

Lanka Building Materials Corporation Limited - 2018

1. Financial Statements

1.1 Disclaimer of Opinion

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

Due to the delay in submitting the financial statements from 2018 to 2022, which were required to be submitted in terms of Section 150(1) of the Companies Act, No. 07 of 2007, a report on the operational activities from 2017 to 2020 under category 9/17 was tabled in Parliament on 29 April 2022 and moreover, this report is issued in accordance with the provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer Opinion

My opinion is disclaimed based on the matters described in Paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report.

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

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

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

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

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

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standard for Small and Medium-sized Enterprises

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a) Although disclosures should be made on nature, the amount of the adjustment affected for each line item in the financial statements under disclosures of prior period error in terms of Paragraph 10.23 of the Standard, without doing such disclosures, an amount of Rs.68.10 million had been adjusted to the retained earnings as previous year adjustments.	Agree. Actions are being taken to prepare financial statements by establishing the proper guidelines required for its preparation at present.	Actions should be taken in terms of Accounting Standards.
(b) Although it should review the amortization method and useful life of the fully amortized computer software system valued at Rs. 1.02 million and changes should be accounted for in accordance with Paragraphs 10.15 to 10.18 according to Paragraph 18.24 of the Standard, without doing so, it had been continuously used.	Agree. Actions will be taken to assess this in the future and to make necessary adjustments to the financial statements.	Actions should be taken in terms of Accounting Standards.
(c) The motor vehicles and furniture cost at Rs. 42.72 million, which are still in use but fully depreciated had been continuously used without being revised the useful life in terms of Paragraph 17.19 of the Standard.	Agree. Actions will be taken to assess this in the future and to make necessary adjustments to the financial statements.	Actions should be taken in terms of Accounting Standards.

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| (d) | Although the entity shall disclose the nature of the benefit, the amount of its obligation under each category of termination benefits that an entity provides to its employees in terms of Paragraph No. 28.43 of the Standard, it had not been done so. | Actions will be taken to properly prepare this in the future and submit to audit. | Actions should be taken in terms of Accounting Standards. |
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1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation	
(a)	Actions had not been taken during the year under review to assess 21 plots of land, approximately 07 hectares owned by the Company and include in the financial statements.	Although 6 plots of land have been assessed so far, due to failure of obtaining of valuation reports because of difficulties in paying valuation fees, it could not be adjusted to accounts so far.	Actions should be taken to assess the land plots and include in the financial statements.
(b)	The debit balance of 05 bank accounts amounted to Rs. 218.77 million and the overdraft balance of 06 bank accounts amounted to Rs. 33.46 million had been shown under Current Assets and Current Liabilities respectively in the Statement of Financial Position as at 31 December 2018. Nevertheless, when checking bank confirmations, the debit balance pertaining to 06 bank accounts were Rs. 229.7 million and the overdraft balance pertaining to 03 bank accounts were Rs. 24.35 million. Two bank accounts had remained in a dormant status. Accordingly, a difference of Rs. 11.00 million between the cash balance in the financial statement and the bank confirmations pertaining to 06 bank accounts and a difference of Rs. 9.11 million in the overdraft balance pertaining to 03 bank accounts were observed.	Agree. Actions are being taken to look into this matter and correct.	Bank balances should reconcile with bank statements.
(c)	A loan of Rs. 75.00 million had been borrowed by mortgaging two plots of land located in Ratnapura and Galle belonging to the Company on the basis of payment in 8 months, to the Cooperative Development Department in the year 2013 . The arrears of interest amounting to Rs. 35.76 million as at 31 December 2018, had not been paid and these mortgaged lands had not been disclosed in the financial statements.	The Management inquires about this matter and the Legal Department is looking into the matter and it had been planned to take further actions based on that information.	Management should be responsible to take timely actions regarding the repayment of loans obtained by mortgaging the lands of the Company.

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| <p>(d) Although the loan amount obtained from People's Bank and Bank of Ceylon during the year under review was Rs. 510.00 million as per bank confirmation, it was Rs. 510.52 million and shown as long-term debt receivables in the cash flow statement. Therefore a difference of Rs. 0.52 million was observed.</p> | <p>Disagree. The amount of Rs. 510.52 million received from the People's Bank and the Bank of Ceylon had been accurately calculated and entered in the cash flow statement. Actions will be taken to provide a details of receipt related to it.</p> | <p>Actions should be taken to identify the difference and correct it.</p> |
| <p>(e) Although the gratuity provision as at 31 December 2018 was Rs. 27.51 million as per the financial statements, it was Rs. 29.76 million as per the schedule. Therefore a difference of Rs. 2.25 million was observed in the gratuity provisions as per the financial statements and schedules.</p> | <p>Agree. It will be presented by correcting the accounts in 2019 .</p> | <p>Actions should be taken to identify the difference and correct it.</p> |
| <p>(f) The revenue directly credited to bank accounts during the year under review, totalled to Rs. 102.56 million had been mentioned as direct deposits under payable expenses without identifying them as receivables, advance receipts, etc.. Further, unidentified bank deposits valued at Rs.1.61 million had been erroneously adjusted to the retained earnings at the beginning of the year.</p> | <p>Due to the difficulty in identifying this direct deposit of Rs. 102.56 million, it was subsequently recognized as an expense to be paid, for adjustments to the accounts and at present actions are being taken to identify through the banks and once identified, actions will be taken to remove from the accounts.</p> | <p>Actions should be taken to identify direct deposits and adjust them to accounts .</p> |
| <p>(g) The Company had stated that there was a data destruction in its computer system in 2019 and as a result, the accuracy of the opening and closing balances of the cash book for the year under review could not be verified due to the inability to accurately find the cash book balance. Further, monthly bank reconciliation statements had not been prepared in relation to 9 bank accounts in terms of F.R. 395 . As a result, it could not be verified during the audit that the differences between cash and bank balances and the reasons for that.</p> | <p>Agree. This is prepared monthly in the accurate manner from 2021 to 2023 and actions are being taken to prepare bank reconciliations accurately by preparing the cash book also. Thereafter, arrangements had been made to prepare bank reconciliations before 2021 .</p> | <p>Management should take immediate actions to prepare cash books and bank reconciliations accurately and periodically.</p> |

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| <p>(h) Government grants for compensation had been included as deferred income under trade and other payables in the statement of financial position amounting to Rs. 38.29 million had not been settled even in the year 2018 .</p> | <p>The Company had implemented a voluntary retirement compensation scheme for its employees in the year 2009 and as a result of the government had not recorded the receipts of the relevant money and reconciled them with the payments, this balance had been continuously shown since 2009.</p> | <p>Actions should be taken to pay the compensation received from the government for the employees within the relevant period itself.</p> |
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1.5.3 Going Concern of the Organization

Audit Observation	Comments of the Management	Recommendation
<p>(a) The net loss of the Company for the year ended 31 December 2018 was Rs. 167.2 million and the cumulative loss of the Company as at 31 December 2018 was Rs. 927.09 million. Also, the Company's total liabilities exceeded its total assets as at that date was Rs. 930.22 million or 169 per cent. Further, as a result of non-repayment of loans as per the information submitted to the audit, claims had been made by various parties to legally acquire the Company's property pledged for the loan.</p> <p>According to these facts, it was observed that there is a material uncertainty on the going concern of the Company.</p> <p>When preparing the financial statements, the Management should make an assessment of the ability of the institution to continue as a Going Concern in accordance with Paragraphs 3.8 and 3.9 of the Sri Lanka Accounting Standards for Small and Medium-sized Enterprises and if there is an uncertainty about this, it should be disclosed in the financial statements. Nevertheless, information had not been disclosed as required by the Standard from Note 2.13 on Going Concern in the Notes to the Financial Statements.</p> <p>Further, the Company should convene an Extraordinary General Meeting of the Shareholders of the Company in accordance with Section 220 of the Companies Act No. 07</p>	<p>Agree.</p> <p>The management is expected to monitor with a restructuring process in all aspects and restructure debts to maximize the use of resources and continue Going Concern.</p>	<p>The Management should assess the Company's ability to continue as a Going Concern and if there is an uncertainty it should be disclosed and actions should be taken in accordance with the Companies Act.</p>

of 2007 and the nature and extent of the losses incurred by the Company and the reason for the losses, and the Board of Directors had taken any steps to prevent such losses or to recover the losses, the Board of Directors should send a report to the shareholders, but that requirement had also not been fulfilled either. According to these matters, it was observed that the Management had not taken the necessary steps to continue the Going Concern of the Company.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount Rs. Million	Unavailable Audit Evidences	Comments of the Management	Recommendation
(a) Fixed assets and accumulated depreciation	115.63 87.50	A detailed schedule and formal detailed Board of Survey Reports	Arrangements are being made to prepare a Register of Assets by now.	Actions should be taken to prepare detailed schedules for assets and accumulated depreciation and a Board of Survey should be conducted annually.
(b) Stocks for sale	46.89	Stock Verification Reports and Stock Ledgers	Agree. Stock verification had not been carried out prior to 2023 .	The value of the stock should be physically verified and shown in the final accounts.
(c) Miscellaneous Advances	3.35	Advance documents and related primary evidences	This money is a balance remaining from 2012 and the institution is unable to verify.	It should be able to provide detailed information for each balance shown in the final accounts.
(d) Loans and advances obtained from 09 government institutions	941.39	Loan agreements or other supporting documents, details and balance confirmations	The relevant basic documents and files are available at the institution and relevant information had been provided to the audit.	Information about loan agreements, terms, and assets pledged for the loan should be maintained by the Company.

(e)	People's Bank Loans	2.02	Details of balances and confirmations	Since the Rs. 2 million shown in the balance sheet is a loan repayment, the loan balance was shown after deducting the loan balance.	It should be responsible to accurately account for the settlements of loan balance.
(f)	Bank Guarantees	36.37	Balance confirmations	The amount of Rs. 36.37 million shown under current assets in the statement of financial position had been submitted by the Bank in relation to the year 2018 .	The reasons for receiving money from external parties should be confirmed.
(g)	Limited Reserves under the Equity	16.11	Primary documents, schedules, relevant approvals	The institution has not been able to confirm the information regarding that so far.	When preparing the final accounts, such accounts should be settled.
(h)	Taxes Receivable and Payable	94.02 47.00	Detailed schedules, tax returns, tax calculations	Agree. All information related to these taxes had been prepared. Actions will be taken to submit for audit.	Taxes receivable and payable should be settled during the relevant period.
(i)	Prior Adjustments	Year 68.00	Detailed schedules	Agree. Actions are being taken to prepare financial statements by establishing the proper guidelines required for its preparation at present.	Detailed information should be able to provide for each balance shown in the final accounts.

(j)	Expenses	8.31	Payment vouchers	Actions will be taken to submit it for audit as soon as possible.	It should be able to provide the primary evidence prepared regarding the expenses, to audit.
(k)	Anonymous Creditor Balance	138.58	Evidences required to verify accuracy, existence, etc.	Since it has been impossible to obtain a balance confirmation until now, these balances could not be able to be adjusted accurately.	It should be able to provide detailed information for each balance shown in the financial statements.
(l)	Anonymous Debtors	60.60	Evidences such as a debtor name or code	Since a balance confirmation had not been provided so far, it had been impossible to verify the accurate balances.	It should be able to provide detailed information for each balance shown in the financial statements.
(m)	Lease Installments Payable	0.95	Lease agreements, information on paid lease instalments	Since all lease installments had been paid in the year 2018, all relevant information had been provided to the audit.	Actions should be taken to submit primary evidences on expenses, to the audit
(n)	Advance Amount payable to Inland Revenue Department	50.00	Confirmation of balances as at 31 December 2018	Comments had not been received.	Confirmations for balances shown in the financial statements should be submitted for audit.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	As per the information submitted for audit on 30 June 2023 receivables as at 31 December 2018 was Rs. 33.60 million. Out of this, the receivables outstanding for more than 3 years was Rs. 33.38 million.	Actions are being taken to establish a debt collection unit to recover receivable balances and recoverable debts and to recover irrecoverable amounts through legal actions.	Receivables should be recovered immediately.

- (b) Under the Suriya Pokuna Debokkawa Housing Project implemented by the National Housing Development Authority under the Model Villages Programme from 2015 to 2021, building materials required by homeowners had been issued without any limitation from the branch warehouses of the Company in Ambalantota, Tangalle, Lunugamvehera, Tissa, Weeraketiya, Embilipitiya, and Suriyawewa. Building materials valued at Rs. 2.62 million had been issued in the year 2018 but the amount to be received for building materials issued by 30 June 2023 was Rs. 34.69 million.
- The Branch Manager had been assigned to recover money for goods provided on credit. Three institutional officers had been appointed to recover the debt at present.
- When providing goods on credit, it should be provided by ensuring the possibility of recovery through a proper mechanism.

1.6.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
The liabilities payable as at 31 December 2018 was Rs. 130.46 million as per the information submitted for audit as at 30 June 2023. Out of this, the unsettled payables for more than 3 years was Rs. 130.14 million.	Payments are being made based on the values that occur when making payments of money and receiving of money.	Liabilities payable should be settled promptly to continue the operations of the Company.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph 3.2.6 and Paragraph 3.2.7 of Public Finance Circular No. 05/2016 dated 31 March 2016	Although the Board of Survey reports pertaining to each year should be submitted to the Auditor General before 30 June of the following year and notified that to a Director of Public Finance before 30 June, the Board of Survey Reports for the year 2018 had not been submitted for audit.	Board of Surveys in the years before 2023 had not been carried out.	Arrangements should be made in terms of the circular.

- (b) Treasury Secretary's Circular No. MF/CG/02/(cir) and Asset Management Circular No. 01/2017 issued on 28 June 2017. The institution had not submitted information on office equipment and furniture to the Comptroller General. Disagree. Information pertaining to the year 2023 had been presented. Arrangements should be made in terms of the circular.

2. Financial Review

2.1 Financial Result

The operating result for the year under review amounted to a loss of Rs. 167.21 million and the corresponding loss in the preceding year amounted to Rs. 86.60 million. Accordingly, a deterioration amounted to Rs. 80.61 million in the financial result was observed. The decrease of income by 72 per cent as well as increase in financial and other expenses had been the main reasons for this deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

Information regarding the financial performance of the Company from 2014 to 2018 are shown below and therein, it was observed that the net loss ratio of the Company had increased from (-3.5) to (-75.0).

Description	2014	2015	2016	2017	2018
Revenue (Rs.)	584,303,933	357,274,033	708,311,979	807,986,328	222,685,350
Gross Profit (Rs.)	73,419,302	23,768,457	26,666,588	84,710,912	6,823,996
Gross Profit Ratio (%)	13	7	5	10	3
Net Profit Before Taxes	(20,377,779)	(60,609,648)	(94,711,011)	(86,600,540)	(167,208,235)
Net Profit Ratio (%)	-3.5	-17.0	-13.0	-11.0	-75.0

2.3 Ratio Analysis

Ratio	2018	2017
Liquidity Ratios - Current Ratio	1:1.02	0.46:1
Debt Ratios - Leverage Ratios	-101%	62%

Although the current ratio has showed an increase in the year under review compared to the previous year, as a whole it was at a low level. Since the equity was a negative value, the debt ratio was also at a very low level.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Steps had not been taken to obtain deeds for the lands in extent 3 acres 3.5 roods 17 perches under the Company located in Moratuwa, Anuradhapura, Ampara and Monaragala and the survey plans had not been available for 07 lands in extent 4 acres 0.5 roods 9.1 perches located in Anuradhapura, Embilipitiya, Kandy, Mannar, Batticaloa, Ampara, and Nuwara Eliya. Similarly, although the approval had been granted to transfer the ownership of the 549/A, Borupana, Moratuwa land to the Company by the Cabinet Decision dated 21 August 2019 and No. CP/19/2192/122/076, the Company had not taken steps to prepare the deed relating to the ownership of the land and take possession of the land even by 10 April 2024.</p>	<p>Necessary steps are being taken to obtain survey plans for these lands and to obtain deeds for the remaining lands. Also, further actions are being taken to develop the settled lands and generate income.</p>	<p>The ownership of the Lands should be acquired promptly.</p>
<p>(b) An extent of 100 perches from the land owned by the Company located at Sri Sangharaja Mawatha, Colombo 10 had been transferred to the Bank of Ceylon for Rs. 70 million through a deed of sale and subsequently, the Company had off set the loan of Rs. 500 million obtained from the Bank of Ceylon on 23 October 2018 with the overdraft amount of Rs. 70 million, including the interest payable, amounting to Rs. 199.05 million. Although the Bank of Ceylon had to off set the above mentioned money and the land should be reacquired by paying the stamp duty of Rs. 5.38 million, which is the value pertaining to the deed that had been prepared and sent, actions had not been taken for that even by 31 July 2023. This had not been disclosed in the financial statements and it was also observed that this stamp duty had increased with a very high amount in the year 2023.</p>	<p>The land had been revaluated and the stamp duty had been informed by the Provincial Revenue Department as Rs. 18,390,000. A request had been made again to the Provincial Revenue Department to deduct it. There had not been a response so far to that request.</p>	<p>Actions should be taken to properly acquire the lands by paying the relevant stamp duty.</p>
<p>(c) The National Housing Development Authority is illegally occupying 01 rood 2.8 perches from the land No. 417/A, Kade Street East, Railway Station Road Matara and although the legal proceedings had also been concluded regarding a land in Anuradhapura, which is 03 roods 35.6 perches in extent, actions had not been taken to evict the unauthorized occupants and take over the possession.</p>	<p>Arrangements are being made to take over the land by now.</p>	<p>Immediate actions should be taken in respect of the security of company-owned lands.</p>

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
An extent of 03 roods and 3.2 perches in Lot No. A and B in Plan No. 1762 located at No. 541, Sangharaja Mawatha, Colombo 12 and 15 perches in Lot No. A, Plan No. 5107 and an extent of 01 rood 13.20 perches from Lot No. 01 of Plan No. 4365 had been sold by the Company to HDFC Real Estate Development Limited for Rs. 222.50 million on the approvals of the Board of Directors dated 19 July 2005 and 03 October 2006 .	Agree. The possession of the respective land had been taken over by HDFC Bank on court order in November 2022.	Actions should be taken in respect of the land, which was transferred to the Corporation by a Certificate of Transfer of authority under Section 44 of the Land Acquisition Act, in accordance with the conditions stated therein.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
One rood and 31.6 perches of land located in Kunguniyar Uppukulam Karai, Jaffna and Bambara Kele Building, Nuwara Eliya, 02 houses located in Yodhagama, Embilipitiya belonging to the Company had remained in idle and without being used since 2017.	The Jaffna land is a settled land. Future plans are being formulated to develop it and generate income.	Actions should be taken to utilize assets effectively.

3.4 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
The Company did not have an approved staff and a properly approved Scheme of Recruitment in accordance with Sections 9.2 (b) and 9.3.1 (i) of Public Enterprises Circular No. PED 12 dated 02 June 2003 .	Agree. Action had been taken in accordance with the provisions of Circular PED/12 by now.	Arrangements should be made by the Management to act in accordance with the circular instructions.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

In contrary to Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the annual financial statements for the year under review had been submitted to the Auditor General on 27 October 2023, with a delay of 04 years and 08 months. Further, although a complaint was also made to the Criminal Investigation Department on 28 April 2022 regarding the destruction of the computer system and loss of data, based on the orders of the Committee on Public Enterprises held on 19 April 2022, information regarding its progress had not been reported to the audit so far.

Comments of the Management

As a result of the loss of the entered data with the destruction of the computer system, re-entering of data into the computer system and accounts had been prepared. Accordingly, there has been a delay in submitting accounts to the Auditor General.

Recommendation

Actions should be taken in terms of the circular instructions.

4.2 Corporate Plan and Action Plan

Audit Observation

Although a Corporate Plan and a corresponding Action Plan should be prepared for a period of not less than 03 years to achieve the Vision and Mission of the Company and the approval of the Board of Directors should be obtained for the relevant plans 15 days before the start of each financial year in terms of Section 5.1 (iii) of Public Enterprises Circular No. PED 12 dated 02 June 2003, it had not been done.

Comments of the Management

Steps had been taken at present to achieve this.

Recommendation

Arrangements should be made to act in accordance with the circular instructions.

4.3 Budgetary Control

Audit Observation

Although an Approved Annual Budget should be submitted in accordance with Section 5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, actions had not been taken accordingly.

Comments of the Management

Even though the Budget had not been prepared in the previous years, the Budget for the year 2023 has been prepared and the approval of the Board of Directors had also been obtained.

Recommendation

Actions should be taken to prepare an Annual Budget in accordance with the circular instructions.