Ceylon Petroleum Storage Terminal Limited - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Petroleum Storage Terminal Limited ("Company") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

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

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

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

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

1.4 Audit Scope

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company *;*

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observation on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	Fully depreciated assets valued at Rs. 8,388 million which comprises 25,297 items of Property Plant & Equipment are being used by the Company without reviewing their residual value and useful life according to the paragraph 51 of the LKAS 16 and those assets were not presented in the financial statements in accordance with paragraph 79(b) of the Standard. Therefore, it is observed that the fair value of the non-current assets is not reflected in the financial statements for the year under review.	The Board of Directors granted approval to obtain the service from the Department of Government Valuation for valuation of CPSTL properties on 05 July 2023. Agreement was signed with Department of Government Valuation on 18 December 2023. Valuation Department is in the process of valuing the asset base at Kolonnawa, Muthurajawela, 11 no's bulk depots and circuit bungalows. As of today, the valuation process for land and buildings has been completed. Detailed report on the portion of Lands & Buildings valuation were given on 06 June, 2024.	The company shall comply with the provisions of the Sri Lanka Accounting Standards.
(b)	According to the paragraph 07 of the LKAS 16, the Company had not capitalized installation of GPS tracking system completed on 31 March 2023 for 133 no's bowser fleet of the company amounting Rs.13 million. Instead, those assets had been accounted in work in progress in the financial statements for the year under review.	As a policy, CPSTL capitalize cost of capital projects once the project completion certificate given by the Engineering function, indicating overall completion of the project. Total value of Rs.471,542,929 worth of projects have been capitalized during the year 2023, upon the receipt of completion certificates or handover of responsibility to the user function to commence the operations or using of the capital assets. Out of the two	The company shall recognize its Work in Progress and Property Plant and Equipment in accordance with the provisions of the Sri Lanka Accounting Standards.

	working progress balances of Rs. 19,626,338 and Rs. 13,118,308 related to installation of GPS tracking system for 133 no's CPSTL bowser fleet. The cost of the total project was capitalized during the year 2024 upon successful completion of the entire project by contractor and handed over to the relevant user function.	

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
According to the balance confirmation letter from the Department of Inland Revenue, income tax liability, VAT & PAYE tax liability were Rs.364 million, Rs.322 million and Rs. 13 million respectively for the company. Further, the Company had appealed against those assessments. However, the company had not disclosed those material tax assessments as contingent liabilities in the Notes to the financial statements for the year under review.	CPSTL appeal against all IRD assessments received and no liability or penalties have been arisen or paid by the CPSTL. Management believe that the ultimate resolution of the legal procedures would not be likely to have a material adverse effect on the results of the financial position or liquidity of the Company. As per the "IRD Assessment Level Details of Taxpayer Report" received on 10 January 2024. Following total amounts have been shown as negative (excess) taxes due to many errors in the IRD system as most of these refunds are generated due to data entry errors in IRD RAMIS system. Accordingly, no provision has been made in the financial statements as contingent liability in this regard.	The Company shall review possible at each reporting date and make necessary arrangements to disclose material contingent liabilities in the notes to the financial statements**.**

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a.)	According to the financial statements of the Company for the year under review amount receivable from Ceylon Petroleum Corporation (CPC) was Rs. 7,357 million. However, as per the financial statements of the CPC, the	Reconciliation for Rs.1,229 million differences between the CPC & CPSTL current accounts balances had been provided to the audit. Decision has been taken to resolved most of the disputed transactions with CPC. The minutes of the meetings and the decision taken by CPC & CPSTL management are being provided to the audit.	The Company shall take timely actions to reconcile Intercompany balances and timely settle or recover dues from and to the related parties.

corresponding payable balance was Rs. 6,128 million and a difference of Rs. 1,229 million was observed. The company had reconciled the differences and had discussions with the CPC to agree with these differences. Accordingly, the company had mutually agreed with a net difference, of Rs. 313 million. However no any adjustments had been made in the accounts.

ERP Software Service agreement was signed between CPC, CPSTL & LIOC on 01 December 2023 to impart, share and utilize software and other proprietary information, where CPSTL have been providing the services with effect from 01 April 2010 onwards for unaccounted SAP maintenance charges (User Licence Fees) by CPC - Rs. 53.5 million.

CPC has already reimbursed SAP maintenance charges (User License fees) for the period from year 2020 - 2023 and first 6 months of year 2024 to CPSTL. SAP User License fees for the period from the years 2014 - 2019 remaining unpaid. This had been discussed with CPC management and agreed to settle old unpaid User License fees after obtaining the Board approval.

Bulk Transport (BTR) income of Rs. 163 million had been received as full payment subsequent to the period.

CPSTL agrees with the Auditor General’s comment on “there are no provisions included in the agreement signed between CPC & CPSTL during the year’s 2003 & 2019 to recover demurrage charges & leakage losses suffered by CPC from CPSTL”. CPC has issued a debit note and accounted for demurrage charges to be recovered from CPSTL without obtaining the prior approval from CPSTL.

Hence, officials have appointed to Demurrage Committee comprises from CPSTL operations & Commercial division of CPC for this purpose, and CPC/CPSTL agreed to honour the final decision given by the committee.

(b.) According to the financial statements of the Company for the year under review amount receivable from the Lanka Indian Oil Company (LIOC) was Rs. 693 million. However as per the balance confirmed by the LIOC it was Rs. 289 million and a difference of Rs.404 million was observed. Accordingly, the reconciliation had been prepared to identify the differences and bulk transport charges amounting Rs. 301 million had not been mutually agreed with the LIOC.	The reconciliation for Rs. 403 million differences between the LIOC & CPSTL Current account balances have been provided to the audit. Please refer the reply given by Operation Manager (BM & BP) by his letter dated 01st February 2021 regarding this dispute of Unsettled Demurrage payment for out-turn loss. As per the Board Decision No.14/231 of 24 November 2022, the Board of Directors granted approval to recover inter terminal bulk fuel transport charges of Rs. 300 million from LIOC on LBD fuel sales as per the clause No. 06 of the new agreement proposed to be signed with CPC & LIOC with effect from 01 January 2022. Accordingly, CPSTL has generated invoices for the value of Rs. 300 million and payments remain unsettled to date. Please refer the letter sent by Managing Director, requesting release of payment letter dated 12 June 2024 which is self-explanatory.	The Company shall take timely actions to reconcile Intercompany balances and timely settle or recover dues from and to the related parties.
(c.) Trade receivables represent amounts owed by customers for goods sold or services rendered in the ordinary course of business. However, the Company had reported receivables from Sinopec Energy Lanka Ltd amounting to Rs.243.7 million as other receivables instead of trade receivables.	CPSTL categorizes Sinopec Energy Lanka Ltd as a non-shareholding business partner for provision of Common User Facility services. Action will be taken to categorize Trade receivable from non-shareholding business partners under separate category for better presentation in the future.	The Company shall categorized trade receivable balances correctly in the financial statements**.**

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
According to the financial statements of the company for the year under review the amount payable to CPC was Rs. 301 million. However, as per the financial statements of the CPC the amount receivable from the company was Rs.228 million. Accordingly, a net difference of Rs.73 million was observed between these two balances as at 31 December 2023. However, gross transactions recorded by	The reconciliation for Rs. 73.1 million difference between CPC & CPSTL current account balances had been provided to the auditors.	The Company shall take timely actions to reconcile intercompany balances and timely settle or recover dues from and to the related parties.

CPC amounting Rs. 173.6 million, which lead to the above difference had not been mutually agreed and recorded in the financial records of the company as at 31 December 2023.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 2.3 of the Guidelines on Corporate Governance for State Owned Enterprises dated 17 November 2021.	The finalized strategic plan had not been submitted by the Company to the Ceylon Petroleum Corporation (the Parent) and The General Treasury.	The Strategic Plan was finalized twice in 2019 and 2021, but due to the changes in Management, board approval had not been obtained. However, new corporate plan spanning 2024-2028 is now finalized and is undergoing review by the Chairman for subsequent board approval. However, CPSTL ensured timely submission of its annual action plan to the Ministry, which underwent quarterly progress reviews. The Ministry subsequently forwarded annual action plans of CPSTL, CPC, PRDS, and the Ministry itself to the Treasury for review and oversight. CPSTL has forwarded board approved Annual Budget statements to CPC.	The Company should have strategic plan to achieve its strategic objectives in compliance with the relevant guidelines and its strategic direction.

2. Financial Review

2.1 Financial Result

The operating results before tax of the year under review amounted to a loss of Rs. 314.5 million and the corresponding loss in the preceding year amounted to Rs.704.1 million. Therefore an improvement amounting to Rs. 389.6 million of the financial result was observed. The reasons for the improvement were increase of terminal income by Rs. 534.7 million, transport income by Rs. 230.2 million, interest on staff loans by Rs. 136.6 million and laboratory testing charges by Rs. 76.7 million.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding four years (04) with the percentage of increase or decrease were as follows.

Years / Line Item		2023	2022	2021	2020	2019
Revenue	**Rs. Mn**	**10,150**	**9,433**	**14,276**	**12,568**	**15,340**
Variance	Rs. Mn	717	(4,843)	1,708	(2,772)	2,210
Percentage of Variance	%	7.6	(33.9)	13.5	(18)	16.8
Direct Cost	**Rs. Mn**	**(6,846)**	**(6,806)**	**(8,369)**	**(7,634)**	**(8,580)**
Variance	Rs. Mn	40	(1,563)	753	(946)	677
Percentage of Variance	%	0.58	(18.6)	09.6	(11)	8.6
Other Operating Income	**Rs. Mn**	**1,180**	**1,309**	**706**	**573**	**852**
Variance	Rs. Mn	(129)	**603**	**133**	**(279)**	**148**
Percentage of Variance	%	(09.8)	85.4	23.2	(32.75)	21
Administrative Expenses	**Rs. Mn**	**(5,098)**	**(4,925)**	**(5,061)**	**(4,463)**	**(4,937)**
Variance	Rs. Mn	173	(136)	(598)	(474)	410
Percentage of Variance	%	3.5	(2.6)	13.4	(9.6)	9
Finance Income	**Rs. Mn**	**307**	**285**	**202**	**309**	**323**
Variance	Rs. Mn	22	83	**(107)**	**(14)**	**205**
Percentage of Variance	%	7.7	41	(34.6)	(4.3)	173.7
Profit for the year	**Rs. Mn**	**(315)**	**(704)**	**1,578**	**2,138**	**2,289**
Variance	Rs. Mn	389	**(2,282)**	**(560)**	**(151)**	**767**
Percentage of Variance	%	55.2	(144.6)	(26)	(6.6)	50

2.3 Ratio Analysis

Key ratios as compared with the preceding four (04) years and major observations along with the reasons and impact thereon were as follows.

Year / Ratio		2023	2022	2021	2020	2019
Profitability Ratios						
Gross Profit Ratio (GP) (%)	%	32.55	27.9	41.38	43.73	44.07
Operating Profit Ratio	%	(6.12)	(10.49)	9.64	13.48	12.82
Net Profit/ (Loss) Ratio	%	(3.10)	(7.46)	11.06	15.76	14.92

Liquidity Ratios						
Current ratio	Times	6.62	5.36	5.7	8.66	6.95
Quick Ratio	Times	6.23	5.06	5.46	8.24	6.61
Investment Ratio						
Return on Assets (ROA)	%	(0.96)	(2.09)	4.74	6.67	7.04
Earnings Per Share	(Rs.)	0.05	(1.41)	1.56	2.64	1.74
Gearing Ratio						
Debt to Equity Ratio	Times	0.22	0.23	0.21	0.20	0.22

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
The company has imported 02 Mooring Hawsers with thimbles at a cost of Euro 44,911 and it has been handed over to the company in 2022 and 2023. Further, it was observed that one Mooring Hawser worth Rs.13 million was damaged beyond use due to unsafe storage in an outdoor warehouse of the Company's Oil Facilities Division. Therefore, it is observed that the Company has not considered ascertaining the conditions under which the hawser to be stored and adequate measures had not been taken to prevent damages during storage. Furthermore, it is observed that the Company has not installed an online inventory monitoring systems	When the said mooring hawser delivered to Sri Lanka (with another mooring hawser), the storing spaces of Oil Facilities Office (OFO) was fully utilized. Specially, due to scheduled overhauling of Crude oil SPBM (SPBM 1). Around Rs. 350 million valued spare parts had stored at OFO for this overhauling. Most of them are stored in open-air warehouses. Therefore, it was arranged to store those two numbers of mooring hawsers at main stores of Kolonnawa Terminal and planned to bring them to OFO at Colombo harbor when necessary for the installation. The hawsers had been inspected by the officers of OFO and has confirmed there were not any damages after delivery. Considering the practiced operational life, next hawser installation was on 25 April 2024 unless if there was not any emergency hawser failure. However, the main store has informed OFO to bring the remaining hawser to OFO several times during August and September 2023. Considering the continues requests, The hawser brought to OFO on 15 September 2023 and unloaded at only available space with shelter and can access by the boom truck which can protect the hawser from rain and sun rays. OFO confirmed that there was not any damage after	The management shall take necessary preventive actions to avoid any damages to the properties of the company and carry out an investigation to identify any negligence or non-performance of the officers involved in this regard and take appropriate actions to restate the damaged property.

covering this unit although it has used to storage high valued inventory in open air and assets relating to the offshore operations.

unloading.

While look in to the storing space of OFO, there are many open storing spaces and only few closed spaces which can locked.

Closed storages are used for small and light items which can move manually.

Even the largest locking space cannot access by a boom truck for handling such hawser considering the load and dimensional limitations and personal/machinery safety.

However, in few occasions hawsers has stored in said store violating the safety limits of boom truck handling. This cannot be recommended and boom operators are not allowed to do so.

Normally high valued marine hoses (maximum 48 numbers of hoses around or above Rs. 20 million valued each) are stored in open spaces which are secured by the security staff.

12 numbers of security personals are allocated for OFO in continues shift basis for the property and personal security round the clock.

Subjected hawser also had stored as same way but with required shelters for the rain and sun ray. And this had done most of the time in the past as a practice.

OFO should have at least two spare hawsers for both SPBM 1 and SPBM 2. So maximum of 4 numbers of hawsers can be available at OFO at a time. But lockable storing facilities are not available for such count and practiced open space storing for them for a long time. And also, nothing had happened as a damage in such storing.

At that time the boom truck (227-7396) attached to OFO also was at the garage for a repair

The old boom truck (42-5215) of Engineering Function which has low length tailor had to use for the transportation and hence the hawser loaded without the wooden box (it was not possible to load the hawser with the box due to the dimensional limitations of the truck).

Further to that, the box was filled with the water at that time and it confirmed by the Store Keeper of OFO who send to transfer the hawser.

Therefore, with instructions of OFO, hawser unpacked and transported by the old boom truck (227- 7396) from Kolonnawa terminal to OFO, considering the continuous requests of main stores.

Few years back Ceylon Petroleum Corporation tried to

		construct a warehouse at OFO yard for marine hoses. But it was not continued with the issues of the land which belongs to SLPA. OFO has requested CCTV surveillance system several times. Although it was included to the annual budgets, not approved for years. Also, a CCTV system has recommended by the International Ships & Port Security Office as a mandatory requirement for OFO. However, after this incident, a board approval has granted for a CCTV system and procurement process is in progress. And purchasing of temporary storages are also in progress.	

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The main business operation of the Company as per the Common User Facilities Share Holder's Agreement dated 30 December 2003 entered into between the Government of Sri Lanka (GOSL), the CPC and the LIOC was to store the fuel stocks owned by CPC and LIOC through 02 main terminals and 11 sub-depots and distribute them to the authorized dealers and customers spread across the country as per the instructions of those companies who owns the fuel stock. The main activities in the process of supplying of petroleum products to the authorized dealers of the CPC, such as accepting fuel orders from dealers and consumers, verifying the credit limits and related pre-qualifications, issuing invoices, collecting cash from dealers, which should have been handled by the marketing division of the CPC, had been carried out by the Company. Therefore, it was observed that the Company had been engaging in the tasks outside its main scope of storage and distribution of	The following decisions were taken at the CPC & CPSTL managers meeting held on 11th June, 2024 Discontinue CPC bulk fuel sales order processing activities done by CPSTL orders function with effect from 01 July 2024 to avoid duplication of work. CPC Finance, Marketing & Area office staff should take responsibility to update the SAP ERP daily bulk fuel sales orders and create outbound delivery orders with effect from 01 July 2024 onwards. Managing Director instructed CPC/Marketing Manager to give instructions to all dealers to place their bulk fuel sales orders via mobile application developed by CPSTL IT function to avoid unnecessary delays in processing of bulk fuel sales orders.	The management shall decide the company's scope based on its mandate and work accordingly.

petroleum products. Further, such activities were not covered by the Common User Facilities Share Holder's Agreement.

3.3 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a.)	According to the Section 03 of the Settlement Agreement dated 05 January 2007 between the Government of Sri Lanka and LIOC, the delivery of petroleum products by LIOC from its China Bay installation had been limited to a maximum of 5 per cent of the Country's throughput of petroleum products, and the delivery of petroleum products by CPC had been limited to a maximum of 5 per cent excluding the deliveries from Sapugaskanda Refinery. However, a proper system to monitor the delivery process had not been established by the Company. Therefore, there was a risk of losing of income from throughput charges of the Company.	The CPSTL has signed "Storage & Distribution" (formerly known as CUF) agreements with Sinopec Energy Lanka (Pvt) Ltd, RM Parks (Pvt) Ltd, & United Petroleum Lanka (Pvt) Ltd to provide the services to new entrance of the players in the petroleum industry as per the decision taken by the Government of Sri Lanka. In addition to the above CPC & CPSTL have signed an addendum to the CUF agreement on 03 June, 2024. With the signing of new agreements with stakeholders all agreements signed with CPC & LIOC in 2003 & 2007 will supersede the previous contracts. To protect risk of losing throughput income of CPSTL. New clauses have been included in the "Storage & Distribution" agreements to guaranteed minimum throughput volumes to CPSTL.	The management of the company shall implement a proper system to monitor the delivery of petroleum products in line with the CUF agreement in order to secure the income of the company.
(b.)	It was observed that the Shareholders Agreement and Share Sales Purchase Agreement for the common user facility among CPC, LIOC and CPSTL had expired on 31 December 2008. Therefore, it is observed that since 2011, the pricing formula used to determine the collection of transport charges, including finish charges and slab charges, has not been revised with the agreement of all parties concerned.	Common user facility (CUF) Agreements signed in the year 2003 and 2007 among the CPC, LIOC and CPSTL will supersede the new agreements signed with CPC during the year 2019 and 2024 and "Storage & Distribution" agreements signed with Sinopec, RM Parks & United Petroleum. A new agreement proposed to be signed with LIOC during the month of July, 2024	The management shall make necessary arrangements to renew Common User Facility (CUF) Agreements with all parties to maintain uniformity among the players in the market.

		in line with the agreement already signed with CPC. Thereafter CPSTL throughput charges will be equally applicable to all 05 players in the country with the minimum guaranteed throughput volume to be managed through CPSTL in the future.	
(c.)	The nine bulk depots maintained by the Company are being used under the lease basis of lands assigned to the Sri Lanka Railways Department. The lease agreement with the Department of Railways for the use of these lands had expired in 2013. Even though, the Company has still used these lands, without renewing the lease agreement or entering into new agreements.	The company continued to use CGR lands even after the expiry of the lease agreements as there is no other option and continuing the operation of depots is a must. After 2014, the CGR has increased lease rentals more than 100% by doing valuation including improvements done by the company. Since the company did not agree to pay the unjustifiable increased lease rentals, with the board approval the lease rentals were paid on prevailing rates from 01 January 2014 to 31 December 2021 until correct valuation is done by CGR. The CGR did not agree to execute the lease agreements with retrospective effect. They have consented to execute lease agreements for a period of 05 years from 2023 onwards on the payment of arrears of lease rentals for last 08 years. Until resolving the payment issue, the execution of the lease agreements cannot be completed. The CGIR has already submitted the draft lease agreements until 31 December 2027.	The management shall make necessary actions to regularize the use of CGIR lands by entering into mutually benefitted agreement with the CGIR.

3.4 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
The Company had commenced the construction of new pump house in Zone 06 Kollonnawa Oil Terminal in the year 2018. Instead of constructing pump house as single package of construction, the Company had sliced this work in to 05 separate constructions such as construction	CPSTL slice the construction to get the cost effective offers from the respective bidders, so that electrical civil and mechanical contractors can participate in their respective contract with a reasonable cost. Otherwise, if this is awarded to for eg. Civil contractor he would load additional cost to the electrical	The management shall make necessary arrangements to complete the balance part of the pump house and use

of pump house building, construction of pipe support, electrical fittings, yard development and make simplex basket strainer and the Company had awarded these 05 constructions to 05 separate contractors. The construction activities of construction of pump house building, electrical fittings and yard development had been completed during the year 2019 and 2020. However it was observed that the construction of pipe support had not been completed by the end of the year under review. As a result, pump house is not in a condition for intended use. However, sum of Rs. 97 million had been incurred for the construction up to the end of the year under review.

and mechanical work. Although Construction of product pump house building at zone 6, Construction of piping trench and yard development, Purchasing Strainers completed as per schedule. As the finals slice, "Construction of pipe supports and related structures of piping system," was awarded to the Contractor, Ms. RS Projects (Pvt) Ltd." Due to the drastic price increase of steel and other items in the market, the Contractor requested price escalation without considering ceiling limit (20%) published by the Cabinet Memorandum dated 06 December 2021. Accordingly, CPSTL was compelled to terminate the contract on 07 March 2023. After long rounds of discussions and price escalation approvals the contract was reinstated with the budget enhancement on 24 January 2024 and to be completed the project by 30 September 2024.

it for the intended use as soon as possible.