank of Ceylon did not provide us with the exact breakdown of the import loan interest details year wise and the import loan interest pertaining to the year 2018/19 was not stated in the corresponding financial statements for the year 2018/19. Hence, the entire interest at the date the accounts was closed in July 2020 was reflected in the financial statements for the year 2019/20, since the closing of accounts was delayed due to the closure of the company from March 16<sup>th</sup> to May 11<sup>th</sup> owing to the Covid 19 pandemic. The situation will be rectified in the current year 2020/21 and the import loan interest will be charged accordingly.
- No action had been taken to rectify the issue.

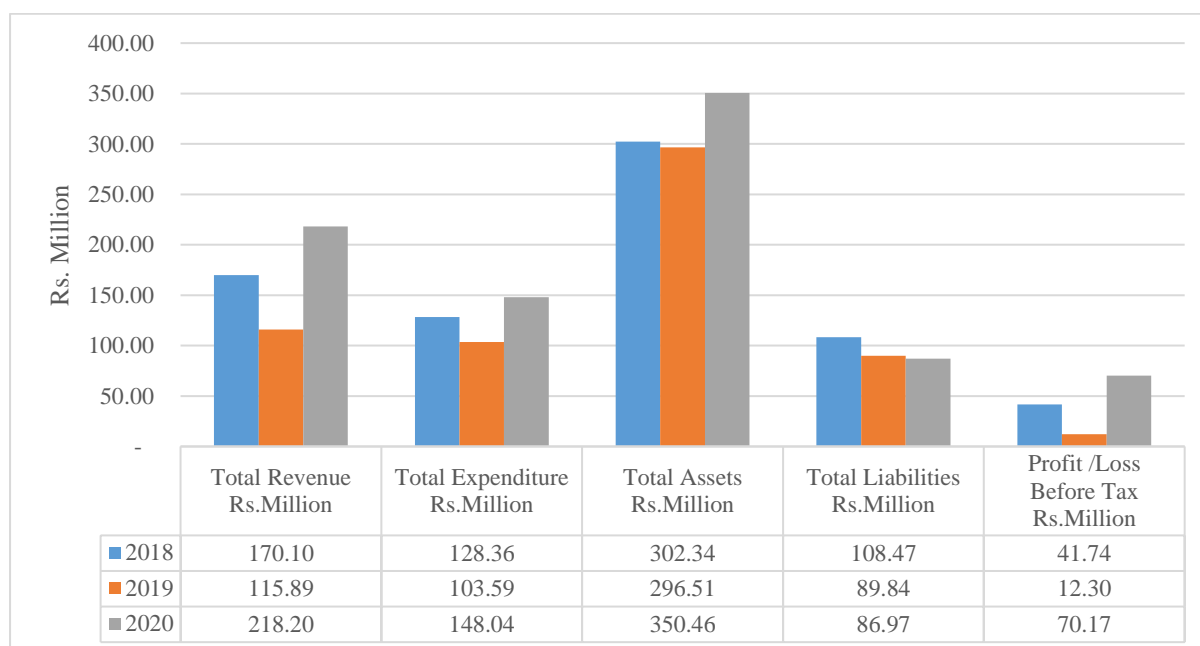
- (f) As per Sri Lanka Accounting Standard (LKAS) 20, grants related to assets including non-monetary grants, at fair value shall be presented in the statement of financial position either by setting up the grants as differed income or by deducting amount of the asset. Contrary to that company had amortized total the government grants related to assets which were expended for purchasing assets amounting to Rs.103,500,000 in 2018/2019 and Rs. 99,968,373 in 2016/2017 without considering useful life related to assets and the error had not been rectified up to reporting date. Hence accumulated loss as at 01 April 2019 was understated.
- In the financial statement Company has stated that LKAS are followed. Accordingly, government grants should be accounted as the requirement stated in LKAS 20.
- The Government Grant was classified as Equity from the Financial year 2015/16 up to the financial year 2019/20, since it is not repayable and hence, it is not practical to treat it as a differed income under non-current liability, as we have already utilized the Grant. Also, the Auditors have approved of the treatment of Grant in the Financial years 2015/16, 2016/17, 2017/18 and 2018/19 and the international standards allow the Grant to be treated as Capital Reserves. However, the classification of Government Grant was questioned at the Annual General Meeting by the Treasury representatives and we were asked to comply with the LKAS 20 and treat it as a Differed Income and classify it as a non-current liability. It was agreed that the classification of Government Grant will be rectified and the Grant will be classified as s Differed Income under non-current liability with effect 2020/21 financial statements have not been submitted to audit by 28 February 2022.

from the Financial Year  
2020/21.

- (g) As per paragraph 25 of the Sri Lanka Accounting Standard No.01, when preparing financial statements, management should make an assessment of entity's ability to continue as going concern and disclose any material uncertainties. Contrary to that even though the material uncertainties prevail at the time of preparing financial statement, disclosure had not been made as notes in the same.
- Management must consider the uncertainties at the time of preparing financial statement to comply with the standards and indicate real situation of the Company to the users of financial statements.
- Northsea Ltd is a 100 percent Treasury Owned Company and has been facing uncertainties from the inception. We have specified our problems in the Corporate Plan and we are trying overcoming it.
- 2020/21 financial statements have not been submitted to audit by 28 February 2022.
- (h) As per the public finance circular No 01/2014 on 17 February 2014 an action plan incorporating commercial activity to be implemented in next Financial Year including annual budget, procurement plan, human resource plan, plan for repayment and internal audit plan should be prepared. However, such action plan had not been prepared by the Company for the year ended 31 March 2020.
- Management should comply with directions given by the relevant circular and prepare action plan to achieve objectives of the Company.
- An action plan was not prepared as we did not receive any grants in the year 2019/2020 and did not have any specific commercial activity to be implemented.
- The Corporate plan, Budget, Procurement plan and the Internal audit plan have been prepared. The Human Resource Plan is being finalized.

## 4.74 Mantai Salt Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	170,096,004	128,359,827	302,344,046	108,470,777	41,736,177	Qualified
<b>2019</b>	115,888,547	103,590,304	296,506,131	89,836,529	12,298,244	Qualified
<b>2020</b>	218,204,048	148,035,518	350,461,990	86,973,075	70,168,530	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) There was a salt stock shortage of 1,243.4 metric tons which equivalent to Rs.7,012,838 as at 31 March 2018 and 797.7 metric tons shortage at Mannar saltern which equivalent to Rs.4,959,911 as at 31 March 2019. However, the Company had not taken actions to	Management should use the industry practice on valuation of inventory to maintain the accuracy in maintaining stocks.	Soon after harvested salt are placed on the flat form it will be shaped by labors in the triangle beam and the weight will be calculated by using below scientific formula $Wight = Value \times Density$ $Wight = (HXBXL) \text{ Destiny}$ of the salt	We have prepared the standard operating procedure which will be used for the measurement of the salt harvested. Further, the internal audit team together

investigate the stock shortage and to adjust the stock shortage in the financial statements. Further company has not been recognized work in progress stocks in financial statements.	Further, Company Should comply with requirements of 3.19 c (ii) of SLFRS for SMEs.	The weakness of this measurement is the density of the salt will vary subject to particle size of the salt in the heap. And throughout the period the highest of the heap will come down because of the pressure affect. Therefore, this method also considered as rough methods. The company is not in the position to identify the work in progress due to its nature of the salt production process as the work in progress cannot be quantified (since the formed salt under brine water)	with the saltern management measured the salt density. This will be used in the future stock measurement. The measures taken as stated above will ensure that there will be no stock shortages in the future.
(b) It was not provided sufficient appropriate audit evidence such as deed, agreement to ensure the ownership of the land amounting to Rs. 42,900,000 shown in the financial statements as at 31 March 2019.	Management should maintain proper and acceptable legal documents confirming ownership of the land that was included in property, plant & equipment.	As per the saltern history all the salterns were under the National Salt corporation & transferred to Lanka Salt Ltd. Salterns in Puttalam & Hambanthota are privatized in 1994, the Manthai salt ltd formed as a Government own company in 2001 to take over the saltern in North province as a succeder of Lanka Salt ltd. Since all salterns was being a state land, as a government property it was entered the	The company is in the process of getting the valuation of the land from the Government valuation department for the purpose of lease payment. Due to encroachments in to saltern area the valuations is being delayed.

land value at the accounts while it formed. Due to the production lapsed in 2012 the company did not apply for the lease permit with the divisional secretary to omit paying lease when the land not in use. The Mannar saltern also comes under the above explanation. Meanwhile the company has applied to the lease permit & permit will be issued soon.

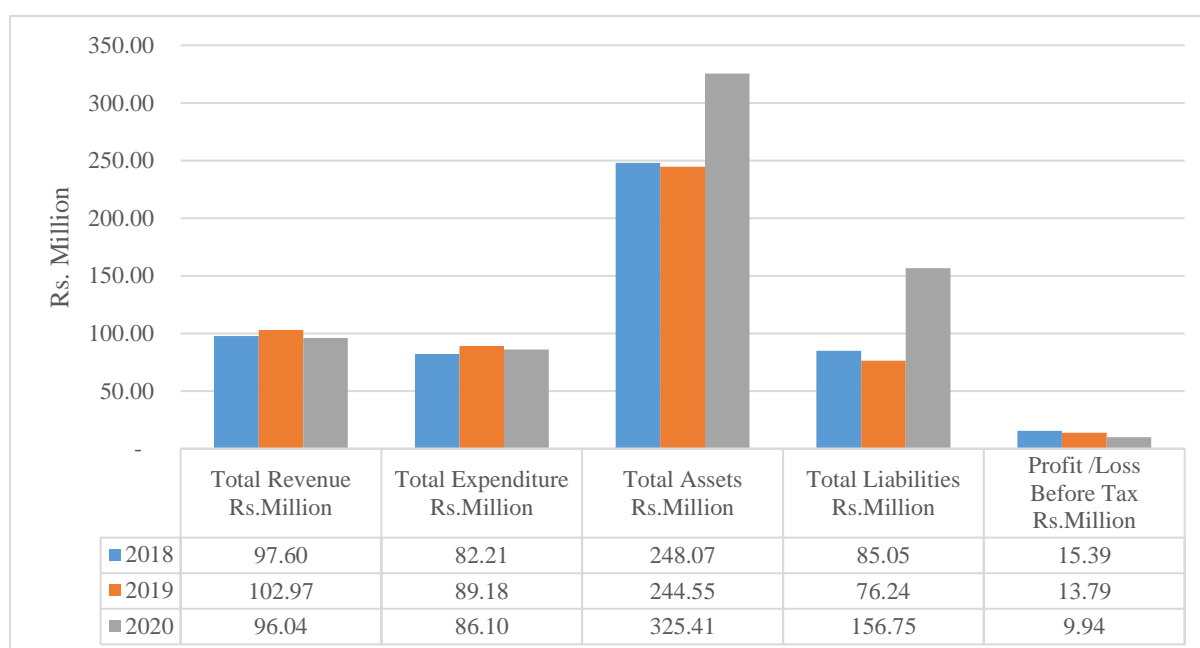
- (c) As per paragraph 9.14.1 of the public Enterprise Circular No.PED/12 of 02 June 2003 on public Enterprise guidelines for good governance, the Company had failed to prepare Manual of Procurement by incorporating a chapter on Human Resource Management, providing rules and regulations on all matter relating to Management of Human Resources.
- Company should have a manual of procedure including human resources management procedures.
- The company gradually in the process of developing all the necessary documents required for the institution.
- Consultancy services from SLIDA have been obtained in this regard.
- (d) As per section 4.2 of Government Procurement Guidelines in 2006, The Company had failed to prepare a Master Procurement Plan and Procurement Time Schedule for the procurement activities envisaged at least
- Management must prepare the master Procurement plan to adhere the Procurement guideline.
- The company prepare annual procurement plan based on the corporate plan where minimum three year plan has been set out. In future it is consider keep master procurement plan
- Procurement plan is being prepared for 3 years and now prepared for 2022 to 2025.

for a period of three years by including the procurement activities for the year under review in detail.

separately from corporate plan.

**4.75 Sri Lanka Port Management and Consultancy Services (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	97,602,996	82,211,903	248,065,387	85,045,314	15,391,094	Unqualified
<b>2019</b>	102,966,275	89,177,127	244,548,244	76,235,429	13,789,148	Qualified
<b>2020</b>	96,040,842	86,103,586	325,409,594	156,753,350	9,937,256	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Mc Cullum Lock gate premises which are owned By Sri Lanka Port Authority (SLPA) had been leased to private party by the company entering in to a lease agreement on 10 April 2018 for five years, commencing from 01 February 2018. As	Management should take steps for collecting the refundable deposits and other agreed payment on time to avoid any bad debt occur to the company.	The Company started negotiations to obtain the balance of the refundable deposit. The company was compelled to tolerate since the businesses in this nature were highly affected by two major	The contractor has been evacuating the premises since September 2021 after being informed by the contractor that the restaurant could not be maintained due to the frequent travel restrictions etc. in the



- per the agreement lessee should bare the valuation fee and deposit of six month lease rental as refundable deposit equalling to Rs.3,150,000 at the time of execution of the agreement. However, the lessee had deposited only Rs.1,811,250 as refundable deposit and the lessee terminated the agreement during the year while there were outstanding of Rs.5,279,263 at the end of the year under review.
- black swans as Easter Sunday attack and the aftermaths of the pandemic. However, we will take necessary actions to recover the dues as soon as possible.
- country due to the Covid19 epidemic. However, the company is currently in the process of recovering the arrears of taxes due from them. Furthermore, a party has already been selected through a newspaper advertisement to run a restaurant on the premises under the standard tender procedure and from April 2022, the premises will be released to the new party.
- (b) The agreement signed by the Company with the Sri Lanka Port Authority for the administration, maintenance and management of the Galle Face Green has expired on 09 February 2019 and this had not been renewed until 31 May 2021.
- Agreement should be duly signed to avoid any legal issues arise in the future.
- SLPMCS has several times requested SLPA to expedite the process of signing the agreement. However, the due authority to administer the premises has been granted by the letter of Vice Chairman (SLPA) dated 2020.06.17.
- Arrangements are being made to reach a new agreement.
- (c) A plot of land had been leased out to a Private Company to set up food stalls at Galle Face Green on 28 March 2017 without written agreement.
- Management should take immediate steps to recover the dues.
- This slot has been leased to Dinmore (Pvt) Ltd. The agreement was already terminated and
- There is a written agreement for this matter. The company's legal adviser has been

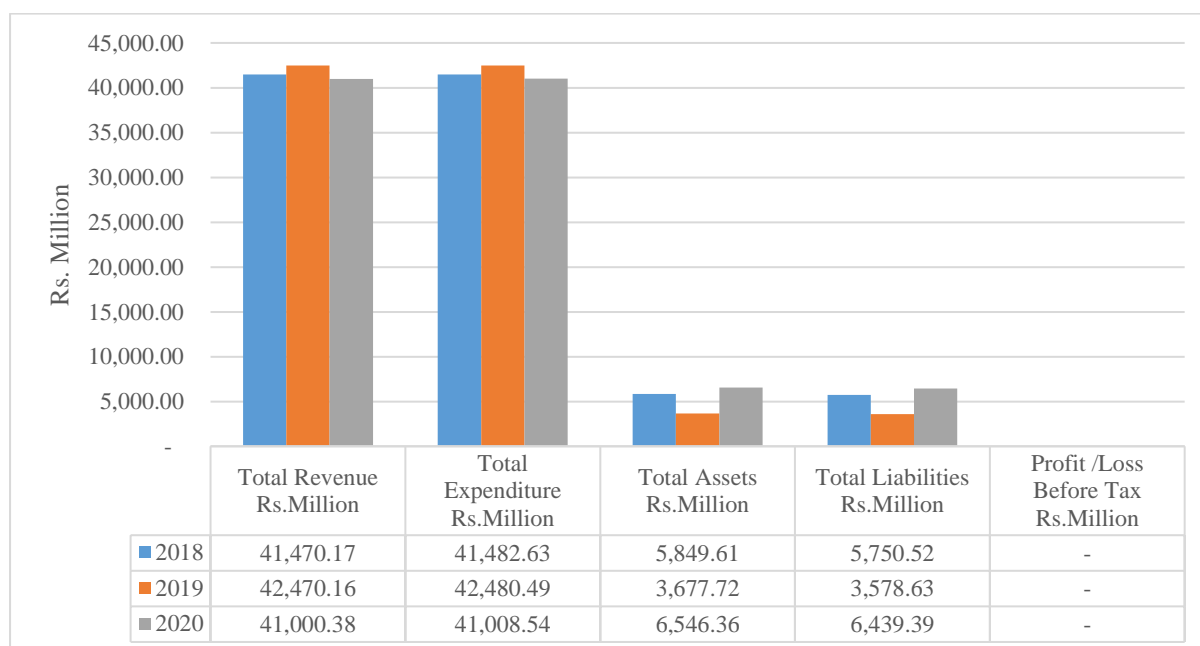
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| <p>Rent outstanding from that Company as at 31 December 2020 was of Rs. 1,635,000 and refundable deposit made by it was Rs. 900,000.</p>   |   | <p>Company will take the necessary legal actions to recover the dues.</p>   | <p>assigned to initiate legal proceedings to recover this amount.</p>  |
| <p>(d) The Company does not have proper system of internal control for collection of revenue from its vendors in Galle Face Ground, and the outstanding of uncollected balance for the year 2020 and preceding year were Rs.5,898,125 and Rs.5,301,077 respectively.</p>   | <p>Management must introduce proper system of internal control to collection of the revenue from the vendors of Gall Face Ground.</p> | <p>These vendors are not registered properly and entered into agreement with the company. They are doing the businesses on heritance basis. However, during this period, the premises are restructured by SL Navy and SLPA and we hope to regularize the vendors as of proper plan in the coming year.</p>                          | <p>The process of restructuring has already begun and the old stalls are being removed and the stalls are being rebuilt with a new condition, It is planned to carry out this work under a new reconstruction as soon as the construction work is completed.</p> |
| <p>(e) The underground restaurant at Galle Face Green had been leased to a private party by an agreement on 19 May 2017 for five years commencing from 01 June 2017 and later, agreed conditions had been changed by a letter dated 11 December 2017, as per agreed conditions three-month lease rental equal to Rs.1,500,000 should be kept as refundable deposit to the company. However, the company had not obtained</p> | <p>Management should take action to recover dues from relevant parties on time.</p>   | <p>The Company started negotiations to obtain the balance of the refundable deposit. The company was compelled to tolerate since the businesses in this nature were highly affected by two major black swans as Easter Sunday attack and the aftermaths of the pandemic. However, we will take necessary actions to recover the</p> | <p>At present, the money is being collected in installments.</p>   |

- such deposit even by 31 December 2020.
- dues as soon as possible.
- (f) The company had not conducted the Annual Board of Survey.
- In terms of circular provisions the management should take actions to Annual Board of Survey.
- Action will be taken to conduct an Annual Board of Survey in the year 2019.
- Board of survey has been conducted in 2021.
- (g) The Company had not prepared a Corporate Plan outlining its long-term goals even until 28 May 2020.
- Actions should be taken to prepare a Corporate Plan with long-term goals.
- It is being prepared.
- Not prepared.
- (h) The organization chart and the approved cadre of the Company were not registered in the Department of Public Enterprises of the General Treasury.
- Action should be taken in terms of the circular provisions.
- The organization chart and the approved cadre have been approved by the Board of Directors.
- Had not been registered
- (i) Although the Company has been aware of the need to formalize the collection of revenue from traders operating in the Galle Face area through audit reports since 2017, the formal procedures such as entering into agreements with traders had not been followed until 31 May 2022.
- Action should be taken to enter into formal agreements with the traders engaged in trade in the premises.
- It has been stated that it is practically impossible to enter into agreements with such businessmen.
- Under the new restructuring, steps will be taken to enter into legal agreements with all businesses operating in the Galle Face Green.

- (j) Even though the company Management must SLPMCS submits the This issue was shown trade receivable from reconcile the invoices to SLPA for discussed with the Ports Sri Lanka Port Authority balance with related services in the Authority during the (Related party) of Rs. parties on periodic succeeding month to the preparation of financial 165,254,816 as at 31 basis to avoid any particular division of statements in 2021 and December 2020, as per the discrepancies SLPA which obtained work is underway to financial statements of the before preparing the service. As per our adjust the balances. Port Authority was showed financial statement. understanding, it shall take a little time to pass only Rs. 13,496,949 as trade those documents from payable to the company, respective division to hence there was significant difference of Rs. finance division which 151,757,868. As at 30<sup>th</sup>June may have resulted this issue and we have 2021, receivable from Sri informed SLPA about Lanka Port Authority has this in writing as well. increase up to However, the balances of SLPA do not fall under our purview and we vouch only for our Rs.214,992,582. balances.

**4.76 Lanka Coal Company (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	41,470,171,433	41,482,629,437	5,849,612,288	5,750,518,006	0	Qualified
<b>2019</b>	42,470,160,495	42,480,493,670	3,677,721,659	3,578,627,377	0	Qualified
<b>2020</b>	41,000,383,219	41,008,538,055	6,546,358,988	6,439,389,706	0	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) It was observed that the company does not maintain a fixed asset register and the list of assets are maintained in a MS Excel document which may be prone to risk of unauthorized alterations. Fixed Asset Register is not contained	The Company should maintain a fixed asset register and introduce appropriate internal controls in maintaining fixed assets.	Recommendations were not implemented by the Company.	In addition to board of survey, company maintained a Fixed Assets Register as recommended by Auditors

of electrical equipment and as a consequence, it is not possible to verify the completion of the assets.

- (b) The company does not use preprinted invoice forms with consecutive invoice number series for issuing invoices. Therefore it is impossible to verify the completeness of recording invoices.
- The Company should introduce an appropriate internal controls regarding invoicing.
- Consecutive invoice number series was not introduced.
- The Final Tax Invoice is issued by the LCC indicating the shipment number.
- (c) As per paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), no disclosure had been made regarding the assessment of Rs. 159,549,619 relating to the Economic Service Charge (ESC) for the year of assessment 2017/2018 and the penalties imposed of amounting to Rs. 75,461,644 thereon in the financial statements of the year under review.
- The Company Should comply with the standard.
- Negotiations were in progress.
- The negotiations are going on with IRD to waive off ESC & related penalties imposed, under Financial Act 2021.
- (d) As per Sri Lanka Accounting Standard on Revenue (LKAS 18), When importation of coal, a mark-up of 10 per cent added to the value at the point of Customs as a notional adjustment in ascertainment of the value for custom purpose which is not
- The Company should take immediate actions to get the IRD directions on the matter.
- IRD directions had not been obtained.
- LCC has inquired from the Inland Revenue Department about the possibility of calculating the output VAT by removing the 10%

actually incurred. However, the Company had been added such 10 per cent mark-up amounting to Rs. 3,653,155,934 to the revenue, and later the Company had given such amount as discount to the debtor and charged to the cost of sale. As a result, the cost of sales and revenue had been overstated by similar amount.

notional margin, which is contents of the revenue - the response is yet to be received.

- |     |   |   |   |   |
|-----|---|---|---|---|
| (e) | The Company had not made any provision for the impairment of long outstanding management fee receivable amounting to Rs. 10,624,394 as at 31.12.2020 which comes over 3 years.  | The Company should make provisions for long outstanding receivables.  | Management fees receivable had not been recovered and any provision for impairment had not been made. | Further regular meetings are going on to finalize to collect the receivable balances.   |
| (f) | A sum of Rs. 12,073,788 receivable from CEB had contained in a suspense account that carrying a debit balance of Rs. 2,559,819 at the year end of the year under review, and the opening balance as at 01.01.2020 was amounted to Rs. 4,674,041. During the year under review the Company had debited a sum of Rs. 1,594,325 and credited a sum of Rs. 3,708,547 to the above suspense account without any reasons. | Internal audit report had not made any recommendations regarding the adjustment entries and the company has been made those adjustments without a reasonable basis. Therefore, the Company should take appropriate actions to clear the suspense account. | The Company had not complied with the auditor's recommendation.                                       | As per the Internal Audit Report No – CEB/CIA/SA-33/2019-85. (Page no 04) there was an accounting error of Rs. 5,218,271 in old payable account to CSC. Under quarry no 3.1.2 & 3.1.3 of said audit report recommended how to adjust the entries and LCC made the |

- adjustment accordingly.
- (g) According to the financial statements final VAT and other receivable balance as at 31 December 2020 from CEB were Rs.197,452,711. However, it had not confirmed by the CEB. Therefore, it was unable to ascertain in audit the accuracy of trade debtor balance since no evidence was made available for audit.
- The Company should get resolve the matter immediately after negotiating with the CEB.
- The issue had not been resolved.
- Try party discussion going on to (LCC/CEB/CSC) finalized 205 million from that CEB already agreed to settled 81 million from that.
- (h) The Company had failed to take actions to recover the long outstanding receivable balance amounting to Rs.539,192,079 from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL). Ceylon Shipping Corporation had not accounted the above balance in their financial statements as at 31.12.2020. TISCL/CSCL had neither confirmed this balance nor had not made any provision for the impairment. Therefore it was unable to ascertain the accuracy and existence of the above balance.
- The Company should take actions to recover the balance from relevant party.
- Negotiations were in progress.
- According to legal opinions obtained in this regard from both Attorney General's Department and private consultants LCC has no solid grounds to institute legal action against TISCL as LCC has breached the conditions of the agreement by not allowing them to continue supply of coal as per the agreement and this is a matter fit to resolve through negotiations.



- (i) The balance confirmations and evidences relevant to verification of Rs. 578,678,686 ESC receivable from CEB, Rs 18,075,801 of Miscellaneous Debtors, Rs. 1,115,987 of receivable of Noble Resources International (Pte.) Ltd, Rs. 85,887,776 of Trade Creditors – Nobel Resources International (Pte.) Ltd and Rs.8,048,531 of SGS charges 50% receivable from Liberty Commodities Ltd were not made available to the audit.
- ESC Receivable from CEB: Rs. 578,678,686.**  
The Company should comply with ESC Act and take actions to recover the receivable from CEB immediately.
- Misc. Debtors Rs. 18,075,802**  
The Company should ascertain the source of the receivable balance immediately.
- Trade creditors Noble Resource Rs.85,887,776 and the receivable Rs.1,115,987**  
The Company should get confirm the balances and do the needful.
- SGS Charges 50% receivable from Liberty Commodities Ltd: Rs. 8,048,531**  
The Company should take actions
- The balance had not been recovered from CEB.
- Discussions going on with the IRD to waive off the receivable balance under the Finance Act. Also being further investigated to ascertain source/origin of other unconfirmed balances.
- Source of the receivable balance was not ascertained.
- Confirmations were not obtained.
- \* Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant (Lanka Coal Company) US \$ 1,575,141.86 which is reflecting in Note 11 under Other non-current assets - Liberty Commodities Ltd 2021 final accounts.

- to recover the  
receivable  
immediately.
- (j) As per Section 6 of Economic Service Charge Act No. 13 of 2006, ESC liability should be paid on or before twentieth day of following month after quarter ending. The Company had not paid total ESC payable amounting to Rs. 579,179,232 even up to the date of this report. The Company should comply with the Act. Directions were not obtained from IRD to waive off the ESC payable. Discussions going on with the IRD to waive off Receivable balance under the Finance Act.
- (k) An employee of the company had committed a fraud amounting to Rs. 590,193 by manipulating payment vouchers in 2018. However, the Company had not taken disciplinary action against this employee even up to the date of this report. The Company should take disciplinary action against employees involved as per Establishment Code. Disciplinary actions were not taken by the Company. Further Preliminary investigation going on against employee involved as per Establishment code
- (l) The Company had paid a sum of Rs. 136,236,370 as Custom VAT for the Shipment No. 123. However according to the Cusdec the actual VAT amount was Rs. 106,969,404. Hence, the over payment was Rs. 29,266,965. The Company should take necessary actions to recover the balance from Sri Lanka Custom. Directions to settle the balance were not received. We have already submitted a refund claim and customs department has been working on necessary formalities to effect the refund or set off against the Customs payable balances to LCC.

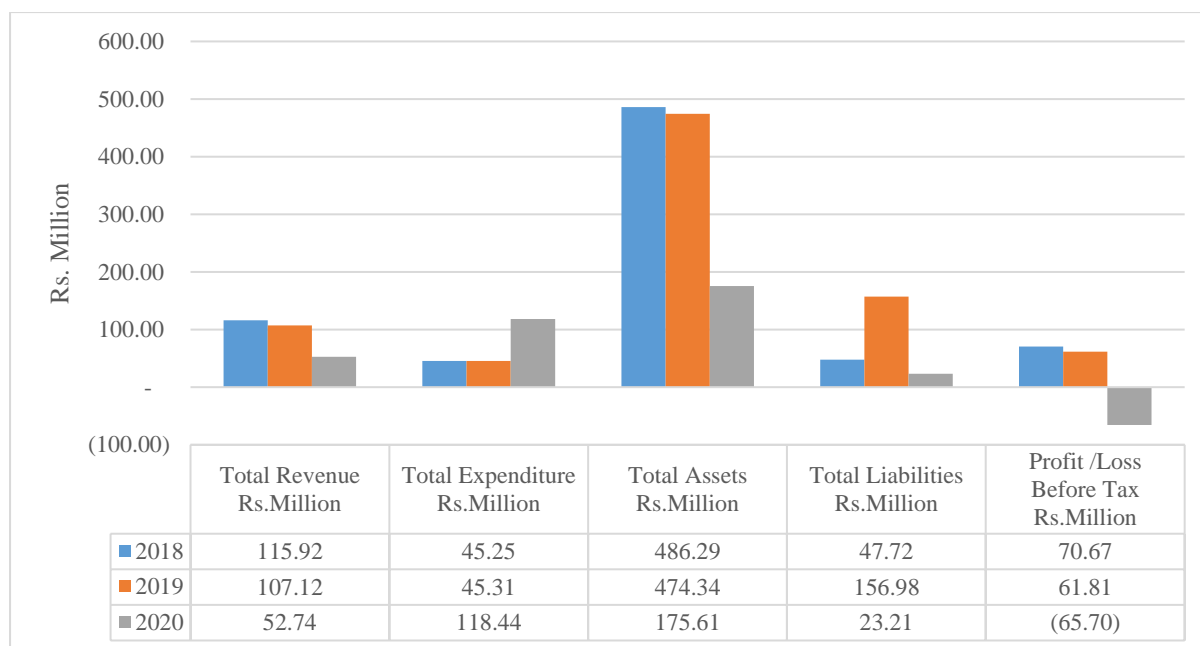
- (m) As per the available documents Sri Lanka Customs had imposed a penalty of Rs. 205,000,000. In the year 2019, the Company had debited the above penalty payment to Sri Lanka Custom VAT account amounting to Rs. 158,186,165, VAT control account amounting to Rs. 39,970,418 and CSCL liability account amounting to Rs. 6,843,417 erroneously. Hence, opening balance of retained earnings had been overstated by Rs. 205,000,000 and Sri Lanka Custom VAT account and VAT control account had been understated by Rs.198,156,583 and CSCL liability account had been understated by Rs. 6,843,417.
- The Company had used the funds, which received from Ceylon Electricity Board (CEB) for settlement of shipment bills, to pay above penalty of Rs. 205,000,000 even without obtained board approval and had not been done a formal investigation to identify the persons who responsible for this loss.
- The Company should record this payment as penalty expenses and obtain approval from Board of Directors for this payment and take actions to identify the persons who responsible for this loss.
- The matter had not been finalized.
- Try party discussion going on to (LCC/CEB/CSC) finalized 205 million from that CEB Already agreed to settled 81 million from that.

- (n) A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company. The Company should comply with the Public Enterprises Circular No. PED/12 dated 02 June 2003 and prepare the SORP and obtain the approval from Department of Management Services immediately. Department of Public enterprises has given approval and act as per the Board decision
- (o) Contrary Public Enterprises Circular No. PED/12 dated 02 June 2003, the Company had implemented the Scheme of Distress loans since year 2017 and the Company has provisioned a sum of Rs. 1,418,274 as un-availed staff sick leave without formal approval. The Company should comply with the circular. The Company had not complied with the circular. The 73 Board has given approval for staff loan maximum Rs.350,000 per employee at the rate of interest rate 6% match with the market rate @ reducing balance – with certified lawyer recommended loan application with guarantor. 87<sup>th</sup> board meeting has approved to implemented approval given by the department of public enterprises-

- regarding staff sick leave
- (p) The Company has paid a sum of Rs. 1,795,212 as staff bonus for the year under review, without the approval of the General Treasury.
- The Company should comply with the Circular No. 05/2016 dated 16 December 2016.
- The Company had not complied with the circular.
- The board of directors has given approval for bonus subject to no objection letter be obtained from the CEB, since LCC Expenditure is reimbursed by the CEB, further this is not an additional cost to CEB and also follow and adapt the same procedure for year 2020 as well.
- (q) Annual reports for the years from 2015 to 2020 had not been tabled in the parliament as per the Public Enterprise circular No. PED/12 dated 02 June 2003.
- The company should comply with the provisions of the circular.
- The Company had not complied with the circular.
- As per circular 2017, 2018 and 2019 ready to submit to the parliament - 2020 on process on printing.

**4.77 Koladeniya Hidropower (Pvt) Ltd**

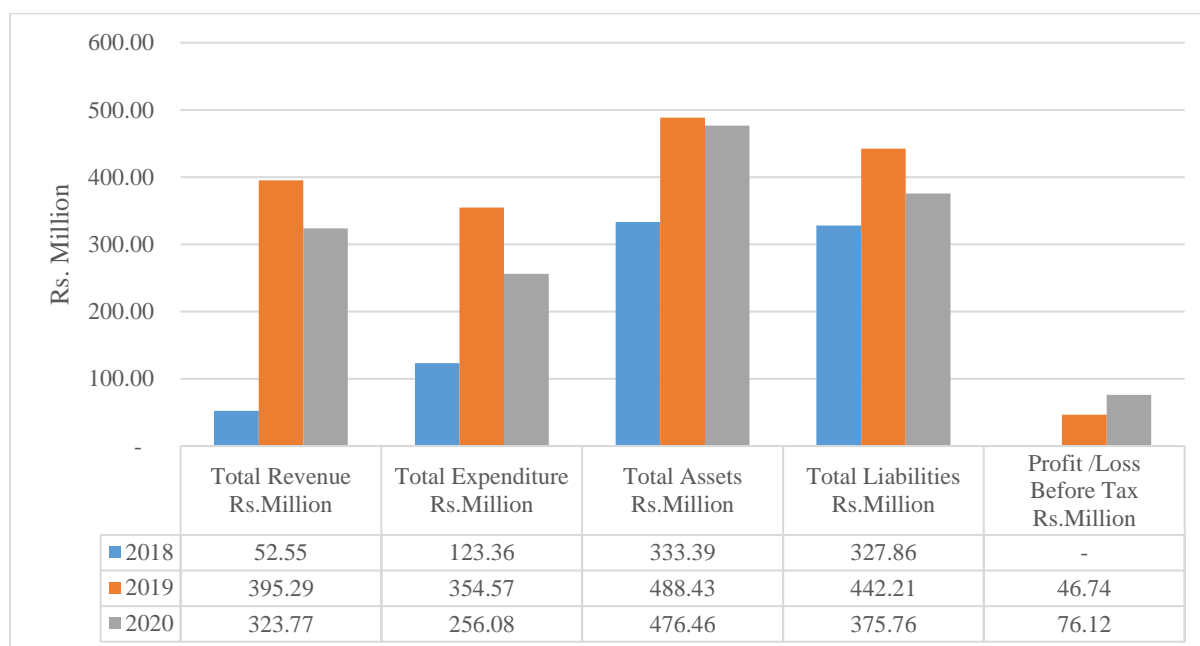
	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	115,920,606	45,251,219	486,288,252	47,721,053	70,669,387	Unqualified
<b>2019</b>	107,122,844	45,313,902	474,335,657	156,975,414	61,808,942	Unqualified
<b>2020</b>	52,742,198	118,444,230	175,609,898	23,212,570	(65,702,032)	Unqualified



- No major Issues

**4.78 Sri Lanka Energies (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	52,548,039	123,362,625	333,385,190	327,858,815	(66,151,871)	Qualified
<b>2019</b>	395,291,314	354,572,258	488,433,684	442,206,363	46,735,544	Qualified
<b>2020</b>	323,765,340	256,076,551	476,457,347	375,755,975	76,115,183	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) According to paragraph 37 of the Sri Lanka Accounting Standard on Inventories (LKAS 02), the Company shall disclose the information about the carrying amounts held in different classifications of inventories.	The Company should comply with the provisions of the Accounting Standard.	The Company had not complied with LKAS 02.	According to the note number 6 of financial statements prepared for year ended 31 <sup>st</sup> Dec 2020, it provides a detail of inventory value including the book

However, the company had not disclosed different classifications of inventories in the financial statements.

value of completed products as well as the WIP and the value of the materials also. This note also included in the financial statements prepared for year ended 31<sup>st</sup> Dec 2021.

- (b) As per the paragraph 118 (a) and (b) of the Sri Lanka Accounting Standard (LKAS) 38 – Intangible Assets, the Company shall disclose whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rate used and the amortization method used for intangible assets with finite useful lives. However, the company had not presented the required disclosures in the financial statements.
- The Company should comply with the provisions of the Accounting Standard.
- The Company had not complied with the recommendations.
- This has been satisfied with a disclosure under the financial statements prepared for year ended 31<sup>st</sup> Dec 2021.
- (c) As per paragraph 79 (b) of the Sri Lanka Accounting Standard (LKAS 16) – Property, Plant and Equipment, the Company shall disclose the gross carrying amount of any fully depreciated property, plant and equipment that is still in use. However, Company had not presented the required
- The Company should comply with the provisions of the Accounting Standard.
- Relevant disclosures were not made in financial statements submitted for the year ended 31 December 2020.
- This has been satisfied with a disclosure under the financial statements prepared for year ended 31<sup>st</sup> Dec 2021.



disclosures for fully depreciated assets amounting to Rs. 9,573,376 in the financial statements.

- (d) The Company had not taken action to clear the suspense account balance of Rs.2,218,582 exist as at 31 December 2020 in the financial statements of the year under review.
- The company should identify the origin and clear this balance immediately.
- Suspense account was not cleared till 31 May 2022.
- Currently under the process of identifying this suspense balances. This basically consisted with unidentified fund received from CEB regarding the Meter Enclosure Sales.
- (e) As per Note No. 07 in the financial statements, the Withholding tax receivable outstanding amount over two years was Rs. 2,120,524. However, the WHT certificate was not made available for audit perusal.
- Documentary evidence need to be furnished to the audit.
- WHT certificate was not made available to audit.
- Currently with the process of satisfying the tax regulations and filing the tax return accordingly.
- (f) A sum of Rs. 749,992 shown in the financial statements as accrued expenditure as at end of the year under review are remained more than one year without been settled. However, no action had been taken to settle the outstanding balance.
- After inquiring the creditor's action should be taken to write back these balances.
- Payable balances were not settled till 31 May 2022.
- Actions are being taken for these settlements.

- (g) According to the Section 126 of the Inland Revenue Act, No.24 of 2017, the duly completed return along with the schedule and any other required documents should be submitted to the Inland Revenue Department on or before the 30<sup>th</sup> of November subsequent to the end of the year of assessment. However, the Company had not submitted any Income tax return since the incorporation of the Company in year 2011.
- Should be complied with the Inland Revenue Act.
- Income tax returns were not submitted till 31 May 2022.
- Currently with the process of satisfying the tax regulations and filing the tax return accordingly.
- (h) The Company had engaged in produce of meter enclosures and supply the product to Ceylon Electricity Board and Lanka Electricity Company (Pvt.) Limited. However, any agreement or MOU had not been submitted to audit relating to the production of meter enclosures.
- An agreement should be signed between the Company and CEB/LECO regarding the production and sales of meter enclosures.
- MOU or an agreement had not been signed.
- MOU or an agreement was not signed caused this is the in-house business where 100% owned subsidiary is supplying Meter Enclosures to its parent entity.
- (i) A Scheme of Recruitment (SOR) had not been prepared by the Company for staff recruitments and promotions.
- Scheme of Recruitment (SOR) should be prepared and get approval as per Public Enterprises Circular No. PED/12 dated 02 June 2003.
- SOR had not been prepared by the Company till 31 May 2022.
- Preparation of SOR is under review.

- (j) The Group has invested Rs. 7,364,447 as at 31 December 2014 to build a factory for manufacture and sale of cement-based products using fly ash and bottom slag with joint venture, Amtrad Holdings (Private) Limited. However, the joint venture agreement has been terminated and the asset has been idling due to non-availability of a business partner. According to the valuation report of the Department of Valuation, the assessment of the property was Rs. 2,660,000 by 31 May 2019 and difference was impaired. It was unable to obtain sufficient appropriate evidence on the recoverability of the costs incurred in this regard.
- An appropriate action should be taken immediately to utilize the idle asset.
- No decision was taken regarding the matter till 31 May 2022.
- As per decision taken at the ACM of ministry of Power, this was to discuss under the board meeting of CEB and decision will be communicated to SLE.
- (k) Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and further it should be in accordance with the Public Enterprises Circular No. PED/45 dated 02 October
- The company should comply with the provisions in the Circulars.
- The financial statements were submitted for audit late.
- Draft financials for year 2021 has already been prepared and forwarded for the approval of the board of directors.

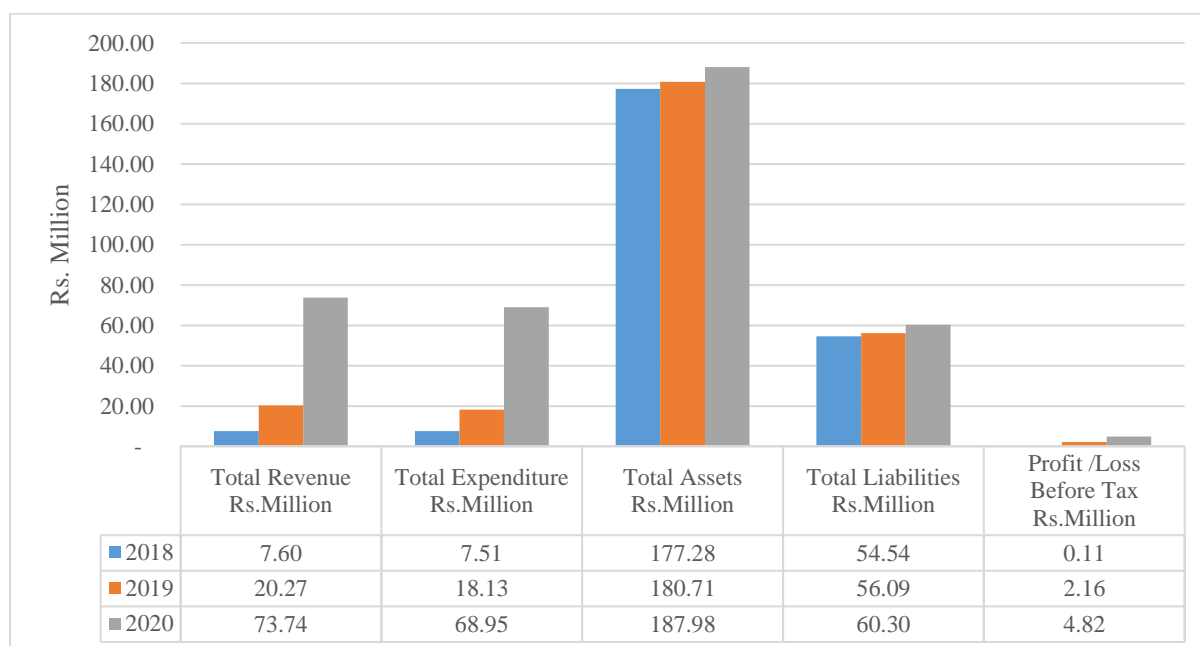
2007. However, Group's financial statements of the year 2020 had been submitted to the Auditor General on 28 April 2021.

- |     |   |  |  |  |
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| (l) | Annual reports had not been prepared and tabled in the parliament since the year 2016.  | The Company should comply with the provision in Public Enterprise Circular No. PED/12 dated 02 June 2003.    | Annual reports were not tabled in the parliament till 31 May 2022. | Annual report has been prepared for year 2020 and currently under the review of Audit and Management Committee meeting of SLE. |
| (m) | A Corporate Plan had not been prepared by the Company according to Public Enterprise Circular No. PED/12 dated 02 June 2003.  | The Company should comply with the circular.   | Preparation of the Corporate Plan was in progress.                 | Corporate Plan is also completed by now and handed over to the management committee of SLE for the review purpose.             |
| (n) | The Company had not prepared Annual Action Plan according to Public Enterprise Circular No. PED/12 dated 02 June 2003.  | The Company should comply with the circular.   | Not yet submitted.   | Currently under the review   |
| (o) | In accordance with the "2030 Agenda" of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its | The Company should comply with the "2030 Agenda" of the United Nations on the Sustainable Development Goals. | The Company had not identified the targets to be achieved.         | Company is with the scope of SDG goals and engages with developing renewable energy generation.                                |

scope. But the Company had not identified the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.

**4.79 Sri Lanka Energies HR (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	7,602,797	7,505,467	177,278,520	54,540,836	113,900	Qualified
<b>2019</b>	20,269,248	18,125,303	180,708,237	56,094,118	2,157,474	Unqualified
<b>2020</b>	73,742,266	68,950,101	187,975,489	60,302,251	4,822,328	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	According to the Inland Revenue Act No. 24 of 2017 the Company had not been submitted any Income tax returns to the department of Inland Revenue since the incorporation of the Company in year 2015. However, income tax	The Company should comply with the provisions of Inland Revenue Act No. 24 of 2017.	Tax returns were not submitted to audit till 31 May 2022.	Currently with the process of satisfying the tax regulations and filing the tax return accordingly.

provision was Rs.14,792,436 up to 31 December 2020 and it had not been paid even as at 10 November 2021.

- (b) As per the section 26 of Value Added Tax Act, No. 14 of 2002, Value Added Tax (VAT) amounting to Rs.17,114,299 had not been paid by the Company. The Company should comply with the provisions of the Value Added Tax Act, No. 14 of 2002 VAT payable balance was not settled till 31 May 2022. Currently with the negotiations with Inland Revenue Department for the settlement of outstanding VAT Payable balances and requested a payment plan also actions have been taken to settle Rs.1 Mn in each month for the settlement of the above VAT liability.
- (c) The Company had received Nation Building Tax (NBT) penalty notices amounting to Rs. 7,418,633 from Department of Inland Revenue with regard to previous year. However, the Company had not made any provision for contingent liability or disclosed in the financial statements. The Company should comply with the provisions of the Accounting Standards. NBT penalty payable had not been settled to the IRD and not disclosed in the financial statements. Currently with the negotiations with Inland Revenue Department for the settlement of outstanding NBT Payable balances and requested a payment plan also actions have been taken to settle Rs. 1 Mn in each month for the settlement of the above NBT liability. This will be

identified as a contingent liability.

- (d) As per the Note No. 6.1 - Trade and Other Receivable, in the financial statement, the Withholding Tax receivable amount was Rs. 84,949. However, the originals of the WHT certificates were not made available to audit. Documentary evidence need to be furnished to audit. WHT certificates were not made available to audit. Will adhere to make these certificates available for the auditing process of year 2021.
- (e) A Scheme of Recruitment (SOR) had not been prepared by the Company for staff recruitments and promotions. An SOR should be prepared and get the approval as per Public Enterprises Circular No. PED/12 dated 02 June 2003. Appropriate actions had not been taken to prepare an SOR. Currently under the review of SOR for the company.
- (f) Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and further it should be in accordance with the Public Enterprises Circular No. PED/45 dated 02 October 2007. However, the financial statements for the year 2020 had been The Company should comply with the provisions of the Circular. The Company had not complied with the provisions of the Circular. Will adhere to this best practice from current year onward.



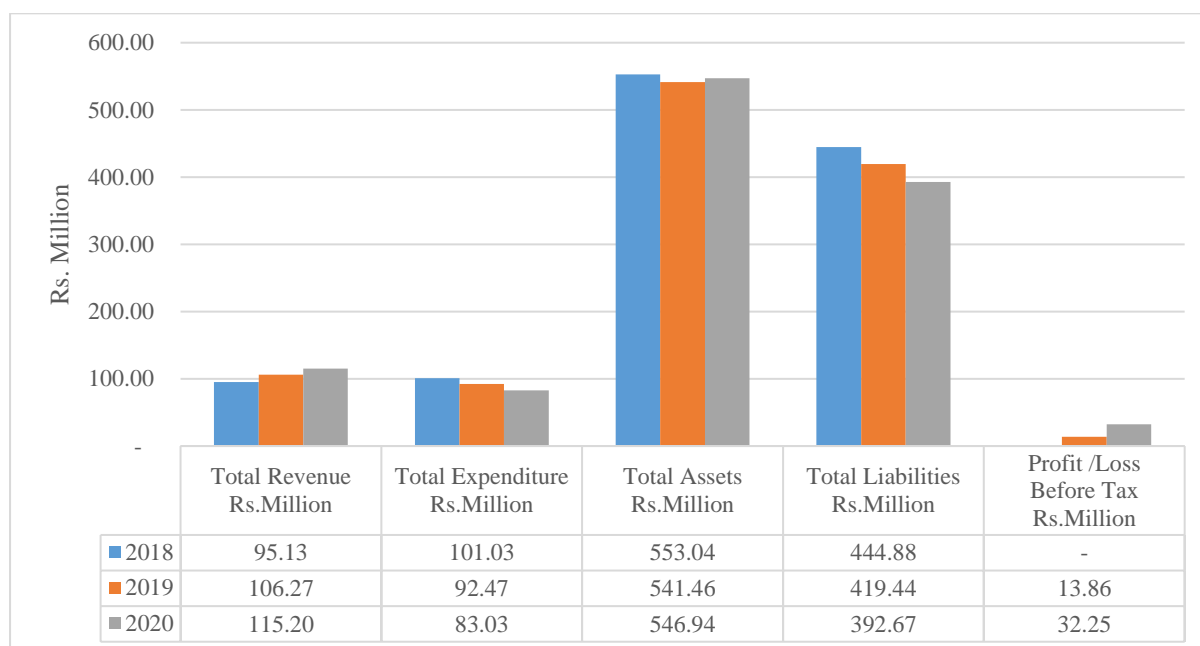
submitted to the Auditor General on 28 April 2021.

- (g) Annual Reports had not been prepared and tabled in the Parliament since 2016. The Company should comply with the provisions of the Public Enterprise Circular No. PED/12 dated 02 June 2003. Annual reports had not been tabled in the Parliament. Annual report has been prepared for year 2020 and currently under the review of Audit and Management Committee meeting of SLE.
- (h) A Corporate Plan had not been prepared by the Company according to Public Enterprise Circular No. PED/12 dated 02 June 2003. The Company should comply with the provisions of the Circular. Preparation of the Corporate Plan preparation was in progress. Corporate Plan is also completed by now and handed over to the management committee of SLE for the review purpose.
- (i) The Company had not prepared Annual Action Plan according to Public Enterprise Circular No. PED/12 dated 02 June 2003. The Company should comply with the provisions of the Circular. Annual Action Plan had not been submitted to audit. Currently under the review
- (j) In accordance with the "2030 Agenda" of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. But the Company had not identified the The Company should comply with "2030 Agenda" of the United Nations on the Sustainable Development Goals. The Company had not identified the targets to be achieved. The Company is with the scope of SDG goals and engages with developing renewable energy generation.

targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.

**4.80 Kumbalgamuwa Minihydro Power (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	95,130,264	101,031,890	553,037,458	444,881,319	(5,863,611)	Unqualified
<b>2019</b>	106,274,755	92,472,958	541,456,433	419,438,841	13,861,453	Qualified
<b>2020</b>	115,197,323	83,025,944	546,942,415	392,674,336	32,250,486	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The Company had entered in to an agreement with Forest Conservation Department to lease a land for the purpose of building, owning and operating the mini hydro power plant for a period of 20 years from 15 February 2015. The annual permit fee of Rs.4,436,705 should have been paid to the	Should be complied with the provision of the Accounting Standards.	Actions had not been taken to implement the recommendations.	This annual permit fee has been identified as the operational lease payment under the financial statements prepared for year 2021.

Forest Conservation Department as per the agreement. However, permit fee had not been identified as a lease payment under SLFRS – 16 and the lease liability and the right to use asset had not been brought to account. Further, the Company had not complied with the amendment made for the calculation of annual permit fee to the Forest Conservation Department. As a result, the annual permit fee as at the end of the year under review had been understated by Rs. 578,700.

- (b) According to Section 2(i) of BOI agreement dated 06 March 2015, the enterprise shall pay an annual fee of Sri Lanka rupees equivalent to the US Dollar 5,000 per annum until the tax holiday period ends. And, if the enterprise fails to pay to the Board of Investment on or before 10th day of the first month in each year, an interest equivalent to the prevailing 364 treasury bill rate (“interest”) for that year shall be charged on delayed payment, in addition to annual fee. However, the annual fee for the years 2018, 2019 and
- Actions should be taken for the early settlement of this.
- Actions had not been taken to settle the outstanding balances.
- With the sudden interruptions occurred to the power generation of KMHPP, and it was hard to arrange the enough funds for the settlements of the BOI payments and currently with the negotiations to settle the outstanding balances.

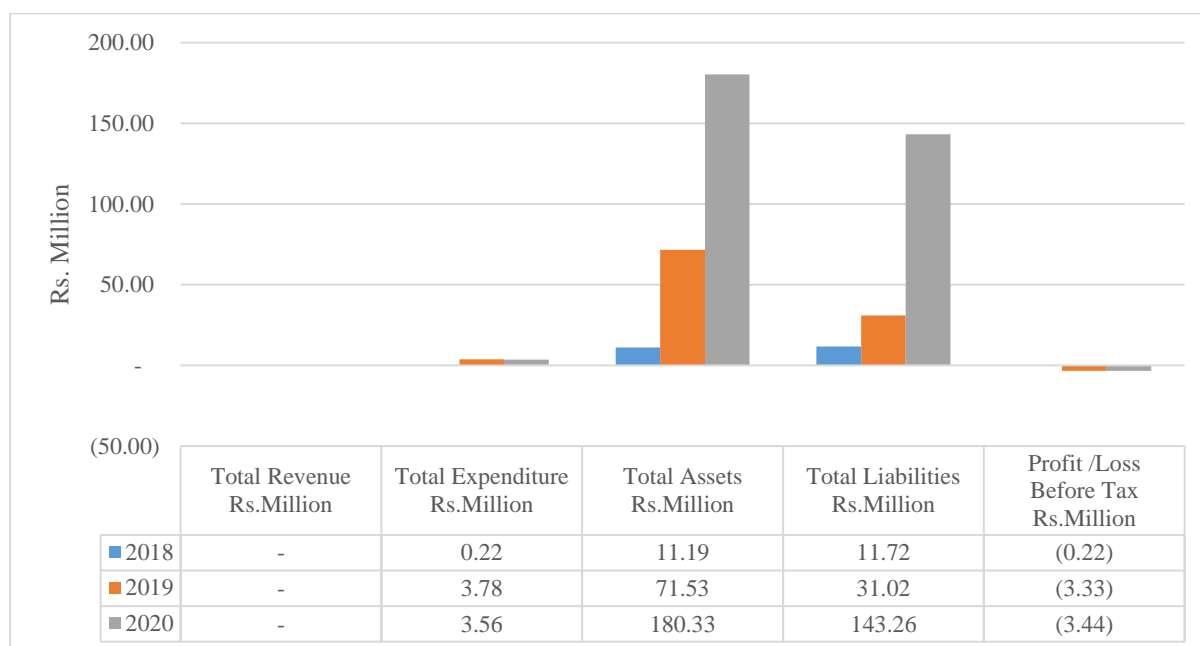
2020 had not been paid by the Company even as at 10 November 2021.

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| (c) | Physical verifications of fixed assets had not been carried out by the Company for the year under review.  | Physical Verifications of assets should be carried out and report should be submitted to the Auditor General.                    | Fixed assets verifications were not carried out.       | Board of survey has been completed for the year 2021.                 |
| (d) | A Scheme of Recruitment (SOR) had not been prepared by the Company for staff recruitments and promotions.  | Scheme of Recruitment (SOR) should be prepared and get approval as per Public Enterprises Circular No. PED/12 dated 02 June 2003 | SOR had not been prepared                              | Currently under the review of SOR for the company.                    |
| (e) | Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and No. PED/45 of 2007. However, the financial statements for the year 2020 had been submitted to the Auditor General on 28 April 2021. | Should be complied with the provision in the Circulars.  | Actions were taken to prepare draft performance report | Will adhere to this best practice from current year onward.           |
| (f) | Annual Reports had not been prepared and tabled in the parliament since 2016.  | Should be complied with the provision in Public Enterprise   | Annual reports had not been tabled in the parliament.  | Annual report has been prepared for year 2020 and currently under the |

	Circular No. PED/12 dated 02 June 2003.		review of Audit and Management Committee meeting of SLE.
(g)	A Corporate Plan had not been prepared by the Company in compliance with Public Enterprise Circular No. PED/12 dated 02 June 2003.	Should be complied with the provision in the Circular.	Preparation of the Corporate Plan was in progress. Corporate Plan is also completed by now and handed over to the management committee of SLE for the review purpose.
(h)	The Company had not prepared Annual Action Plan in compliance with Public Enterprise Circular No. PED/12 dated 02 June 2003.	Should be complied with the provision in the Circular.	Not yet submitted. Currently under the review
(i)	In accordance with the "2030 Agenda" of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. However, the Company had not identified the targets to be achieved, the gaps in achieving those goals and suitable indicators for measuring the progress as well.	Company should comply with "2030 Agenda" of the United Nations on the Sustainable Development Goals.	The Company had taken action to identify the targets to be achieved within the scope of SDG goals. Company is with the scope of SDG goals and engages with developing renewable energy generation.

**4.81 Daduruoya Hydro Power (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	0	217,165	11,189,757	11,722,479	(216,572)	Unqualified
<b>2019</b>	0	3,781,647	71,527,333	31,023,221	(3,327,306)	Qualified
<b>2020</b>	0	3,556,168	180,330,853	143,262,614	(3,435,873)	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	According to the Section 126, of the Inland Revenue Act, No.24 of 2017, the duly completed return along with the schedules and any other required documents should be submitted to the Inland Revenue Department on or	The Company should comply with the Inland Revenue Act.	Company has not complied with tax regulations.	Tax returns are filled in accordance with tax regulations.

before the 30<sup>th</sup> of November subsequent to the end of the year of assessment. However the Company had not been submitted Income Tax return for the year of assessment 2019/2020 to the Department of Inland Revenue at the end of the year 2020.

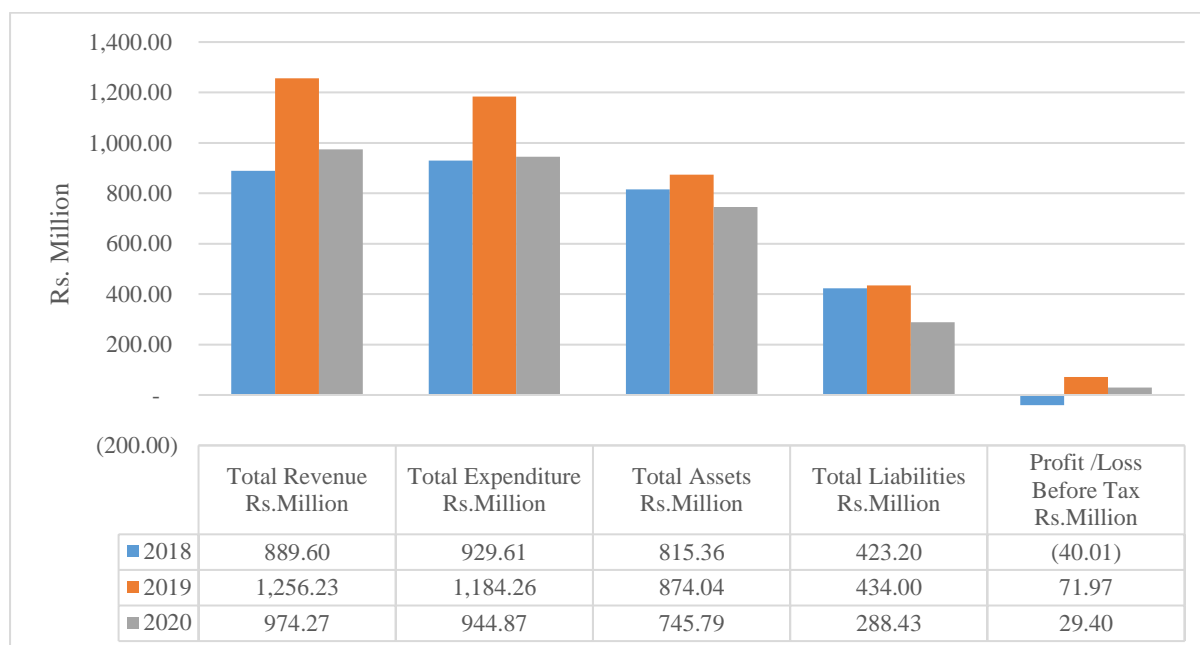
- (b) A Scheme of Recruitment (SOR) had not been prepared by the Company for staff recruitments and promotions. A Scheme of Recruitment (SOR) should be prepared and get approval as per Public Enterprises Circular No. PED/12 dated 02 June 2003. A Scheme of Recruitment (SOR) had not been introduced by the Company. Currently SOR is being prepared.
- (c) Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and further it should be in accordance with the Public Enterprises Circular No. PED/45 dated 02 October 2007. However, the financial statements for the year 2020 had been submitted to the Auditor General on 28 April 2021. The Company should comply with the provisions in the circular. Adhering to this best practice from current year onward.



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| (d) | Annual reports had not been prepared and tabled in the parliament since 2016.   | The Company should comply with the provisions in Public Enterprise Circular No. PED/12 dated 02 June 2003. | Annual reports had not been tabled in the Parliament. | Annual report has been prepared for year 2020 and currently under the review of Audit and Management Committee meeting of SLE. |
| (e) | A Corporate Plan had not been prepared by the Company according to Public Enterprise Circular No. PED/12 dated 02 June 2003.  | The Company should comply with the provisions in the circular.   | Corporate Plan preparation is still in progress.      | Corporate Plan has been completed and handed over to the management committee of SLE for review purpose.                       |
| (f) | The Company had not prepared Annual Action Plan according to Public Enterprise Circular No. PED/12 dated 02 June 2003.  | The Company should comply with the provisions in the circular.   | Not yet submitted.                                    | Currently it is under the review.  |
| (g) | In accordance with the “2030 Agenda” of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. But the Company had not identified the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well. | The Company should comply with “2030 Agenda” of the United Nations on the Sustainable Development Goals.   |   | Company is complied with the scope of SDG goals and engaged with developing renewable energy generation.                       |

**4.82 Ante Leco Metering Company (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	889,599,495	929,609,118	815,363,775	423,202,380	(40,009,623)	Unqualified
<b>2019</b>	1,256,226,767	1,184,260,753	874,041,183	434,001,797	71,966,014	Unqualified
<b>2020</b>	974,265,278	944,869,436	745,791,976	288,428,145	29,395,843	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The Company has not properly maintained the journal vouchers in an orderly manner with relevant supporting documents.	Journal vouchers should be maintained in proper way	Management comment received	Management not received
(b) The Company has not maintained the fixed asset register properly.	Fixed asset register should be updated correctly	The Company purchased and implemented a new ERP system with	Upgrading the new fixed assets register are in progress.

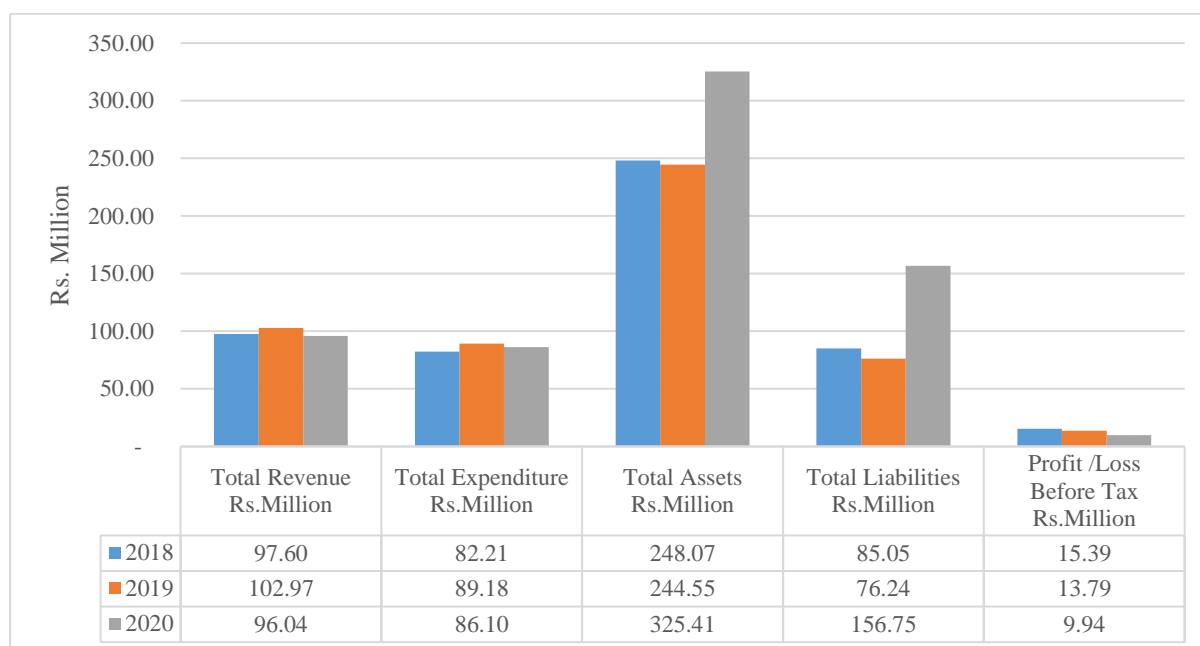
			fixed assets register with effect from 30 June 2021.		
(c)	Fully depreciated assets amounting to Rs. 94,681,267 were observed in the Property, Plant and Equipment Register of the Company as at 31.12.2020 and some of these assets are still in use. Residual value and the useful life of an asset shall be reviewed at least at each financial year end and, if expectations differ from previous estimates, the difference shall be accounted. However, the Company has not complied with the aforesaid requirement.	Should be complied with the requirements of LKAS 16	We planned to replace certain machinery such as test benches, diesel generator and vehicle during the year 2021. Due to the economic situation and import restrictions owing to lack of USD in banks prevented from disposing the assets.	Machinery replacing are starting during the year 2022.	
(d)	A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company as per Public Enterprise Circular No. PED/12 dated 02 June 2003.	Should be complied with the provisions in the circular	Management comment received	Management comment received	not
(e)	A comprehensive control and administration procedures manual as per Public Enterprise Circular No. PED/12 dated 02 June 2003 was not with the Company.	Should be complied with the provisions in the circular	Management comment received	Management comment received	not

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|-----|--|---|-----------------------------|-----|-----------------------------|-----|
| (f) | The Company had not tabled the Annual Reports in the parliament as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.                    | Should be complied with the relevant provisions of PED/12   | Management comment received | not | Management comment received | not |
| (g) | A corporate plan had not been prepared by the company for the year under review as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.    | Should be complied with the relevant provisions of PED/12   | Management comment received | not | Management comment received | not |
| (h) | Annual action plan had not been prepared by the company for the year under review as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.  | Should be complied with the relevant provisions of PED/12   | Management comment received | not | Management comment received | not |
| (i) | The Company had not established an Internal Audit Division.  | Action should be taken to implement an Internal Audit Division                                      | Management comment received | not | Management comment received | not |
| (j) | The Company had not formed an Audit Committee according to the Public Enterprises Circular No. PED/12 dated 02 June 2003.  | It should be complied with the provisions in the circular   | Management comment received | not | Management comment received | not |
| (k) | In accordance with the "2030 Agenda" of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation | Company should comply with "2030 Agenda" of the United Nations on the Sustainable Development Goals | Management comment received | not | Management comment received | not |

of goals and functions under its scope. However, the Company had not implemented the SDG and had not identified the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.

**4.83 Lanka Electricity Company (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	34,155,206,000	30,937,904,000	44,107,019,000	12,350,902,000	3,217,302,000	Unqualified
<b>2019</b>	36,729,109,163	32,801,317,005	47,496,836,471	13,960,234,591	3,927,792,158	Unqualified
<b>2020</b>	32,498,903,423	30,189,910,809	47,344,681,926	12,662,316,361	2,308,992,614	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The Company does not possess an IT strategy to illustrate the overall plan for the IT, in short term or long term.	The entity should establish the strategic direction that IT should adopt which is rendered to the local business requirements, mandated by Senior	IT Plan and Policy procedures are prepared and send to approval of Board Of directors.	Pending approval from Board of Directors.

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|  | Management review and approval.  |  |   |
| (b) The Company does not perform formal periodic user access monitoring for both normal and super users of both PRONTO XI and BILLING systems.   | All activities performed by powerful user IDs should be logged and reviewed by an internal (or external) IT audit team to ensure that there are no unwarranted actions taken. It is further recommended to carry out periodic reviews in order to ensure the accuracy and appropriateness of the user access rights against their actual job roles/ functions. | User accesses are updated monthly.   | Reviewing process to be introduced with New ERP system.                                   |
| (c) The new connections start date can be backdated to any date in the BILLING system.   | It is recommended that the management should enhance the BILLING system to restrict the connection start date being back dated.  | The date is taken from the Meter Sealing Docket and it is the actual Commissioning date. | The Billing system date and Physically connected date are compared by Technical Officers. |
| (d) LECO had bought a land in Narahenpita in 2002 for constructing the Head Office Building. The Company incurs substantial costs providing security to this land which is idle since it has been purchased. Even though LECO has owned land in Narahenpita still conducting their operating | Actions should be taken to construct a building following Government procurement Guide Line without further delay.   | Construction work is already started.  | Filling works are going on.   |

activities in No. 411, E.H Cooray building, Galle Road, Colombo 03 for monthly rental of Rs.3,543,040 inclusive all taxes.

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| (e) Share Certificates and share allotment still pending for an investment of Rs.47.1 Million made 4 years ago in Ante Leco (Private) Limited.  | The Company should discuss and resolve any dispute with Ante Leco (Private) Limited and ensure the shares in respect of this investment is allotted as soon as possible. | Still pending. The technical valuation was carried out but the final share issue was not yet complete. | Final share issue had not completed.  |
| (f) No Formal Power Purchase Agreement exists between the CEB and Lanka Electricity Company (Private) Limited.  | Formal power purchase agreement should be formulated prevent conflicts may be occurred between two parties, without further delay.                                       | Discussion is ongoing with CEB.  | Power Purchase Agreement had not been formulated.   |
| (g) The Company had failed to produce share Certificates for the investment in ordinary shares amounting to Rs. 5 million, of Lanka Broadband (Private) Limited. However, this amount had been fully impaired in the financial statements as at 31 December 2017. | Company should take actions to recover the amount after received AG's decision.  | Management Comment not received.   | LECO is seeking legal advices from Attorney General Department.                                 |
| (h) There is no comprehensive control and administrative procedures manual available within the Group.  | The Group should prepare and maintain written standard control and administrative procedures. Subsequent to the  | Formulating control and administrative procedures are in progress.                                     | Tenders were called to select a consultant for preparing manuals and this is now being prepared |



- manual being prepared by team of staff should be trained experts. to the extent necessary to understand and apply them.
- (i) The Company has not implemented any controls to verify the accuracy of units entered by the revenue officer in the system with the physical bill issued to the consumer. The Company identifies such variations, at the point where, consumer notify such variations. This could result in incorrect recognition of revenue.
- Should be followed reliable method to record revenue accurately.
- Introduced Smart Meters for customers, with Remote Meter Reading Facility to mitigate such issues.
- No action had been rectify the matter.
- (j) The management had not reviewed the useful lives of the assets on a regular basis. Due to this reason, the Company has fully depreciated assets amounting to Rs.8.7 billion as at 31 December 2019.
- Management should review the useful lives of the assets on a regular basis.
- Expected useful life time and depreciation rates are determined based on the Industrial Practices.
- The review to be conducted with the assistant of industry expertise.
- (k) The Company had purchased a land of 73.85 perches in Narahenpita area in 2002 at a cost of Rs.53,541,250 for the construction of a new office building and no construction had been carried out by 2019. However, more than Rs. 10 million has been spent over 18 years on the security of the land and Rs. 208 million had been spent on renting the building from September 1999 to June 2019. Due to the lack of space, Rs.22.3 million had been paid as rent for the additional building which was rented in 2015 up to June 2019.
- Should be expedite the construction works without further delay.
- Construction work is already started.
- Filling works are going on.

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| (l) | In accordance with the “2030 Agenda” of the United Nations of the sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. But the Company was not aware of SDG and had not identified the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.   | Should be complied with 2030 Agenda” of the United Nations of the sustainable Development Goals. | Action Plan has identified this and measures will be taken to implement. | Management Comment not received. |
| (m) | There were differences between stock verification sheets and general ledger amounting to Rs. 841,799, Rs.763,212, Rs.2,149,068, Rs.1,527,221, and Rs.547,038 in Ekala stores, Waskaduwa stores, Kotte branch, Nugegoda branch and Negombo branch respectively.   | Steps need to taken to minimize the differences.   | Management Comment not received.   | Management Comment not received. |
| (n) | Meter testing charges collected from customers had been included in Other operating income. The fee is charged from all customers requested for meter testing at the point of making the request and those fees have been recognized as income at the receipt of the payment. If the meter has found errors in meter testing, the fee charged from the customer need to be refund. If the meter has found no errors, the fee collected for meter testing remains as income. (Since it is not refundable). It was observed that the revenue recognition of meter testing charges was not complied with the provisions stipulated in Paragraph 31 of SLFRS 15. | Should be complied with accounting standards.  | Management Comment not received.   | Management Comment not received. |

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| (o) | As per the Section 9 of LKAS 2, Inventories shall be measured at lower of Cost or Net Realizable Value. However, the Company had not considered net realizable value for stock valuation.   | Should be complied with accounting standards.                                | Management Comment received. | Management not Comment received. |
| (p) | As per the letter No. LO/GEN/13, dated 29 April 2021 issued by Legal and Administration Manager regarding the Contingent Liability of – LECO, it was observed that three legal cases filed against the Company with the value of Rs. 11,253,884 had less probability of the decision favor of the Company. However, the Company had not made disclosure related to the contingent liability as per LKAS 37 in the financial statement for the year under review.                        | Should be complied with accounting standards.                                | Management Comment received. | Management not Comment received. |
| (q) | Contradictory to the Paragraph 32 of LKAS 1- Presentation of Financial Statements, delay charges from the suppliers amounting to Rs. 64,314,868 were offset against operating expenses of the year under review.  | Should be complied with accounting standards.                                | Management Comment received. | Management not Comment received. |
| (r) | It was observed that the Company had offset credit balances of customers amounting to Rs. 9, 174,474 against trade receivables for the year under review which was included in the billing system. Further, all these credit balances were not overpaid electricity bills and most of them were payments collected from Solar Loans Holders.<br><br>Company transfers the collected solar loan installments to National Savings Bank based on loan settlement report which is generated | Should be complied with the requirement of the relevant accounting standard. | Management Comment received. | Management not Comment received. |

from billing system. It was observed that the solar loan installments were not accurately updated in the billing system. As a result, the aforesaid loan settlement report may not be accurate. Thus, there was a delay of transferring the collected installment to the Bank.

- (s) It was observed that advance payment amounting to Rs. 9,385,853 was offset against sundry creditors including accrued expenses for the year under review. Should be complied with accounting standards. Management Comment received. Management not Comment received.
- (t) Fully depreciated assets amounting to Rs. 9,206,401,000 were observed in the Fixed Assets Register of the Company as at 31 December 2020 and some of these assets were still in use. Should be complied with accounting standards. Management Comment received. Management not Comment received.
- (u) A difference in Capital Work in Progress was observed between general ledger (Financial statements) and the schedule provided for capital jobs in progress as at 31 December 2020. Details are given below. Adequate attention should be paid in recording transactions correctly in financial statements. Management Comment received. Management not Comment received.

Branch	Balance as per General Ledger as at 31.12.2020 (Rs.)	Balance as per schedule as at 31.12.2020 (Rs.)	Difference (Rs.)
Kotte	124,530,978	124,637,375	(106,397)
Nugegoda	215,834,467	237,329,923	(21,495,456)
Negombo	29,970,666	35,308,618	(5,337,952)
Kaluthara	96,670,525	96,695,527	(25,002)
Galle	77,226,400	65,301,260	11,925,140
Moratuwa	32,400,255	32,204,210	196,045
Kalaniya	21,444,022	21,417,744	26,278

Kaluthara -Building	751,837	N/A	-
Nugegoda -11KVA Power Lines	117,070,917	N/A	-
H/O- Buildings	20,460,697	N/A	-
H/O- Substatio n ADB Funded	725,414	N/A	-
H/O- Building	6,133,274	N/A	-
Total	743,219,454	612,894,657	

- (v) Cash deposit of Nugegoda branch made on 31 December 2020 amounting to Rs. 5,997,445 had been recognized as bank overdraft in Financial Statements. Transactions should be recorded correctly. Management Comment not received. Management Comment not received.
- (w) Interest income in respect of nine term deposits at Peoples Bank and fixed deposit at National Savings Bank had not been recognized in the year under review. Accordingly, investment value had been understated approximately by Rs. 136,806,661 whilst interest income had been understated approximately by Rs. 67,972,005. Interest income on investment should be recorded correctly. Management Comment not received. Management Comment not received.
- (x) The Company had incorrectly calculated the depreciation on right of use assets and as a result, one month depreciation from each Right of use asset had been overstated. Action should be taken to correct the depreciation on right of use assets. Management Comment not received. Management Comment not received.

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|------|---|--|------------------------------|--------------------------|------------------------------|--------------------------|
| (y)  | Provision for gratuity which was deducted from income statement was equal to Rs. 188,775,000. However, when preparing the cash flow statement, the Company had adjusted Rs. 378,219,000 as gratuity provision.  | Adequate attention should be paid in preparing financial statements correctly.   | Management Comment received. | Management not received. | Management Comment received. | Management not received. |
| (z)  | An unidentified difference of Rs. 13,548,574 was observed in debtors balance in between the financial statements and the Billing system.  | Actions need to be taken to reconcile the differences.   | Management Comment received. | Management not received. | Management Comment received. | Management not received. |
| (aa) | Income tax expense of the Ante LECO Company amounting to Rs. 6,092,227 had not been adjusted in consolidated statement of profit and loss and other comprehensive income for the year under review. As a result of this, non controlling interest and retained earning had been over stated by Rs.1,827,668 and Rs. 4,264,559 respectively. | Adequate attention should be paid in preparing financial statements correctly.   | Management Comment received. | Management not received. | Management Comment received. | Management not received. |
| (bb) | Regarding Solar Loan Scheme Loss adjustment proposal for purchasing electricity using net accounting and net plus method which should be submitted by Company as agreed at the meeting with Public Utility Commission of Sri Lanka on 13 February 2017 was not provided for audit.  | Should be complied with requirements which agreed in meeting. If unable to comply, need to get permission from relevant parties. | Management Comment received. | Management not received. | Management Comment received. | Management not received. |
| (cc) | The board decisions attributable to the impairment of investments of Lanka Broad Band Network (Private) Limited and LECO Projects (Private) Limited were not provided for audit.  | Relevant documents need to be available to audit.  | Management Comment received. | Management not received. | Management Comment received. | Management not received. |

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| (dd) Out of total debtors indicated in the Billing Systems, Rs. 429,985,332 or 6 per cent was due for more than 2 years. Rs. 388,266,981 or 90 per cent of the outstanding comes for more than 2 years had comprised of receivables from Street Light Energy charges due from provincial councils. | Actions should be taken to recover the debtor balances.                              | Management Comment received. | Management Comment not received. |
| (ee) VAT and GST refunds amounting to Rs. 12,020,077 relevant to the years of 1999, 2001 and 2002 had remained unrecovered even at the end of the year under review.   | Every effort should be made to recover the dues from other parties.                  | Management Comment received. | Management Comment not received. |
| (ff) It was observed that there was an unidentified deposit in rejected accounts amounting to Rs. 8,075,976 as at 31 December 2020.  | Actions need to be taken to clear the un-reconciled transactions in ledger accounts. | Management Comment received. | Management Comment not received. |
| (gg) It was observed that the Company had not refunded the deposits of temporary connections amounting to Rs. 12,335,580 after the disconnection of the facility and these balances had remained for a long period.  | Actions required to be taken to refund the deposits or recognize as income.          | Management Comment received. | Management Comment not received. |
| (hh) The Company had received an amount of Rs.3,026,458 from RDA on 7 June 2012 for construction of the road from Kelaniya temple to LECO end. However, it was observed that the Company had not started this project as at the date of audit.   | Every effort should be made to complete capital projects without delay.              | Management Comment received. | Management Comment not received. |

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|------|--|--|------------------------------------|-----|------------------------------------|-----|
| (ii) | A long outstanding balance regarding a VAT payment amounting Rs. 33,427,699 had been included under prepayments and the Company was unable to recover the above balance up to the date of audit.   | Every effort should be made to recover the dues from other parties                                 | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |
| (jj) | Building revaluation losses identified in Consumer Service Centers at Ambalangoda, Ja-Ela, and Kandana as at 31 December 2020 were Rs. 3,767,651, Rs. 234,975 and Rs. 26,916,683 respectively.   | Actions need to be taken to recognize the cost of land and building correctly.                     | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |
| (kk) | There was no an agreement between the Ceylon Electricity Board and the Company for purchasing electricity using net accounting and net plus method relevant to Solar Loan Scheme.  | Steps should be taken to enter into a formal agreement with CEB.                                   | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |
| (ll) | There was no an agreement between the Ceylon Electricity Board and Company for Self Generation payments.   | Steps should be taken to enter into a formal agreement with CEB.                                   | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |
| (mm) | It was observed that 11 cheques amounting to Rs. 1,326,946 received from 9 customers in Kelaniya, Nugegoda and Moratuwa branches were return and the Company was unable to take necessary action to recover those dues.  | Every effort should be made to recover the dues from customers.                                    | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |
| (nn) | Ceylon Electricity Board had built primary substations in a lands purchased by Lanka Electricity Company (Pvt) Ltd and the Company had incurred a cost of Rs.206,610,712 as at 31 December 2020 regarding the said lands/buildings. The value of lands was recognized in Trade and Other | Resources of the organization should be utilized to generate maximum benefits to the organization. | Management<br>Comment<br>received. | not | Management<br>Comment<br>received. | not |



Receivables. Further, there was no a formal agreement between the Company and Ceylon Electricity Board regarding the above projects.

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| (oo) | <p>A case had been filed in the Colombo District Court seeking ownership of 6 perches in land and 14.55 perches for right of road regarding the land of 52.5 perches (Lot W) where the Primary Substation of Ceylon Electricity Board is located (at Nawala). The Company had been ordered by the court on 04 March 2013 to deliver the 6 perches of the land. The case filed by the Company in the Court of Appeal against the said decision and the Attorney General had instructed the Company to withdraw the case, to deliver the 6 perched land and to reach a settlement for right of the Road.</p> <p>The Company had not made any disclosure or adjustment with regard to this case in the Financial Statement. In addition to that, the purchase price of the aforesaid 6 perches of land was Rs. 11,664,122 (102,061,068/52.50*6) and accordingly the loss to the Company was approximately Rs. 11,664,122.</p> | In performing activities, every effort should be made to increase the value of the Company and to minimize the losses. | Management Comment received. | not | Management Comment received. | not |
| (pp) | <p>It was observed that the Company had not insured its Property, Plant &amp; Equipment under an insurance policy. Insurance policy had been obtained only to cover the value of motor vehicles which had a book value approximately Rs. 243 million as at 31 December 2020. In addition to the fixed assets, there were inventories amounting to</p>  | Substantial measures should be taken to protect the fixed assets.  | Management Comment received. | not | Management Comment received. | not |

Rs. 2,805 million as at 31 December 2020 which had no insurance coverage.

(qq) Even though a land of 73.7 perches situated at No. 508, Alwitigala Road, Narahenpita had been purchased at a cost of Rs. 53,432,500 in the year 2001 in order to build the head office building, constructions had not been commenced even during the year under review. Expenditure incurred in this regard including consultancy fees had been included in Capital Work In Progress Account.

Every effort should be made to complete construction projects without delay.

Management Comment not received.

Management Comment not received.

(rr) Although the lands had been purchased for constructing the branch offices, customer service centers even from January 2000 to 2018, constructions had not been commenced as at the date of audit. Details are as follows.

Every effort should be made to complete construction without delay as they generate long term benefits to the Company.

Management Comment not received.

Management Comment not received.

Office	Date of land purchased	Area of the premises (perches)
Branch office - Kelaniya	August 2001	117.55 (2 Rood 37.55 perches)
CSC - Dalugama	August 2015	57.12 (1 Rood 27.12 perches)
CSC - Wattala	1994	30

CSC –	19 October	32.3
Negombo	2018	
CSC	2019	15.5
quarters -		
Payagala		
Branch	26 January	51.50
office	2000	(1 Rood
- Kotte		11.5
		perches)
CSC –	10 May	35.80
Nugegoda	2001	
CSC –	May 2019	20
quarters		
Panadura		

- (ss) The land obtained from Urban Development Authority in 1994 on 99 years lease basis based on a cabinet approval for the construction of Customer Service Center at Wattala, had been taken back by Urban Development Authority on their letter dated 20 August 2003, as the Company was unable to build the Customer Service Center or any relevant development activity in the said land.
- |  |                              |                          |                                  |
|--|------------------------------|--------------------------|----------------------------------|
| Resources of the organization should be used to generate maximum benefits to the organization. | Management Comment received. | Management not received. | Management Comment not received. |
|--|------------------------------|--------------------------|----------------------------------|

A sum of Rs. 3,099,000 had been paid by the Company for this land in the year 1997 and recorded as a sundry debtor. However, no any financial or other benefit had been received for this investment, and no sufficient actions had been taken to recover it. Further, the respective office was being operated in a building obtained on a rent basis as the Company had failed to construct the CSC as planned.

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|---|--|------------------------------|---------------|------------------------------|---------------|
| (tt) Since the actions were not taken to build offices as planned, most of the office premises had been rented on a long term basis. As a result, the Company had to spend more on office rent and the rent expense incurred during the year under review was Rs. 71,429,500.                         | Actions need to be taken to manage the expenditure effectively.  | Management Comment received. | not received. | Management Comment received. | not received. |
| (uu) The Company had granted a loan of Rs. 2,000,000,000 to Ceylon Electricity Board on 02 March 2020 and a formal Agreement between two parties in this regard was not available for audit. Further, any installment of the above loan had not been received to the Company up to the date of audit. | Steps should be taken to enter into a formal agreement with CEB.   | Management Comment received. | not received. | Management Comment received. | not received. |
| (vv) It was observed that date of interest payment and amount which should be used to compute interest was not clearly mention in the agreement of solar loans between National Saving Bank and the Company.  | Adequate attention need to be paid to include necessary conditions clearly in all agreements.  | Management Comment received. | not received. | Management Comment received. | not received. |
| (ww) The Master Procurement Plan was not comprised procurement activities for a period of three years, and it was included procurements scheduled to be done in 2020.   | According to the provisions in procurement guideline, master procurement plan need to be prepared for 03 years and detailed procurement plan need to be prepared for 1 year. | Management Comment received. | not received. | Management Comment received. | not received. |
| (xx) It was not observed that the Master Procurement Plan had regularly been updated and reviewed the progress.   | According to the provisions in procurement   | Management Comment received. | not received. | Management Comment received. | not received. |

	guideline, master procurement plan need to be regularly updated at intervals not exceeding six months.			
(yy)	The Master Procurement Plan was included only standard stock items and stationeries. Procurements for works, services including consultancy services had not been included in the plan.	All procurement activities need to be included in master procurement plan.	Management Comment received.	Management Comment not received.
(zz)	There was no a proper mechanism for updating the status of progress of the procurement plan and as a result, it was difficult to identify which procurements were completed or not completed as at a specific date.	Regular review of progress in procurement activities required to be done.	Management Comment received.	Management Comment not received.
(aaa)	The Master Procurement Plan had been included only 6 procurements relevant to the Action plan 2020. Hence there was not a proper linkage between the procurement plan and the action plan.	Steps need to be taken to link the action plan with procurement plan.	Management Comment received.	Management Comment not received.
(bb)	There was no an approved scheme of recruitment and promotion in terms of the Section 9.3 of the Circular No. PED/12.	It should be complied with relevant guidelines and circulars.	Management Comment received.	Management Comment not received.
(ccc)	The Company had no an Organization chart and approved cadre registered with the Department of Public enterprise, General Treasury as per the Section 9.2 of the Circular No. PED/12.	It should be complied with relevant guidelines and circulars.	Management Comment received.	Management Comment not received.

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| (ddc) There was no a manual of procedures of the Company according to the Section 9.14 of the Circular No. PED/12.   | It should be complied with relevant guidelines and circulars. | Management Comment received. | Management not received. | Management Comment not received. |
| (eee) Eight employees had been recruited for the post of Administrative Officer, Accounts Assistant, Transport Executive and Training Executive during the year under review. In examining the these recruitments, it was observed that actions had not been taken to verify the accuracy and reliability of the documents submitted by the candidates regarding qualifications and work experience from the respective institutions and the certified copies of relevant qualifications contained in personal files were not formally certified.    | Accuracy of the documents should be verified.                 | Management Comment received. | Management not received. | Management Comment not received. |
| (fff) In examining the recruitment of Administrative officer, Applicant No. 57 had worked at a Finance Company as a management assistant for a period of 5 years from 26 November 2009 to 08 May 2015 according to the service certificate submitted by the said applicant. During that period, she was an undergraduate of faculty of law in University of Colombo. It was further observed that the service certificate submitted by the said applicant may be a forged document as the respective Finance Company had directly confirmed to audit | Accuracy of the documents should be verified.                 | Management Comment received. | Management not received. | Management Comment not received. |

that she had not been an employee of their Institute.

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|---|---|------------------------------|----------------------------------|
| (ggg) With regard to recruitment of Accounts Assistant, out of 1,382 applications received up to 21 September 2020, only first 325 applications had been considered for selection. Further, no action had been taken regarding the remaining 1057 applications even as at the date of audit and as a result the Company had lost the opportunity to recruit the most suitable candidates.   | Need to develop a proper system in recruiting suitable employees for the Company. | Management Comment received. | Management Comment not received. |
| (hhh) Eventhough vacancy of Accounts Assistant was scheduled to be filled on a permanent basis under the restructuring of Finance division with the approval of the Board of Directors, three candidates had been recruited on casual basis on 09 December 2020 and 12 January 2021 for this post. Despite that a large number of qualified candidates were applied for the post, no action had been taken to recruit any applicant on a permanent basis. | Need to develop a proper system in recruiting suitable employees for the Company. | Management Comment received. | Management Comment not received. |
| (iii) When examining the applications of the selected candidates for the post of Accounts Assistant, it was observed that their applications had been directly sent to the Chairman and he had instructed the Head of Human Resources to consider them for recruiting the posts of Accounts Assistant on casual basis. According to the existing procedure of the Company, Chief Financial Officer had carried out interviews and                         | Need to develop a proper system in recruiting suitable employees for the Company. | Management Comment received. | Management Comment not received. |

recommended that the applicants be recruited on a casual basis on the day immediately after receiving the Chairman's Recommendation. However, no written evidences were available for audit confirming that the interviews were conducted.

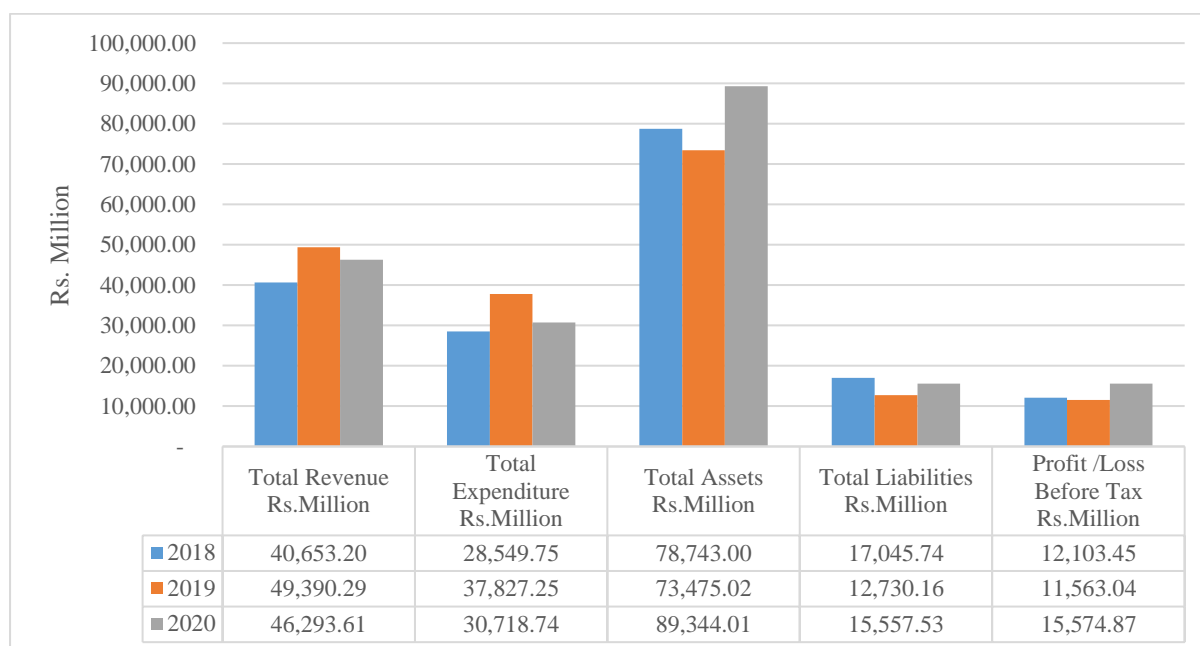
- (jjj) The applicant No. 103 out of the 3 recruited candidates for the post of Accounts Assistant, she had directly submitted an application (second application) to Chairman on 01 December 2020 in addition to the application (first application) submitted by her on 16 September 2020 as per the newspaper advertisement. In examining these two applications submitted by the said candidate within a period of 11 weeks, it was observed that there was a discrepancy between the service certificates and the period of experience mentioned in two applications. According to the second application forwarded by the said candidate, she had no work experience in General Ledger and Credit Control activities with a computer based accounting system and she had only one year experience as a Customer Service Officer in a private company. However, despite the submission of two such applications with above discrepancies, the recruitment had been made on casual basis.
- (kk) The job description and the duty list approved for the post of Transport Executive and Training Executive were not available for audit.
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| Need to develop a proper system in recruiting suitable employees for the Company. | Management Comment received. | Management Comment not received. |
| Should be prepared job description and the duty list approved.                    | Management Comment received. | Management Comment not received. |



<p>(III) The Company had failed to complete some activities such as LBS Automation, Feeder End Voltage Monitoring, Street Light controls as planned in annual Action Plan due to procurement delays.</p>	<p>Every effort should be made to achieve the targets as planned.</p>	<p>Management Comment received.</p>	<p>not</p>	<p>Management Comment received.</p>	<p>not</p>
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**4.84 West Coast Power (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	40,653,198,427	28,549,747,785	78,742,999,488	17,045,740,424	12,103,450,641	Unqualified
<b>2019</b>	49,390,293,390	37,827,250,026	73,475,019,095	12,730,159,755	11,563,043,364	Unqualified
<b>2020</b>	46,293,609,871	30,718,744,552	89,344,010,769	15,557,526,991	15,574,865,318	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	Monthly invoices issued by the Company as per power purchase agreement regarding power generations were reviewed by the Ceylon Electricity Board (CEB) and in most instances the amount accepted by the CEB is lower than the amount invoiced. CEB	Formal Should established regards.	Policy be in this discussing on this matter, but they haven't come to a final agreement yet. Furthermore, WCPL sent letters regarding the parameter differences several times, but CEB didn't	West coast Power (WCP) and CEB are discussing on this matter, but they haven't come to a final agreement yet. Furthermore, WCPL sent letters regarding the parameter differences several times, but CEB didn't provide any reply.

- confirms the amount agreed and does not give the reasons affected to the difference. However, the Company was unable to get solution for this dispute even as at the date of this report.
- (b) Even though the Company should be Company has only There are no plans to Company had three staff adhered to the CEO, Accountant and recruit any more officers as Chief provisions of the Assistant Accountant. employees. Therefore Executive Officer, Public Enterprises There are no plans to (SOR) status remains the Accountant, and Department Circular recruit any more same. Assistant Accountant. No.PED/12 dated 02 employees. Although Scheme of June 2003 Recruitment (SOR) had not been prepared for the Company.
- (c) A Corporate plan and Company should be The company owns The only purpose of this Annual Action Plan had adhered to the and operates 300MW Company is to make not been prepared by the provisions of the Kerawalapitiya Power available a power plant to Company according to Public Enterprises Plant. That is the only be operated as per the the Public Enterprises Department Circular function of the instructions given by CEB Circular No. PED/12 of No.PED/12 dated 02 company. Its under the Power Purchase Agreement. The Company 02 June 2003. June 2003 to payments made to is given only an annual CPC for fuel and approximate dispatch purchased, plan by CEB. Status is procurement of certain same as it was on 31 chemical as March 2021. recommended by equipment suppliers, and management of O&M contract

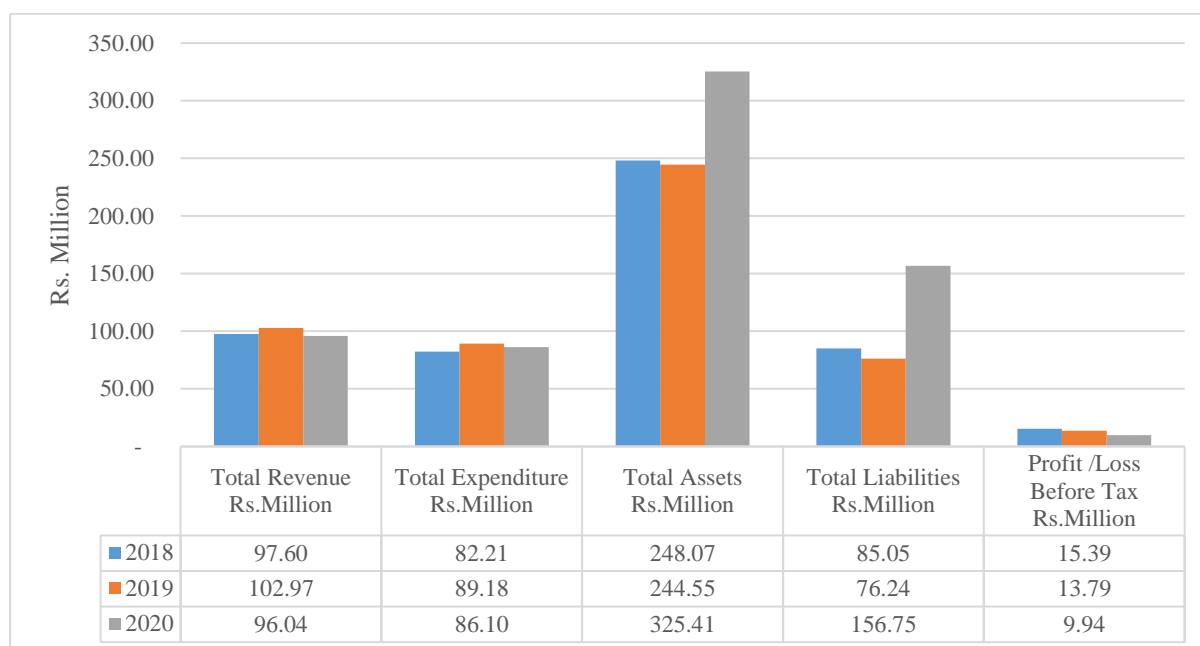
approved by the Board.  
Approved procedures followed for each of these activities. Capital budget for any improvement in power plant infrastructure is also approved by the Board.

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| (d) | Internal Audit division had not been established by the Company.                           | Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003 | The statutory Audit Covers the auditing of the compliance with these procedures and budgets. The entire staff of the company is limited to 3 persons. | This company is a single purpose company setup to own the Yugadhanavi Power Plant. As per requirements of the PPA signed with CEB, the entire operation of the power plant carried out by a Contractor. The activities of the Company are limited and audited by external auditors. Status remains same. |
| (e) | Audit Committees had not been conducted by the Company during the year under review.       | Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003 | The statutory Audit Covers the auditing of the compliance with these procedures and budgets. The entire staff of the company is limited to 3 persons. | Status remains same.   |
| (f) | In accordance with the "2030 Agenda" of the United National on the Sustainable Development | Company should be adhered to the provisions of the "2030 Agenda" of  | Company had entered to a Power Purchase agreement with CEB  | Company is adhering to the PPA. Company is aware of SDG and CEB has included such in PPA.  |

Goals (SDG) all state the United Nations and comply with the WCPL has taken all institutions should on the Sustainable same measures to comply with contribute in Development Goals. PPA and Approved to operate the Power Plant implementation of goals and functions under its protecting the scope. However, the environment. Company was not aware of SDG and had not identified the targets to be achieved, the gaps in achieving those goals and suitable indicators for measuring the progress as well.

#### 4.85 Trincomalee Power Company Limited

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,769,526	17,608,938	88,775,429	8,669,386	(14,839,412)	Unqualified
<b>2019</b>	1,771,230	15,246,464	68,177,476	1,470,740	(13,475,234)	Unqualified
<b>2020</b>	102,596	12,977,874	61,530,167	8,499,147	(12,875,278)	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Construction of Chain Link Fence had been awarded to Ruhunu Development contractors & Engineers (Private) Limited on 14 August 2015 at a contract value of Rs.48, 282,120 and the contract period was six (06) months. The initial completion date of the construction was 13 February 2016. Even though the Company had given eleven (11) extensions up to 31 May 2018 to	Actions should be taken to get completed the construction works as per the contract agreement	Management comment not received	Management comment not received

complete the construction works, the physical progress was only 98 per cent as at the date of this report.

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|-----|--|---|-----------------------------|-----|-----------------------------|-----|
| (b) | Although the cabinet approval had been received to set up a 50 MW solar power plant by Trincomalee Power Company Limited in Sampur, Joint Venture Shareholder agreement and project agreements have not been signed and any development activities of the above power plant had not been carried out even at the date of the report. | Responsible parties should be taken actions to implement the cabinet decision.                      | Management comment received | not | Management comment received | not |
| (c) | A Corporate Plan and Annual action plan had not been prepared by the Company as per the Public Enterprise Circular No.PED/12 dated 02 June 2003.   | Management should process the project activities and prepare corporate plan and annual action plan. | Management comment received | not | Management comment received | not |
| (d) | The Company had not prepared an Annual Budget relevant to the year under review as per the Public Enterprise Circular No. PED/12 dated 02 June 2003.   | Management should take necessary action to prepare annual budget for the company.                   | Management comment received | not | Management comment received | not |
| (e) | The Company had not appointed an internal auditor or established internal audit division and internal audit function had not been carried out in terms of the Section 40 and 41 of the National Audit Act No. 19 of 2018 and the Public Enterprise Circular No. PED/12 dated 02 June 2003.   | It should be complied with relevant guidelines and circulars.                                       | Management comment received | not | Management comment received | not |

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| (f) | From the starting up of the Company, no annual reports had been tabled in the Parliament up to now in terms of Public Enterprise Circular No. PED/12 dated 02 June 2003.                                  | Necessary actions should be taken to table the annual reports in the parliament as required by the circular.  | Management comment received | not | Management comment received | not |
| (g) | Evidences for Contractor acknowledgement and board resolution not made available to the Audit for Land and development assets written off amount Rs. 2,985,550.   | Appropriate audit evidences should be provided in order to establish an assurance over the aforesaid financial statements assertions and also due care should be taken by the management to ensure the proper execution of the implemented controls over the process. | Management comment received | not | Management comment received | not |
| (h) | Evidences for original supporting document or confirmation not made available to the Audit for advance receivable from National Thermal Power Corporation consultancy assignment amount of Rs.3, 241,657. | The management must take actions to review these advance payment and their recoverability.  | Management comment received | not | Management comment received | not |
| (i) | Evidences for Renewal notices of short term bank deposits are not made available to the Audit. Amount is Rs. 10,000,000.  | Steps should be taken to maintain supporting documents related to short term bank deposits in an organized manner and   | Management comment received | not | Management comment received | not |

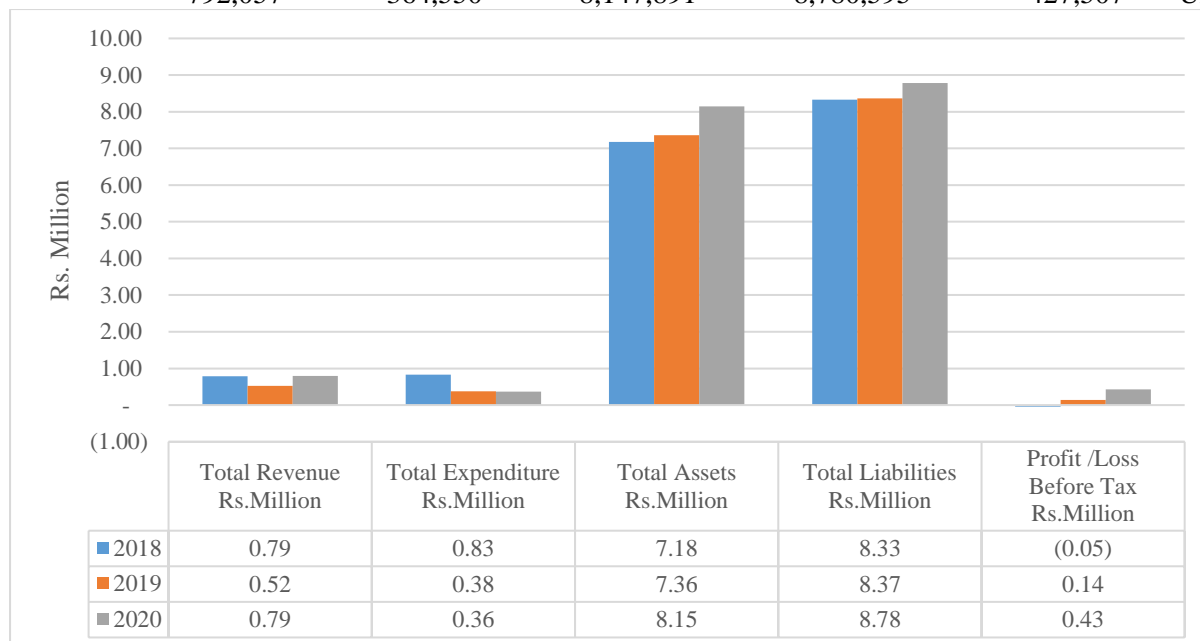


should be provided  
for audit perusal.

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| (j) | The approved scheme of recruitment and promotion had not been prepared by the Company as per the Public Enterprise Circular No. PED/12 dated 02 June 2003. | It should be complied with relevant guidelines and circulars. | Management comment received | not | Management comment received | not |
| (k) | Organization chart and approved cadre registered with the Department of Public Enterprise was not available with the Company                               | It should be complied with relevant guidelines and circulars. | Management comment received | not | Management comment received | not |

**4.86 LECO Projects (Private) Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	787,608	834,328	7,181,466	8,331,522	(46,720)	Audit done by private Audit Firm.
<b>2019</b>	520,691	379,545	7,356,180	8,365,090	141,146	Unqualified
<b>2020</b>	792,057	364,550	8,147,891	8,780,595	427,507	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	The Company was started with a share capital of Rs.1,000 with the approval of the Board of Directors of Lanka Electricity (Private) Limited, from cumulative profit of Rs.5.9 million fell to a cumulative loss of Rs.3.4 million due to failing quality tests of the pole manufacturing project launched in 2012. The	Decision should be taken regarding the operations of the Company by the board of directors.	Steps are being taken to obtain additional projects to break even the losses. A project was undertaken for Rs.28 million. This project was undertaken in 2022 January. This will reduce the accumulated losses.	Action had not been taken to operate the Company satisfactorily.

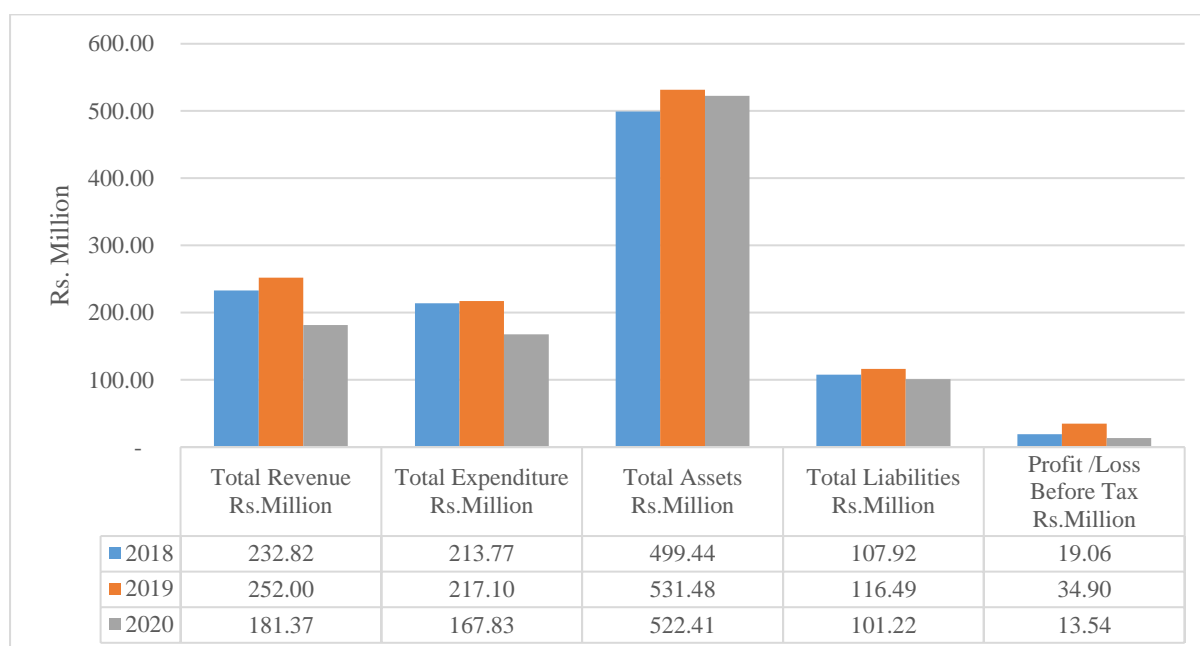
Company which was expected to carry out a very simple operation and had to bare high salary cost and lease rental for land. However, no any operations for past few years and board of management had not taken effective action to operate Company.

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| (b) | Annual Report had not been tabled in the parliament as per Public Enterprise Circular No. PED/12 dated 02 June 2003.              | Actions should be taken to table the annual reports in parliament as required by the circular. | Since no operations, annual report was not prepared.   | Action had not been taken to rectify the matter   |
| (c) | Inventory verification reports were not available for Audit. Inventory balance as at 31 December 2020 was Rs.12,141,603.          | Annual stock verification should be carried out.   | The inventory balances are remain same for the said period without any fluctuation at sealed location. | Relevant provision had been made for such inventories identified them as none moving materials. |
| (d) | Fixed asset verification reports were not available for Audit. Fixed asset balance as at 31 December 2020 was Rs. 5,159,044.      | Actions should be taken to carry out annual board of survey every year end.                    | All these fixed assets also remaining without any fluctuation.   | These are reflected as fully depreciated items.   |
| (e) | The cost of Property, Plant and Equipment as at 31 December 2020 was Rs. 5,159,044 and all of these assets were idled since 2013. | It should be reassessed the useful lifetime of the assets and use to achieve the objectives.   | All these fixed assets also remaining without any fluctuation.   | These are reflected as fully depreciated items.   |

- (f) As per the Public Enterprises Circular No.PED/12 issued on 02 June 2003 paragraph No. 5.1; a Corporate Plan incorporates strategies regarding the future direction of the enterprise. The Company had failed to comply with the requirement.
- It should be complied with the provisions in the circular.
- No corporate plan due to no any operations.
- Action had not been taken to rectify the matter

**4.87 Maganeguma Consultancy and Project Management Service Company (PVT) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	232,823,189	213,766,202	499,436,083	107,919,019	19,056,987	Qualified
<b>2019</b>	251,998,683	217,100,535	531,482,358	116,489,335	34,898,148	Disclaimer
<b>2020</b>	181,367,841	167,827,660	522,410,890	101,221,270	13,540,181	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The costs of the fully depreciated assets still being used by the Company was Rs.21,745,498. However, actions had not been taken to revalue in accordance with LKAS 16 property plant & Equipment and restate such fully depreciated assets in accordance with LKAS 08 – Accounting Policies, changes in accounting	An action has to be taken to restate in accordance with LKAS 08 or to revalue in accordance with LKAS 16.	Noted and action has been taken to revalue all assets.	Not yet completed the revaluation process.

estimates and errors. This has been reported on previous audit reports in 2018 and 2019.

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|-----|--|--|---|---|
| (b) | In terms of section 67 of LKAS 16 – Property plant and Equipment, assets should be derecognized when no future economic benefits are expected from its use or disposal. However, cost of fully depreciated assets amounting to Rs. 2, 965,180 which were not used by the Company as at 31 December 2020 have not been derecognized in the financial statements and it shows as assets of the Company.        | Assets should be derecognized when no future economic benefits are expected from its use or disposal in terms of section 67 of LKAS 16 – Property plant and Equipment. | Noted and action will be taken after revaluation process. | Observation is still unresolved.              |
| (c) | As per the statement of financial position of the company as at 31 December 2020, the amount due from the Road Development Authority was Rs.97, 131,281. However, as per the financial statements of the Road Development Authority, it was shown as Rs.73, 770,988. Hence, a difference of Rs. 23,360,293 was observed between two balances. These differences have been come up in the year 2018 and 2019. | A comprehensive Reconciliation statement should be prepared mentioning the reasons clearly for the difference.   | Not replied   | Not completed yet the reconciliation process. |
| (d) | Due amount to the Road Development Authority from the company for the weighing charges and the office building rent for the year 2020 was 5,087,218.   | Reconciliation should be done on regularly basis in this regard.   | Action has already been taken to reconcile the balances.  | Observation is still unresolved.              |

However, no such amounts are shown in the accounting records maintained by the Road Development Authority and no reconciliation had not been done by the company in this regard.

- (e) Retention money and work bills on projects over five years totaling to Rs.35, 160,969 remained as outstanding had not been recovered from the Road Development Authority. Whereas outstanding from the year 2018 and 2019 amounted to Rs. 52,696,059 and Rs.44,950,700 respectively. Company should be taken an action to get recover the due balance from the RDA or offset against payable balances after being mutually agreed. Noted an action will be taken to recover them. Observation is still unresolved.
- (f) According to the financial statements submitted by the Company, the amount due to the Maga Neguma Road Construction Equipment Company an mobilization advance over five years outstanding amounting Rs.882,118 had remained unsettled. This has been also mentioned in Audit report of 2018 & 2019. Outstanding balances should be settled or write back to income of the company after following procedures formally. Noted and action has been taken. However, we are waiting for supporting document to settle them. Payment was not made as at the date of this report.
- (g) The outstanding payable balance on the certain projects aggregating to Rs. 23,041,015 had remained un-settle over five years as at 31 December 2020. Whereas outstanding from the year 2018 and Outstanding balances should be settled or write back to income of the company after following procedures formally. Noted and action will be taken. Observation is still unresolved.

2019 amounted to Rs.24,612,484 and Rs.24,934,577 respectively.

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| (h) | The Company had calculated the gratuity provision and made payments based on the basic salary disregarding the cost of living allowance.   | Cost of living allowance should be considered in calculating and making payment.   | Accepted and agreed to rectify.  | Observation is still unresolved.  |
| (i) | It was observed that there were no a rental agreements between the company & relevant parties for the assets being used by the company.  | Company should enter into an agreement with relevant parties in this regard.   | Noted and action has been taken to enter into the agreement however RDA has not provided yet.                                    | Observation is still unresolved.  |
| (j) | Contrary to the Section 3.1 of the public Enterprises Circular No. PED 01/2015 date 25 May 2015, the Company had been paid fuel allowances aggregating to Rs. 94,030 to the officers of the Company by exceeding the entitled limits since the year 2018.  | The company should adhere to circulars issued by the Public enterprises Department from time to time or have to prepare a separate procedure and get the approval from the relevant authorities. | Noted  | Since the RDA or line ministry has not given clear advice of clear guidance yet to the company in this regard, the observation is still unresolved. |
| (k) | As per the section 2.1 of the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, All-inclusive monthly payable to chairman is Rs.75, 000. However, a sum of Rs.2, 400, 000 had been over paid to the chairman contrary to the entitled limits during the year 2020. This has happened from 2018 & 2019 amounted to | The company should adhere to circulars issued by the Public enterprises Department from time to time or have to prepare a separate procedure and get the approval from the relevant authorities  | As per the Board paper no. 001/02/ 2020, It was minuted that the Chairman's salary and other remuneration shall remain the same. | Since the RDA or line ministry has not given clear advice of clear guidance yet to the company in this regard, the observation is still unresolved. |



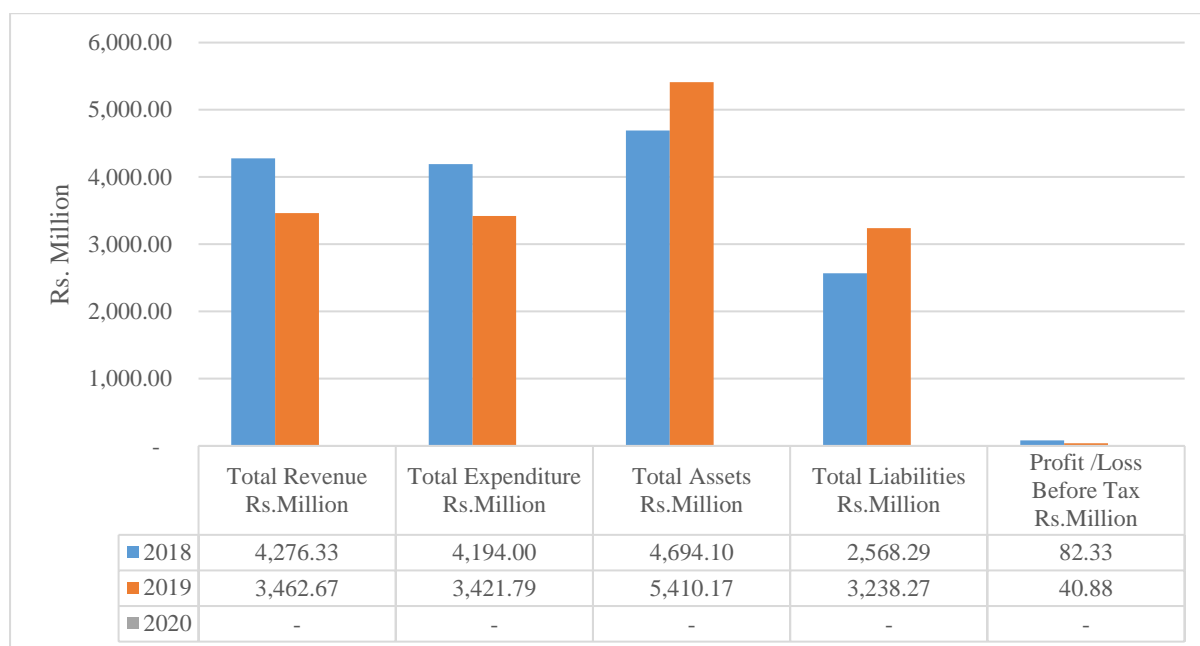
Rs.3,313,000 and  
Rs.4,530,000 respectively.

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| (l) | Despite the direction given in the Section 5.1 of the Circular PED/12 dated 2 June 2003, a corporate plan had not been prepared by the Company and not forwarded to the line ministry, Department of Public enterprise, General treasury and the Auditor General.               | The management of the Company should be prepared a Corporate Plan in rolling basis for every four years.                            | Noted   | Since the RDA or line ministry has not given clear advice of clear guidance yet to the company in this regard, the observation is still unresolved. |
| (m) | As per the Section 8.8 of the Circular PED/12 dated 2 June 2003, there should be a delegated authority indicating limits of expenditure that should approved by board at the beginning of each year. However, delegation authority had not been prepared by the company.        | Even though the company is maintained minimum staff authority should be delegated to operate company economically, and effectively. | The MNCPMSC is maintaining minimum staff to perform their business in order to operate the company profitably. Hence All powers are vested with the Chairman & Board of Directors and all expenditures is monitored & approved by the Chairman accordingly. | The observation is still unresolved.  |
| (n) | As per Section 5.2 of the Circular PED/12 dated 2 June 2003, An annual budget had not been prepared by the Company although updated annual budget should be forwarded to the Line Ministry and Auditor General at least 15 days before the commencement of each financial year. | Annual Budget should be prepared as a tool control and reviewed periodically to reach the objectives of the company.                | As per the Board paper No. BP013/02/2020, Annual Budget for the year 2020 was presented to the board and obtained Board approval to the same.   | There is no practice to present the annual budget approved by the board of directors to the relevant authorities on or before due date.             |

- (o) As per Section 9.2 and 9.3 of the Circular No PED/12 dated 2 June 2003, there should be a Human Resources Plan including an appropriated cadre and recruitment and promotions system. However, the Company failed to obtain the approval for the cadre and the recruitment and promotions system.
- Company should get the approval from the relevant authorities in this regard immediately.
- Board Approved cadre has been sent to MSD through the Line ministry. However, we are yet to get it sanctioned by them. Still we are waiting for the same.
- (p) The Company had not been prepared an Action Plan.
- Annual Action Plan should be prepared and review its progress periodically by the management of the Company.
- Noted
- Not yet finalized.
- (q) Audit and management committee had not been established by the company with the concurrent of the line Ministry and the Road Development Authority.
- Audit Committee and management committee should be established.
- Not yet Established
- Not yet established.

**4.88 Maga Neguma Road Construction Equipment Company (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	4,276,329,230	4,193,995,112	4,694,103,156	2,568,291,643	82,334,119	Disclaimer
<b>2019</b>	3,462,668,986	3,421,792,274	5,410,169,409	3,238,271,798	40,876,711	Disclaimer
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) Works completed during the year 2018 and certified by the Road Development Authority (RDA) in the same year amounting to Rs. 683.04 million had not been brought to accounts for the year 2018. As a result, income and current assets of the year under review had been understated by similar amount. In case	Action should take to record income which being occurred in the same year to make preventing to understate or overstate.	Not accepted.	The fact in the observation still remains.

of 2019 this amount was Rs.202.9 million.

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| (b) | The interim payment certificates aggregating to Rs. 1,571.63 million in respect of works completed in the years 2012,2014,2015,2016 and 2017 had been accounted as income of the year 2018. In addition to that certified bills amounting to Rs 590.8 million with regard to the years 2016, 2017 and 2018 had been accounted in the year 2019. | Action should take to record income which being occurred in the same year to make preventing to understate or overstate. | Not accepted.   | The fact in the observation still remains. |
| (c) | Significant difference amounted to Rs. 282.31 million was observed in respect of Receivable on certified works and retentions from RDA as at 31 December 2018 and it was Rs.1, 111million as at 31 December 2019.   | Reconciliation should carry out periodically and measures should implement accordingly.                                  | Accepted.<br>There is reconciliation prepared as at the reporting date which indicates the reasons for the balance differences and rectification of errors still in progress. | The fact in the observation still remains. |
| (d) | Significant difference amounted to Rs. 1,162.72 million was observed in respect of payable to the RDA from the company as at 31 December 2018 and it was Rs.1,420 million as at 31 December 2019.   | Reconciliation should carry out periodically and measures should implement accordingly.                                  | Accepted.   | The fact in the observation still remains. |

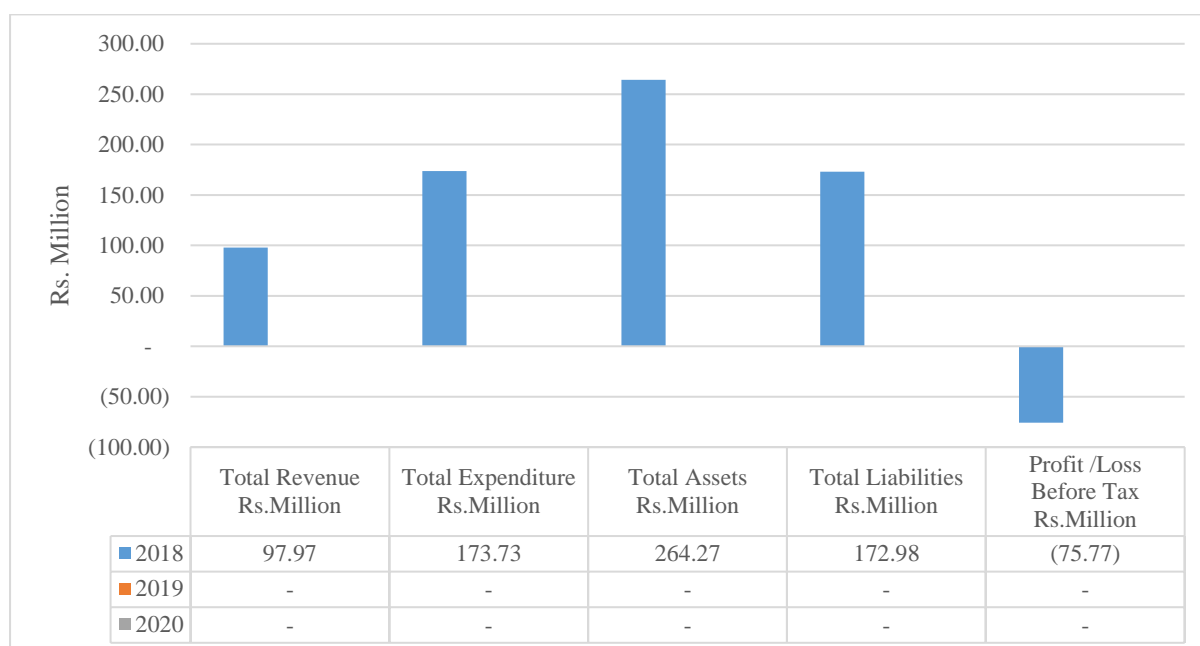
- (e) Out of five (05) conditions stated in the Gazette No. 1074/7 dated 07 April 1999 of the Democratic Socialist Republic of Sri Lanka, the company had been satisfied four (04) conditions. However, the financial statements of the company had been prepared as per the Sri Lanka Accounting Standard for Small and Medium-Sized-Entities (SLFRS for SMEs) instead of following Sri Lanka Accounting Standards (LKAS).
- The company should comply with Sri Lanka accounting standards since four conditions are fulfilled out of five (05) conditions stated in the Gazette No 1074/7 dated 07 April 1999 of the Democratic Socialist Republic of Sri Lanka.
- Not Accepted. The observation was highlighted during the audit for the year 2017 as well. According to the extraordinary gazette No. 1074/7 specify that any company which satisfies the given criteria must follow the Sri Lanka Accounting Standards when preparing the financials. However, among the available three set of accounting standards issued by the Institute of Chartered Accountants of Sri Lanka, the company is eligible to apply SLFRS for SMEs. No deviation with the regulatory requirements.
- The fact in the observation still remains.

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| (f) As per the direction given in section 9.2 of the Public Enterprises Circular No PED 12 dated 02 June 2003, actions had not been taken to obtain the approval for the organizational chart and the cadre.  | The dispute on applicability of PED guidelines for the company's operation is yet to be resolved. However, management follows guidelines approved by the board of directors which are in line with PED guidelines. | Action must be taken to follow Public enterprises circular with the consultation of Line ministry and the parent entity   | Cadre of the company still not finalized.  |
| (g) As per the board decision no. 2008/1109 dated 01 August 2008, of the Road Development Authority, the board had decided not give any projects to subcontractors. However, out of 3,382 the projects received by the company only 185 projects equivalent to 5.4 per cent had been directly completed by the company during the period 2008 to 2018 and 3,197 projects had been completed by subcontractors during this period. | No comment   | Company should carry out its construction works which have been under taken from the Road Development Authority to comply with the board decision no. 2008/1109 dated 01 August 2008. | The fact in the observation still remains. |
| (h) Submission of financial statement for the year 2018 and 2019 was delayed 6 months and 10 months respectively. Financial statement for the year 2020 has not been submitted to audit up to now.  | No comment   | The company should submit its financial statements on due date as prescribe by the national Audit act No.19 of 2018.  | The fact in the observation still remains. |

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| (i) Audit and management committee had not been established with correct composition by the company with the concurrent of the line Ministry and the Road Development Authority. | No Comment | Audit Committee had and management been established committee should recently but no any be established with representation from correct the Auditor composition with General. the concurrent of the line Ministry and the Road Development Authority. |
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**4.89 Maganeguma Emulsion Production Company (PVT) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	97,965,208	173,732,387	264,272,122	172,980,309	(75,767,180)	Qualified
<b>2019</b>	Financial Statements not submitted					
<b>2020</b>	Financial Statements not submitted					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) As per Sri Lanka Accounting Standard on property, plant & Equipment (LKAS 16), the assets of which fully depreciated with the costs amounting to Rs.21, 566,870 are being used by the company had not been reviewed its useful life time at the end of each financial year and accounted accordingly.	As per the relevant accounting standard, the company should review the useful life time of property, plant & Equipment at the end of each financial year and accounted accordingly.	Recommendation will be implemented from the year 2021	No action had been taken to reevaluate the assets.



- (b) Contrary to the Sri Lanka Accounting Standards on presentation of financial statements (LKAS 01) and conceptual frame work for financial reporting, the Interest income on fixed deposits of the Company had been measured by using cash basis and the audit observed a difference of Rs.8,654,795 in interest income between interest income calculated by the audit and the interest income show in the financial statements. As a result, other income shown in the statement of comprehensive income had been overstated by the similar amount.
- The Interest income on fixed deposits of the Company should be measured on accrual basis.
- It will be very difficult to recognize the interest income on accrued basis
- No action had been taken to rectify the matter.
- (c) As per the Sri Lanka Accounting Standards on Presentation of Financial Statements (LKAS 01) & leases, (LKAS 17) liabilities should separately classified as current and non-current liabilities. However, as per the financial statements of the Company, the total lease creditors amounting to Rs. 2,090,060 as at 31 December 2018 had not been classified accordingly.
- Liabilities on leases should separately classify as Current and Non-Current as per prescribed in relevant accounting standard.
- Agreed to rectify.
- No action had been taken to rectify the matter.

- (d) The Company had been calculated the retirement gratuity obligation by multiplying the period of service by monthly salary earned by each employee instead of calculating by using half month salary.
- When the company is constructed an accounting policies, should consider the existing laws, rules and regulations and standard requirements relating to the subject matter.
- As the Policy of one-month basic salary is used for provision and payment of the gratuity by multiplying the completed period of service.
- No action had been taken to rectify the matter.
- (e) As per the Note 4 to the financial statements of the Company, the capital investment from the Road Development Authority to the Company was only Rs.100. However, as per the financial statement of the Authority, an investment of Rs.1, 000, 000 had also been included as an equity contribution to the Company in addition to Rs.100. However, the Company had been recorded the subsequent investment made by the Authority as an unpaid loan under the current liability.
- An agreement is required to record transactions occurred within the group especially on the transactions that are being decided the controlling power of the company.
- Unpaid loan balance is the amount due from RDA which is agreed to give in the establishment of this company.
- No action had been taken to rectify the matter.

- (f) According to the financial statements submitted by the Company as at 31 December 2018, the amount due from Road Development Authority was Rs.5,861,611. However, as per the financial statements of the Authority it was shown as Rs. 2,428,542. Therefore, a difference of Rs. 3,433,069 was observed between two balances and reconciliation had not been made in this regard.
- A reconciliation statement should be prepared in periodically.
- The balance in the financial statements of the company is correct balance.
- Reconciliation statement had not been prepared.
- (g) As per the financial statements of the Road Development Authority as at 31 December 2018, the amount due from Maganeguma Emulsion Production Company (Pvt) Ltd for the hire charges of plant & machinery was Rs. 4,456,625. However, as per the financial statements of the Company a sum of Rs. 1,471,358 had been shown as payable to the Authority. Hence, a difference of Rs. 3,985,267 was observed between two balances and reconciliation had not been made in this regard.
- A reconciliation statement should be prepared in periodically.
- The financial statements balance is correct balance.
- Reconciliation statement had not been prepared.
- (h) As per Section 2.1 of the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, Contrary to the entitled limits;
- The company should adhere to the existing frame work and guidelines issued by
- It is stated the Board of Directors has approved this payment.
- The fact in the observation still remains.

- the Company had been paid the respective sitting allowances aggregating to authorities in making Rs. 198,000 to the non-executive such payments and the directors during the year under RDA also should review. prescribe the guidelines as the parent entity through its board representatives.
- (i) As per Section 3.1 of the public Enterprises Circular No. PED 01/2015 date 25 May 2015, Contrary to the entitle limits, fuel allowances aggregating to Rs.1,047,150 had been paid exceeding the entitle limit. The company should adhere to the existing frame work and guidelines issued by the respective authorities in making such payments and the RDA also should prescribe the guidelines as the parent entity through its board representatives. This allowance has approved by the Board of the Directors of the company. The fact in the observation still remains.
- (j) As per Section 5.2 of Public Enterprises Circular PED/12 dated 2 June 2003, An annual budget had not been prepared by the Company. An annual budget should prepare in accordance with the circular. Accepted and agreed to prepared a report for the following year. The fact in the observation still remains.
- (k) As per Section 9.2 and 9.3 of Public Enterprises Circular PED/12 dated 2 June 2003, The company had not been taken an action to get the approval done for the cadre as well as the recruitment and promotions system. An approval for the cadre and the recruitment and promotions system should obtain from the relevant authorities. An approved Human Resources Manual is available including all the relevant procedures. The fact in the observation still remains.

- (1) Audit and management committee had not been established by the company with the concurrent of the line Ministry and the Road Development Authority. Audit and management committee should establish. Action will be taken to establish Audit and management committee. The fact in the observation still remains.

**4.90 Sri Lanka Youth Services Limited**

- 2018** - Financial Statements not submitted to audit.  
**2019** - Financial Statements not submitted to audit.  
**2020** - Financial Statements not submitted to audit.

Audit Observation	Recommendation of Auditor General	Preventive Measures Taken by the Entity	The current position
(a) Action had not been taken to identify the responsible officers and take necessary action for the total loss to the company amounted to Rs. 1,644,253 due to delays in the disbursement of EPF and Employee's Trust Funds in five sample tests.	Action Should be taken against the officials responsible for the loss.	Make sure not to do so in the future and instructions had been given to make special attention in this regard.	No action had been taken in this regard.
(b) According to the Public Finance Circular No: 03/2015 of 14 July 2015, Even though issuing of ad-hoc imprest should be limited only to the staff officers, contrary to that a total sum of Rs. 472,415 advances in 09 instances had been given to an officer on contract basis service.	Should be acted in accordance with the circulars.	Instruction had been made special attention.	No action was taken against for violating the circular.
(c) Answers had not been given for 26 audit queries issued to Sri Lanka Youth Services (Pvt) Ltd from 2015 to 16 November 2020. Also attention of the Board of Director's had not been made regarding the shortcomings and weakness pointed out by those audit queries or regarding their rectification	Replies should be made to the audit queries and mentioned shortcomings should be rectified.	Instructions had been given to focus special attention and act accordingly.	No replies had been submitted for audit queries.

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| (d) Out of the debtors balance of Rs.10,520,015 of the printing section as at 20 October 2020, amounted to Rs. 9,627,122 or 91.5 percent of the total loan balance belonged for the period 2015-2019 but action had not been taken to confirm or expedite to recovery those balances.   | Action should be taken immediately to recover the debtor's balance.                              | A separate female officer had been appointed for this purpose.   | No action had been taken to recover the outstanding debtors balance.      |
| (e) Out of five main businesses, 03 business activities of the company were making losses by the end of the year under review, but action had not been taken to prevent that.   | Board of Director's attention should be focused on continuing the business in profitability way. | Instructions were given to focus on maintain a profitable way in future.   | No action had been taken to keep the business Profitably.                 |
| (f) Even though the annual financial statements of companies should be submitted to the Auditor General within 60 days from the end of the financial year as per section 6.5.1 of public enterprises circular No. PED/12 of 02 June 2003, the company had not submitted its financial statements for the financial year 2019/2020 to audit even till the audit date of 31 January 2022. | Accounts should be submitted on the due date as per the circular.                                | Arrangement will be made to submit the financial statements for the year 2019/2020 by February 15 as soon as they are completed. | Accounts had not been submitted as at 07 February 2022.                   |
| (g) In terms of section 41(2)(9) of the National Audit Act No19 of 2018, Fifty or more percent of the shares owned or deemed to be registered or registered under the company act No. 7 of 2007 in which the Government or public corporation or local Authority, Although, audit and Management Committees are required to be set up   | Should be acted in accordance with the Circular.   | It was instructed to set up an audit and management committee in the future to plan for the future.                              | At present the Audit and Management Committees have not been established. |

	for a company, the company had not been action accordingly.			
(h)	In terms of Section 23.1 (a) of the Right to Information Act No. 12 of 2016, Although one or more officers should have been appointed as the Information Officers of the Company and an officer nominated to hear appeals, but had not acted accordingly.	Should be acted in accordance with the circular.	The Managing Director has been instructed to appoint a relevant officer accordingly in the future.	No action had been taken to appoint a relevant officer.
(i)	The Annual Budget Estimates had not been prepared and approved in accordance with paragraphs 5.2.3 and 4 of the Public Enterprises Circular No. PED / 12 of 02 June 2003.	Should be acted in accordance with the circular.	It was advised to pay special attention to the preparation of budget estimates.	Budget estimates had not been prepared.
(j)	In terms of the paragraph No. 7.4.5 of public enterprises circular No. PED/12 of 02 June 2003, although Board of survey and special Board of survey should be appointed to verify fixed Assets and warehouses but the board of survey had not been carried out by the company after year 2016.	Should be Act in accordance with the circulars.	A committee of Board of Survey has already been appointed and instructed to carry out the Board of Survey.	To date, a Board of Survey had not been carry out.
(k)	In terms of Paragraph No: 9.2 and 9.3.1 of the Public Enterprise circular number PED/12 June 2003, Although The carder for the company had not been approved and a recruitment scheme for the company had not been prepared and approved.	Should be Acted in accordance with the circulars.	A recruitment scheme is already being prepared and it was directed to submit it to the Board of Directors and the ministries for future approval.	The recruitment procedure had not been prepared and approved.

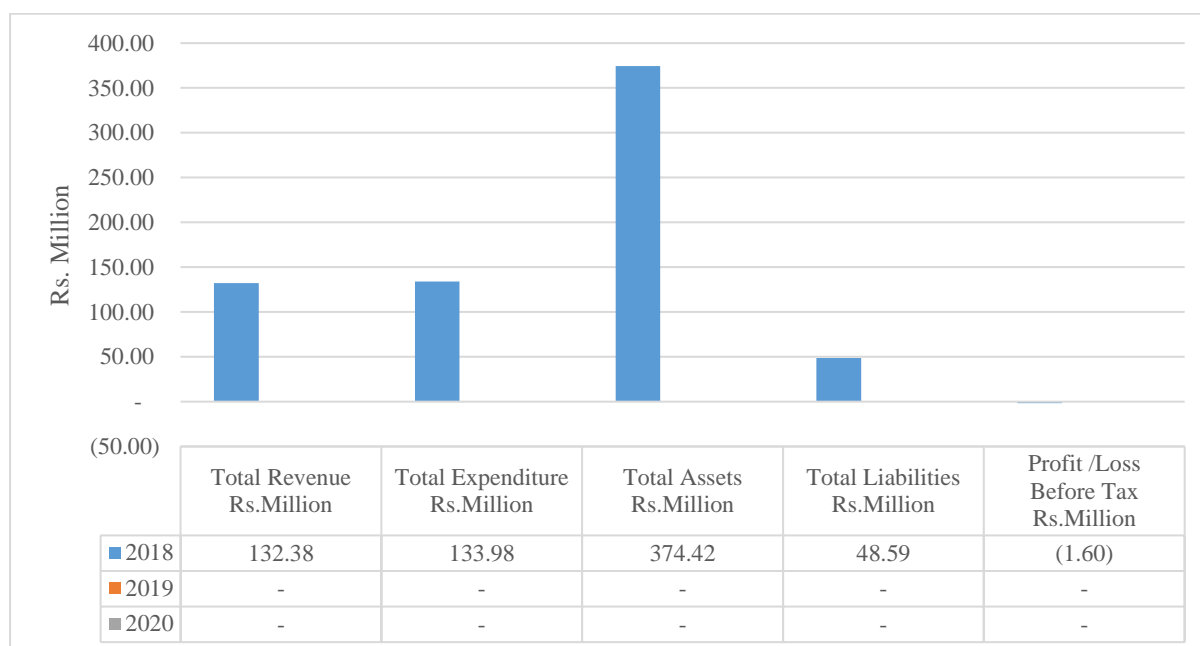


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| <p>(l) According to the Public Finance Circular No: 01/2014 of 17 February 2014, A corporate Plan including short – term and long – term vision for the business and annual Action Plan had not been prepared to include activities expected to be implemented in the coming financial year.</p>                                       | <p>Should be Acted in accordance with the circulars.</p>                              | <p>Annual action Plan is Currently being prepared.</p>   | <p>To date, no action plan and Corporate plan has been developed.</p> |
| <p>(m) In terms of Section 3.4.3 (a)(b)(c)(d) of the Procurement guidelines of the Democratic socialist Republic of Sri Lanka, Although, lists of registered suppliers that are updated annually should be used to purchase frequently used items, the company did not act accordingly when purchasing items for the down canteen.</p> | <p>Should be act in accordance with the circulars.</p>                                | <p>Suppliers are currently being registered and advised to do so in the future.</p>  | <p>No action had been taken to register the suppliers.</p>            |
| <p>(n) In terms of Section 4.2.1 (a) of the Procurement guidelines of the Democratic socialist Republic of Sri Lanka, The procurement entity should prepare a master procurement plan, but the company had not done so.</p>  | <p>Should be act in accordance with the circulars.</p>                                | <p>Instructed to act accordingly in future.</p>  | <p>A master Procurement plan had not been Prepared.</p>               |
| <p>(o) Action had not been taken since the year 2013 to recruit an Accountant for Sri Lanka youth services Pvt Ltd. Also, The post of Assistance Accountant had been vacant since 03 June 2019. This situation also caused the financial statements not to be submitted in time for the audit.</p>                                     | <p>Action should be taken to fill the vacancies as per the recruitment procedure.</p> | <p>Recruitment of a new Financial Adviser for the year 2022 was done. Advised to submit financial statements to audit expeditiously in the future.</p> | <p>No action had been taken to recruit an accountant permanently.</p> |

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| <p>(p) The food ordering that could have been accomplished by the company's canteen, it had been carried out by an outside entity on three occasions at a total cost of Rs. 1,685,900 without following the procurement process and the company had missed the opportunity to make profit.</p>  | <p>Businesses should be run profitably.</p>   | <p>Depending on the nature of the orders received, outsourcing of our canteen will be provided in the absence of relevant facilities and services, and I would like to inform you that outsourcing is still being done by outsourcing companies at the request of the bidders.</p> | <p>There was no formal plan in place to run a profitable business.</p>             |
| <p>(q) With the Objective of ensuring economic growth, social development and environmental security of all the member countries by 2030, the United Nations has introduced the 2030 agenda for Sustainable Development. Nevertheless, the Sri Lanka Youth Services Private Limited had not been identified the sustainable development goals applicable to this Scope in 2030.</p> | <p>Should be complied with circular No. NP/SP/SDG/17 of 14 August 2017 of the Ministry of National Policies and Economic Affairs.</p> | <p>Relevant work is already being done in this regard.</p>   | <p>Sustainable development objectives had not been identified and implemented.</p> |

**4.91 Kahatagaha Graphite Lanka Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	132,379,453	133,979,739	374,416,666	48,594,554	(1,600,287)	Qualified
<b>2019</b>	Financial Statements not received					
<b>2020</b>	Financial Statements not received					

**Audit observation****Recommendation  
of the Auditor  
General****Preventive  
measures taken by  
the institution****The current position**

- (a) According to Paragraph 1 (ii) of the Management Services Circular No. 03/2018 dated 18 July 2018. Although a daily allowance of Rs.300 has been paid to the underground employees and the employees in the Maintenance Division and an incentive of 50 percent and 40 percent of the allowance had been paid to the
- As per the instructions given in the Circular, the approval of the Department of Management Services should be obtained before the payment of all the allowances.
- Discussion had held with the Department of Management Services regarding collective Agreement.
- Action has been taken to draft New production incentive scheme as instructed by the department of Management Services.

staff of the Processing Division and the Office respectively when the minimum production is 65 MT, the approval of the Department of Management Services had not been obtained.

(b) According to Letter of the Department of Management Services bearing No. DMS/11P/C9 dated 04 October 2007, Action should be taken in accordance with the letter of the Department of Management Services Discussion held with the Department of Management Services had Discussion is in progress.

(i) It had been stated that 79 officers approved for the Company should be recruited subject to a contract period of 06 months and extension of the contract period should be considered on the profitability. Department of Management Services and only the relevant Circulars should be made applicable.

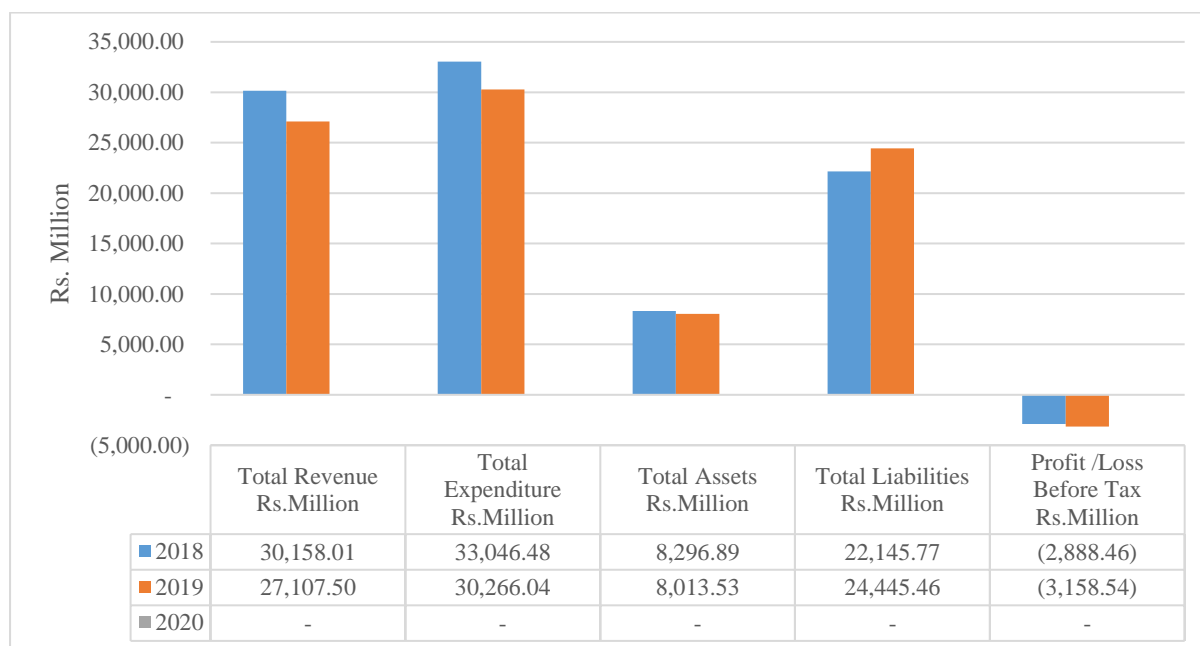
Even though the Circular No. 25/2014 issued by the Ministry of Public Administration and Home Affairs dated 12 November 2014 was not applicable to companies, 59 employees of the Company had been confirmed in the service as per that Circular.

(ii) The Scheme of Recruitment for the contractual staff had not been approved and even though there had been no permanent staff approved by the Department of Management Services for the Company even by the 31 Taking action to approve the scheme of recruitment for the contractual staff and to act in compliance with the letter of the Discussion had held with the Department of Management Services Request had been made to take approval for Permanent and sufficient staff from the Department of Management Services.

- March 2019, the actual staff of the Company was 195. Department of Management Services.
- (c) Although strategies need to be formulated to increase the production capacity by identifying production targets for each year and planning monthly production accordingly and measuring the progress, the average monthly production in the last 03 years was 65 MT and it was not possible to improve the average monthly production even during the year under review. Action should be taken to increase the production capacity by identifying the production targets for each year and by planning the monthly production accordingly. Programs had been planned to improve monthly production. Production had not been improved up to 2021.
- (d) It was observed that there had been an inefficient operational process in the Company as it takes a long time to sell the manufactured stock with a frequency of stock turnover of 0.6 and an stock holding period of 608 days. An efficient operating process should be achieved by the Company by increasing the frequency of stock turnover and by reducing the stock holding period. Tenders had been called for sell low grade graphite stock and approval had taken from the Department of Management to recruit Sales Manager Services. Stock holding period had been remained same.

#### 4.92 Lanka Sathosa Limited

	Total Revenue Rs.	Total Expenditure Rs.	Total Assets Rs.	Total Liabilities Rs.	Profit (Loss) Before Tax Rs.	Opinion
<b>2018</b>	30,158,014,023	33,046,477,295	8,296,891,812	22,145,768,869	(2,888,463,272)	Disclaimer
<b>2019</b>	27,107,498,562	30,266,042,599	8,013,530,413	24,445,461,339	(3,158,544,037)	Adverse
<b>2020</b>	Financial Statements not received					



#### Audit observation

- (a) The Company had not followed the Sri Lanka Accounting Standards 2 when valuing the stocks. Various errors such as inherent internal errors, data omissions, errors in double entries, and over and under value entries were observed due to the accounting of about 2/3 of the island-wide outlets is done in manually. Accordingly, It could not be determined or quantified the potential

#### Recommendation of the Auditor General

Action should be taken in accordance with the Sri Lanka Accounting Standards.

#### Preventive measures taken by the institution

Steps have been taken by the company to computerise all the outlets and warehouse to avoid errors occurred in manual accounting.

#### The current position

ERP system is being set up to computerize all the outlets and the warehouse to enable more accurate inventory valuation.

financial impact of the inventory value of Rs.4,462,675,947 to the financial statements regarding the cost of sales and the current assets.

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| (b) | The opening ledger balance of the property, plant and equipment was overstated by Rs.1,045,174,713 when compared with the opening balance of the fixed asset register and the difference amounting to Rs.529,010,712 consist the unidentified balances initiated from 2013 onwards. | Initial balance difference should be identified.   | Action had not been taken.  | Initial difference had not been identified.                |
| (c) | Documentary evidence of the assets valued at Rs.22,798,843 acquired from the Co-operative Wholesale Corporation had not been maintained by the company.   | Assets acquired from the Co-operative Wholesale Corporation should be identified.                    | The balance is being confirmed with the Co-operative Wholesale Corporation. | The company did not have the documents to prove ownership. |
| (d) | The cost of the four commercial buildings constructed in 2014 and 2015 in Kilinochchi, Weligama, Welisara and Kamburupitiya areas was Rs.384,921,862. Action had not been taken to account the valuation cost of the lands belonging to these buildings.                            | Action should be taken to account for the cost of land.  | Action is being taken to acquire the legal ownership of these lands.        | Documents confirming ownership had not been obtained.      |
| (e) | Rent advances of Rs.3,298,677 paid to the outlets in the schedule to the rent advance account were unidentified from a period of 5 years and the action had not taken to identified this balance during the year 2019.  | When switching computer systems the balance should be transferred correctly and the reasons for such | Necessary action had not been taken to identify this balance.               | Action had not been taken to identify these balances.      |

- changes should be checked.
- (f) An unidentified balance of Rs.1,484,265 remained in the schedule to the rent deposit account in the financial statements from the period of 7 years and the action had not been taken to do necessary adjustments in 2019.
- When switching computer systems the balance should be transferred correctly and the reasons for such changes should be examined.
- Necessary action had not been taken to adjust the balance.
- Action had not been taken to identify these balances.
- (g) A portion of the daily income of sathosa outlets had not been remitted to the company's head office and had been expended by the outlets prior to 2016, amounting to Rs.74,643,497 shown in the deposits and advances. The amount was withheld by the 217 outlets ranged from Rs.2,000 to Rs.900,000. However, there is no written evidence to prove this amount and Rs.50,000,000 in 2016 and Rs.6,762,337 in 2017 was impaired.
- Outlets' money should be spent on the formal authority and it should be accounted for in the main ledger. The money retained in each year and the manner in which it was spent should be checked and properly accounted for.
- Action is being taken to computerized all the outlets and the warehouse and to implement the ERP system by the year 2021.
- Action had not been taken to identify the amount to be remitted to the head office since 2016.
- (h) At the end of the year 2019, the Company had accumulated deficit of Rs.17,884,556,952 as well as current liabilities over current assets of Rs.3,735,588,882 and as a result the Company's ability to meet and maintain its liabilities through assets and continue without the provision of Treasury provisions is in doubt. It was observed that the main reasons for this situation are the balance of trade payable and
- Do not borrow for working capital. The company should recruit the required staff on a permanent basis.
- Recruitment for the vacant posts is currently underway.
- The company did not have the ability to repay the loan and had not taken steps to recruit the deputy general manager on a permanent basis. Further, there are



- other debt balance outstanding as per the financial statements, Rs.9,248,426,171, recruitment for the post of deputy general manager on contract basis for a period of one and less than two years and remained 912 vacancies in senior, tertiary and secondary level posts.
- vacancies in the senior, tertiary and secondary grades to the date.
- (i) According to the cabinet memorandum of "Improvement and Expansion of Retail outlets of Lanka Sathosa Limited" to the Cabinet Decision No. CP/11/135/540/017 dated 28 July 2011 the shares were to be issued for the full amount, including the value of fixed assets belonging to the Co-operative Wholesale Corporation transferred to Lanka Sathosa Limited, arrears rent for the period up to 31 March 2011 and value of inventory, but this was not done.
- Action should be taken in accordance with the decision of the Cabinet.
- Actions of this regard is currently underway.
- The shares had not been issued for the full amount including the rent arrears and the value of the fixed assets.
- (j) According to the Public Finance Circular, No. 02/2016, dated 12 February 2016, although the approval of the Board of Directors in accordance with the circular regarding damaged stocks deduction should have been obtained by the company, no such approval was obtained. There was no proper mechanism to distinguish between the surplus and the deficit balances and the loss due to deficit balances had not been recovered from the responsible officials.
- Action should be complied with the circular.
- The stocks shortage committee has been appointed to investigate the deficit balances by the year 2021.
- Loss on the deficit balances had not been recovered from the responsible officers.

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| (k) As per section 6.5 of the Public Enterprise Circular, No. PED 12, dated 02 June 2003, Although the financial statements should be submitted to the Auditor General within 60 days after the end of the financial year, the financial statements for the year 2019 were submitted for audit on 19 July 2021, one year and six months later. Further, along with the annual financial statements, the draft annual report for the year should have been submitted for audit, but the report had not been submitted. | Action should be complied with the circular. | Financial statements for the year 2020 are being prepared. | The financial statements for 2020 should have been submitted to the Auditor General on or before 28 February 2021 but had not been received by the date of 28 February 2022. |
| (l) Contrary to the Section 9.7 of Public Enterprise Circular, No. PED 12, dated 02 June 2003, Without the approval of the Treasury, with the approval of the Board of Directors, the performance allowance paid to the CEO and the seven Deputy General Managers Rs.75,000 each was Rs.4,350,000.  | Action should be complied with the circular. | Action had not been taken to rectify the matter.           | Action had not been taken to rectify.  |
| (m) According to the Management Service Circular No. 05/2017, dated 25 October 2017, the overpayment was Rs.630,000 exceeding the professional allowance payable to senior level officers in state owned companies.   | Action should be complied with the circular. | Action had not been taken to rectify the matter.           | Even today, payment have been made in excess of the professional allowance due.  |
| (n) According to the Public Enterprise Circular, No. No. 1/2015, dated 25 May 2015, although the officers who are in HMI-1 category or higher level and entitled to use the official vehicles for his   | Action should be complied with the circular. | Action had not been taken to rectify the matter.           | Even today, a monthly transport allowance was paid to officers   |

official and personal use can be availed an official vehicle or monthly transport allowance, contrary to this and without approval of the Treasury transport allowance of Rs.12,500 per month had been paid to the officers who are not entitled to use the official vehicles. A transportation allowance had been paid to 17 officers in 2018 was Rs.1,885,833 and in 2019 was Rs.1,750,000.

who were not entitle to use official vehicles.

- (o) According to the Letter of the Director General of Management Services no. DMS/1741 of 16 May 2017, although the monthly allowance to be paid to the chief executive officer and deputy general managers of Rs.95,000 and Rs.90,000 respectively had been approved by the Department of Management Service, with the approval of the board of directors a monthly allowance of Rs.250,000 paid to the chief executive officer and without the board of directors a monthly allowance of Rs.150,000 paid to the deputy general managers. Accordingly, without the approval of treasury in 2018 the overpayment to 07 officers was Rs.5,100,000 and in 2019 the overpayment to 09 officers was Rs.4,505,163.
- Action should be complied with the circular.
- Action had not been taken to rectify the matter.
- Even today, payment have been made in excess of the approved allowance.

- (p) According to the Letter from the Director General of Management Services, DMS/1744 dated 22 February 2017, for the post of Deputy General Manager (Marketing) recruited during the year 2019, a sum of Rs.1,299,753 had been paid for performance, transport, fuel and telephone allowances in excess of the approved monthly allowance of Rs.150,000. Treasury approval should be obtained for all allowances paid in addition to the approved salary. Action had not been taken to correct and to rectify the matter.. Even today, payment have been made in excess of the approved allowance.
- (q) According to the instruction given by the Department of Labour, following an inspection of the Company's Employees' Provident Fund contribution calculation, revised the employee's contribution to the Employees' Provident Fund from 10 percent to 8 percent from January 2018 and over charged amount of Rs.5,550,876 equal 2 percent from the employees for the month of January 2018 and credited to the Employees' Provident Fund. This amount had been added back to the employee's salary in February 2018. Contributions paid to the employee due to the amendment should be recovered from the employee. Action had not been taken to recover from the employee. The said amount had not been recovered from the employee.
- (r) According to the Public Enterprise Circular, No. 03/2018, dated 07 December 2018, although the amount to be paid for employees of the company as bonus was Rs.3,000, without treasury approval a sum of Rs.25,000 each had been paid. Although the annual financial statements should have been submitted to the Auditor General in accordance with paragraph 6.5 of Public Enterprise Action should be complied with the circular. Necessary action had not been taken to rectify the matter. Financial statements have not been submitted to the Auditor General on due date and bonus has also been paid.

Circular, No. PED 12, dated 02 June 2003 and, despite the financial statements was submitted delaying in one year and six months, contrary to the circular the total amount of bonus paid was Rs.74,698,075.

- |     |  |  |  |  |
|-----|--|--|--|--|
| (s) | Balance of Rs.2,036,750 before 2018 was in the festival advance balance of Rs.5,801,312 as at 31 December for the year 2019 and the balance was not recovered by the date of 02 December 2021 and a sum of Rs.446,000 of this balance had been impaired.   | Action should be taken to recover the arrears in advance.  | Necessary action had not been taken to rectify the matter.                                   | Action had not been taken to recover the arrears balances.           |
| (t) | A sum of Rs.2,708,780 had been paid as rent advance without entering into a formal rent agreement for 10 buildings owned by the government institute obtained on rent basis. Although a sum of Rs.7,745,000 had been paid to obtain three buildings on rent basis for the outlets in the year 2019, two of the relevant outlets had been opened late and one outlets had not been opened by the date of this report. | When obtaining the buildings on rent, formal rent agreement should be entered into and action should be taken to utilize the leased buildings. | Necessary action had not been taken to rectify the matter.                                   | Action had not been taken to open the outlets as per the agreements. |
| (u) | The company had paid an advance of Rs.14,108,445 which is 20 percent of total contract value to Sathosa Construction and Engineering Pvt. Ltd. in 2017 for the construction of a commercial building in the Mannar area and an advance security had not been obtained as per section 5.4.4(1) of the procurement guidelines. The contract  | Action should be complied with the procurement guidelines.   | Action had not been taken to recover the retention money in terms of work completion report. | The retention money had not been recovered.                          |

company had repaid only Rs.2,051,486 as the constructions had been halted due to a court action and the remaining amount Rs.12,056,960 had been detained by the contractor without furnishing the certificate of work completion in terms of para 8.12.2 (a) and (b) of the procurement guidelines and written confirmation of expenses. This amount had been impaired during the year 2019 without the approval of the board of directors.

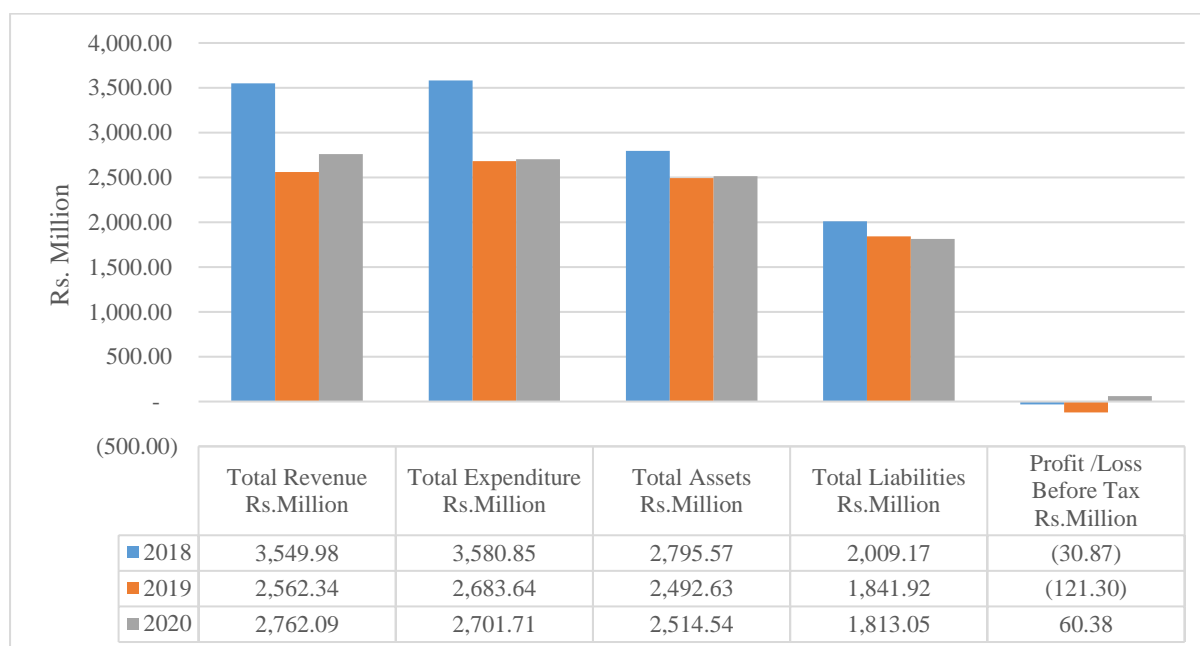
- (v) Without identifying the requirement of procurement items, 12,800 plastic packaging crates had been purchased for Rs.24,382,509 in 2017 contrary to the para 2.3.2 (c), 2.7.5, 2.8.1 (c), 2.8.1 (d), 3.2, 3.4, 4.2.1, 4.2.2, 4.2.3, 4.3.1 (a), 4.3.2, 5.1.1 (a), 5.1.1 (b), 6.3.3 (a), 6.3.6, 7.1.1, 7.11.1, 8.9.1 (b) and 1975 crates amounting to Rs.3,761,348 were idle as at 31 December 2019.
- Purchasing should be done in accordance with the provisions of the procurement guidelines and action should be taken to identify the requirement of the purchasing and utilize.
- Action had not been to use the crates.
- The crates remained idle without using.
- (w) Without a procurement process and on the recommendation of the deputy general manager (finance), the approval was given by the board of directors on 16 October 2017 to select a private company to revalue the property, plant and equipment of the company during the year 2019 and the price offered by the audit firm was Rs.3,800,000. Although the amount approved by the board of directors was Rs.4,200,000, the
- According to the documents submitted, there was no written evidence that the procurement procedure was followed. The board of directors should pay attention to this. The board of
- Action had not been taken to recover the overpaid amount.
- The overpayment had not been recovered.

decision of the board of directors did not state the reasons for approving the relevant amount. Further, the lands and building as per the fixed assets register had not been revalued, contract value had not been revised. It was observed that as a sum of Rs.5,133,896 had been paid to the audit firm as at 12 March 2020, a sum of Rs.1,333,896 had been paid over the agreed amount. It also took two years to complete the revaluation task which was to be completed in three months.

directors should not approve the recommendation of the deputy general manger (finance) and should consider the decision of the procurement committee.

**4.93 Sri Lanka State Trading (General) Corporation Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	3,549,978,934	3,580,847,245	2,795,573,823	2,009,172,129	(30,868,311)	Qualified
<b>2019</b>	2,562,338,573	2,683,638,884	2,492,632,179	1,841,918,914	(121,300,311)	Qualified
<b>2020</b>	2,762,090,933	2,701,709,124	2,514,535,678	1,813,046,536	60,381,809	Qualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	As per Paragraph 9.10 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the Treasury approval for contracts, casual or other forms of recruitment had to be obtained, but on the contrary, the staff had been recruited on contract and casual basis and the total amount of salaries and allowances paid to the staff in the	Action should be taken to obtain Treasury approval for all recruitments	Action is getting to obtain the treasury approval for contract basis recruitment.	Action had not been taken to obtain the treasury approval on contract basis.



year under review was  
Rs.46,460,747 and  
Rs.11,060,030 respectively.

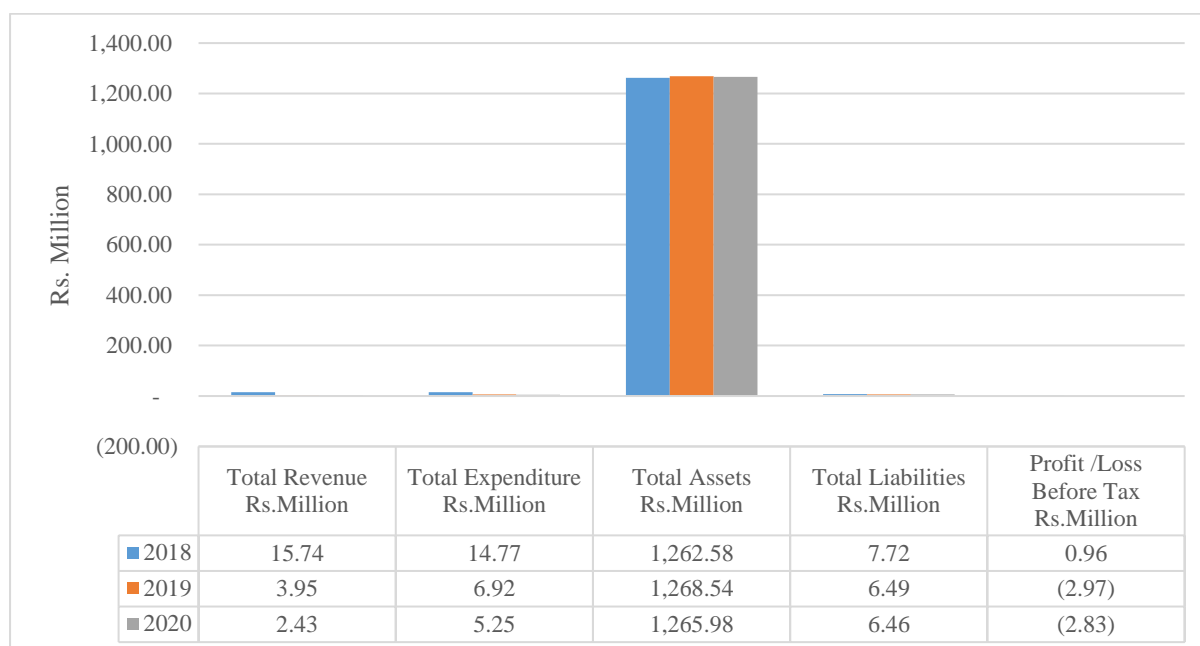
- (b) As per Paragraph 9.10 of Public Enterprises Circular No. PED/12 dated 02 June 2003 Without having treasury approval, transport allowances amounting to Rs.2,966,000 had been paid to the officers recruited on the contract basis. Action should be taken according to the circular. Necessary approval process is in progress. Necessary approval had not been taken.
- (c) Contrary to the provision in the Public Enterprise Circular No. PED 2015/1 dated 25 May 2015 transport allowances aggregating to Rs.3,645,000 had been paid to forty seven (47) officers who are not entitled to use official vehicles. Action should be taken according to the circular. Necessary approval process is in progress. Necessary approval had not been taken.
- (d) As per Paragraph 2.1 and 2.8 of the Public Enterprises Circular No. PED/03 dated 16 June 2015, in addition to the allowable allowances amount of Rs.1,079,333 at Rs.100,000 per month and amount of Rs.465,332 at 40,000 per month had been paid as entertainment allowances to Chairman and Working Director respectively and for that recommendation of Secretary of Line Ministry and the concurrence of the Minister Management should ensure whether allowances are paid after obtaining relevant approvals. Previous Chairman & Working Director have resigned from STC and the referred payment was discontinued. Unapproved allowance had not been recovered.

of Finance had not been obtained.

- (e) One officer had been appointed for two posts of Marketing Development Coordinator and Ministry Coordinating Officer which were not included in approved cadre and according to the personal file of that officer it was not proved that he had obtained any educational or professional qualification. The total amount of salaries and allowances paid to the relevant officer during the year under review amounted to Rs.1,095,753.
- Qualified personnel should be recruited for approved cadre.
- Contract had not been extended after 2019.
- Unauthorized payment had not been recovered.
- (f) Although advance payment of Rs.1,805,000 from the total contract value Rs.9,025,000 had been paid on 18 December 2017 to modernize the existing accounting system, only one activity had been completed out of twelve activities agreed in the letter of award as of the date of this report. However, the amount was included in the receivable balance at the end of the year under review.
- Management should take action to modernize the accounting system completely.
- Computer system established by the said contractor in 2009 and company has faced with many system issues. Company is planning to implement a new computer system.
- Twelve activities agreed in the letter of award had not been completed.

**4.94 National Wealth Corporation Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	15,737,938	14,773,190	1,262,579,982	7,720,880	964,748	Unqualified
<b>2019</b>	3,951,125	6,919,452	1,268,541,338	6,485,778	(2,968,327)	Unqualified
<b>2020</b>	2,425,791	5,252,549	1,265,977,343	6,456,602	(2,826,758)	Unqualified

**Audit observation**

- (a) An employee of the Company had been involved fraudulent transactions valued at Rs.15, 435,000 with the Commercial Bank since 2016. However, the Company had revealed these illegal transactions in year 2019 and the Company had made a complaint in the Criminal Investigation Department (CID) on 24 December 2019. However, this

**Recommendation of the Auditor General**

The Company should disclose this matter in the financial statement as required by the Accounting Standards.

**Preventive measures taken by the institution**

The Criminal Investigation Department (CID) is currently investigating the fraud and the National Wealth Corporation has enlisted the help of a lawyer, to investigate its progress. The fraud was discovered in 2019

**The current position**

The financial statements for the year 2021 are being prepared and the details of this fraud are to be disclosed in the financial statements for the year 2021.

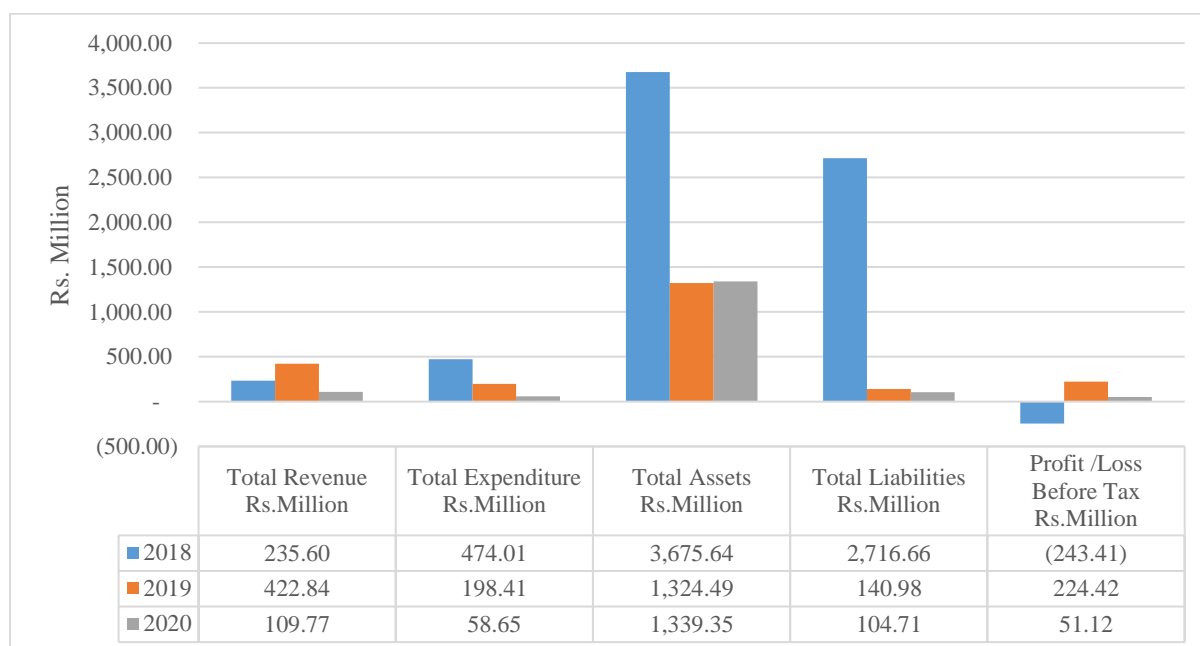
matter had not been disclosed in the financial statements.

and was under investigation at that time, and was not mentioned in the 2019 statement of accounts and no disclosures were made in the year 2020. Further details are expected to be revealed in the final financial statements for the year 2021.

- (b) The Company had received 02 notices of assessments for Value Added Tax on Financial Services for the year of 2013 to the value of Rs.16,600,601 and for the year of 2014 to the value of Rs.58,097,943 from the Department of Inland Revenue. The company had filed an appeal against the above estimates issued by the Commissioner General of Revenue. The Income Tax Department had imposed a fine of 50 percent on the above value.
- The Company should rigorously follow up with the Commissioner General of Inland Revenue to resolve the tax.
- The cases filed in the Court of Appeal have been dismissed with the approval of the Board of Directors and the relevant taxes will be paid before March 31, 2022 and all the fines will be waived accordingly.
- Preliminary work related to the payment of taxes is in progress

## 4.95 Natwealth securities Ltd

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	235,595,474	474,007,547	3,675,638,869	2,716,657,776	(243,412,073)	Unqualified
<b>2019</b>	422,835,039	198,414,514	1,324,491,207	140,983,872	224,420,525	Unqualified
<b>2020</b>	109,770,602	58,649,332	1,339,347,469	104,712,930	51,121,270	Qualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) The Company has received an income tax assessment for the year of assessment 2008/2009, 2009/2010, 2010/2011, 2011/2012, 2013/2014, 2014/2015, 2015/2016 and 2017/2018 to the value of Rs.24,136,857, Rs.77,382,317,	The company should make necessary adjustments in the financial statements.	Income and VAT reports are sent to the Inland Revenue Department subject to the provisions of the Inland Revenue Act. Since primary market transactions are exempt from income tax and VAT, no profit or tax deduction is made on the profits generated thereon.	The total estimated income tax value of Rs.431,581,015 stated in the paragraph, had not been paid up

Rs.84,378,708,  
 Rs.66,181,759,  
 Rs.18,288,933,  
 Rs.113,687,212,  
 Rs.36,466,487 and  
 Rs.11,058,742 respectively  
 from the Department of  
 Inland Revenue. According  
 to the Inland Revenue act no  
 24 of 2017, the Nat Wealth  
 Securities Ltd. should have to  
 pay the tax, and it had not  
 been accounted as payable in  
 the financial statements.

However, the Inland Revenue to 14 February  
 Department defines primary 2022.

market transactions as one day  
 for the purchase and sale of  
 Treasury bonds and Treasury  
 bills from the primary market.  
 Accordingly, from the second  
 day onwards, all the above  
 Treasury bonds have been  
 assessed as secondary market  
 transactions and valuation  
 reports have been issued.

Nat Wealth Securities has filed  
 cases with the Court of Appeal  
 and the Tax Appeals  
 Commission. Accordingly, the  
 tax payable amount had been  
 shown as contingent liabilities in  
 the financial statements.

The Board of Directors has  
 decided to pay all the arrears on  
 taxes, on the recommendation of  
 the Committee on Liquidation,  
 as the Cabinet approval has been  
 obtained to liquidate the  
 company.

- (b) The Company had received The company The transactions of the primary The total value  
 02 notice of assessments for should make market had been assumed as added tax (VAT)  
 Value Added Tax on necessary exempted from tax and no amounting to  
 Financial Services for the adjustments in the provision had been made on Rs.74,698,544  
 year of 2013 to the value of financial value added tax on the final stated in the  
 Rs.16,600,601 and for the statements. However, with the paragraph, had  
 year of 2014 to the value of statements. approval of the Cabinet of not been paid up  
 Rs.58,097,943 from the Ministry for the liquidation of to 14 February  
 Department of Inland the company, it has been 2022.

Revenue. It had not been settled yet and it had not been accounted as payable in the financial statements.

decided to pay all the arrears with the approval of the appointed committee on liquidation for the purpose and with the approval of the Board of Trustees of the Mahapola Trust Fund.

- (c) Monetary Board of the Central Bank of Sri Lanka had decided to revoke the suspension of business and activities of the company as a primary dealer for a period of six months, with the conditions of completing the ownership restructuring plan of the company and the progress of the implementation to be reported to the Central Bank monthly. A restriction had been implemented to the Board of Directors, not to resign from the board until the restructuring is completed. The company had to comply with the relevant laws, rules, regulations and guidelines at all time when participating effectively in primary and secondary market transactions in government securities, and rectification of supervisory
- The company should take the necessary steps to comply with the conditions in timely manner.
- The Central Bank of Sri Lanka (CBSL) had warned the Company, for not maintaining even the minimum level of the capital of Rs. 1 Billion required to maintain the existence of the company. Due to the recession in the market at that time and the financial misappropriation of the Purpatchual Treasuries Ltd. as a primary buyer, the sudden demand for their investment due to the dropping of customer confidence had resulted in a loss of around Rs. 700 million. In addition, a new working capital of around Rs. 5 billion was required for the operation of the primary market. The Mahapola Scholarship Trust Fund, the main investor, did not approve any further investment in the risky venture and sought Cabinet approval to sell all its shares. The Cabinet decision was taken in October 2020 and recommended the liquidation of
- Cabinet approval had been granted to liquidate the company and action is being taken accordingly.

concerns rose at on-site examination.

However, the company has failed to comply with the conditions and suspended from carry out the business activities as a primary dealer.

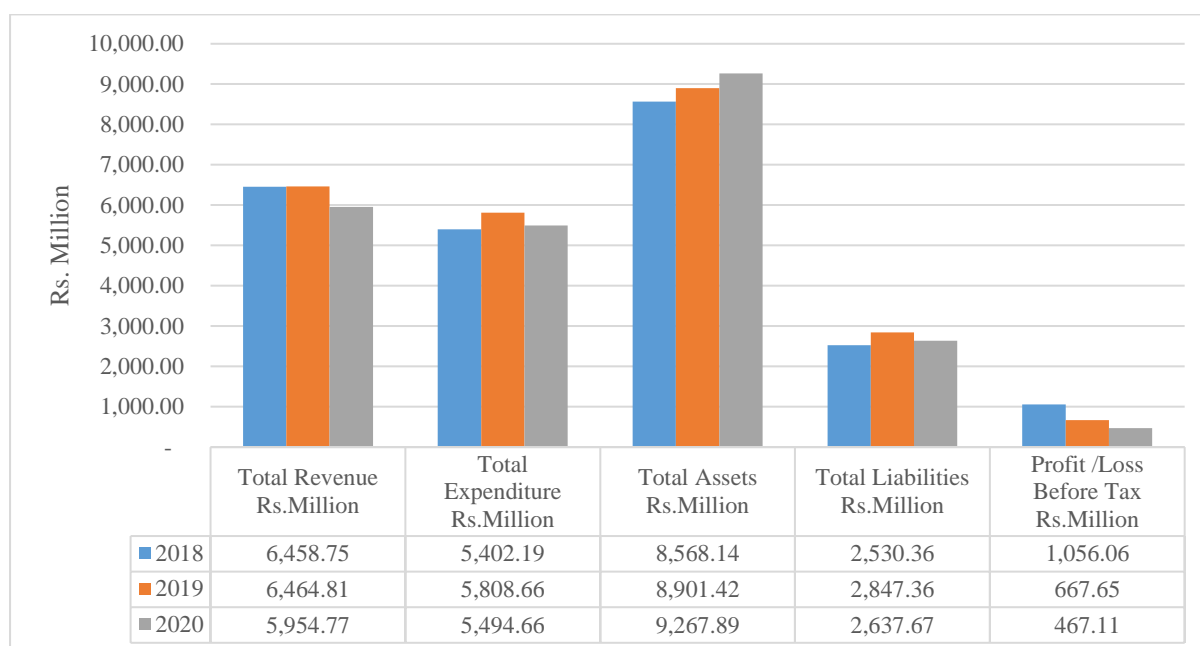
the company. Accordingly, the Nat Wealth Securities had returned the Primary Buyer's License to the Central Bank of Sri Lanka on 20 November 2020.

- (d) The Company had made a complaint in the Criminal Investigation Department (CID) during the year 2016 in respect of unauthorized brokerage fees amounting to Rs.19,725,000 paid to two companies (White Grove Holdings and Astral Capital Holdings) in 2014. It was further observed that the Company had not got confirmed whether these companies had registered at the CBSL as financial companies before making the payment.
- Actions should be taken to get confirm whether this Company had registered at the CBSL as financial Company and take necessary actions accordingly.
- These negligence's had been occurred due to the direct involvement of the Chief Audit Officer, Hafiz Campbell, of the company with this fraudulent deal. Action should have been taken against all the officials of the company, who worked in this regard. However, the CID is currently investigating the matter and will take the necessary legal action.
- The CID is conducting the necessary investigations. Its progress is traced through the appointed attorney.



#### 4.96 The Lanka Hospital Corporation PLC

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	6,458,750,055	5,402,188,414	8,568,143,665	2,530,359,893	1,056,061,640	Unqualified
<b>2019</b>	6,464,813,140	5,808,659,452	8,901,417,154	2,847,363,578	667,653,687	Unqualified
<b>2020</b>	5,954,768,530	5,494,659,105	9,267,888,059	2,637,674,092	467,109,425	Unqualified



	<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a)	Contrary to the Public Enterprise Department circular No.PED 1/2015 dated 25 May 2015, fuel allowances had been granted to the Chief Executive Officer and Chief Operating Officer / Chief Financial Officer	Action should be taken to get approval for the practice of the company from the Public Enterprise Department.	The Lanka Hospitals Corporation PLC is a public listed company and fuel allowance is part of remuneration of the employees. Fuel limits have been defined as per the organization practice which has been therefrom the known	As at 31 January 2022, the circular provisions had not been complied with and approval had not been obtained from the Department of Public Enterprises.

exceeding the limits by 50L and 35L respectively.

history. The company fuel entitlement has been decided at the time of recruitment as a part of remuneration package. The total remuneration is negotiated with the candidates including the fuel which should par with the amounts of similar categories and those offered by other public listed companies.

- (b) In year 2017 the Company started a Medical Center by investing Rs.42,127,193 in Seychelles. The Seychelles Medical Center has reported net loss of Rs.11,193,820 and Rs.2,473,850 in year 2019 & 2018 respectively. The board decided to discontinue the operations on 12 May 2020 as the medical center continuously reporting losses. Further, total loss of investment had not been assessed by the management.
- Proper evaluation should be done before made an investment.
- The main objective of opening Seychelles medical center is to get referral patients from Seychelles. After the Easter bomb attack it was adversely affected the getting referral patients from Seychelles and it has contributed to the loss from Seychelles medical center operations.
- Currently COVID-19 situation also affected the operations in Seychelles adversely. Especially we were unable to continue the essential supplies to the center in Seychelles. Considering the adverse trends and safety of our staff, we discontinued the operation from 31st July 2020.
- This medical center had closed down in 2020, however, as at 31 January 2022, reasons had not been identified the losses and accountable persons for the loss.
- (c) The company had paid separately for the Proper evaluation should be made to Sri Lanka is a country having consultant driven market
- This additional payment is still in

services obtained from 21 consultants hired for some specialized areas, but in addition paid them Rs.110,381,165 during the year under review for retention of those consultants.

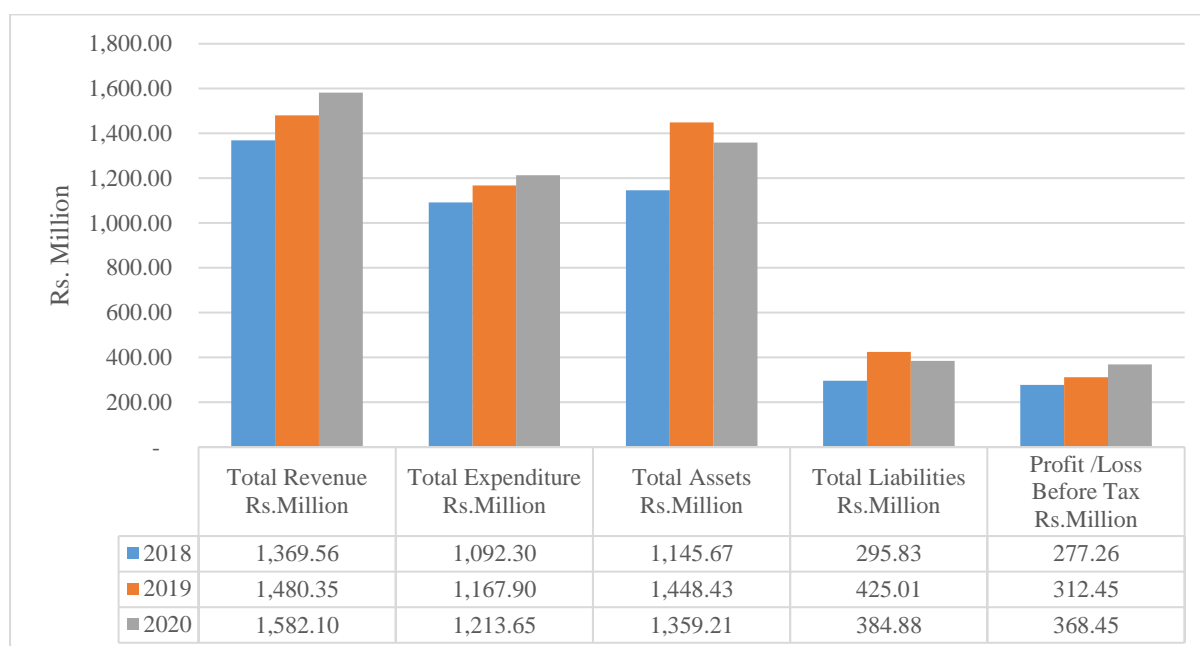
check whether the payment is economical.

rather than hospital driven market. Majority of Sri Lankan patients are consulting their preferred consultants by their names not by the hospitals names. This industry nature will also apply to Lanka hospital as well. To be in the industry leader Lanka hospital need to have a partnership with key highly reputed consultants. Patients coming to the hospital around the clock and some patients require specialized medical assistance in urgent basis not like in other business the delaying medical assistance may cost of human life therefore hospital require to have a partnership with industry leading consultants in different specialties. It is not possible to have these leading consultants in hospital staff carder because they are not willing to join as a full time employee. If hospital wants to recruit them as a full time employee it will cost even much more to the organization.

effect by January 31, 2022.

**4.97 Lanka Hospital Diagnostics (Pvt) Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	1,369,559,775	1,092,302,605	1,145,665,150	295,833,057	277,257,170	Unqualified
<b>2019</b>	1,480,345,783	1,167,897,766	1,448,433,037	425,007,433	312,448,017	Unqualified
<b>2020</b>	1,582,098,465	1,213,650,272	1,359,213,402	384,884,011	368,448,193	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) According to the section 9.7 of the Department of Public Enterprise circular No. PED 12 dated 02 June 2003, salaries and allowances should be based on approved schemes of recruitments and	Action should be taken to get approval from the Department of Public Enterprise.	Lanka Hospitals Diagnostics (Pvt) Ltd. (LHD) is a company duly incorporated under the companies Act No. 7 of 2007 and operate as a private limited liability company which fully subsidiary of the Lanka Hospitals Corporations PLC. The Sri Lankan	As at 31 January 2022, approval had not been obtained from the Department of Public Enterprises.

promotions and no revision would be permitted without the approval of the secretary to the treasury. However, the company had not complied with the requirement.

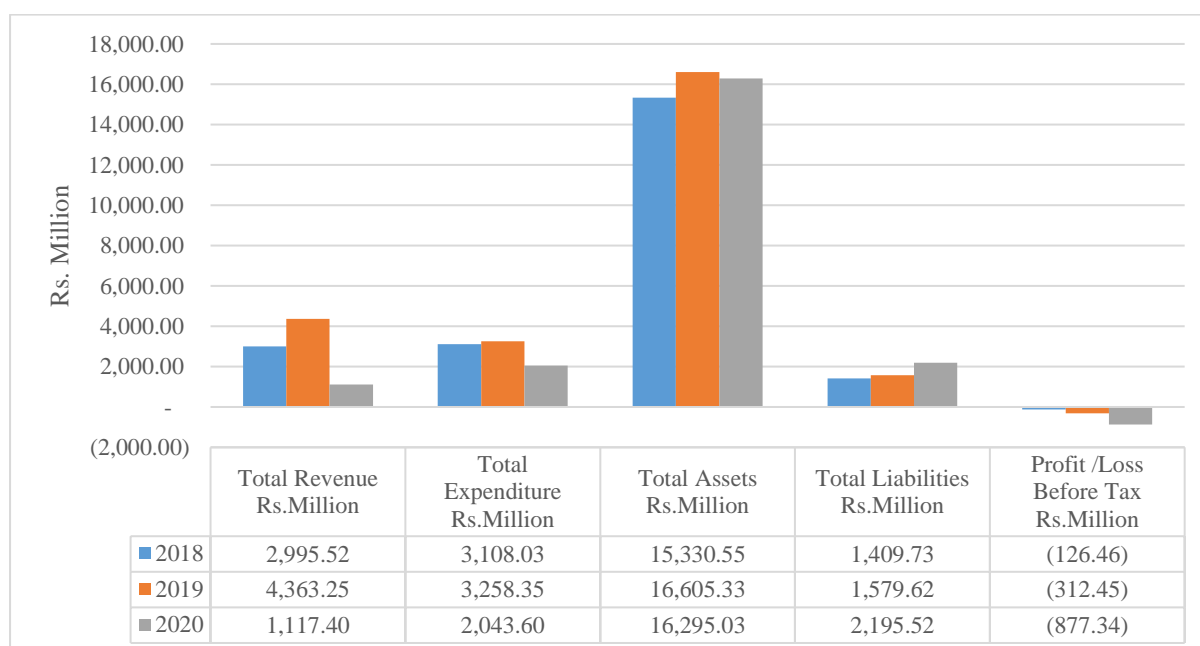
laboratory industry is extremely competitive, and to be successful and be identified as a significant medical laboratory service provider in the field, LHD has to perform its activities in parallel with other private medical laboratories in the market. Hence, LHD has to recruit and maintain talented and competent staff providing competitive salaries and wages, to be competitive in the market.

- (b) According to the section 9.2 (d) of the Department of Public Enterprise circular No.PED 12 dated 02 June 2003, the organization chart and the approved cadre should be registered with the Department of Public Enterprises the Company has not complied this requirement.
- Action should be taken to get approval from the Department of Public Enterprise.
- Lanka Hospitals Diagnostics (Pvt) Ltd. (LHD) is a company duly incorporated under the companies Act No. 7 of 2007 and operate as a private limited liability company which fully subsidiary of the Lanka Hospitals Corporations PLC.
- As at 31 January 2022, approval had not been obtained from the Department of Public Enterprises.
- (c) According to Department of Public Enterprise circular No. PED / 12 dated June 02, 2003, the Draft Annual Report should have Circular provisions should be followed.
- In addition to the company financial statements there is no separate Annual Report for Lanka Hospitals Diagnostics Pvt Ltd.
- As at 31 January 2022, separate Annual Report had not been prepared.

been submitted to the Auditor General within 60 days after the end of the financial year, but the Board had not submitted the Draft Annual Report.

**4.98 Hotel Developers (Lanka) Ltd.**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,995,518,000	3,108,030,000	15,330,551,000	1,409,733,000	(126,461,000)	Unqualified
<b>2019</b>	4,363,245,000	3,258,352,000	16,605,325,000	1,579,615,000	(312,448,000)	Unqualified
<b>2020</b>	1,117,399,000	2,043,595,000	16,295,030,000	2,195,516,000	(877,343,000)	Unqualified

**Audit observation****Recommendation  
of the Auditor  
General****Preventive measures  
taken by the  
institution****The current  
position**

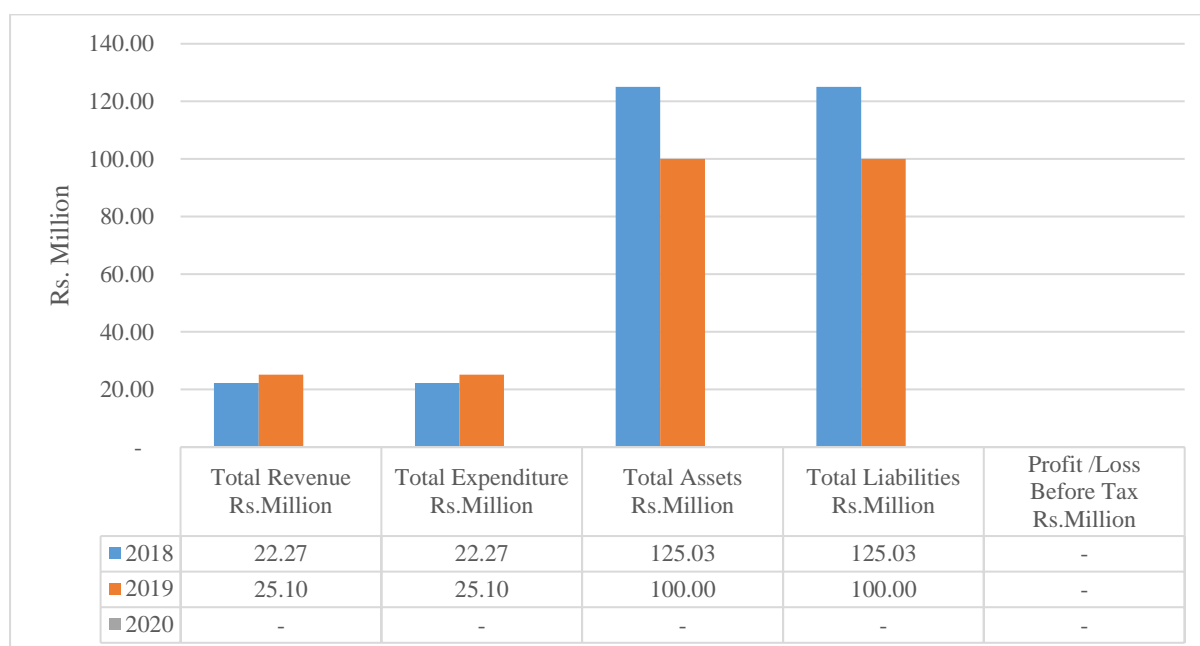
- (a) The accumulated loss of the Company as at the beginning of the year 2020 was Rs.6,937,589,000 and it had been increased up to Rs.7,821,569,000 as at the end of the year 2020. Simultaneously, unfavorable working capital of the Company as at the end of the year 2020 was amounted to Rs.997,068,000.
- To accelerate its direction towards profitable venues and managing working capital.
- It is proposed to implement a mixed development project with branded residencies, commercial towers and retail outlets.
- Company's accumulated loss and unfavourable working capital had been increased.

- (b) The Company had applied USD 27 million syndicated loan in year 2014 from Bank of Ceylon and Sampath Bank to finance the refurbishment program of the hotel. However, after negotiating with the above two banks, the Company had applied a fresh loan amounting to USD 30 million in year 2018, from the DFCC Bank by cancelling the above USD 27 million loan. Subsequently, after negotiating with the DFCC Bank, the Company had applied a rupee loan amounting to Rs.2 billion in year 2020 from Peoples Bank by cancelling the above USD 30 million loan and the agreement fees, syndication fees and legal fees aggregating to Rs.17,659,767 and stamp fees and processing fees amounting to Rs.5,665,900 incurred by the Company had been capitalized as cost of the refurbishment program, even though the USD loans had not been obtained.
- Hence the costs are not related to loans already drawn down and not utilized for the ongoing refurbishment project, it should be considered as expenses for the period it is incurred.
- The cost incurred on the loan agreement was directly related to the refurbishment project and the project had delayed was purely beyond the control of the company.
- Expenses had not been recognized during the period it was incurred.



**4.99 Colombo Financial City Founding (guarantee) limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	22,271,306	22,271,306	125,028,081	125,028,081	-	Qualified
<b>2019</b>	25,097,649	25,097,649	100,004,729	100,004,729	-	Qualified
<b>2020</b>	Financial Statements not received					



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) This company has been established for drafting the legal document necessary for implementation of the financial city project and the drafted colombo Financial City Act had been submitted to the Attorney General's Department in April 2019.	Necessary action should be taken to finalize the formulation of the Financial City Act.	That the Financial City Act has been drafted and submitted to the Attorney General's Department and thereafter forwarded to a Cabinet appointed committee.	The facts could not be ascertained as the company was proposed to be dissolved.
(b) Sums of Rs.71 million and Rs.100 million had been granted by the	Action should be taken to utilize	That the cash balance had to be retained in a	The facts could not be

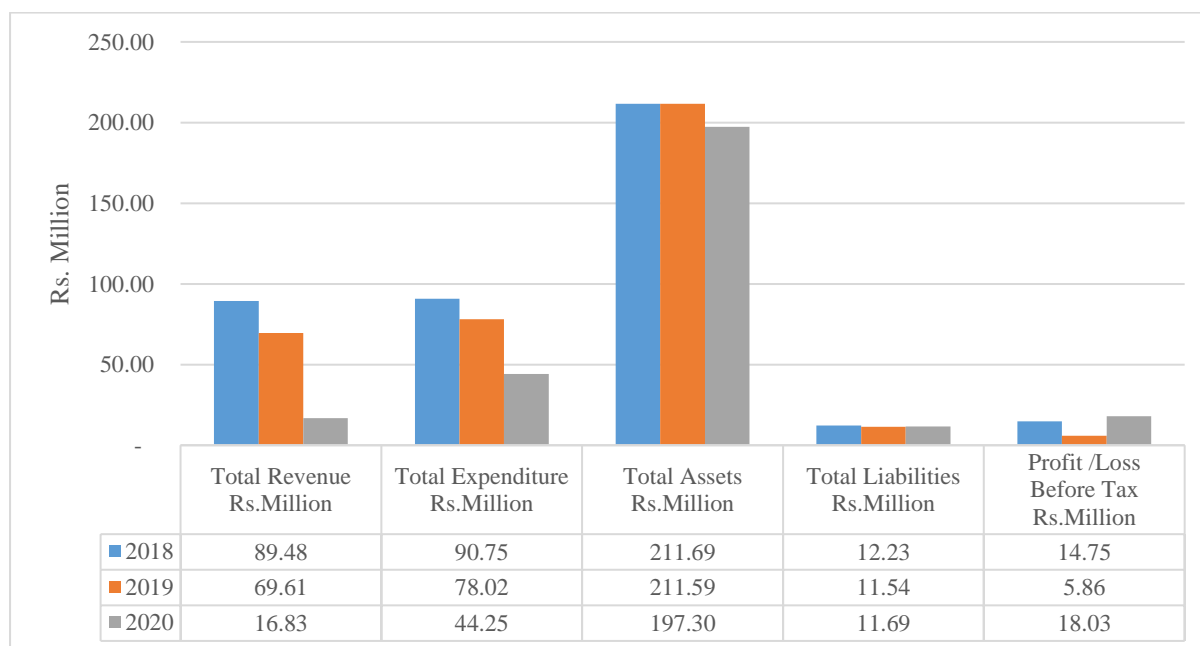
- treasury in the years 2017 and 2018 respectively and out of those sums, Rs.129 million had remained idle in the current account as at 31 March 2019.
- Treasury grants current account due to Treasury grants current account due to practically issues and legal restrictions. ascertained as the company was proposed to be dissolved.
- (c) In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Draft Annual Financial Statement should be rendered to the Auditor General by the Company within 60 days after the close of the financial year. However, the company had rendered the financial statements for the year ended 31 March 2019 only on 06 November 2019 with a lapse of 05 months.
- Should be in compliance with provisions in the Circulars. Lack of a permanent staff for carrying out the accounting of the company. The facts could not be ascertained as the company was proposed to be dissolved.
- (d) In terms of Section 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, a copy of the Corporate Plan approved by the Board of Directors should be forwarded to the Auditor General at least 15 days before the commencement of the following financial year. However, the Company had not forwarded it.
- Should be in compliance with provisions in circulars. Even though the information requested by the Ministry was provided, being unaware of it. The facts could not be ascertained as the company was proposed to be dissolved.
- (e) Professional allowance amounting to Rs.4,382,578 paid to a founding member/ founding director of the Company during the year under review had not been disclosed in the financial statements for the
- In accordance with paragraph 18 of Sri Lanka Accounting Standards No. 24, the Company Replies had not been provided. The facts could not be ascertained as the company was proposed to be dissolved.

- accounting year ended 31 March 2020. should disclose the status of the direct or indirect agreements with the related parties in the financial statements.
- (f) Paragraph 7.4.5 of the Public Enterprises Circular No. PED/12 of 02 June 2003, it is required to conduct an annual physical verification of fixed assets and inventories, a survey had not been conducted as at 31 March 2020 on the physical verification of the property, plant and equipment costing at Rs.9,353,423 stated in the financial statements as at that date. Should be Replies had not been provided. The facts could not be ascertained as the company was proposed to be dissolved.
- (g) Although it had been decided to voluntarily dissolve the CFC Founding (Guarantee) Company Limited according to the decision of the Cabinet of Ministers bearing No. CP/20/0595/204/052 dated 26 March 2020, action had not been taken to dissolve the company even by 19 March 2021, the date of audit. The decision of the Cabinet of ministers should have been executed. Replies had not been provided. The facts could not be ascertained as the company was proposed to be dissolved.
- (h) According to Article 1.4 of the lease agreement related to the building in which the company was established, the rent deposit should be three times as the monthly rental value and the service deposit. Should be Replies had not been provided. The facts could not be ascertained as the company was proposed to be dissolved.

According to schedule 9 of the Agreement, the deposit of the lease agreement for the year under review was Rs.2,124,636 and the value paid according to the accounts was Rs.257,690. The deposit of Rs.1,866,945, which was the difference, had been paid by the ministry of finance. Moreover, an amount of Rs.109,975 had also been paid as the electricity deposit by the Ministry.

**4.100 Skills Development Fund Ltd**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	89,482,586	90,749,709	211,689,556	12,229,453	14,750,722	Qualified
<b>2019</b>	69,608,460	78,021,201	211,591,653	11,535,430	5,862,694	Qualified
<b>2020</b>	16,833,188	44,245,388	197,298,670	11,688,779	18,031,933	Unqualified

**Audit observation**

Sums of Rs. 2,638,750 and Rs. 2,266,500 had been paid to 33 officers as incentive in the years 2019 and 2020 respectively contrary to provisions of Letter No. DMS/E4/47/9/282/1/1 of 18 November 2011 of the Department of Management Services.

**Recommendation of the Auditor General**

Provisions of the Letter of the Department of Management Services should be adhered to.

**Preventive measures taken by the institution**

These payments have been made on the approval of the Board of Directors.

**The current position**

These payments had been continuously made only on the approval of the Board of Directors.

**4.101 Sri Lanka Triposha Limited**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,844,531,980	2,765,891,006	1,353,618,185	234,847,435	78,640,974	Qualified
<b>2019</b>	3,321,821,316	3,143,686,220	1,525,439,303	238,575,310	178,135,096	Qualified
<b>2020</b>	2,034,727,483	1,934,001,706	1,944,712,162	246,086,610	100,725,777	Qualified

**Audit observation****Recommendation of the Auditor General****Preventive measures taken by the institution****The current position**

Since the expenditure of all raw material required for the production process is incurred by the Ministry of Health and Indigenous Medical Services, Rs12.6 million of income received by selling the waste of the year 2020 had not been

Action should be taken to credit the income received by selling the waste from the production process to the Government Consolidated Fund.

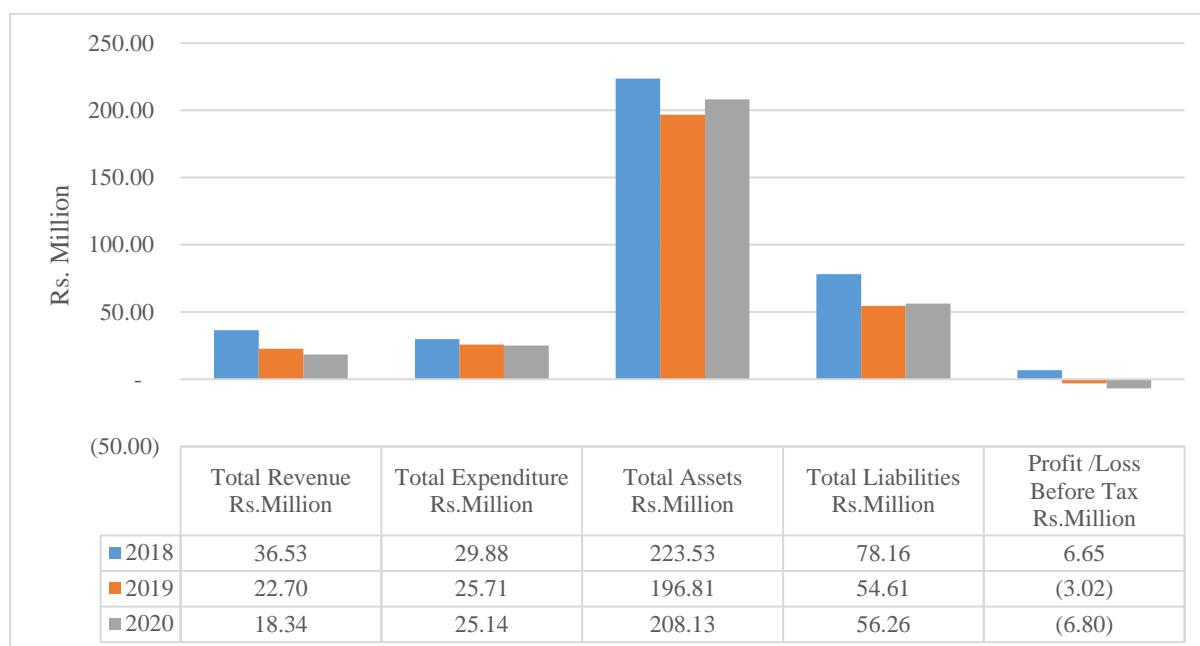
The income received by selling the waste has been credited to the Employees Welfare Account following obtaining of the approval of the Board of Directors in 2011.

Action had not been taken by the Institution until 31 December 2021 to credit the income received by selling the waste to the Government Consolidated Fund.

credited to the Government Consolidated Fund although the income received by selling the waste from the production process should have been credited to the Government Consolidated Fund. Accordingly, the income that had been denied to the Government for the period of 10 years from 2011 to 2020 stood at Rs.152.52 million.

**4.102 Sri Lanka Foreign Employment Agency**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	36,528,358	29,879,576	223,526,873	78,157,792	6,648,781	Qualified
<b>2019</b>	22,696,922	25,712,706	196,812,423	54,606,225	(3,015,782)	Qualified
<b>2020</b>	18,340,074	25,142,746	208,125,539	56,258,639	(6,802,673)	Qualified

**Audit observation****Recommendation of the Auditor General****Preventive measures taken by the institution****The current position**

- (a) Action had not been taken to repay a total sum of Rs.16,215,000, a sum of Rs.50,000 each retained before 10 years from the workers migrated for employment in South Korea and the Visa Charges totalling Rs.1,904,322 that
- Necessary action should be taken to repay these amounts, collected on repayment basis from the workers who migrated for employment, expeditiously.
- Those balances remain being brought forward for the payment in the instance where those requests are being furnished.
- The amounts had been retained even by 31 December 2021 without taking action to repay the amounts to the relevant owners.



had been sent before 02 years from the Malaysian Clients for providing to 241 workers, who left to Malaysia, to the relevant persons.

Expeditious action should be taken to provide these compensations received for the workers who died abroad, by identifying the dependents and to provide them with the relevant money.

Delay in making payments to the relevant parties on not specifying the dependents and furnishing, by the Bureau.

The unsettled balance as at 31 December 2021 was Rs.7,090,083.

Action had not been taken to pay the compensation for deaths totalling Rs.8,273,415 that was received to the Agency within the period 2013-2018 for the Sri Lankans who died after leaving the country for foreign employment.

- (b) The company has provided office equipment worth Rs. 3,476,298 and a rented building for the medical centre started with a private company for the purpose of issuing medical reports to workers leaving for Korea and Israel for employment.
- Disciplinary Actions should be taken to those who responsible for this because initiation and maintenance of this medical center was adverse to the company which was a result of management inefficiency and negligence.
- It has not been possible to comply with Clause (f) of the Lease Agreement as the Director of the Insilab Medical Centre has been staying in the Medical Centre by force.
- The case filed by the owner of the building against the Company over the recoverable rent as the relevant private company had not left the rented building within the stipulated time had not been finalized.

Even though it had been informed to that private Institution to default its commercial activities on 26 September 2016 due to the medical reports issued by that medical centre being rejected by those foreign

As per the request of the owner of the building, the rent amounting to Rs.2,640,000 has been paid in 12 installments with the

states, it had not been defaulted their commercial activities and the building had also not been vacated even by the date of audit of July 2019.

approval of the Board of Directors.

The Attorney General has been informed about this matter in October 2017. Accordingly, the Attorney General's Department has provided the necessary legal assistance for two pending cases of the Company.

- (c) Even though the period of insurance coverage in the Agreement entered into between the Company and Sri Lanka Insurance Corporation relating to the Insurance Fund for the Emigrated Workers had been 02 years and 01 months, the period of insurance coverage in the Agreement entered into between the Sri Lanka Foreign Employment Bureau and the Company had been 02 years and 03 months. An additional compensation totalling Rs.7,024,940 had to be paid within a period of 03 years
- Necessary action should be taken against the officers responsible in relation to not paying attention to the potential risks involved in signing this Agreement and the financial loss it may incur to the Company and for not agreeing formally over the manner of paying compensation to the insured members.
- The relevant payments had been made on the Company being responsible on the payment of compensation, as per the Agreement initialized relating to this Insurance Scheme.
- The financial position of the company had deteriorated due to the continuous negligence of the Management of the Company.

due to the burden of responsibility of the reparations made to the insurers within that period of concession being incurred by the Company.

- (d) The company received 1492 job opportunities under 14 valid job orders from 05 countries in 2019 and 2020, valid for two years but as of the audited date of March 30, 2021, only 20 workers were referred for jobs. Even though 481 job opportunities received under 04 job orders in the vocational and vocational training sector from the Japanese Government only 15 workers were referred.
- Management should focus on achieving the goal of starting this company by taking the advantage of this state sponsored business opportunity
- The dispatch of workers for work orders was minimal due to the global epidemic in the recent past.
- The number of persons sent abroad through the job orders by the Company in 2020 and 2021 was only 109 and 152, respectively.
- (e) Even though the responsibility of handling the return of the workers who left to Israel after the expiration of their work permits had been entrusted to Sri Lanka Foreign Employment Bureau as per the Agreement entered into with Israel relating to the referring for employment in the field of Agriculture, the
- Legal action should be taken either against the workers who did not return to Sri Lanka after migrating for employment or against the persons who initialed for the bonds on behalf of those workers.
- Necessary action is being taken to enable the return of the workers who remain illegally in that country, after the expiration of their work permits.
- Proper attention had not been focused on the issues raised in the audit report and action has not yet been taken to settle the balance of Rs.15,100,000 remained as at 31 December 2021, out of the bond obtained from the persons, who

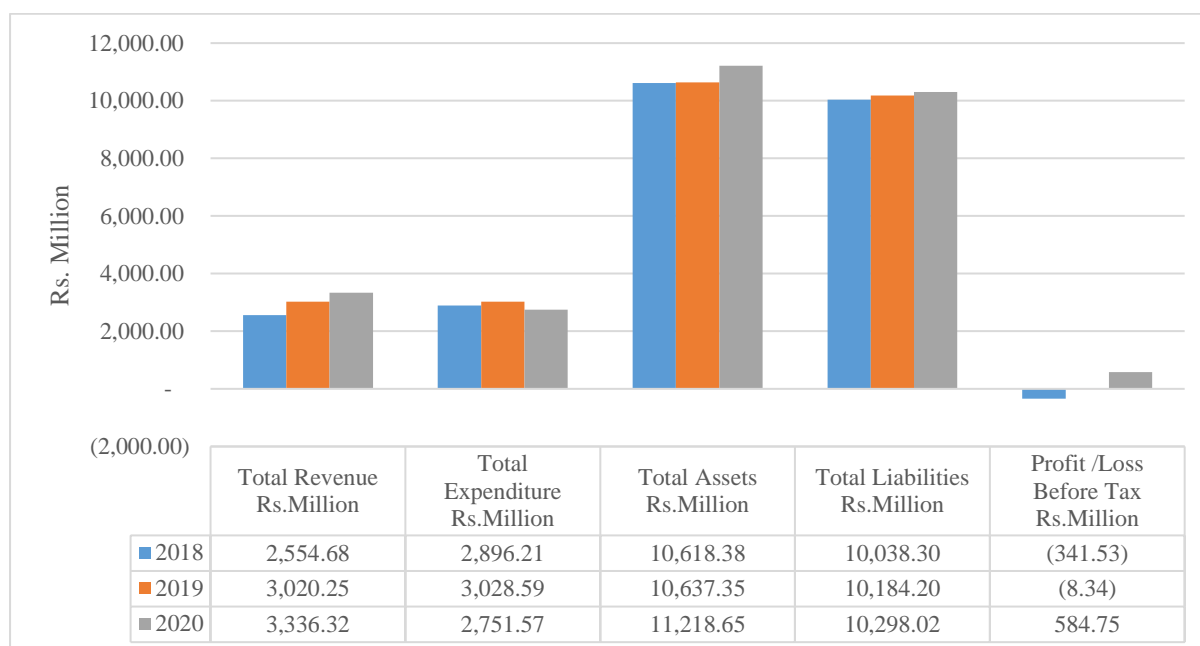
Company had not been able either to return 105 workers who had remained illegally within Israel, to Sri Lanka or to take legal action against their sureties, within two years. However, the Company had taken action to charge a security amounting to Rs.100,000 in addition to the above bond from the emigrants who emigrated after returning to their motherland after the completion of their period of employment by being employed in Israel, by way of entering into a bond amounting to Rs.2,500,000.

went to Israel again for employment.

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**4.103 National School of Business Management**

	<b>Total Revenue Rs.</b>	<b>Total Expenditure Rs.</b>	<b>Total Assets Rs.</b>	<b>Total Liabilities Rs.</b>	<b>Profit (Loss) Before Tax Rs.</b>	<b>Opinion</b>
<b>2018</b>	2,554,680,695	2,896,207,306	10,618,379,569	10,038,296,389	(341,526,610)	Unqualified
<b>2019</b>	3,020,245,234	3,028,588,641	10,637,354,161	10,184,195,582	(8,343,408)	Unqualified
<b>2020</b>	3,336,322,289	2,751,571,491	11,218,648,450	10,298,017,335	584,750,798	Unqualified



<b>Audit observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive measures taken by the institution</b>	<b>The current position</b>
(a) In terms of paragraph 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Scheme of Recruitment should be approved by the Board of Directors and the appropriate Ministry, with the concurrence of the Department of Public Enterprises, General Treasury.	Action should be taken in terms of the Circular.	As it is a totally self-financing entity operating without any financial assistance from the Treasury, only the approval of the Board of Directors is adequate.	Action had not been taken up to 31 December 2021 as per Circular instructions.

However, the approval of the Ministry had not been received for the Scheme of Recruitment of the Company.

- (b) In terms of paragraph 8.3.3 of the aforesaid Circular, approval of the Treasury should be obtained for payment of incentive. However, incentive amounting to Rs.90,502,435 and a special incentive of Rs.3,663,218 for the Marketing Division had been paid respectively in the year under review on behalf of the year 2018 without obtaining such approval.
- Action should be taken in terms of the Circular.
- The Board of Directors is vested with all powers required for supervision and monitoring of the business activities of the Company.
- Action had not been taken up to 31 December 2021 as per instructions.
- (c) Several years had elapsed after agreeing with the Urban Development Authority for obtaining on a 30 year lease basis, the land of 25 acres in extent, valued at Rs.322,350,000 on which the National School of Business Management is operated and the land of 15 acres in extent on which a new building is being constructed. However, a lease agreement had not been signed with the Urban Development Authority even up to May 2021.
- Action should be taken relating to signing the lease agreement.
- The Urban Development Authority has been notified to take action relating to signing of the lease agreement.
- The Urban Development Authority has been notified to take action up to 31 December 2021.
- The lease agreement had not been signed up to 31 December 2021.