

Transactions report of the Lanka Building Materials Corporation Limited - 2024

The audit of the operational affairs of the Lanka Building Materials Corporation Limited (“Company”) for the year ended 31 December 2024 was carried out under my direction in pursuance of 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. The financial statements for the years 2020 to 2024, which were to be submitted in terms of Section 150(1) of the Companies Act No. 07 of 2007, had not been submitted even by 10 November 2025. According to the Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, my comments and observations which I consider should be report to Parliament appear in this report.

1. Financial Statements

1.1 Responsibilities of Board of Directors and Those Charged with Governance for the Financial Statements

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

1.2 Non Presenting of Financial Statements

	Audit Observation	Management Comment	Recommendation
(a)	Although the annual financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year as per paragraph 6.6 of the Manual included in the State Enterprise Circular No. 01/2021 dated 16 November 2021, The financial statements of the Lanka Building Materials Corporation Limited for the years 2020, 2021, 2022, 2023 and 2024 had not been submitted for audit until 20 March 2026.	<p>The draft financial statements for the year 2020, which were prepared by 13 November 2025, are currently being amended, and it is planned to submit the 2020 financial statements to the Auditor General once the Auditor General's report for the year 2019 has been received.</p> <p>Furthermore, the data relevant to the preparation of the financial statements for the year 2021 is being entered into the relevant accounting software. After entering the data, the financial statements prepared are planned to be submitted to the Auditor General on 16 February 2026.</p> <p>Subsequently, it is planned to finalize the draft financial statements for the years 2022, 2023, and 2024 and submit them to the Auditor General on 15 May 2026, 30 July 2026, and 15 October 2026 respectively.</p>	Arrangements should be made to submit annual financial statements to the Auditor General annually in accordance with the circular instructions.

2. Operational Review

2.1 Existing Assets and Liabilities

	Audit Observation	Management Comment	Recommendation
(a)	According to the financial statements prepared by the company as of December 31, 2019, the company's assets were Rs.565 million, liabilities were Rs.1,670 million, equity were Rs.(1,105) million, income was Rs.746 million and expenses were Rs.(304) million.	Agree	Management should plan its operations to utilize the company's assets efficiently and settle liabilities to minimize financial costs and enhance profitability.
(b)	The company's net profit margin had decreased from (-17) to (-21) from the year 2015 to the year 2019.	Agree	Management should take steps to strategically increase the company's profit margin gradually.

2.2 Accounts Receivables and Payables

	Audit Observation	Management Comment	Recommendation
(a)	According to the information submitted for audit, as of 31 December 2024, receivables older than 03 years amounted to Rs.82.32 million, while payables outstanding for over 03 years amounted to Rs.94.81 million.	Agree	Action should be taken to settle receivable and payable balances Promptly.

2.2.1 Long Term and Short Term Loans

	Audit Observation	Management Comment	Recommendation
(a)	The Company had obtained a short-term loan of Rs. 150 million from People's Bank on 03 occasions during the period from 02 March 2017 to 10 April 2018 to meet its working capital requirements. Due to the utilization of the loan for purposes other than its intended objective, the company had failed to settle the loan as scheduled and the total outstanding balance, including accrued interest as at 31 May 2025 amounted to Rs.264.10 million. Although the company agreed to pay Rs.0.5 million per month from 18 January 2022, it	Due to a weak financial position, a new payment plan has not been provided to date. Arrangements were made to pay in monthly installments of Rs.0.5 million each from 28 January 2022, to 26 May 2025. A total amount of Rs. 20 million has been paid by May 2025.	The loan proceeds must be used for the intended purposes and loan repayments must be made as agreed.

was not sufficient considering the amount of the loan and the Assistant General Manager of People's Bank had informed the company by letter dated 02 December 2022 to provide an acceptable repayment plan before 25 December 2022. Despite this, the company failed to provide such a plan and continued to make payments at the rate of Rs.0.5 million per month

- (b) In order to enable the company to overcome current financial difficulties and become a strong stakeholder in the construction industry, Bank of Ceylon had been given a loan amount of Rs.500 million to the company on 23 October 2018 with the approval of the Cabinet dated 28 March 2018 on a Treasury guarantee. Of the remaining amount of Rs. 301.38 million, after deducting the amount of Rs. 199.05 million due to the Bank of Ceylon, about 21 percent, i.e. Rs.105.98 million, was spent in 2018 and 2019 on administrative expenses including employee salaries, bank overdraft settlements, bank fee payments and loan interest, which were contrary to the purpose of obtaining the loan. The outstanding interest amount on this Rs. 500 million loan as of 02 October 2025 was Rs.426.31 million. Also, the 5-year grace period has been ended on 23 October 2023, after which the capital portion of the loan should be paid as scheduled, but repayment of loan or a payment plan had not been presented in this regard.

Regarding the loan amount of Rs.500 million, as per the bank balance confirmation as on 02 October 2025, the loan amount is Rs.500 million and the interest amount is Rs.426.31 million.

In accordance with the instructions provided during the discussion held with the Director General of the Department of Public Enterprises on 15 May 2025, a new five-year business plan will be formulated and a plan will be developed to implement this business plan and to settle the institution's outstanding debt by financing it through the sale of an asset owned by the institution.

The loan obtained should be used for the intended purposes and a proper plan should be prepared and implemented for loan repayment.

2.2.2 Purchasing of Goods

Following observations are made in this regard.

Audit Observation	Management Comment	Recommendation
(a) In accordance with the Board decision No.296/4/a dated 30 January 2023, the approval of the Director General of the Public Accounts Department was sought by letter No. 02/2022/සභා/අමා.කා/සිව්22 dated 02 December 2022 to appoint 02 committees consisting of 05 officers each to make	Currently, procurement activities will be carried out by a committee appointed by the line ministry.	Procurement committees should be appointed in accordance with the Government Procurement Guidelines.

procurement decisions, contrary to the Government Procurement Guidelines. The request was rejected by letter No. PDF/PMD/Clari/2023/UD & H/03 dated 01 March 2023 and instructed to act in accordance with the Procurement Guidelines and its relevant supplements. Although this was also reported in the audit query No.CAE/A/BMC/TR/2022/01, further procurement activities continued to be carried out by the same illegal committees..

(b) In accordance with Sections 2.8.1 (a) and 2.8.4 of the Government Procurement Guidelines, Technical Evaluation Committees should have been appointed for all procurements to ensure evaluations are conducted by experts in procurement subject matter; however, this requirement had not been complied with.

By now, a Technical Evaluation Committee has been established for the purpose of making procurement decisions.

Steps should be taken to appoint technical evaluation committees for procurement activities in accordance with government procurement guidelines.

(c) In accordance with Public Finance Circular No. 08/2019 dated 17 December 2019, every government institution was required to register as a procurement unit within the National e-Government Procurement (e-GP) System and act accordingly; however, the company had not complied with the relevant provisions.

Currently, the necessary steps are being taken to register in the e-Government procurement system.

In accordance with circular instructions, the organization must register with the National e-Government Procurement (e-GP) System and conduct procurement activities accordingly.

(d) In accordance with Paragraph 3.4.3 (c) of the Government Procurement Guidelines, a list of suppliers should be prepared after evaluating them through a committee consisting of at least three members appointed by the Head of the Procurement Entity; however, there was no evidence that such a procedure had been followed.

When registering suppliers for the year 2026, action will be taken in accordance with 3.4.3(c) of the Procurement Manual.

Suppliers should be registered in accordance with paragraph 3.4.3 (c) of the Procurement Guidelines and procurement activities should be formalized accordingly.

(e) Although suppliers were registered for the year 2025 by publishing newspaper advertisements on 27 January 2025, it was observed that suppliers registered in the years 2023/2024 also were re-registered at later stages and purchases were made from them.

Since the registration of these suppliers was limited, previously registered suppliers who have provided supplies to the institution over the long term were re-enrolled by renewing their registrations to ensure the continuity of business operations.

Registration of suppliers should be done according to proper procedures.

2.2.3 Procurement Management

Audit Observation

(a) It was observed that the supplier had been selected prior to the formal decision of the Procurement Committee regarding the selection of suppliers to provide 6,000 cubes of gravel and ABC mixture for the construction of the state company's parking lot. It was also observed that the supplier was registered after submitting the quotation. Although, in accordance with Supplement 35 of the Government Procurement Guidelines, the procurement method should have been selected based on the total procurement value, the initial supply of 6,000 cubes of soil was divided into 07 stages and the second order for 2,120 cubes was divided into 03 stages and was purchased based on the decisions of minor procurement committees. Accordingly, the total procurement value had not been estimated, and competitive bids had not been invited following the decisions of the appropriate procurement committee as per the relevant procurement authority limits. Accordingly, a total of Rs. 93.26 million had been paid to suppliers across 12 occasions for the supply of 8,870 cubes of gravel and 630 cubes of ABC mix. Furthermore, a Technical Evaluation Committee had not been appointed as per Paragraph 2.8 of the Government Procurement Guidelines. Since the soil supply was carried out based solely on quality test reports provided by the supplier itself, audit

Management Comment

The decision of the Procurement Committee was delayed in order to obtain the approval for the Procurement Committee Report only after receiving the initial soil sample report from the bidder who submitted the lowest price.

Although the initial purchase order was for 6,000 cubes, based on the customer's requirement, the soil was obtained from the supplier through 07 purchase orders for the first 6,000 cubes and through 03 purchase orders for the second phase.

Reports have been provided by the Provincial Road Development Authority on numerous occasions and this soil has been recommended as Type 01 Gravel Soil. It is also agreed that a Technical Evaluation Committee of the Institute had not been appointed before and a Technical Evaluation

Recommendation

In accordance with the Government Procurement Guidelines, the total requirement must be estimated within the specified financial limits, and procurement committees and technical evaluation committees must be appointed to select suppliers accordingly. Furthermore, action must be taken to ensure that relevant quality inspections are conducted accurately and in a timely manner.

could not be satisfied that Type 01 quality gravel had been supplied.

Committee has now been appointed for the year 2025.

(b) In carrying out the procurement mentioned in (a) above, although Paragraph 3.4.3 (c) of the Government Procurement Guidelines stipulates that purchases from registered suppliers must be limited to entities included in the procurement entity's formal registry, there was no evidence that three of the eight suppliers considered for the procurement were registered with the company.

Since only 05 suppliers had registered, price quotations for this order were also obtained through suppliers who had been registered with the institution in previous years.

The registration of suppliers should be formalized and steps should be taken to purchase construction materials accordingly.

(c) Although the company is an entity registered for VAT, sales invoices were issued instead of Tax Invoices during the sale of soil related to the aforementioned procurement. For the total sales value of Rs.95.13 million generated in the year 2024, the VAT amount that should have been remitted to the Department of Inland Revenue amounted to Rs.17.12 million.

The organizational procedure followed to date was to issue VAT invoices during the invoicing of items only if a VAT invoice had been received for the goods purchased to the institution. The same procedure was utilized for these supplies as well.

When selling goods to VAT-registered entities, action must be taken without delay to issue Tax Invoices, collect the relevant VAT, and remit it to the Department of Inland Revenue.

(d) Outside the primary objectives of the company, goods totaling Rs. 2.94 million, which were not classified as building materials, were purchased as an intermediary and subsequently sold to government institutions during the year.

Not answered.

Operational activities related to the company's objectives must be carried out efficiently and effectively.

(e) Through purchase orders No. 2024/TR/249 and 2024/TR/372, the company incurred a financial loss by selecting entities that supplied goods at higher prices on a credit basis instead of selecting the companies that had submitted the lowest price quotations.

Due to the financial difficulties faced by the institution, procurement decisions for purchase orders No. 2024/TR/249 and No. 2024/TR/372 were made by considering factors beyond the lowest price such as the availability of credit facilities, the duration of the credit period, and the provision of transportation facilities to ensure the continued operations of the organization.

Suppliers should be selected according to procurement guidelines in a manner that is most beneficial to the company.

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| <p>(f) Although, when paying to suppliers, it is mandatory to prepare and verify payment vouchers by cross-checking invoices, goods received notes (GRNs), and purchase orders before approving the disbursement of funds, during sample testing, it was observed that contrary to this procedure, the company had paid full payments upfront with the purchase orders, prior to the actual receipt of goods.</p> | <p>The institution has resorted to making payments alongside purchase orders to maintain its day-to-day business operations. Due to the inability to provide bank guarantees and the accumulation of outstanding dues to suppliers for goods previously obtained on credit, the institution has been unable to procure further goods on a credit basis.</p> | <p>When approving payments for purchases, must confirm that the goods have been received.</p> |
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2.2.4 Sales of Goods

Audit Observation	Management Comment	Recommendation
<p>(a) According to the report submitted by the Corporation's Accounting Division for the year 2024, the sales revenue was Rs.261.60 million, while according to the report submitted by the Marketing Division, the sales revenue was Rs.254.36 million. Accordingly, a difference of Rs.7.24 million was observed in sales revenue between these two divisions.</p>	<p>Relevant comparisons are being made to verify the differences between the sales data received from the sales department and the sales data recorded in the finance department.</p>	<p>Correct sales revenue should be calculated and corrections should be made promptly in the next year's financial statements.</p>
<p>(b) According to the records of the Marketing Division, the sales revenue of 15 sales centers, which stood at Rs.357.65 million in the year 2023, decreased to Rs.114.06 million in 2024 and decline in revenue amounting to Rs.243.58 million.</p>	<p>Agreed.</p>	<p>The reasons for the decline in revenue should be identified and steps should be taken to increase sales revenue.</p>

2.3 Operating sales centers at a loss

Audit Observation	Management Comment	Recommendation
(a) Due to the failure to prepare monthly financial statements for the company's sales centers in 2024, it was not possible to ascertain the individual profit or loss of each center and according to information submitted for the period from January to 30 June 2025, it was observed that 17 sales centers were operating at a loss.	Agreed	Steps should be taken to prepare monthly accounting reports for sales centers and increase income through sales promotion.

2.4 Non-compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
(a) A sales revenue of Rs.2,924.73 million had been received Under the company's tile import project from September 2021 to 31 December 2023, but the value added tax of Rs.129.59 million collected under the Value Added Tax Act No. 14 of 2002 had not been remitted to the Inland Revenue Department even up to the audit date of 15 August 2025.	The VAT returns for the years 2022 and 2023 were prepared and submitted to the Inland Revenue Department in 2025. According to those reports, a total of Rs. 118.79 million is to be paid, comprising Rs. 112.44 million for the year 2022 and Rs. 6.35 million for the year 2023. However, due to the institution's weak financial situation, it has not been possible to pay this amount at this time.	Taxes collected under the Value Added Tax Act should be properly remitted to the Inland Revenue Department.
(b) Although tax returns must be submitted to the Commissioner of Inland Revenue on or before the last day of the month following the end of each taxable period in accordance with Section 21(1) of the above Tax Act, the company had not submitted the tax returns for the year 2024 by the audit date of 28 August 2025.	The Value Added Tax returns for the years 2022 and 2023 have been submitted to the Inland Revenue Department as at the reporting date, and the Value Added Tax returns for the year 2024 will be submitted to the Inland Revenue Department by the end of November 2025.	Tax returns must be submitted to the Inland Revenue Department on the due dates as per the Value Added Tax Act.
(c) In accordance with paragraphs 22 (6)(iii) and (iv) of the Value Added Tax Act No. 14 of 2002, as amended by the Value Added Tax (Amendment) Act No. 15 of 2009, input tax credits for	Agreed.	Disciplinary action should be taken against responsible officials who failed to submit VAT returns

local purchases must be claimed within 12 months and for imports within 24 months from the date of the invoice by submitting the relevant tax returns. However, since this had not been done, the opportunity to deduct Rs. 90 million in taxes paid in advance (input tax) on sales made during the period had been lost. Accordingly, the total value added tax paid on tile imports in 2021, 2022 and 2023 of Rs. 61.41 million, Rs. 60.13 million and Rs. 1.74 million respectively was Rs. 123.28 million, and the company had also lost those values due to non-submission of reports.

within the relevant time limits, and immediate action should be taken to prevent future losses.

(i) The company had lost VAT on local purchases amounting to Rs. 28.66 million for the year 2021 alone and was further unable to deduct the tax paid on local purchases until 30 August 2024. Accordingly, the company had lost Rs. 151.94 million in total VAT paid on domestic purchases declared for the year 2021 and imports made to date.

Agreed

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(d) Although a company registered for Value Added Tax (VAT) is required to issue Tax Invoices for all sales, except for items specifically designated as tax-exempt by the Department of Inland Revenue, only the sales of cement, iron, and tiles had been calculated as taxable income. Conversely, the sales of sheets and other items were recorded in the VAT returns as VAT-exempt supplies. When questioned by the audit, it was stated that VAT payments are made only for sales of goods purchased from VAT-registered suppliers. Accordingly, it was observed that the company had violated the Value Added Tax (VAT) Act. A sales revenue of Rs. 2,233.56 million, which should have been subject

The institution has followed this same methodology since previous years when calculating VAT. Since a majority of the institution's suppliers are not registered for VAT, the value-added tax must be added when selling goods to general customers, which consequently results in a price increase for those customers. Accordingly, this method has been adopted as there is a large difference in prices with other suppliers. However, in the future, we will discuss with the management to calculate VAT according to the correct methodology and take corrective

According to the Value Added Tax (Amendment) Act No. 15 of 2009, VAT invoices must be issued for sales items other than tax exempt items; VAT must be collected and remitted to the Inland Revenue Department.

to VAT, was recorded as VAT-exempt supplies and VAT was not collected and remitted to the Department of Inland Revenue, resulting in a loss of Rs. 178.68 million in tax revenue to the Government for the year 2021.

action.

- (e) In accordance with Paragraph 20 (6) of the Value Added Tax Act No. 14 of 2002, as amended by the Value Added Tax (Amendment) Act No. 07 of 2003, any registered person must issue a Tax Invoice for any taxable supply made to any government institution. However, it was observed during the audit that the company has failed to issue such Tax Invoices.

Necessary steps will be taken in the future to issue VAT invoices according to the correct procedure after discussing with the management.

Tax invoices should be issued for taxable supplies.

2.5 Paying Rates and Taxes

Audit Observation	Management Comment	Recommendation
(a) The outstanding Rates and Taxes amounting to Rs. 19.24 million and the related fine amounting to Rs. 4.34 million due to the Colombo Municipal Council from the year 2007 to 31 December 2023. A total of Rs. 24.17 million in outstanding Rates and Taxes and fines remained to be settled as at 30 June 2025, while Rs. 0.35 million in garbage removal fees remained to be paid.	Despite the financial difficulties, the company has taken steps to make the assessment tax payments for the years 2022, 2023 and 2024. Payments related to the outstanding assessment tax amount of Rs. 24.46 million as at 30 September 2025 will be included in the new five-year business plan and payments will be made according to that payment plan.	Assessment taxes should be paid before the due date.
(b) Action had not been taken to pay the total outstanding Rates and Taxes and fines amounting to Rs. 1.74 million due to the Moratuwa Municipal Council from 2008 to 31 December 2024 and the outstanding Rates and Taxes and fines amounting to Rs. 0.16 million due to the Kandy Municipal Council as of 31 December 2024.	Despite the financial difficulties, the company has taken steps to make the assessment tax payments related to the year 2023. Payments related to the outstanding assessment tax amount of Rs. 1.79 million as of 30 September 2025 will be included in the new five-year business plan and payments will be made according to that payment plan.	-Do-

2.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

	Audit Observation	Management Comment	Recommendation	
(a)	Paragraph 6.7 of the Operations Manual for State-Owned Enterprises introduced by the Public Enterprises Circular No. 01/2021 dated 16 November 2021	Although the Board of Survey report for the year 2024 was submitted on 23 July 2025, there were no reports regarding goods to be disposed of and the disposal activities had not been completed.	As per the circular provisions, the Board of Survey Report for the year 2024 was prepared in Form 66 and there was no difference between the main ledger balance and the actual balance, therefore there were no excesses/shortages. Although the Board of Survey Report specifies items to be disposed of, the Board of Directors' approval for their removal was received in 2025, and the disposal process is scheduled to be carried out in the future.	Management should take steps to promptly carry out disposal activities as per the recommendations of the Board of Survey.
(b)	Asset Management Circular No. 01/2017 dated 28 June 2017 and the Deputy Secretary to the Treasury Circular No. MF/CG/02/(Cir) dated 10 October 2018.	The company had not submitted information about office equipment and furniture to the Comptroller General's office.	It is scheduled to be presented to the Comptroller General in the future.	Action should be taken to promptly submit information on office equipment and furniture to the Comptroller General in accordance with the circular.

2.7 Non-repayment of the advance of Rs. 50 million received from the Inland Revenue Department

	Audit Observation	Management Comment	Recommendation
(a)	Although a 100 perches plot of land belonging to the Building Materials Corporation located at Sri Sangharaja Mawatha, Colombo 12, was transferred to the Inland Revenue Department on 22 February 2008 in accordance with the	According to the discussions held between the Department of Inland Revenue and the Company on 29 June 2023, regarding this matter, a request was made to transfer a 40-perch plot of land from the Kalutara	Advance payments should be settled promptly.

Cabinet Decision No. 403/07/1625/342/021 dated 27 September 2007 and an advance of Rs. 50 million was received from the company on 22 February 2008, by a subsequent Cabinet Decision No. 12/0446/540/005 dated 07 May 2012, the aforementioned Cabinet Decision of 2007 was cancelled, and the advance payment received was required to be refunded. This payable advance amount was shown under non-current liabilities in the financial statements for the year 2019, which were the latest statements submitted for audit. Although the Inland Revenue Department had requested the return of this amount, no action had been taken to pay this Rs. 50 million to the Inland Revenue Department so far.

branch instead of the Rs. 50 million; accordingly, it was decided to take action in this regard. In a subsequent discussion, it was noted that the land in Kalutara has been granted solely for the Company's use; therefore, it was suggested that the Board of Management discuss the procedure for transferring the said land and plan the future course of action.

2.8 Improper Transactions

Audit Observation	Management Comment	Recommendation
<p>(a) An employee who was appointed as a Sales Assistant on 09 May 2011 was appointed as the Assistant Secretary (Professional Affairs and Employee Relations) of the State Ministry of Rural Housing and Construction and Building Materials Promotion with effect from 01 January 2021, pursuant to the Cabinet Decision No. 403/20/1992/301/015 dated 14 December 2020.</p> <p>Following the abolition of that post on 09 May 2021, she was reinstated in her permanent position. Subsequently, she was released to the Ministry of Urban Development and Housing effective from 28 July 2022, via a letter from the Chairman dated 27 July 2022, without Cabinet approval and in violation of Paragraph 3.5 of the handbook of Public Enterprises Circular No. 01/2021. However, from May 2022 to 30 June</p>	<p>After the post of Assistant Secretary (Trade Union and Employee Relations) ended on 09 May 2022, she was re-appointed to the service of this institution effective from 25 July 2022. Although the former Chairman had referred her to the Ministerial Staff, there is no Cabinet approval, and the salary has not been reimbursed. The attendance documents have been forwarded by the Private Secretary to the Minister of Urban Development and Housing. A three-member committee was appointed on 03 May 2024 and the post of Assistant Manager has been given as per its recommendations. There is no decision of the Board of Directors.</p>	<p>Formal approval should be obtained when granting appointments and releasing officers and disciplinary action should be taken against responsible officers who do not comply with this and immediate action should be taken to recover salaries and allowances.</p>

2024, the company had paid a sum of Rs.1.13 million as salary to the officer. This amount had not been reimbursed by the Ministry until 20 March 2026.

Despite this, she has been reappointed to the position of Assistant Manager of the Company with effect from that date, pursuant to letter No. 4.1/3815 dated 08 July 2024.

Although the letter stated that the appointment was made based on a decision by a three-member committee, neither such committee approval nor a board decision was presented for audit.

- (b) 565 liters of fuel were issued to Jeep No. KJ 2654 during the year under review, exceeding the monthly fuel allowance of 145 liters for the Chairman of the Company in accordance with the circular of the Secretary to the Ministry of Finance No. 01/2015(ii) dated 14 January 2022. Although Rs. 0.12 million had been spent for this purpose, in accordance with paragraph 3.2.1 of the circular, in special cases where the monthly fuel allowance is not sufficient to perform duties, the actual fuel expenditure can be reimbursed with the approval of the secretary to the relevant line ministry with the recommendations of the Board of Directors, but no such approval had been obtained for these expenses..

The fuel allowance due to the Chairman in terms of No. 01/2015 (ii) and the circular of the Secretary to the Ministry of Finance dated 14 January 2022, has not been paid in cash since March 2023 and fuel has been supplied by the Transport Division with the approval of the Board of Directors. It was revealed that the number of liters exceeding the monthly fuel limit had been submitted to the Board of Directors and approval had been obtained.

Since February 2024, the Board of Directors has not held any meetings due to the lack of a quorum, and it was revealed that the former Chairman had granted cover approval for the increased fuel volume until a Board of Directors meeting was held.

It was revealed that neither the fuel allowance due to the Chairman nor the fuel requirement has been met by the institution since September 2024.

It was revealed that while the value of the fuel allowance not reimbursed by the Chairman from April to August 2024 amounted to Rs.77,864, the fuel quantity corresponding to the remaining value of Rs.741,589 after

In accordance with circular provisions, the necessary approvals for fuel obtained in excess of the quantity entitled to the respective post should have been obtained promptly during that period; furthermore, action should be taken to recover the value of the unauthorized fuel from the responsible officers.

deducting the aforementioned amount from the total value of excess fuel obtained had not been submitted for the approval of the Secretary to the Line Ministry..

There is no board decision regarding this amount.

Based on the audit query 2024/01 and the recommendations of the Audit and Management Committee meeting, the institution has suspended the issuance of fuel from 01 September 2024 and steps have been taken to comply with PED 01/2015 (ii).

- (c) An amount of Rs. 0.26 million had been paid without approval for 761 liters of fuel obtained from January to July 2024, exceeding the fuel limit of 145 liters for the company's Executive Director.

The Board of Directors had not held any meetings after February 2024, and Board approval had not been obtained in accordance with Section 3.2.2 of Circular No. PED 01/2015 dated 25 May 2015 for the excess quantity of fuel liters paid.

The fuel allowance entitled to the Executive Director has not been paid in cash since March 2023 as per Circular No. 01/2015 (ii) and the circular issued by the Secretary to the Ministry of Finance dated 14 January 2022; instead, fuel has been supplied by the Transport Division based on the approval of the Board of Directors. It was revealed that the number of liters exceeding the monthly fuel limit had been submitted to the Board of Directors and approval had been obtained.

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Board meetings had not been held since February 2024 due to a lack of quorum in the Board of Directors; however, it was revealed that covering approval had been granted for the increased quantity of fuel.

Based on Audit Query 2024/01 and the recommendations of the Audit and Management Committee meeting, the organization has suspended the issuance of fuel effective from September 2024, and steps will be taken to act in accordance with PED 01/2015 (II).

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| <p>(d) The Board of Directors had decided to appoint two experienced consultants in the field with the aim of enhancing the company's sales, marketing and production capabilities. Accordingly, two officers were appointed with effect from 14 June 2023 and it was agreed to pay Rs.0.075 million per month to each officer. Accordingly, the company had paid an allowance of Rs.1.13 million to consultants between June 2023 and March 2024. Although information regarding the progress of plans and guidelines to be prepared was requested through inquiry letters dated 21 August 2024 and 24 July 2025, concerning whether the Corporation received the expected services, plans, or benefits from consultants as per the agreements, such information had not been provided to Audit even by 20 March 2026. Accordingly, the effectiveness of those expenditures becomes problematic for auditing.</p> | <p>Agreed.</p> | <p>Steps should be taken to provide the necessary information for the audit without delay and recovery of idle expenses from the responsible parties should also be carried out.</p> |
| <p>(e) The Sabaragamuwa Provincial Chief Ministry had issued Order No. CM/DE/7/SP/2024/3 on July 3, 2024 regarding the procurement of construction materials required for the construction of the Ratnapura New City Park. Accordingly, the prices obtained from three unregistered suppliers of the company were presented to the Procurement Committee which met on 10 July 2024. When requesting prices from the supplier regarding the purchase of galvanized pipes, prices were obtained without specifying the specifications, and the supplier was selected based on those prices. Since various types of G.I. pipes with different thicknesses (gauges) are available in the market, it was problematic for Audit as to how the Procurement Committee evaluated price quotations and selected a supplier</p> | <p>Not commented.</p> | <p>Purchases must be made by calling for quotations from formally registered suppliers, establishing specific specifications, and following the recommendations of a Technical Evaluation Committee (TEC). Furthermore, it is necessary to check whether there are any</p> |

without even a Technical Evaluation Committee (TEC).

Furthermore, a payment of Rs.0.40 million was made to a private institution to purchase 30 G.I pipes of size 1 ½” × 6m by means of payment voucher No. 0358 and dated 12 July 2024. According to the market prices obtained during the audit, it was observed that a G.I. pipe is sold at prices such as Rs. 4,190, Rs. 4,400, Rs. 4,450, and Rs. 5,200; therefore, it was observed in the audit that this transaction was carried out by purchasing a G.I. pipe at a very high price of Rs. 13,350, which significantly exceeds the market price.

financial irregularities in this regard and take appropriate action accordingly.

2.9 Performance

Audit Observation	Management Comment	Recommendation
<p>(a) Building Materials Corporation Ltd. was established in the year 1971 under the Sri Lanka State Trading (General) Corporations Act No. 33 of 1970 was re-registered in 1992 under the Companies Act No. 17 of 1982 and in the year 2010 under the Companies Act No. 07 of 2007 and its vision was "to be the leader in the supply of high quality building materials and equipment in accordance with the standard at a competitive price throughout the island and to build maximum credibility in the Sri Lankan community by fulfilling social responsibilities as a public institution". Its core functions include assessing and supplying building material requirements based on the construction programs of the public and private sectors; identifying sources of building material supply and ensuring a continuous supply to the public and private sectors; and importing building materials for government departments, corporations, cooperative societies, private home builders, and retailers, as well as the sale and distribution of locally manufactured building and construction</p>	<p>Agreed.</p>	<p>The company operations should be carried out in a manner that achieves the objectives and main functions of its establishment and enables it to reach its vision.</p>

materials, machinery, equipment, tools, and other accessories throughout Sri Lanka.

However, at present, the company has displayed the sales stalls of private building materials and equipment suppliers in the company's renovated main showroom and has engaged in limited business activities such as purchasing their materials and equipment and selling them at a profit margin, selling cement, sheets and iron sent from the head office through the company's branch offices at a price set by the head office, purchasing items not available in the showroom from the external market and selling them at a profit margin, and selling tiles imported by other institutions under the name of the Building Materials Corporation.

(b)	It was observed during the audit that there was neither plan in place nor any ongoing efforts to achieve the company's objectives of becoming a market leader by supplying high-quality building materials or expanding the procurement and distribution market by encouraging the local production of standardized building materials.	A situation has arisen where the company is compelled to provide goods based on the specific brand preferences of buyers; furthermore, due to the non-payment for many products and direct imports, the company has been blacklisted, rendering it unable to conduct business with those suppliers. Due to the prevailing capital deficit and resource constraints within the institution, it has been unable to achieve the objectives of encouraging local production and expanding the procurement and distribution market.	A strategic plan should be prepared and action should be taken accordingly to achieve the objectives of the company as per the articles of association.
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2.10. Vehicle Utilization

Audit Observation	Management Comment	Recommendation
(a) 6 out of 12 vehicles owned by the company were not in running condition as at the audit date of 28 July 2025.	Management has not commented.	Action should be taken to repair vehicles that are in a repairable condition

and to disposed of other vehicles.

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| (b) | Lorry No. 226-3173 has been removed from running since 2014 and is currently parked on the premises, undergoing decay; however, no action had been taken to dispose of it even by 2024. | It has not been disposed of to date. Although action should have been taken in accordance with Section 13.2 of the Public Finance Circular No. 01/2020 regarding disposal, no such action has been initiated so far. Steps will be taken to proceed with the disposal without delay. | Assets to be disposed of should be disposed of in accordance with the circular provisions. |
| (c) | Although an agreement was entered into on 23 July 2019, for the repair of Cab No. 251 – 9413 and an advance of Rs.0.51 million was paid to the service provider, the vehicle remained parked on the institution's premises without being repaired. while the institution had recovered Rs.0.18 million, no action had been taken to recover the remaining balance of Rs.0.32 million as at 30 June 2025. | At present, steps have been taken to recover the money from the relevant party. Out of the amount of Rs.0.51 million, the institution has so far received an amount of Rs.0.18 million. | Immediate action should be taken to repair or dispose of the cab and necessary steps should be taken to recover the remaining advance money. |

2.11 Renovation and modernization of the Prime Minister/Fifth Executive President's official residence

Audit Observation	Management Comment	Recommendation
(a) Approval was granted for the repair and renovation works of the Prime Minister/Fifth Executive President's Official Residence by Cabinet Decision No.21/1779/302/002/-1 dated 26 October 2021 to the Cabinet memorandum No.21/0084/302/002 presented on 27 September 2021. the company had issued an invoice amounted to Rs.639.22 million for the above repairs and maintenance by 14 May 2024. An architect was selected for these renovation works without a procurement process and without entering into a contract, agreeing to pay an amount of Rs.13.07 million. It was observed that goods had been issued and invoiced for the	In future, such transactions will be handled in accordance with procurement guidelines.	Purchases should be made by following the procurement guidelines and inviting competitive bids.

Wijerama Official Residence project based on the purchase orders of the Building Materials Corporation without inviting competitive quotations from 16 suppliers nominated by the officer to obtain the materials required for this project on the verbal instructions of the officer.

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| <p>(b) Out of the total invoiced value, an amount of Rs.554.58 million had been reimbursed from the Consolidated Fund through provisions from the Prime Minister's Office; however, a balance of Rs.84.64 million from these expenses had still not been settled by the Prime Minister's Office as at 20 March 2026.</p> | <p>According to the internal audit, it has been revealed that an amount of Rs.110.84 million needs to be recovered.</p> | <p>Immediate action should be taken to collect the money due and settle the transactions.</p> |
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2.12 Cement Import

Audit Observation	Management Comment	Recommendation
<p>(a) Through the intervention of the Secretary of the State Ministry of Rural Housing and Construction and Building Materials Industry Promotion, the then Chairman had entered into an agreement with a company on 14 March 2022, on the instructions of the Additional Secretary (Construction) of the State Ministry, to call for quotations from the importing companies for the import of cement, to enter into an agreement with one of the companies that had sent quotations, and to pay Rs. 05 million as an advance payment for the same. Due to the People's Bank's refusal to open letters of credit in the face of the country's current foreign exchange crisis, cement could not be imported and the Rs. 5 million paid without prior confirmation could not be recovered.</p> <p>An investigation officer from the Ministry of Public Administration, Home Affairs and Local Government had been appointed to conduct a preliminary investigation into this matter at the request of the Secretary to the Ministry of Urban Development and Housing. According to the recommendation in his report dated 26 September 2023, it was stated that action should</p>	<p>A written request has been made to the private institution to recover this amount due to non-supply for the relevant project. The refund of this deposit has been rejected as the institution has not implemented the project activities through the supplier's response letter. In order to take further action in this regard, based on the information provided by the legal department of the institution, a complaint will be filed first with the Fraud Investigation Division, the Criminal Investigation Department, or the Bribery or Corruption Investigation Division. After investigating the complaints, these</p>	<p>Steps must be taken to identify the reasons for not implementing the recommendations of the investigation report and to take appropriate action in that regard. and formal measures should be initiated to recover the amounts due to the company without delay.</p>

be taken under the Offences Against Public Property Act against the officers who have since left the service and were responsible for signing the aforementioned agreement, which resulted in a loss to the company during the importation process, in order to recover said loss; however, those recommendations have not been implemented to date.

institutions will jointly take further action regarding how to take legal action.

2.13 Providing goods on credit to the employees of the institution

Audit Observation

- (a) The company had provided building materials to the company's employees on the basis of recovery from salary without formal approval and without a formal procedure, and it was observed that a sum of Rs.1.31 million was to be recovered from 08 employees as at 30 December 2024. Due to this, opportunities to sell these goods to external parties and obtain cash at once had been lost.

This amount also included an amount of Rs.0.058 million that was due to be recovered as at 30 June 2025 for goods worth Rs. 0.11 million that had been provided to a contract basis employee who had since vacated their post. Furthermore, additional goods had been issued to this same individual without any restrictions, even before the payments for the previously issued items had been fully recovered.

Management Comment

Goods are issued following the General Manager's approval of a written request submitted by an employee to obtain items on a credit basis. In this instance as well, the goods were issued after the General Manager had granted the necessary approval.

Recommendation

Action should be taken to recover the outstanding amounts without delay. Furthermore, a formal methodology for providing building materials to company employees on a credit basis must be established and proper approvals obtained. These activities should only be implemented once such formal approvals are strictly in place.

2.14 Tile Project

Audit Observation

- (a) In order to reduce the shortage of tiles in the market at a time when import restrictions have been imposed due to the foreign exchange crisis in the country, the permission to import tiles was given only to the company through the Extraordinary Gazette No. 2231/18 dated 11 June 2021. Accordingly, due to the lack of

Management Comment

Agreed.

Recommendation

Action should be taken without delay to operate in accordance with the agreements

financial strength for the company to carry out import operations, It was agreed to enter into MoUs with the companies that are interested in the sale of those materials, import tiles with their own money under the name of "BMC". From the beginning of the tile project to 31 December 2024, the import value of tiles was Rs.928.88 million and the sales value was Rs.2,695.82 million.

and to properly recover the outstanding dues from the sale of tiles.

The total receivable value as of 31 December 2024 amounted to Rs. 87.76 million, including the profit value of Rs.64.84 million due from the imported tiles and Rs.22.92 million due from the import costs incurred by the Corporation. The remaining receivable balance, after deducting the sales value of Rs.36.37 million that has been retained by the suppliers, is Rs.51.39 million. The corporation had an unsold stock of 6979 tiles, valued at approximately Rs. 6.46 million.

2.15 Release of materials from Building Materials Corporation for Model Village Programme

Audit Observation	Management Comment	Recommendation
<p>(අ) The building materials needed by the house owners of the Suriya Pokuna Debokkawa housing project implemented by the National Housing Development Authority had been issued by the corporation on loan basis from 2015 to 2021.</p> <p>Accordingly, no action had been taken to recover a debt balance of Rs.27.56 million due as at 31 December 2024, for building materials issued between 2016 and 2021 by the Ambalantota, Tangalle, Lunugamvehera, Tissa, Weeraketiya, Embilipitiya, and Suriyawewa branch warehouses belonging to the Building Materials Corporation.</p>	<p>During the discussion held with the Hon. Minister and the National Housing Development Authority on 15 July 2025, it was agreed to pay the amount within a month upon submission of all documents. Accordingly, the documents worth Rs. 27.56 million, completed on 18 July 2025, were handed over to the Housing Development Authority, but the relevant institution has not yet taken steps to pay the money.</p>	<p>Immediate action should be taken to recover the money due for the issued building materials.</p>

2.16 Purchasing of a Computer Software

Audit Observation	Management Comment	Recommendation
(a) As the existing computer software system was not efficient, an advance of Rs. 0.98 million was paid to a private institution on 12 October 2021 with the approval of the General Manager to purchase a new computer system, without calling for quotations and following the procurement guidelines. However, the company had not taken steps to purchase appropriate computer software until 31 December 2024 and had not taken steps to settle the advances paid.	According to the reply to the letter sent by the Director of the relevant private institution regarding the recovery of this advance amount, it has been informed that the project has now commenced and the financial and labor costs have been incurred institutionally for the initial phase of the work and that invoices have been issued for the payment of the first installment for the next phase of the project. Accordingly, the firm has informed the company that the advance payment cannot be refunded and has requested that the necessary arrangements be made to proceed with the next steps of the project as soon as possible.	The process of purchasing a computer system that aligns with the company's requirements must be expedited. Furthermore, immediate action should be taken to identify the officers responsible for failing to follow the procurement guidelines and to initiate disciplinary proceedings against them.

2.17 Assets Management

Audit Observation	Management Comment	Recommendation
(a) 100 perches of land owned by the company located at No. 541 Sri SangharajaMawatha, Colombo 12 was transferred to the Bank of Ceylon through a deed of sale for 70 million rupees on 09 November 1998 and Later, the company had offset Rs.199.05 million from the loan amount of Rs.500 million received from the Bank of Ceylon on 23 October 2018 along with the amount of Rs. 70 million related to the above sales contract, including the outstanding amount of the loan and the interest payable accordingly. Bank of Ceylon should pay the stamp duty of Rs. 18.40 million, which is related to the value of the deed prepared and sent by the bank, after offsetting the above	Discussions were held with the Bank of Ceylon regarding the payment of stamp duties and the registration of the deed for this plot of land; however, it was noted that the documents required for the execution of the deed included Forms 15 and 20 from the Registrar of Companies, which had not been updated since 2015. The documents were completed in June 2023, and the Bank of Ceylon has requested the Inland Revenue Department to re-assess the stamp duty amount of Rs. 5.38 million, and the Provincial Revenue Department has re-assessed the stamp duty	Immediate action should be taken to acquire ownership of the land.

money, and take possession of the land again, but it has not been taken over by 30 June 2025.

and announced that it is Rs. 23.99 million.

(b) A part of the building located at No. 417/A, Kade Weediya East, Matara is being used illegally by the National Housing Development Authority and the company has not taken any action in this regard.

The National Housing Development Authority has requested to provide a 24 perches plot of land on lease or freehold basis through a letter sent to our institution on 30 January 2024 by the Secretary to the Ministry of Urban Development and Housing. The Board of Directors has been instructed to submit a Board paper along with the relevant documents and arrangements will be made to submit a paper in due course.

Steps should be taken to evict the unauthorized occupants or to formally hand over the building.

(c) Although the legal proceedings regarding a land in Anuradhapura measuring 3 roods and 35.6 perches were concluded on 07 July 2013, the company had not taken steps to remove the unauthorized occupants and take possession.

Further court proceedings related to taking possession are currently underway.

According to the court ruling, formal action should be taken regarding the failure to protect the company's assets for more than 10 years, and immediate action should be taken to remove the unauthorized occupant and take possession.

(d) No steps had been taken to obtain deeds and prepare survey plans for the lands under the company located in Moratuwa, Anuradhapura, Ampara and Monaragala extended of 04 acres 02 roods 17 perches.

Due to the current financial difficulties, it has not been possible to obtain survey plans for the lands and houses mentioned so far.

Survey plans should be prepared and deeds should be obtained.

(e) Although the ownership of the land located at Borupana No. 549/A, Moratuwa has been approved to be transferred to the company by the Cabinet Decision No. අආ/19/2192/122/076 dated 21 August 2019, the company has not yet taken

The documents required to acquire ownership of the land have now been forwarded to the Ministry of Lands for the Minister's approval.

Immediate steps should be taken to prepare the relevant deed to transfer the ownership of the land to the company.

steps to prepare the deed relating to the ownership of the land.

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| (f) | The company's land measuring 01 rood and 31.6 perches at Kunguniyar Uppukulam Karai, Jaffna, the building at Bambarakele, Nuwara-Eliya and 02 houses at Yodhagama, Embilipitiya have been lying idle since 2017 without being utilized. | The land in Jaffna should be developed and the Anuradhapura Pandulagama houses, the two Embilipitiya Yodhagama houses, and the Nuwara Eliya Bambarakele building should be renovated for use. Due to the financial difficulties of the institution, it has not been possible to repair the land in Jaffna, the houses in Pandulagama, Anuradhapura, the two houses in Embilipitiya Yodhagama, and the building in Bambarakele, Nuwara Eliya. | An efficient program should be implemented to utilize unused and inactive lands and buildings for productive purposes. |
| (g) | The arrears of lease and fines from 1997 to 31 December 2024 for the land of 01 rood at Embilipitiya Road, which was granted by the Mahaweli Authority for a 50-year lease, amounted to Rs. 1.79 million. Although, the Mahaweli Authority had informed that the lease may expire due to non-payment of this lease and that action would be taken according to the law, Company had not paid the lease as per the lease agreement. | Due to the financial difficulties of the institution, this arrears and fine have not yet been paid. | Immediate action should be taken to pay the outstanding lease as per the lease agreement or to implement an appropriate arrangement in consultation with the authority. |

2.18 Providing company-owned property to outside parties on a rental basis

Audit Observation	Management Comment	Recommendation
(a) The cement warehouse, warehouse No. 06 and Sangharaja warehouse No. 11 were rented out in the year under review at the same prices that had been in place for more than 05 years without obtaining a new valuation value.	Arrangements will be made to enter into contracts at new prices in the future.	Disciplinary action should also be taken against officers who failed to rent out buildings at the new assessed value and failed to lease assets in a manner that is beneficial to the company.

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| (b) | A building owned by the company that was rented out for the Matara Lanka Sathosa outlet has remained underutilized to this day without any steps being taken to re-rent it out. | Arrangements will be made to enter into contracts at new prices in the future. | Immediate steps should be taken to rent out the building on a formal agreement. |
| (c) | 500 square feet of space in the Sangharaja showroom had been given to a private institution on a rental basis, and that institution had vacated the showroom on 23 January 2020. The company had not taken steps to recover the amount of Rs.0.14 million due from that institution. | After informing us about the amount due from this institution, the institution has requested that the amount be paid in installments and although the institution's account number has been informed in a letter dated 09 February 2023, the payment has not been made yet. The possibility of recovery will be investigated and necessary action will be taken. | Immediate action should be taken to recover the outstanding rent as per the rental agreement. |
| (d) | Since April 2015, a company-owned warehouse at No. 541, Sri Sangaraja Mawatha, measuring 1,480 square feet, had been leased to an individual at a rate of Rs. 45 per square foot, totaling a monthly rental of Rs. 0.066 million. The agreement period was until 09 April 2017, and the lease was continued until 31 December 2024, at the same rental amount as per the original agreement, without entering into a new agreement. | At that time, the company was unable to enter into a new agreement due to the lack of a legal officer. The Board of Directors has now approved the new agreement. | Action must be taken to lease buildings based on new valuation amount, and disciplinary measures should be initiated against the officers who failed to act in a manner that ensures assets are leased to the company's advantage. |
| (e) | The building located on Maligawa Road, Ratmalana, which was provided to the National Youth Corps at a monthly rent of Rs.0.16 million, remained idle from October 2019 to 31 December 2024. | No comments. | Action should be taken to either utilize the idle assets or lease them out. |

2.19 Warehouses rented from external parties

Audit Observation	Management Comment	Recommendation
(a) The Company was operating its Trincomalee, Kuliypitiya, Kurunegala and Tangalle sales centers in buildings acquired on a rental basis and the Company had entered into agreements with the building owners to pay a monthly rental of Rs. 0.035 million for the Tangalle sales centre and Rs. 0.030 million each for the other centers. It could not be verified during the audit on what basis the rental amounts were assessed when leasing these buildings. The Tangalle sales center had been closed as at 31 December 2024, , and by 30 June 2025, all other centers were being operated at a loss.	The Tangalle sales center pays a monthly rent of Rs. 0.035 million, Kurunegala and Kuliypitiya pay Rs. 0.030 million, and Trincomalee pays Rs. 0.025 million. In the future, when acquiring sales centers on a rental basis, efforts will be made to provide an opportunity to all interested parties in a transparent manner.	Buildings should be rented only in essential circumstances, following proper approvals and adhering to efficient and effective procurement procedures.

2.20 Bank Accounts

Audit Observation	Management Comment	Recommendation
(a) The company maintains 11 bank accounts, of which 09 accounts were active and 02 accounts were inactive. Cash books were not maintained correctly indicating the opening and closing balances for the year 2024, and when preparing bank reconciliations, the reconciliations were prepared based on the bank statement balance instead of the cash book balance, thus not accurately comparing the cash book balance with the bank statement balance.	Separate cash books and cash books are maintained for bank accounts. Based on the bank balance as on 01 January 2024, bank reconciliation statements have been prepared to compare the cash book balance with the bank statement balance from January 2024 to September 2025.	Internal control over cash and banking transactions should be strengthened by accurately preparing bank reconciliation statements.

2.21 Pending Cases

Audit Observation	Management Comment	Recommendation
(a) Two suppliers had filed two cases in the District Court against the company demanding outstanding amounts of Rs.24.27 million as of 30 December 2024, and the company had to incur additional costs for legal fees.	Not answered.	Action should be taken to settle the outstanding payments due to suppliers without delay and to control uneconomical expenditures.

2.22 Fixed Deposits and Savings Accounts

Audit Observation	Management Comment	Recommendation
(a) The company had obtained an overdraft facility of Rs.24.30 million by pledging 04 fixed deposit accounts of Rs.22 million and a savings account of Rs.05 million as guarantee and had an overdraft balance of Rs.13.01 million as on 31 December 2024. Accordingly, the overdraft interest charged on 03 bank accounts during the year under review was Rs.0.95 million.	In order to minimize the institution's costs, all overdraft facilities obtained against fixed deposits and savings deposits were repaid on 07 October 2025.	By maintaining formal financial controls, uneconomical expenditures must be controlled.

3. Human Resource Management

Audit Observation	Management Comment	Recommendation
(a) In accordance with Sections 3.1 and 3.2 of the Public Enterprises Circular No.01/2021 dated 16 November 2021, the cadre, salary scales, and recruitment procedures have not been approved to date and recommendations No. 07 and 16 of the Committee on Public Enterprises (COPE) dated 19 April 2022 also directed that the approval of the Department of Management Services must be obtained for the staff cadre.	Since this institution did not have a cadre approved by the Department of Management Services, a cadre consisting of 350 employees was prepared and a letter was sent to the Director General of the Department of Management Services by the Secretary to the State Ministry of Rural Housing Construction and Building Materials Industry Promotion on 02 March 2022. In accordance with the instructions given to revise the cadre at a meeting held in this regard, a cadre consisting of 245 was prepared and forwarded by letter dated 08 June 2022.	Necessary steps should be taken without delay in consultation with the Department of Management Services regarding the approval of the cadre in accordance with the decisions and circular instructions of the Cabinet.
(b) In response to the letter No.MUDH/HC/AD/176/14 dated 24 December 2024 of the Secretary of the Ministry of Urban Development, Construction and Housing for "Obtaining Approval for Staff Estimates," the Additional Director General of the Department of Management Services informed via letter No. DMS/1734/V-III dated 16 June 2025 that if the Cabinet Decision No.	Agreed.	-Do-

අම/23/1483/604/030-II dated 05 September 2023, is not being implemented, a policy decision regarding the future existence of the institution must be taken and acted upon accordingly. The measures taken by the company in this regard were not presented for audit.

(c) In accordance with Section (2) of the Public Enterprises Circular No. 02/2016 dated 08 March 2016, an assessment of the total workforce and the number of excess employees in State-Owned Enterprises (SOEs) should be conducted and a Voluntary Retirement Scheme (VRS) should be implemented for the excess staff identified through such an assessment; however, the company had failed to take action to conduct such an evaluation regarding its staff.

(d) The position of Internal Auditor had been confirmed in accordance with the General Manager's letter No. 4.2/28 dated 14 February 2022. However, although the said confirmation had been approved by the Board Decision No.288/36 dated 07 February 2022, action had not been taken to inform and obtain approval from the Department of Management Services. In accordance with the letter from the Director General of the Department of Management Services, No. DMS/1734/V-II Temp dated 20 September 2022, approval was granted to recruit for this position on a contract basis and approval had also been granted by the Department of Management Services to extend the contract period from time to time from 20 September 2022, to 30 June 2025. However, the company had not taken steps to rectify this situation to date.

(e) The capital of the Company is invested by the Treasury and is a registered

Steps will be taken to conduct a staff evaluation in the future.

It is hoped that this will be corrected in the future with the approval of the Department of Management Services.

The Board of Directors has now been appointed in accordance with

An assessment of the excess staff within the company must be conducted, and formal measures regarding the workforce should be taken in accordance with circular provisions.

The need for an internal auditor should be identified and steps should be taken to recruit a suitable officer with the approval of the Department of Management Services.

The Board of Directors should be

company under the Companies Act No. 07 of 2007. Although, in accordance with Section 78 of its Articles of Association, the Secretary to the Treasury should appoint the Board of Directors of the company after consulting the Minister of Finance and the Minister of Housing and Construction, the appointment letters of the Board of Directors were issued in the years 2023 and 2024 by the Secretary to the Ministry with the approval of the Minister of Urban Development and Housing.

the proper procedures.

appointed in accordance with the company's Articles of Association.

4 Accountability and Good Governance

4.1 budgetary Control

Audit Observation

- (a) In accordance with Section 5.3 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, action had not been taken to prepare and approve a budget for the year under review.

Management Comment

Agreed.

Recommendation

As per the circular instructions, a budget should be prepared and approved before the start of the year.

4.2 Strategic Plan/ Action Plan

Audit Observation

- (a) In accordance with Section 2.3 of the Guidelines introduced by the Public Enterprise Circular dated 16 November 2021, a strategic plan for a period of not less than 03 years and a corresponding action plan should be prepared to achieve the vision and mission of the company and the approval of the Board of Directors should be obtained for the relevant plans 15 days before the commencement of each financial year, but this had not been done.

Management Comment

It has been revealed during the inquiry that a strategic plan for the years 2024 to 2026 and a corresponding action plan have been prepared and handed over to the line ministry on 11 October 2023.

Recommendation

A strategic plan and a corresponding action plan should be prepared and approved before the start of the year as per the circular instructions,.

Also, Confirmation had not been obtained regarding the performance of the company according to the guidelines and discussions had not been held with the General

Treasury regarding its problematic situations when necessary.

4.3 Internal Audits and Conducting Audit and Management Committees

Audit Observation	Management Comment	Recommendation
(a) The internal audit plan for 2024 was approved and sent by the Chairman on 31 January 2024; however, although it was planned to cover 24 audit areas according to the plan, only 8 areas were actually covered. 66 percent of the activities specifically identified to be completed in 2024 had not been completed in the relevant period.	Since the Ministry had obtained the assistance of the Internal Audit Division for the preparation of the accounts and all the duties related to the audit including audit queries were carried out by the Audit Division, many activities related to the audit plan have been omitted. Furthermore, the shortage of staff has also affected this and will be addressed in accordance with the audit plan in the future.	Action should be taken to carry out annual internal audit activities in accordance with the approved audit plan and to forward those reports to the Auditor General.
(b) Although, as per Clause 3 of the Guidelines in Public Enterprises Circular No. 01/2021 dated 16 November 2021, for the evaluation of matters under Clause 4 (b) of Annexure IV thereof, and Section 41 of the National Audit Act No. 19 of 2018, the Audit and Management Committee is mandated to review the progress of the audit plan, only 01 Audit and Management Committee meeting was held for the year 2024 on 22 August 2024 and therefore, it was not possible to check the progress.	Audit and Management Committee meetings could not be held since February 2024 due to the lack of a quorum for the committee. However, the committee meeting was held on 03 September 2024 without a quorum. At present, it has not been possible to hold the Audit and Management Committee meeting for the 4 th quarter as there is no Board of Directors. The Audit and Management Committee meeting for the year 2025 was held on 09 May 2025 and 12 May 2025. Due to the financial crisis in the institution, the Audit and Management Committee meeting for the 3 rd quarter could not be held. Arrangements have been made to hold the Audit and Management Committee meeting for the 4 th quarter on 18 November 2025.	The company should take steps to hold audit and management committee meetings as per the circular instructions and thereby strengthen internal control.