Lanka Coal Company (Pvt) Ltd - 2018

1.1 Qualified Opinion

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

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

1.2 Basis for Qualified Opinion

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company'sfinancial 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

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

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

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

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

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

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

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

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

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Following observations are made.

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	As per paragraph 80 (b) of the Sri Lanka Accounting Standards on Income Taxes (LKAS 12), the Company should disclose any adjustment recognized in the period for current tax of prior periods. However, the Company had adjusted additional tax liability of Rs. 5,134,045 assessed by the Department of Inland Revenue for prior periods in the retained earnings without disclosed under the current tax expense in the financial statement of the year under review.	Strictly speaking rupees 5,134,045 is not an additional tax liability. As per our accounts there has, in fact, been an over provision for taxation. We have only adjusted the over provision to bring down the amount to the actual liability. It is not mandatory to include in current tax of any adjustments to prior period.	Company should adhere to the provision of the LKAS 12.
(b)	As per paragraph 28 of the Sri Lanka Accounting Standards onAccounting Policies, Changes In Accounting Estimations and Errors (LKAS 08), when initial application of a SLFRS has an effect on the current period or any prior period, would have such an	There is no day 1 impact by the adoption of new accounting standards such as SLFRS 9 and 15. There is a need to make a disclosure with regard to above standards, which is only of an	Should be adhered to the provisions of the Standard when preparing Financial Statements.

	effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose. However, new standards adopted by the entity for the first time for their annual reporting period commencing 01 January 2018 such as Financial Instruments (SLFRS-9) and Revenue from Contracts with Customers (SLFRS-15) had not been disclosed.	academical value from the perspective of the company.	
(c)	As per paragraph 51 of the Sri Lanka Accounting Standards on Property, Plant & Equipment (LKAS-16) the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted. However, useful life of the fully depreciated motor vehicles still in use had not been reviewed and accounted accordingly.	The application of paragraph 61 of LKA16 extends to motor vehicles in the case of our company. We await the first available opportunity to dispose these motor vehicles and hence the reason for neither reviewing useful life nor re-valuing of the motor vehicles.	Should be adhered to the provisions of the Standard.

1.5.2 Accounting Policies

Audit Issue	**Management Comment**	**Recommendation**
Outstanding income taxes amounting to Rs. 1,087,450 relevant to financial years from 2015 to 2017 which need to be reimbursed from CEB were debited to the retained profit account. Further an approval of the board also was not obtained to debit outstanding income taxes to the retained earnings account.	We will take steps to claim reimbursement of income tax for the years 2015 and 2017 amounting to Rs. 1,087,450 from CEB. Upon recovery, the relevant adjustment entries would be made to the accounts.	Accounting policies should not be changed frequently without proper approval.

1.5.3 Accounting Deficiencies

The following observations are made.

	Audit Issue	Management Comment	Recommendation
(a)	The Company had been imposed a forfeiture of Rs. 205,000,000 by Sri Lanka Customs on non-declaration of correct transaction value of the coal imports during the period from 19 September 2016 to 09 April 2018 and the forfeiture was decided on 12th December 2018 prior to signing the accounts by the directors. However, provision had not been made for the contingent liability in the financial statement for the year under review.	There is a requirement to make a disclosure and not a provision of contingent liabilities, with which we have duly complied as per Note 25 for the Financial Statements.	Provision should be made for the Contingent liabilities.
(b)	As per the financial statements of the Company, the Economic Service Charges (ESC) payable as at the end of the year under review was Rs.266,776,825. However, the actual ESC liability as at the end of the year under review was Rs. 367,104,461. Hence, the ESC liability as at the end of the year under review had been understated by Rs. 100,327,636,since provision for ESC liability had not been made for the year of assessment 2017/2018. Further, as per section 6 of Economic Service Charge Act No 13 of 2006 duly amended, ESC liability should be paid on or before twentieth day of following month after quarter ending. However, the Company had not paid ESC payable even up to the date of this report.	We will make the additional provision for the amount understated in the ESC liability upon issuance of the tax invoices.	Company should be adhered to the provisions of the Economic Service Charge Act No 13 of 2006.
(c)	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 actually incurred. However, the Company had been added such 10 per cent mark-up amounting to Rs.3,723,718,278 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	At the meeting held on 28/06/2018 LCC was directed to add the customs margin to the cost of coal delivered in the issuance of the VAT invoice to CEB. This was done in consultation with Inland Revenue (IR) authorities. CEB has written to IR contesting	Company should be adhered to the provisions of the Standard.

	and revenue had been overstated by similar amount.	the addition of customs margin but there is no ruling to date from IR. LCC, therefore, has to continue with 10% addition.	
(d)	The Company had been failed to recover the receivable balance amounting to Rs.539,192,079 from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL) with regard to short delivery of coal from agreed settlement method even though six years had been passed and provision also had not been made for the impairment.	There is no declaration that the receivable from Taurian& Iron and steel of Rs. 539,192,079 is bad. As such, we are of the view that there is no need to make provision.	Provision should be made.
(e)	Brought forwarded Economic Service Charges (ESC) receivable and Withholding Tax (WHT) receivable aggregating toRs. 971,868, Income Tax payable amounting toRs. 65,474,540 and Nation Building Tax (NBT) receivable amounting to Rs. 3,371,326 and Value Added Tax (VAT) receivable amounting to Rs.12,758,801which could not be verified in previous year audit had been charged against retained earnings as prior year adjustment. However, the nature of the prior period error had not been disclosed in the financial statements.	We have given a detail explanation about the amounts written off/ back as a separate para under note 21 – Creditors & other payables and note 23- income tax payable.	Company should be adhered to the provisions of the Standard
(f)	Brought forwarded receivable balance of “Tax to be born by Ceylon Electricity Board (CEB)” amounting to Rs.12,241,774 shown in the financial statements had been charged against the retained earnings even without the board approval. However, the accuracy of the accounting treatment could not be verifiedsince details are not made available for audit.	We received board permission to write back Rs 65 Mn of excess tax provision, however, the actual write back was much less in view of set off. Therefore, the adjustment is duly authorized by the board since it is within the amount permitted by the Board.	Balances should be identified before making adjustments.
(g)	The company had been paid income tax amounting to Rs.1,337,690 to the	We will make a note to present the gross amount	Company should show the actual

	Department of Inland Revenue during the year under review. However, only a sum of Rs. 669, 092 had been shown under the operating cash flows in the cash flow statement instead of showing the actual payment.	of tax paid as a cash outflow in the future.	income tax payment in the cash flow statement.
(h)	VAT payable on reimbursement expenses amounting to Rs. 8,896,850 had not been accounted in the VAT control account. Hence, VAT liability had been understated by similar amount.	According to the opinion of our tax consultant VAT is chargeable on income. Reimbursement of expenditure, according to our tax consultant, does not attract VAT.	Company should adhered to the provisions of the Value Added Tax Act,No.14 of 2002 duly amended.
(i)	A sum of Rs. 15,870,104 payable to Ceylon Shipping Corporation Ltd (CSCL) in respect of lightering charges which was paid by Ceylon Electricity Board (CEB) had been neither paid to CSCL nor presented as an advance received from CEB. Further, the Company had not accounted the aforesaid lightering charges as payable to CSCL though they have obtained the fund from CEB to settle the charge.	Inland Revenue issued a ruling making lightering liable for VAT @ 0%. In the meantime, customs department issued final VAT assessment upto shipment no 154 issuing an additional assessment of Rs 67.7 million to the company. In order to avoid any recovery action by customs the above receipt was utilized to make a partial settlement of final VAT assessment.	Should be discussed with the CEB officers and accounted accordingly.

1.5.4 Documentary Evidences not made available for Audit

Following observations are made.

	Item	Amount	Evidence not available	Management Comment	Recommendation
		Rs.			
(a	Old Insurance Receivable from CSCL up to 154 shipment	33,959,892	Confirmations	We possess minutes of meeting held on 11/01/2018 as proof of the direction given to CSC to settle	Actions should be taken to receive the Confirmations to the audit.

				a sum of Rs. 33,959,892 for old insurance.	
(t	Ceylon Shipping Corporation Limited –Old payable	66,307,336	Confirmations, Schedules	We have already provided a detail statement to the auditors giving a break-up of above balance	Actions should be taken to receive the Confirmations and Schedules to the audit.
(c	MiscellaneousDebtors	18,075,801	Confirmations, Schedules	Initial investigations revealed as overpayment to customs. Being further analyzed.	Actions should be taken to receive the Confirmations and Schedules to the audit.
(c	Receivable from CEB	4,677,508	Confirmations, Schedules	Being investigated to ascertain source/ origin.	Actions should be taken to receive the Confirmations and Schedules to the audit.
(e	Other Receivable from CEB	1,760,500	Confirmations, Schedules	Being investigated to ascertain source/ origin.	Actions should be taken to receive the Confirmations and Schedules to the audit.
(f	Trade Creditors – Nobel Resources International Pte Ltd	85,887,776	Confirmations, Schedules	A statement of the composition of the balance due to Noble Resources is available and can be produced for perusal.	Actions should be taken to receive the Confirmations and Schedules to the audit.
(g	legal, audit and professional fees payable	1,964,060	Schedules	The above provision was left to meet the outstanding legal expenses	Actions should be taken to provide necessary Schedules to the audit.

		of 2018. We have so far made the payments of Rs:1,219,478in 2019 against the payable balance.	

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Following observations are made.

Audit Issue	Management Comment	Recommendation
According to the balance confirmation sent by CEB existence following receivable balances which are included in the financial statements of LCC, had not been confirmed.	Final VAT Rs 67,735.76 - Amount is a certain receivable as per CSC notification of final VAT assessment.	Company Should get confirm the balances from CEB immediately.
Item of Account / **Value (Rs.)** Final vat and Other receivable from CEB — 67,735,765 Management fee — 33,748,719 Old Insurance Receivable from CEB — 16,519,983 Trade Debtor (CEB)-Steam Coal — 14,188,009	Management feeRs. 33,748,719 - Final dues are booked by CEB based on audited accounts Old insurance –Rs. 16,519,983 - We possess minutes of the meeting held on 11/01/2018 at which CEB was directed to pay old insurance of Rs. 16,598,983. Trade debtor CEBRs. 14,188,009 - Consists sum paid to Mercator Rs 7 Mn. Minuted& CEB undertaken liability Rs 4.6 Mn and Rs 1.76 are being investigated to ascertain source/ origin	Should investigate the emergence of Receivable from CEB (Up to 154 shipments) and Other Receivable from CEB balances immediately.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
The VAT payable to Sri Lanka Customs amounting to Rs.44,416,800in respect of shipment 124-154 in 2017 had not been paid. As a result, a possibility of imposing penalty for non-payment is observed in audit.	The settlement of these dues will be dependent on us receiving timely reimbursements from CEB. We have notified CEB of this outstanding.	Should be adhered to the provisions of the Value Added Tax Act No.14of 2002.

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

Following observations are made.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Inland Revenue Act No. 24 of 2017 first schedule 10 (1) (c) (i)	Although every withholding agent should deduct withholding tax on service fees or any contract payments, if monthly payment exceeds Rs. 50,000 (exclusive VAT), a sum of Rs. 118,214 of withholding tax on service fees and contract payments had not been withheld by the Company.	We have taken note of the point and have already taken steps to prevent a recurrence.	WHT should deduct as per the Act No. 24 of 2017 first schedule 10 (1) (c) (i)
(b)	Public Enterprises Circular No. PED /12 dated 02 June 2003.			
	(i) Section 9.3	A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company.	Upon approval of cadre & organization chart by the DSM SORP which we have	Approval should be obtained for the SOR immediately.

				already completed will be submitted to DMS.	
(ii)	Section 9.7	(i)	The Company had paid a sum of Rs. 1,573,127 as medical expenses to the staff during the year under review without an approved medical scheme.	For the amounts the company had already paid there was an approval by the board of a budgetary allocation for the year 2018	Company should obtain necessary approval as per the Circular.
		(ii)	Contrary to the circular, the Company had implemented the Scheme of Distress loans since year 2017.	We are presently working on getting the board minutes No 57 approved by the former Chairman. The loan scheme was remains suspended until we obtain the necessary approvals. Funding for the scheme is generated by the company by its own sources of revenue such as registration income, short term deposits etc.	Company should obtain the approval for theDistress loan scheme from the Board of Directors and the Department of Public Enterprises, General Treasury as required by the Circular.
		(iii)	The Company had been paid a sum of Rs. 1,614,170 as un-availed staff sick leave without formal approval.	This is a payment made to reduce absenteeism in staff which has been found to be useful in inducing staff	Company should obtainnecessaryap proval as per the Circular.

		attendance to work	
(c) Public Enterprises Circular No. 05/2016 dated 16 December 2016	The Company had been paid a sum of Rs. 2,330,577 as staff bonus for the year under review, without the approval of the General Treasury.	The bonus payment has been approved by the board as it has been customary over the years.	Company should obtain necessaryapproval as per the Circular.
(d) Section 1 of the Public Enterprise Circular No. PED. 57 dated 11 February 2011,	The Company had been paid a sum ofRs. 534,785 as advertising and promotional activities, contrary to the circular.	Most of these advertising expenses are approved by the then Chairman on the recommendation of the Acting GM. Those which organizations are directly involved in coal procurement and hence business related.	Company should be adhered to the provisions of thePublic Enterprise Circular No. PED. 57 dated 11 February 2011.

1.8 Cash Management

Audit Issue	Management Comment	Recommendation
Current Account at Bank of Ceylon bearing number 7952807 was dormant since July 2016 and balance as at 31 December 2018 was Rs.1,234,319. The Company had not taken any action to invest the money in a fruitful source.	The balance at BOC is under lien for a seizure notice issued by IR department. We have requested details from BOC to ascertain as to what needs to be done to make the balance free of any lien.	Action should be taken to solve the matters after discussed with the BOC.

1.9 IT General Controls

Following observations are made.

	Audit Issue	Management Comment	Recommendation
(a)	Any entry including journal entries can be amended or deleted in the General Ledger since no control.	The facility to amend entries is a mandatory facility available only to the Finance Officer in charge of general ledger and not for any other.	System should be improved.
(b)	Payment voucher numbers are not system generated and are manually entered in to the system. It was observed that payment voucher numbershave been altered manually in the payment voucher after the payment voucher are printed. Payment vouchers were not filed in an orderly manner.	The new employees assigned for payments do the numbering of payment vouchers carefully. Following the assignment of this task to a new team within the organization the team members have assured filing of vouchers in an orderly manner.	A new system should be introduced with necessary controls in order to avoid limitations in the existing system.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 December 2018 had resulted neither pretax net profit nor net loss as per the preceding year, due to entering into an agreement with the Ceylon Electricity Board to reimburse the net overhead cost incurred by the Company since from the previous year.

2.2 Trend Analysis of major Income and Expenditure items

Major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are as follows.

Income/ Expenditure	2018	2017	Increase/ Decrease	Percentage
	Rs.	Rs.	Rs.	
Revenue	41,470,171,433	31,953,254,249	9,516,917,184	29.78%
Cost of Sales	(41,410,859,105)	(31,909,923,832)	9,500,935,273	29.77%
Administration Cost	(71,709,152)	(50,042,674)	21,666,478	43.30%

Revenue had been increased by Rs. 9,516,917,184 for the year under review compared with the preceding year and cost of sales had been increased by Rs.9, 500,935,273 due to increase of coal prices and the addition of cash discount cost. Further administration cost had been increased by Rs.21, 666,478 and increase of employee remuneration was the main reason for the increase.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
An employee of the company had committed a fraud amounting to Rs.590,193 by manipulating payment vouchers hence weaknesses in internal control system and the delegation of authority.	We are in the process of issuing charge sheets to the employee/s concerned and recouping the losses caused to the company together with additional taxes. We took immediate steps to remove the alleged employees from handling payments. We have also re-visited and improved some of the control which were lacking in effectiveness.	Action should be taken to recover the losses and to carrying out disciplinary actions.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
In five instances, the decisions of the board meetings had been implemented by the Company without the approval of the Chairman of the company, which confirmed by the board members.	Plans are underway to obtain his signature and approval for the subject minutes through the ministry.	Decisions should not be implemented without board approvals.

3.3 Operational Inefficiencies

Following observations are made.

	Audit Issue	Management Comment	Recommendation
(a)	Purchase requisition were not obtained using a	Purchase requests are sent by an e-mail at the moment. These requests	Purchase requisition forms,

	standard pre numbered purchased requisition form and purchase orders, good received notes were not issued in receiving goods.	are listed in a register in serial order. We will take steps to introduce a standard form.	purchase orders, goods received notes and service received notes must be maintained with regard to the procurement process.
(b)	Issuing of goods to staff was were recorded in a register. High value goods also issued without control.	A register is maintained to record issues of general items to staff. We no longer issue high value printer consumables to stock with individual employees.	A register should be maintained in issuing goods to the staff

3.4 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
The Company had been paid a sum of Rs. 361,725 as Monthly salary to the Managing director in 2018, as per the decision taken by the Board of Directors. Which on par with the General Manager's salary of the CEB. It seems to be abnormal as compared with the scope, nature, and responsibilities of the General Manager of CEB.	In terms of value, the procurement budget of LCC is around USD 300 Million. This budget is managed by a skeleton staff in the midst of many limitations such scarce LC facility limit, irregular cash flow whilst containing incidence of demurrage due to tight laycan, congestion at load and discharge ports, acts of God (blowout of nature such as gales, storms) which are beyond anyone's control. The Managing Director and his team have carried out the operations smoothly in the midst of many adversaries and risks. Therefore, it is not fair to claim that MD's salary is abnormal compared to scope, nature and responsibilities of the institution. Further, in determining MD's salary more weightage is given to professional background, experience and business acumen etc.	As a subsidiary company LCC represent less than 22 percentage of total procurement of CEB. Further, we recommend Scheme of Recruitment should be prepared immediately.

3.5 Procurement Management

Following observations are made.

	Audit Issue	Management Comment	Recommendation
(a)	The Company had not prepared a Master Procurement Plan. However, tentative lay can schedules had been prepared based on the annual coal requirement of the Ceylon Electricity Board.	Our procurement plan is to source the quantity demanded by LVPP as notified at the beginning of the season.	Procurement plan for coal and other capital items should be prepared in order to controlling tender process, identify funds sources and responsible officers etc.
(b)	The Company had incurred an additional commission on letter of credit (LC) opened by the Company amounting to Rs.2,925,980 on five LCs which had been exceeded the 90 days of validity period.	According to the authorized officer in charge LC opening and connected banking matters the validity period of the LC, to some extent, is determined at the direction of the supplier.	Company should be ensured that necessary controls are in place to prevent such payments.

3.6 Human Resources Management

Audit Issue	Management Comment	Recommendation
The Company had been paidemployee salaries of the Companyas per the salary scales of the Ceylon Electricity Board which seems to be abnormal as compared with the scope, nature and volume of the transactions of the Company and the duties and responsibilities of the employees.	From the inception LCC which is a subsidiary of CEB has been following the HR policies of CEB. The recruitments for LCC, at the beginning, had been either ex-employees of CEB or those on secondment from CEB. This has led to the adoption of uniform HR policies between LCC and CEB. However, we have recently documented LCC's own SORP.	Scheme of Recruitment should be prepared and obtain approved from Department of Management Services as per Circular No.PED/12 dated 02/06/2003.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
Financial statements had been submitted to the Auditor General on 07 May 2019 after over 02 months delay and draft performance report had not been submitted to the Auditor General along with the financial statements.	We took about 90 days to complete the financial statements and we were not able to convene AMC due to exigencies of official duties/ overseas travel of audit committee chair for review and recommendation of accounts to the board.	Company should submit Financial statements as per Public Enterprises Circular No. PED /12 dated 02 June 2003.

4.2 Corporate Plan

Audit Issue	Management Comment	Recommendation
A Corporate Plan had not been prepared by the Company for the year under review as required by the Public Enterprise Circular No.PED/12 dated 02 June 2003.	Management comment had not been submitted.	Company should adhered to the provisions of the Public Enterprise Circular No.PED/12 dated 02 June 2003.

4.3 Annual Action Plan

Audit Issue	Management Comment	Recommendation
Annual Action Plan had not been prepared by the Company for the year under review as required by the Public Enterprise Circular No.PED/12 dated 02 June 2003.	Management comment had not been submitted.	Company should be adhered to the provisions of thePublic Enterprise Circular No.PED/12 dated 02 June 2003.

4.4 Budgetary Control

Audit Issue	Management Comment	Recommendation
According to the Public Enterprises	We are, for a certainty, working	Company should be

Circular No. PED/12 of 02 June 2003, the Annual Budget should include a budgeted income and expenditure statement, a cash flow statement for the year, a balance sheet at the end of the year, and a budgeted capital expenditure statement together with an Annual Action Plan. However, the Company had not complied with that requirement.	on a budget approved by the Board and we also do a budgetary comparison quarterly in order to identify material variances of actuals vis-á-vis the budget.	adhered to the provisions of the Circular.