

Lanka Sugar Company (Private) Ltd - 2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Lanka Sugar Company (Private) Ltd 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 material accounting policy information 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.

I do not express an opinion on the financial statements of the Lanka Sugar Company (Private) Ltd. Because of the significance of the matters described in paragraph 1.5 in this 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 of Opinion

My opinion is disclaimed based on the matters described in paragraph 1.5 in this report. I have not been able to confirm or verify the quantitative items which include the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows by alternative means. As a result, I have not been able to determine whether any adjustments needed to be made to the recorded or unrecorded values or transactions of the values or items forming the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

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 Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Audit Observation	Comments of the Management	Recommendation
(a) According to paragraph 32 of Sri Lanka Accounting Standard 01, unless otherwise permitted or required by an accounting standard, even though income and expenses of an organization should not be offset, an income of Rs.3,406,051,222 in Pelwatte division related to the year under review had been offset against expenses in the financial statements.	Due to recognizing as income and debiting to farmer loan accounts without crediting them to expense accounts related with goods and services provided on a credit basis, the balances were included in the trial balance.	According to Sri Lanka Accounting Standard, financial statements should be prepared without offsetting income and expenses.
(b) As per paragraph 117 of Sri Lanka Accounting Standard 01, although significant accounting policies used in the preparation of financial statements should be disclosed, even though a sum of Rs.20,141,781 receivable from two institutions and one project since 2014 related to the Sevanagala division had been provisioned as doubtful debt, the reasons and relevant accounting policies to those provisions had not been disclosed in the financial statements.	Agreed to rectify this in the upcoming year.	The policy to provision for doubtful debts should be disclosed in the financial statements.
(c) According to paragraph 51 of Sri Lanka Accounting Standard 16, although the useful life time of non-current assets should be reviewed annually, as it was not done accordingly, the property plant and equipment worth Rs.386,601,213 in Sevanagala division and Rs.1,745,910,345 in Pelwatte division	Asset revaluation was done for Pelwatte in 2024, and is ongoing for Sevanagala division and action will be taken to adjust in the accounting reports with board approval.	Action should be taken to review the useful life time of non-current assets annually according to paragraph 51 of Sri Lanka Accounting Standard 16 and to state correct

which is being in use had been fully depreciated by the end of the year under review. Accordingly, this estimation error had not been rectified as per Sri Lanka Accounting Standard 08 and stated the correct carrying amount in the financial statements.

carrying value in financial statements by rectifying according to the Standard 08.

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| (d) | As per Sri Lanka Accounting Standard 02, although inventory issuing should be valued on First In First Out basis or Weighted Average Cost basis, the inventory issuing done by the Pelwatte division had been valued based on the last purchase price. As a result, the discrepancy of Rs.25,176,099 between cost and issuing value had been adjusted to the expenditure of the financial statements through valuation adjustment account in the year under review. It was observed that, the correct expenditure of each expense items was not reflected in the financial statements due to this accounts adjustment which is arisen because of the defects of accounting software. | According to the accounting system used by the institute, all items purchased to maintain the inventory is valued at the last purchase price. Proportionate adjustments in discrepancy of monthly collected inventory vales in cost reports have been applied from the beginning. That it is decided to use the weighted average method with the new accounting software. | Inventory valuation should be done according to Sri Lanka Accounting Standard 02 and presented accurately in the financial statements. |
| (e) | Rs.645,635,024 has been received as government grants on six occasions since 2014 for acquiring and constructing capital assets and construction/ acquisition of assets had been concluded by the end of the year under review. However as no adjustment was done according to Sri Lanka Accounting Standard 20, grants had been overstated and retained earnings had been understated by that amount. | Funds provided by the government for working capital requirements were identified as government grants and recorded in a manner reflecting increased equity, and corrections will be made in 2024. | Government grants should be properly accounted as per Sri Lanka Accounting Standard 20. |
| (f) | In 2012, when the company was taken over to the government, Rs.819,520,305 of government grants has been provided by the Ministry of Productivity Improvement through District Secretariats of Monaragala and Hambantota for working capital requirements. As this government grant | That the funds utilized by the government for working capital requirements have been identified as government grants and recorded as a way that increased equity and will be corrected in 2024. | Government grants should be properly recorded as per Sri Lanka Accounting Standard 20. |

had not been accounted as per Sri Lanka Accounting Standard 20, retained earnings had been understated and the capital grant had been overstated by that amount.

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| <p>(g) Since the 32,136 liters of furnace oil worth Rs.7,487,688 issued from Pelwatta division to Sevanagala division in five occasions during months of April and July 2022 were not accounted as expenses in 2022 and recorded under inter-company accounts in the year under review, other receivables and retained earnings had been overstated by Rs.7,487,688 as at end of the year under review.</p> | <p>That there are documents that the furnace oil was received and used by Sevanagala division.</p> | <p>The used furnace oil stock should be recognized as an expense and accounted.</p> |
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1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Managements	Recommendation
(a) Due to only the total of each asset class of fixed assets in the distillery department established in Pelwatta division with a cost of Rs.760,763,818 had been included in the fixed assets register, the accuracy of depreciation expenses of the year under review and provisions for depreciation could not be confirmed by audit.	That, it has been planned to value these assets separately by item wise during asset valuation and document.	Assets should be correctly identified, and related depreciation expenses and provisions should be accurately accounted.
(b) Although the depreciation rates for field machinery and equipment, irrigation and miscellaneous equipment, and factory power plant and equipment valued at Rs.3,507,888,055 were 15, 6 and 5 percent respectively, assets with the cost of Rs.1,682,142,372 which related to that were depreciated at various rates from 2 percent to 50 percent and therefore, the accuracy of depreciation for the year under review and the provision for depreciation could not be confirmed.	That the action will be taken to update the depreciation policy with the revaluation of assets in the future.	Specific depreciation rates should be determined for assets and depreciation should be calculated in line with the depreciation policy.

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| (c) | Although, it had been highlighted in previous audit reports regarding the stock-in-transit balances of Rs.9,475,416 and Rs.4,904,160 which have been carried forward for over 8 years in the Sevanagala and Pelwatta divisions respectively, action had not been taken to settle those balances. | That, It is difficult to find the required documents for confirming the Rs.4,904,160 stock in-transit that is over 10 years old and actions will be taken to rectify it in future. | Investigate whether these goods were received and necessary actions should be taken to reconcile the accounts accordingly. |
| (d) | Although the clear ownership of 1.212 hectares of land at the Badalkumbura sugar cane purchase center utilized by Pelwatta division did not have to the sugar company, it had not been disclosed in the financial statements. | Any document regarding the ownership of the land does not have with the company and therefore there is an issue of including it in the reports. As the land is not included in accounts, no disclosure was made. | Lands utilized by the company should be disclosed in the financial statements. |
| (e) | Although the expense that spent on the ERP system by the Sevanagala division as of the end of the year under review was Rs.30,544,015, it had been accounted as Rs. 35,650,647. | As Rs.5,106,632 was paid on behalf of the Head Office, it will be adjusted through control accounts. | The correct value of the ERP system should be presented in the financial statements. |
| (f) | According to the physical stock verification reports for the year under review, although shortages of 306 stock items worth Rs.6,777,664 and excesses of 429 items worth Rs.5,192,624 were observed in Sevanagala division warehouses, adjustments had not been made in financial statements. There was 1,195 types of stock that physically verified but could not be valued and 504 items worth Rs.4,044,995 that obsolete or to be disposed of in warehouse. The adjustments had not been made for these stocks also. | Agrees with the audit observations and that these stocks were not included in the financial statements when taken over to the government. | All physically verified stocks should be included in the financial statements, and proper actions should be taken for shortages and excesses. |

1.5.3 Un-reconciled Control Accounts and Records

Audit Observation	Comments of the Management	Recommendation
According to the physical stock verification report as at 31 December of the year under review, although the stock balance of the Sevanagala division was Rs.2,764,156,341, as it was Rs.3,675,660,095 according to the financial statements, the value of the closing stock had been overstated by Rs.911,503,754.	According to the Act of Company takeover to the government in 2011, that only the fixed assets have been taken over and the current assets have not been accounted, and due to this, there is a discrepancy between the stock balance shown in the physical verification reports and the financial statements.	The closing stock balance should be accurately presented in the financial statements.

1.5.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Management	Recommendation
(a) As the sugar stock amounted to Rs.2,463,859, 790 of Pelwatte Division as at 31 December of the year under review was not physically verified, the accuracy of the balance could not be confirmed in the audit.	Due to the pressure during storage and issuing, it is difficult to clearly visualize the sugar bags for verification, and appropriate actions will be taken to rectify this situation.	All stocks should be physically verified and accurately presented in the financial statements.
(b) Although a net amount of Rs.65,386,355 payable for the usage 20 tractors since 2011 to 31 December 2023 belonging to the institution engaged in dairy-related production as a separate institution, which was separated during government acquisition of Pelwatte Sugar Industries and Rs.19,601,068 receivable for the use of official residences belongs to the company by that institution was stated in the financial statements, lease agreements or balance confirmation letters to confirm those balances were not submitted for audit.	That the housing agreement with the said institution has been cancelled and actions have been taken to take over those houses, that four more houses are to be released, that the discussions are ongoing to return the 20 tractors, actions will be taken to settle the transactions with these institution and agreements will be made only on a cash basis in the future.	Receivable and payable balances from related public and private companies and transactions between the various divisions of Lanka Sugar Company Limited included in the financial statements should be comprehensively disclosed in the financial statements and documentary evidences to support them should be presented for audit.
(c) Evidence was not provided to the audit that, 12,792 liters of furnace oil worth Rs.5,359,848 transported from the Pelwatte division to the Sevanagala division on two occasions in July 2022 was received to the Sevanagala division.	Agreed. That there are documents to confirm that the furnace oil stock was received and used by the Sevanagala division.	All necessary documentary evidence should be submitted at the time of audit.

1.6 Noncompliance with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws/ Rules/ Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Order 30 of Part 1 of orders published by the Extraordinary Gazette No.1533/16 dated 25th January 2008 by the Minister as per virtue of the powers conferred by Section 23 (a) of the National Environment Act, No. 47 of 1980	The company had not obtained the required annual environmental license for sugar production or refining.	Legal requirements for obtaining the license are currently being fulfilled.	Environment protection methods should be established and obtained the license as per the Act.
(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka			
Paragraph 5.1 of Chapter XIX	Rent charged for officer's residences at Pelwatta Division had not been charged and repairing and maintenance costs had been borne by the company.	That a committee has been appointed to propose rental charges for these houses and to assign maintenance cost to the employees up to some limit.	Rent should be charged from officers for housing.
Paragraph 5.2 of Chapter XIX	Although the monthly house rent should be charged as a percentage of the employee's salary, the Sevanagala division of the company had not acted accordingly and had charged nominal rent at various rates ranging from Rs.100 to Rs.850 per month.	Valuations are being carried out to calculate the economic value of houses for the purpose of revising the monthly house rent.	House rent should be revised to reflect current market conditions.
Paragraph 5.8 of Chapter XIX	Although water and electricity bills should be paid by the officer, due to the facts that, charges are collected from the officer only when more than 60 units of water consumption	That, this concession has been provided from the beginning of Sevanagala unit and there is a Board approval for that.	The officer should bear the charges for electricity and water. Action should be taken to recover the charges paid by the company.

have been used in the Sevanagala division and after providing a monthly concession of Rs.250 for electricity consumption, the remaining electricity bill was recovered from the salary, the company's funds had been used to settle personal bills of Rs.11,394,170 relating to the company's officers during the year under review.

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| <p>(c) Financial Regulation No.371 (02) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular No.01/2020 dated 28 August 2021</p> | <p>Although only staff officers can be granted ad hoc interim imprest with the approval of the Accounting Officer up to a maximum amount of Rs.100,000 at a time, an advance of Rs.5,310,000 had been given to the Civil Maintenance Manager for a construction project on the approval of the Chief Executive Officer without act accordingly. By the audit date, although 05 months had passed since the completion of the relevant work, the advance had not been settled. Furthermore, Rs.5,130,000 had been spent at the discretion of the company's Civil Maintenance Manager without following the procurement procedure when purchasing construction materials. Accordingly, Rs.5,310,000 of state</p> | <p>Comments were not made.</p> | <p>A formal investigation should be conducted to recover any losses incurred by the company and necessary action should be taken against the responsible parties.</p> |
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funds had been spent on the renovation of a building that the company did not own, and this work had been carried out with the approval of the company's Chief Executive Officer.

(d) In Public Enterprise Circular No. PED 04/2023 dated 11 December 2023

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| (i) Paragraph 1.1 | According to the referenced paragraph, although the bonus that can be paid to the officers of the Sevanagala division and Head Office for the year under review was Rs.27,225,000, since Rs.133,572,776 had been paid as bonuses and incentives, an excess of Rs.106,347,776 had been paid contrary to the said provisions. | That the incentive payment is made according to an equation calculated by the institution. | The money paid in violation of the provisions of the circular should be recovered and necessary action should be taken against the parties responsible for making the payments. |
| (ii) Paragraph 1.2 | According to the referenced paragraph, although the incentive that can be paid for the Pelwatte division for the year under review was Rs.80,600,000, Rs.319,653,062 had been paid as incentive. Accordingly, Rs.239,053,062 had been paid in excess, contrary to the above provisions. | That the incentive payment is made according to an equation calculated by the institution. | The money paid in violation of the provisions of the circular should be recovered and necessary action should be taken against the responsible parties. |
| (e) Paragraph 6.9 of the Operations Manual for Public Enterprises dated | Although the Board of Directors is required to obtain the | That the write-off of farmer loans issued before 31 December 2015 has been | Necessary action should be taken against the parties who |

11 November 2021 as amended by Public Enterprises Circular No.01/2021(i) dated 16 May 2023	recommendations of the Audit and Management Committee when writing off receivables/losses to the Company in accordance with the provisions of the circular by Public Enterprises, the Company had made write-offs of Rs.473,274,504 during the year under review without acting in accordance with those provisions.	carried out with the approval of the Board of Directors.	responsible for writing off farmer loans without following the circular provisions.
Public Enterprises Circular No.01/2015 dated 14 January 2022	The 34,777 liters of fuel were provided to 22 officers in the Pelwatte and Sevanagala divisions contrary to the provisions of the circular, and Rs.11,782,196 had been paid for that.	That the payments have been made in accordance with an internal circular approved by the company's management.	The money paid in violation of the provisions of the circular should be recovered and necessary action should be taken against the responsible parties.

2. Financial Review

2.1 Financial Results

The financial result for the year under review was a profit of Rs.2,835,118,969, while corresponding profit for the previous year was Rs.6,045,575,871. Accordingly, a deterioration of Rs.3,210,456,902 was observed in the financial result compared to the previous year. This deterioration is mainly due to an increase in the company's total expenses by Rs.159,659,807 and a decrease in total income by Rs.3,050,797,095 compared to the previous year.

3. Other Audit Observations

Audit Observation	Comments of the Management	Recommendations
(a) Although the capacity expansion project at the Sevanagala factory was initiated on 23 April 2023, this project had not been put into operation by 07 August 2024 and the warranty	An investigation has been conducted into this matter and the report will be submitted immediately.	The project should be completed and operationalized immediately. A proper

period of the machines worth Rs.201,782,433 imported for this purpose had expired. Due to weaknesses in the import process, Rs.3,622,005 had been paid as delay charges. A machine worth Rs.7,723,058 had been imported without following the procurement procedure, and Rs.2,824,704 had been spent on providing food, drink and transportation facilities to the supplier's employees who came from India to install the machine.

investigation should be conducted, and any losses incurred by the company should be recovered and necessary action should be taken against responsible parties.

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| (b) | During the purchase of furnace oil for boilers at Pelwatte and Sevanagala units, the tender was awarded to an external party without following procurement procedures and purchasing from the Ceylon Petroleum Corporation. Accordingly, the relevant supplier had supplied unrefined black oil removed from ships and machinery instead of refined furnace oil and the company had paid Rs.341,687,582 for that. Since the boiler was constantly inactive during the period when the black oil was used, the company had lost 6,000 liters of ethanol production worth Rs.300 million during the 46 days of inactivity. | That the answers will be provided taking the documents after completion of the investigation in Bribery or Corruption Investigation Commission regarding this matter. | Action should be taken to obtain the relevant documents formally from the Commission and to recover the losses incurred by the company, and take necessary action against the responsible parties. |
| (c) | The 11 different projects that had been initiated in 2011 and subsequent years had been completely abandoned and Rs.176,665,880 had been spent on those 11 projects by the end of March 2022. Also even though 9 to 13 years or more had passed since the relevant project was initiated, those projects had failed to be completed. Accordingly, the expenditure of Rs.176 million had become an idle expenditure and the company had not been able to achieve its desired objectives. | That the 02 projects were initiated during the period of private ownership, and 09 projects were initiated after being taken over by the government and that further examination of these will be conducted to determine the possibility of their removal from the financial statements. | Necessary action should be taken against the parties who spent the company's money on projects that were implemented without proper study and have now been abandoned after the company was taken over by the government. |
| (d) | After the government took over the Pelwatte unit of Lanka Sugar Company Limited in 2011, the staff requirement (Cadre) for that unit of the company had not been identified and submitted to the Department of Management Services of the Treasury to approve the number of employees and to | That the manpower assessment had not been identified and approved when the government took over, and that the management had recruited employees from time to time based on need, A manpower | An appropriate manpower plan should be prepared and approved. Furthermore, the possibility of including those |

	prepare and approve formal recruitment procedures. Despite this, 159 employees had been recruited informally in 2021/2022 solely with the approval of the Board of Directors. Similarly, 510 employees had been promoted without following a formal procedure and checking their qualifications and experience.	plan has been prepared and submitted to the Department of Management Services for approval, and promotions have been provided to prevent employees from becoming dissatisfied with serving in the same grade for a long time.	employees in the company's staff on a regular basis should be considered by re-examining the appointments and promotions that have been made informally.
(e)	In order to obtain the steam required for the company's Sevanagala division's distillery, although a biomass boiler belonging to an external party was installed in the company and an agreement was made to obtain the 32,400 metric tons of steam required annually for Rs.317,520,000, formal procurement procedures had not been followed when selecting the relevant supplier. Furthermore, the factory consultant had prepared a cost-benefit analysis for this project using falsified data and submitted it to the board of directors for approval. Also, even though the relevant project was not operational as of 07 August 2024, an advance payment of Rs.48,600,000 had been paid to the supplier.	Agree with the audit observation, that the cost-benefit report was prepared and obtained the approval of the Board of Directors, that the import of the machine was delayed due to a shortage of foreign reserves at the relevant time, that the civil works were delayed due to a shortage of raw materials, and that a performance bond was not required since the project is being implemented under the BOO system.	Action should be taken against responsible parties for not following procurement procedures, preparing informal cost-benefit report, and making advance payments without proper approval and receiving performance guarantees.
(f)	An amount of Rs.10,260,433 had been spent from January 2020 to April 2022 to provide accommodation and meals at the company's guest houses to external individuals and institutions who are not related to the company's operations.	That a detailed report on the expenses incurred for accommodation and meal at the guest houses has been prepared, and will be submitted immediately.	The loss caused to the company should be recovered immediately and necessary actions should be taken against the responsible parties.
(g)	Out of the farmers who had obtained loans of Rs.1,262,363,910 from the company for sugarcane cultivation, 159 farmers who had shifted to other crops other than sugarcane cultivation had not been directed back to sugarcane cultivation and had not taken actions to recover those loans. Furthermore, out of the receivables, Rs.61,527,826 are loans older than 05 years and Rs.77,719,383	That, this loan balance will be decreased as unauthorized growers are encouraged to cultivate sugarcane, and that this loan balance cannot be eliminated as there are also groups who are encouraged to unauthorized cultivation every year. And it also takes a	Formal internal control systems should be introduced regarding farm loan management and a formal program should be developed to recover old loan balances.

	are loan balances for a period between 03 and 05 years.	significant amount of time to recover the debt since it takes at least two years to convert an unauthorized cultivation into sugarcane cultivation.	
(h)	The 2284 units of materials and equipment worth Rs.13,041,107 related to 18 vehicles that had been removed from use in the Sevanagala Division and 6269 units of materials and equipment worth Rs.85,305,687 that had not been used for more than 05 years had been kept in the warehouse without taking actions to dispose of them properly.	That there are legal obstacles to reaching a decision regarding the removal of these spare parts as there is a lawsuit pending regarding these spare parts.	After the court ruling, necessary actions should be taken accordingly.
(i)	There was a shortage of 1486 kilograms of brass and copper with an open market value of Rs.560,700 in the main warehouse of the Sevanagala Division.	An investigation is underway in this regard and the report will be submitted in the future.	The loss caused to the company should be recovered immediately and necessary action should be taken against the responsible parties.
(j)	The 2626 metric tons of sugar that Pelwatte division had sold in the year under review and had not been removed by the buyers at the time of the stock verification was in the warehouse and the company had provided storage facilities for this stock, which belonged to a third party, for a period of 04 to 48 days. Furthermore, the company had incurred storage costs, risk and by holding the inventory belonging to a third party with a sales value of Rs.885,962,222 and late fees of Rs.7,589,750 had not been charged.	Due to the crisis situation in the brown sugar market, buyers are taking a long time to clear their sugar stocks, and charging late fees is limiting buyers from bidding for future tenders.	Unpaid late fees should be recovered and a formal program should be developed and implemented to address the risks, additional costs, and late fees that the company may incur under such circumstances.
(k)	Although 04 land plots with 4.607 hectares of Pelwatte division valued at Rs.44,149,728 were recorded in accounts, out of that, the company did not have ownership of 1.686 hectares of lands valued at Rs.28,050,728 where the Pelwatte division and head office are located.	The issue regarding the ownership of the lands where Pelwatte and the head office are located has not yet been resolved and a case regarding the head office is pending.	The company should take action to acquire ownership of the lands in use and disclose this in the accounts.
(l)	In 2018, the Sevanagala Division imported an evaporator machine worth Rs.9,564,866 from India and paid customs duties of	The Audit Committee of the second quarter of 2024 was instructed to take disciplinary	It should be act in accordance with the instructions of the

	Rs.3,924,394. The customs duty of Rs.4,830,446 paid at the time of returned and re-imported in 2019 due to relevant accessories (SS Tube) were non-compliance with the specifications were not recovered from the supplier and therefore that amount had been loss to the company.	action against officers responsible for reporting to the Board of Directors.	Audit Committee and recover the losses incurred to the company.
(m)	Out of the 1072.89 hectares of land belongs Zone No.04 (Kovul Ara) and Zone No.05 (Ginigalpalessa) owned by the Sevanagala Unit, 74.21 hectares were used for unauthorized crop cultivation and 8.32 hectares for unauthorized construction (houses and shops).	Agree with the audit observation and legal action will be taken against unauthorized activities.	Since a significant amount of time has passed regarding these unauthorized activities, the necessary action should be accelerated.
(n)	In the year 2023, 276,015 kilograms of sugar were provided to the officers and farmers of the Sevanagala Unit at a price of Rs.65 and 208,195 kilograms at a price of Rs.170. The production cost of one kilogram of sugar in 2023 was Rs.262.69 and the company had incurred a loss of Rs.73,863,484 by providing sugar stocks at a price that did not cover the production cost.	Agree with the audit observation, that this concession had been implemented before the government took over, and that it will be referred to the Board of Directors for a decision.	Actions should be taken to prevent losses caused by providing stocks at prices below production costs.
(o)	Since warehouse items had been purchased without properly identifying the requirements, 7931 inventory items worth Rs.133,653,982 had been kept idle in the warehouse for a period of 05 years.	That 1662 inventory items that are more than 5 years old at the Pelwatte unit are being disposed.	Old, unusable stock items should be disposed of properly.
(p)	In 2013, the Pelwatte Division had spent Rs.120,750,000 to purchase a crane machine worth Rs.128,910,000 under lease facilities and Rs.2,254,850 to provide the necessary electricity. However due to the failure to install the machine in the factory as agreed by the supplier, this machine, which had cost Rs.123,004,850 remained unusable and idle from the date of purchase.	That the actions have been taken to file a lawsuit against the relevant supplier.	Formal action should be taken against the parties who responsible for this uneconomic expenditure.
(q)	Although the head office of the Lanka Sugar Company had paid Rs.4,445,682 as license fees to the Department of Import and Export Control in 2022 to import 5,000 metric tons of molasses, since the company had not imported	Even though the actions were taken to open letters of credit for this purpose, due to the shortage of foreign reserves, it had to be postponed until 2023.	Action should be taken against the parties responsible for spending the company's funds

the molasses, the expenditure incurred for that had been idle.	The Department of Import and Export Control has refused to repay the amount paid.	without due attention and consideration given to the crisis situation in the economy.
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