

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Land Reclamation and Development Company Limited (Company) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and statement of comprehensive income, statement of changes in equity and the 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 and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the company as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards for Small and Medium Scale Enterprises.

1.2 Basis for Qualified Opinion

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

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

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

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

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

As per Section 16(1) of 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 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that

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

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

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

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

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

- Whether the company has complied with applicable written law, or other general or special discussions issued by the governing body of the company
- Whether the company has performed according to its powers, functions and duties and
- Whether the resources of the company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on the preparation of the financial statements

1.5.1 Non-compliance with Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises

Non-compliance with the standards	Comments of the Management	Recommendation
<p>(a) Section 2 of standard – Concepts and Extension Principles</p> <p>Even though an Economic Service Charge of Rs.2.22 million existed since 2019 can't be set-off within the current year or onwards contrary to the paragraph 2.15 of Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises, it had been mentioned as the current assets.</p>	<p>Since an appeal in relation to this matter had been submitted to the Inland Revenue Department, it is due to be submitted this tax paid for recovery in payment of Income Tax in the future.</p>	<p>As per standard, the current assets should be accurately identified and accounted.</p>
<p>(b) Section 7 of standard - Cash Flow Statement</p> <p>An interest income of Rs.9.44 million had not been deducted from the operating activities in the preparation of the cash flow statement by company as per the paragraph 7.8 of Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises in the determination of net cash flow of the operating activities.</p>	<p>In determination of the net cash flow of the operating activities in indirect method in accordance with paragraph 7.8 (c) of standard, the all items under investment or financial activities had been removed. The interest income of Rs.9.44 million received from the fixed deposit in relation to a period of time less than 03 months in the preparation of the cash flow statement by company had been disclosed in the preparation of the statement of cash flow.</p>	<p>As per the standard, the statement of cash flows should be accurately prepared.</p>
<p>(c) Section 17 of standard - Property, plant and equipment</p> <p>As per the paragraph 17.19 of Sri Lanka Financial Accounting Standard for Small and Medium Scale Enterprises, the scrap value</p>	<p>In accordance with Sri Lanka Accounting Standard 17 for Small and Medium Scale Enterprises, the</p>	<p>The action should be taken to review again the scrap value and</p>

and the useful life of the buildings, plant and equipment with the written-down value of Rs.56.48 million existed at the end of year under review had not been reviewed again by the company. Furthermore, the step had not been taken to rectify the estimated error of 608 property, plant and equipment with a cost of Rs.63.51 million which are being utilized now and fully depreciated at the end of the year under review and account those.

depreciation for the relevant period of time had been identified from the date of the qualified the property, plant and equipment for usage. The action will be taken in the future to revalue the property, plant and equipment and account. In such accounting, the steps will be taken to account the existing assets and newly acquired property and equipment to remain a percentage of residual value.

useful life in relation to the buildings, plant and equipment.

(d) Section 27 of standard – Asset Impairment

Even though the all assets with a value of Rs.55.42 million used for “Sea Sand Packaging Project” had impaired by the year under review, no any impairment loss had been identified by the company in the preceding years and in the year under review as per the paragraph 27.9 of Sri Lanka Financial Accounting Standard for Small and Medium Scale Enterprises.

Since this building had been constructed in a land belonging to the corporation, Water purification plant (RO Plant) including the value of the building constructed for establishment it with a value of Rs.55.42 million had been taken over by corporation. So many written requests had been made in this regard subsequent to receipt of relevant valuation reports and it will expect to come to a decision after discussing with the officers of corporation by parent company related to this matter.

As per standard, the impairment losses should be accurately identified.

(e) Section 28 of standard - Employee Benefits

Since employee gratuity expense of Rs.5.53 million had been identified by the company within the year under review without carrying out the activities such as the preparation of defined contribution plan, measurement of defined benefit obligation, insertion of both vested and unvested obligation, discounting and actuarial evaluation in compliance with the paragraph 28 of Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises, the accuracy of the non-current liability of Rs.24.17 million in relation to that amount and related to that couldn't be verified in the audit.

The employee gratuity expense of Rs.1.45 million had been identified within the year under review as per the direct method by company. After identifying the actuarial advantages and disadvantages in 2025, the adjustments will be made accordingly.

As per standard, the actuarial evaluation should be carried out.

Section 29 of standard - Income Tax

- (i) Even though a deferred tax asset of Rs.45.78 million had been identified in the current year for loss for tax of Rs.152.62 million for 05 years since 2019/20 by company, it was observed that the company had continuously recorded the tax losses in 06 years and there are no novel business plans available for acquisition of material profit by company in 2024/25 and onwards. In compliance with the paragraph 29.8 of Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises, there was a situation where the deferred tax asset of Rs.28.28 million identified on the loss of Rs.94.28 million for the years 2019/20, 2020/21, 2021/22 identified on deferred tax will not be able to recover in the future.
- A deferred tax asset of Rs.45.78 million had been identified in the current year for the loss for tax of Rs.152.6 million for 06 years since 2019/20. Though the company had continuously recorded the tax losses for 05 years, the entity expects to acquire a material profit in 2024/25 and onwards after transfer the assets such as RO plant and water retention pond related to sand washing project by corporation. Therefore, there is a possibility of recovery of deferred tax asset of Rs.7.74 million on the losses of Rs.25.78 million in relation to 2024 in the next year.
- As per standard, deferred tax asset should be identified.
- (ii) As the provision for doubtful debt of Rs.0.133 million had been considered instead of doubtful debt of Rs.4.57 million to be considered for the deferred tax asset by company for in accordance with the paragraph 29.16 of the Sri Lanka Financial Accounting Standards for Small and Medium Scale Enterprises, the deferred tax asset had been understated by Rs.1.33 million and even though the profit for land valuation is Rs.34.17 million as per the financial statements, the land valuation profit considered for the deferred tax was Rs.34.50 million and it was observed that the deferred tax liability had been understated by Rs.0.11million.
- The action will be taken to rectify this in the year 2025.
- As per standard, the deferred tax asset and deferred tax liability should be accurately identified.

1.5.2 Accounting Policies

Audit Issue	Comments of the Management	Recommendation
Though it had been mentioned that the difference between the net book value of the assets and written down value for tax in the calculation of the deferred tax under No.2.1.3 of the accounting policies of the company had not been considered for the deferred tax, said values had been adjusted in the adjustment for the deferred tax.	The deferred tax policy 2.1.3 in the summary on accounting policy included in the financial statements by company will be rectified in the year 2025.	The accounting policies should be prepared in compliance with the laws and the accounting standards related to the company and the financial statements should be accurately prepared in compliance with that.

1.5.3 Accounting Deficiencies

Audit Issue	Comments of the Management	Recommendation
The sea sand packaging building with a value of Rs.301.28 million belonging to the company had been valued to an amount of Rs.326.30 million in 2021 had been taken over by parent corporation. Since the building assets had been removed after including the part of the water retention pond with a value of Rs.25.02 million included there in the removal of the cost of this Building, the retained earnings and the non-current assets had been understated by same amount.	The value related to the valuation report of the building prevailed in work-in-progress account had been removed and the action will be taken to remove the remaining values after discussing with the parent corporation and coming to a decision with regard to the other property including water retention ponds.	The correct cost related to the asset taken over should be removed from the work-in-progress account.

1.5.4 Documentary Evidence not made available for audit

Subject	Amount Rs. million	Audit evidences not provided	Comments of the Management	Recommendation
Fixed deposit balance and bank current account balance	4.465	Balance confirmation letters	Since the specimen signatures are not accepted by such bank until submission of format 15 of the company for update the data of the bank, this issue will be solved by submission of format 15 to the bank as far as possible.	The balance confirmations should be immediately submitted to the audit.

1.6 Receivable and Payable Accounts

1.6.1 Receivables

	Audit Issue	Comments of the Management	Recommendation
(a)	The balance of Rs. 11.04 million existed between 01 to 05 years and the balance of Rs.48.72 million existed more than 05 years were in the balance of receivable balance of Rs.61.41 million existed in the end of the year under review.Rs.13.28 million out of that should be receivable from the parent corporation of the company.	The contract for the amount of Rs.4.9 million out of this receivable retention money of Rs.61.41 million had been completed within this year and this retention money will be claimed at the end of the year. An amount of Rs.3.87 million had been recovered at this time in 2025. Furthermore, the relevant action is being taken to obtain this money through the line ministry also.	As per the agreement, the contracts should be immediately completed and the action should be taken to settle the retention receivable.
(b)	At the end of the year under review the amount receivable from the contract debtors and the trade debtors were Rs.26.53 million and Rs.23.40 million respectively. Rs.3.73 million and Rs.8.86 million respectively out of that had remained unrecovered between 01 to 05 years and Rs.9.63 million and Rs.11.65 million had remained unrecovered more than 05 years. The amount of Rs.6.07 million and Rs.12.28 million from these contract debtor balance and trade debtor balance respectively had to be recovered from the Sri Lanka Land Development Corporation which is the parent corporation. Furthermore, a sum of Rs.2.59 million between 01 to 05 years and Rs.7.34 million more than 05 years from the trade debtor balance receivable from the corporation had not been recovered at the end of year under review.	A sum of Rs.6.07 million from the contract debtors and Rs.12.28 million from the trade debtors are the balances receivable from Sri Lanka Land Development Corporation. An amount of Rs.1.40 million and Rs.3.17 million had been made provision for doubtful debt for the contract debtors and the trade debtors respectively and a sum of Rs.8.73 million and Rs.8.28 million respectively had been recovered by July 2025 in 2025.	The steps should be promptly taken to recover the money receivable from the debtors.
(c)	The receivable Income Tax of Rs.6.17 million mentioned in the financial statements had consisted with the Economic Service Charge (ESC) of Rs.2.22 million, Rs.2.73 million of Withholding Tax (WHT)	The receivable Income Tax had consisted with the Economic Service Charge (ESC) of Rs.3.03 million, Withholding Tax (WHT) of Rs.0.93 million and the balance amount of receivable Income Tax. The action will	The step should be taken to immediately settle the balances after discussing with the Inland Revenue Department.

and receivable Income Tax of Rs.1.22 million and the company profit will be earned. was unable to settle these balances even up to the end of the year under review.

1.6.2 Payables

Audit Issue	Comments of the Management	Recommendation
(a) There is a balance of Rs.3.56 million between 01 to 05 years and a balance of Rs.43.35 million more than 05 years had existed in the retention payable balance of Rs.46.91 million at the end of the year 2024.	The step will be taken to pay to the relevant contractors subsequent to release of retention payable of Rs.46.91 million to the company by the clients of the company	The action should be taken to promptly settle the related party transactions.
(b) At the end of the year under review, the trade creditor balance was Rs.82.32 million and the balance not settled between 01 to 05 years was Rs.39.67 million and the balance more than 05 years was Rs.27.03 million.	A sum of Rs.27.56 million out of payable creditor balance of Rs.82.32 million should be paid to Sri Lanka Land Development Corporation and a sum of Rs.43.72 million should be paid to L.R.D.C. Company. An amount of Rs.9.30 million from the remaining creditor balance of Rs.11.04 million had been already settled. The actions are being taken to recover the balance amounts also.	A methodology should be prepared to settle the creditor balance.
(c) At the end of the year under review, the contract creditor balance was Rs.28.23 million and the balance not settled between 01 to 05 year was Rs.2.90 million and the unsettled balance more than 05 years was Rs.25.59 million.	A sum of Rs.21.31 million out of payable contract creditor balance of Rs.28.23 million is a payable amount to Sri Lanka Land Development Corporation. In addition, a sum of Rs.1.09 million out of balance of Rs.6.92 million had been already recovered	An expeditious methodology should be prepared to settle the creditor balances.

1.6.3 Advances

Audit Issue	Comments of the Management	Recommendation
(a) Within the receivable mobilization advance balance of Rs.18.27 million existed at the end of year under review, the balance prevailed between 02 to 05 years was Rs.6.91 million and the	This sum of Rs.18.27 million is the mobilization advance provided to the commencement of the relevant projects as per the agreements. The action will be taken to settle this	As per the agreements, the action should be taken to immediately complete the

balance more than 05 years was Rs.11.36 million. A sum of Rs.9.35 million recoverable from 04 subcontractors had existed in the balance more than 05 years and said subcontractors had halted the contract in half way. No step had been taken to recover such amount even up to the end of year under review.

subsequent to submission of the bills by the contractors. The mobilization advance of Rs.11.37 million can't be settled due to the completion of the project activities as per the agreements and the contract of Rs.6.9 million is being completed and this mobilization advance will be recovered after submission of the final bills.

contracts and settle the advance receivable.

(b) Within the payable mobilization advance balance of Rs.40.75 million existed at the end of year under review, the balance of Rs.16.77 million between 01 to 05 years and the balance of Rs.23.99 million more than 05 years had not been settled so far.

This payable mobilization advance of Rs.40.75 million is the amount provided for the contracts given to the company by the clients companies. An advance of Rs.24 million out of that is for the construction projects halted. After reaching to a concurrence with the relevant institutions, the action will be taken to settle this amount. The step will be taken to settle the remaining mobilization advances after settling the bills by the client companies.

The speedy action should be taken in relation to the mobilization advance.

1.7 Non-disclosure of the related parties and the related party transactions

Audit Issue	Comments of the Management	Recommendation
An amount of Rs.43.73 million including in the trade creditor balance had to be paid to L.R.D.C. Services Private Ltd Company which is the subsidiary company of the company and it is 53 percent from the trade creditors. An amount of Rs.23.65 million out of that was payable between 01 to 05 years and Rs.13.91 million was payable more than 05 years.	The values to be paid to L.R.D.C. Private Ltd Company which is the subsidiary company of the company are paid as installments. Presently, an amount of Rs.0.698 million from this balance had been settled.	The related party transactions should be promptly settled.

1.8 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations	Non-compliance	Comments of the Management	Recommendation
(a) Companies Act No.07 of 2007			
(i) Section 133	No any Annual General Meeting had been conducted by company since 2019.	The step will be taken to call annual general meetings as specified since 2025.	The action should be taken to conduct the general meetings as per the provisions of the Companies Act.
(ii) Section 166	Even though an Annual Report should be prepared on the activities of the company within the accounting period ended on that date within 06 months after the date of balance sheet by the Board of Directors by every company, the company had not taken action accordingly.	The instructions had been provided to the relevant officers to prepare and submit the Annual Reports by calling the annual meetings as specified since 2024.	The step should be taken to prepare the Annual Report as per the provisions of the Act.
(b) F.R.757 of the Financial Regulations of Democratic Socialist Republic of Sri Lanka	Even though the balance mentioned in the inventory book in carrying out the survey by a board of survey appointed should be inspected whether it is matched with the stock in the institute and if there is a difference, it should be submitted to the Accounting Officer through relevant format and the copy of that should be presented to the Auditor General and the company had not taken action in that manner. Accordingly, the goods with a value of Rs.2.08 million in relation to 14 items had not matched with the balance in the inventory book of the institute and though the goods with a value of Rs.165, 081 related to 06 items, those had not been included in the inventory book.	Even though the goods are physically available in the board of survey by survey boards, the goods had not been included in the inventory. The goods had been included into the books again. If the balances are not matched, the action will be taken to submit to the Auditor General through relevant format.	The action should be taken as per the Financial Regulations and line circulars in relation to the deficiencies disclosed in the board of survey.
(c) Public Enterprises	A structure should be established to provide the facilities for monitoring	The instructions had been provided to the relevant	A structure should be promptly

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| Circular No. 01/2021 dated 27 September 2021 and the paragraph 14.5 of Public Enterprises Circular No.01/2024 dated 28 February 2024 | (ii) the performance of its subsidiaries by the Board of Directors of the parent company and it should be complied with the provisions of the Companies Act No.07 of 2007. A discussion on the performance of the subsidiary companies should be carried out by the Board of Directors at least one time in a quarter and though it should be certified that the benefits are entitled on the adequate investments, no action had been taken by the company with regard to L.R.D.C. Services Private Limited . | officers to discuss the monitoring of the performance of the subsidiary company of institute with the Board of Directors of this company which is parent company in compliance with the circulars of the Public Enterprises Circulars. | established for monitoring the performance of the subsidiaries. |
| (d) Public Enterprises Circular No. 01/2015 dated 14 January 2022 | Though the approved fuel limit for an officer belonging to the category HM 1-1 is 115 liters, 1001 liters with a value of Rs.400,243 had been obtained in the year 2024 by Assistant General Manager (Contract) of the company by exceeding that limit without approval. | The step had been taken to deduct 1001 fuel liters with a value of Rs.400, 243 from the final payment of Assistant General Manager (Contract) of the company. | The action should be taken as per the circular provisions in providing the fuel to the officers. |
| (e) 2.7 paragraph of Public Enterprise Circular No.04/2022 dated 08 August 2022 | In accordance with the decision of the Board of Directors held on 26 July 2024, it had been decided to provide an amount of Rs.1.39 million or 40 percent received from the sale of condemned iron of Nawala factory of the company to employee welfare fund of the office without the concurrence of the Minister of Finance and the approval of relevant minister. | The labour contribution for cleaning Nawala factory had been freely obtained and the measures had been taken to provide the benefits to the employees through this fund by establishing this fund under the complete monitoring of General Manager of the company subject to the approval of the Board of Directors for the enhancement of the living condition of them. | The money of the company should be utilized only on specified approvals and the disciplinary action should be taken against the officers who had not acted in that manner. |

1.9 Non-compliance with the Tax Regulations

Audit Issue	Comments of the Management	Recommendation
Even though the Primary Employment Declaration had not been supplied or tax table 07 should be applied in relation to the payment of the remuneration of any employer who has more than 01 employee as per the paragraph (g) of the Circular of Inland Revenue Department No SEC/2023/E/01 – 07 dated 29 March 2023, no measures had been taken as per above circular in the payment of the allowances for Board of Directors in 2023 and 2024.	The relevant tax amount had been charged in the payment of the allowances to the Board of directors after obtaining the secondary employment declarations since July in 2024 and remitted to the Department of Inland Revenue.	As per the Circulars of the Department of Inland Revenue, the action should be taken pertaining to the tax.

2. Financial Review

2.1 Financial Result

The net loss before tax of the year under review amounted to Rs.35.41 million and against net profit before tax in the preceding year amounted to Rs.7.56 million. Accordingly, a deterioration amounting to Rs.42.97 million in the net loss before tax was observed. The reasons for the deterioration are increase of the cost of sales by Rs.26.15 million and increase of institutional and administrative expenses by Rs.19.34 million corresponding to the preceding year.

2.2 Trend Analysis of major Income and Expenditure Items

(a) In accordance with the information included in the financial statements presented, the income and expenditure of the institute the in relation to the year under review and the preceding year are as follows.

Description	2024	2023	Difference	Percentage of
			Rs.	difference
			million	(%)
	Rs.	Rs.		
	million	million		
Income	204.79	196.33	8.46	4.31
Other Income	20.78	26.32	(5.54)	(21.05)
Cost of Sales	159.52	133.37	26.15	19.61
Administrative Expenses	95.51	76.17	19.34	25.39
Financial Cost	5.07	4.77	0.3	6.29

(b) Though 03 major income means existed in the company as compared with the preceding year had decreased by Rs.30.2 million or 15.38 percent, a business activity for purchase and sale

of fly ash had been commenced by the company in the year under review. Since an income of Rs.38.66 million had been earned, through that, the income had increased by 4.31 percent.

- (c) The incurrence of Rs.32.14 million for the purchase of fly ash in the year under review had mainly caused to increase the cost of sales by 19.61 percent.
- (d) The increase of the employee salaries and wages by 39.35 percent in the year under review had mainly caused to increase the administrative expenses by 25.39 percent.

2.3 Ratio Analysis

The ratio analysis of the company is as follows in relation to the year under review and the preceding year.

	2024	2023
Loan Equity Ratio	6.37:1	3.26:1
Gross Profit Margin (percentage)	22.11	32.07
Current Ratio	1.44:1	1.50:1
Quick Ratio	1.19:1	1.22:1
Debtor Turnover Ratio	2.93	2.13
Loan Collection period (number of days)	125	171

- (a) The loan equity ratio of the company in the year under review and in the preceding year are 6.37:1 and 3.26:1 respectively and the loan equity ratio had increased as compared with the preceding year. Accordingly, it was observed that there is a higher payment risk to the company.
- (b) The gross profit ratio is 22.11 in the year under review and it was 32.07 in the preceding year and it had decreased by 9.96 as compared with the preceding year. When the revenue had increased of the company by Rs.8.46 million as compared with the preceding year, the cost of sales had increased by Rs.26.15 million. The cost of sales had increased by a higher value as compared with the increase of the revenue of the company and the increase of the cost of sales of Nawala Factory had mainly caused for this matter.
- (c) As compared with the preceding year, since debtors and receivable balances included in the current assets had decreased by Rs.47.64 million, the current ratio had further deteriorated from 1:50:1 to 1:44:1.
- (d) The debtor turnover ratio of the company had increased from 2.13 to 2.93 and the period of time for collection the loans had decreased by 46 days. This is a favorable situation as compared with the preceding year.

3. Operational Review
3.1 Uneconomic Transactions

Audit Issue	Comments of the Management	Recommendation
While the company had the possibility of purchasing 500,000 of sea sand packaging bags with a value of Rs.12.13 million from the local suppliers, the loss occurred to the company from the purchase with a value of Rs.13.79 million was Rs.1.67 million. The loss occurred from the sale of remaining bags of 436,405 not used for the packaging purpose with a value of Rs.5.88 million with only the approval of Assistant General Manager of the company in 2022 was Rs.7.74 million. No disciplinary action had been taken in this regard after identifying the responsible persons.	A committee had been appointed to take action against them after identifying the responsible persons in this regard and the future action will be taken on the conclusions and recommendations of such committee.	Subsequent to the identification of the requirement of the company and the market only, the purchases should be only made in compliance with the procurement laws and the disciplinary action should be taken against the parties who had taken decisions not in compliance with that.

3.2 Management Inefficiencies

Audit Issue	Comments of the Management	Recommendation
(a) Sea sand packaging project		
(i) A loan amount of Rs.200 million had been obtained from the parent corporation under a interest rate of 12 percent for “Sea Sand Packaging Project” commenced in the year 2018 without preparation of a project valuation, feasibility study or preliminary cost estimate. Though total cost incurred for this project by company was of Rs.382.50 million, the land building used for the project had been leased out to a private company on 14 June 2021 for 50 years on a decision of Board of Directors due to loss of the project.	This project had been commenced with an objective of promoting sea sand taking into consideration the policy decision taken by the Government in 2018 for restriction the river sand mining and the demand prevailed for sand at that time and though it was due to be taken action for transfer the land subsequent to the commencement of this project, the project had not been implemented as planned and therefore, it couldn't be taken over this land belonging to corporation to the company.	The step should be taken to commence the projects subsequent to a feasibility study and implement those projects with the proper management as planned and the disciplinary action should be promptly taken against the responsible parties who had not complied with that.
(ii) A sum of Rs.211.93 million had been incurred by company for import the steel building structure for sea sand packaging project from China and	The investigations on the irregularities which had been reported in this purchase are being heard in the National Procurement Commission	The disciplinary action should be taken against the responsible parties

non-compliance with the formal procurement procedure. The complaints on the irregularities occurred in this purchase had been lodged by the company in the National Procurement Commission and the Commission to Investigate of Allegations of Bribery or Corruption.

and the Commission to Investigate of Allegations of Bribery or Corruption presently.

and the necessary assistance should be provided without delay for completion the relevant inquiry.

(b) Even if the company had submitted bids for 16 contracts worth Rs. 408 million to obtain contracts for the year 2024, the bids for the remaining 14 contracts had been rejected except for 02 contracts worth Rs. 691,724 and Rs. 51,674. The value of the 02 contracts obtained had been 0.18 percent of the total bided contract value.

The bids for 16 contracts have been presented by the company during the year to obtain contracts. Although we received bids for 02 contracts during the submission of those bids, the other 14 bids were rejected due to the competition among the bidders.

After carrying out a proper cost-benefit analysis, the measures should be taken to prepare the plans in line with the market competition and enhance the performance the company.

(c) The interest amount of Rs. 15.87 million to be paid up to the end of the year under review on the loan of Rs. 24 million obtained from the Sri Lanka Land Development Corporation at an interest rate of 12 percent in the year 2017 to pay the salaries and wages of the employees of the Company had not been paid as at the date of this report.

This sum of Rs. 24 million had been obtained from the Sri Lanka Land Development Corporation in the year 2017 to pay salaries and wages to its employees and a sum of Rs. 2.77 million is to be paid as interest for the year under review on the said loan. A payment plan has been submitted to the Corporation to pay this amount.

The steps should be promptly taken to settle the liabilities as per a proper plan with the concurrence of the institute who had given the loan.

(d) Although a dividend of Rs. 4.56 million had been declared as per the Director Board Decision No. 2014/89/554 dated 10 October 2014, the said dividends had been accounted as current liabilities without taking steps to pay those dividends for more than 10 years.

Although this dividend had been declared based on the profit earned by the company during the said period, these dividends have been unable to be paid as there was no sufficient cash flow for the payment of money. These payments will be done as soon as the financial situation becomes favorable.

The company should take immediate steps to obtain due approvals for release from the relevant obligations in accordance with the financial position of the company.

3.3 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) The company had 06 factories by the end of the year under review, and all the other factories except the Nawala factory and the sea sand washing and processing factory had been continuously making losses since the year 2017 and the company had incurred a loss of Rs. 57.03 million from 2017 to the year under review.		
(i) The production activities at the Hingurakgoda and Ampara factories had been stopped by the end of the year 2019, and the equipment of the factories remained underutilized without being taken for any use even as at the end of the year under review. Although it was said that the factories were planned to be leased out or used for other business purposes, no steps had been taken to restart or lease those factories since a period of more than 5 years.	As a huge operational loss is incurred by the Hingurakgoda factory during its production activities, this factory has been decided to be closed and only a watcher has been kept to protect the equipment in the factory. The machines installed herein have been kept at this location as it is appropriate to remove those once another location is selected. The necessary steps are being taken to find out whether the factory is required to be leased out or used for other business purposes.	The actions should be taken immediately to get the maximum use from the assets owned by the company.
(ii) The Company or its parent company had been unable even as at the end of the year under review to obtain the leasehold or ownership of the lands belonging to the Government and other government institutions having a total extent of approximately 1.7232 hectares wherein the cement-related production centers; which are operating in Hingurakgoda, Trincomalee and Ampara areas since a period of 30 years, have been established.	This land has been possessed by the company for over 30 years and the Sri Lanka Land Development Corporation has planned to use it for the purposes other than cement production in the future. The proceedings are currently being made by the company to acquire the leasehold or ownership of these lands.	The actions should be taken accomplish the land acquisition activities and to upgrade the performance of production centers of the company.

3.4 Idle or underutilized Property, Plants and Equipment

Audit Observations	Comments of the Management	Recommendation
(a) Sea Sand Packing Machine worth Rs. 17.81 million, Batch Printing Machine worth Rs. 0.32 million, Water Purification Machine worth Rs. 7.55 million which had been purchased for the “Sea Sand Packing Project” and the Water Retention Ponds constructed at a cost of Rs. 29.74 million remained underutilized even as at the end of the year under review.	The water purification machine worth Rs. 7.55 million purchased by the company for the sea sand washing project has been handed over to the parent company, and the water retention ponds constructed at a cost of Rs. 29.74 million to store the clean water required for sand washing are presently used for sand washing. The approval of the Board of Directors has been obtained to sell the sea sand packing machine worth Rs. 17.81 million purchased for the sea sand packing project adhering to the procurement process, and a committee has also been appointed for the said purpose. The other assets worth Rs. 4.38 million currently being used for sand washing activities. The batch-printing machine is to be obtained for the Nawala factory.	The assets of the company should be utilized efficiently and effectively.
(b) The water purification machine (RO Plant) worth Rs. 7.55 million purchased for sand washing has been installed in the sea sand packing building taken over by the Corporation and the value of the said plant had not been taken into consideration when the sand packing building was taken over. Consequently, the company had not been able to use this machine.	As the Company has transferred the RO plant; purchased for sand washing, to the Corporation, the discussions are in progress with the Corporation, which is the parent company, to obtain the amount of Rs. 7.55 million related thereto.	Respective transactions should be settled in concurrence with the parent company.

3.5 Procurement Management

Audit Observations	Comments of the Management	Recommendation
(a) In case of violating the agreement by the contractor in any contract for works, a sum of not less than 5 percent of the estimated contract price is required to be presented for the works as a performance security in order	As the contractors did not provide performance bonds before the commencement of the contract work, the deductions were subsequently	Arrangements should be made to secure contracts through performance

to protect the procurement entity in accordance with the Section 5.4.8 of the Procurement Guidelines. This security should be furnished through a performance security issued by an acceptable institution and should be valid for 28 days after the expected date of completion of the works. However, the Company had not obtained the performance bonds of the contractors prior to the start of the contract work and had later deducted those from the bills payable to them. The amount of Rs. 1.04 million so deducted had been shown as performance bonds in the financial statements as at the end of the year under review.

made from the bills payable to them. As the amount of Rs. 1.04 million so deducted was not formally requested by them in writing, the said amount had been disclosed as performance bonds in the financial statements by the end of the year under review.

bonds in accordance with the provisions of the Procurement Guidelines.

(b) Even if the Company had prepared a future procurement plan for a period of at least three years according to the Procurement Guidelines of the Government, the procurement activities for the next coming year should have been prepared in detail. However, the Company had not prepared it accordingly. Further, although the procurement plan should have been updated regularly within a period not exceeding 06 months, the Company had not done so.

The procurements were done in accordance with the Government Procurement Manual, and a procurement plan for the year 2024 has been prepared. Further, the instructions have been given to the relevant officers to update the procurement plan regularly within a period not exceeding 06 months.

The procurement plan should be prepared and updated in accordance with the Government Procurement Guidelines.

3.6 Deficiencies in Contract Administration

Audit Observations

(a) Although the contract revenue expected by the company during the year under review was Rs. 135 million, the actual revenue was only Rs. 54.89 million. Consequently, the company had achieved only 40.66 percent of the expected revenue.

Comments of the Management

The contract revenue expected by the company of Rs. 135 million during the year under review. The Company expected to execute 4 projects worth Rs. 40 million. The Company submitted bids for 16 contracts during the year to obtain contracts for these projects. However, only 2 bids were succeeded. Accordingly, the Company failed to reach this limit of Rs. 135 million.

Recommendation

An appropriate cost-benefit analysis should be done and the plans should be made in line with the market competitiveness, as well as the performance of the company should be increased.

- (b) Only a sum of Rs. 2.65 million had been recovered as at September 2015 out of the mobilization advance of Rs. 4.65 million given by the company to the sub-contractor in 2014 for the construction of Horana Weekly Fair, and the remaining Rs. 2 million had not been recovered even by the end of the year under review. The company had failed to recover the uncollected advance amount as it had been paid to the sub-contractor without obtaining an advance security as per 5.4.4 of the Government Procurement Guidelines.
- The subcontractor of this project has been continuously informed about this through letters and the money due to them has been suspended. Further, the required steps are being taken to recover the money from the company.
- The Advances should be given after obtaining advance security as per the procurement guidelines. and the proceedings should be done with no delay to take disciplinary actions against the officers who acted non-compliantly and to recover the advance amounts from the sub-contractor.
- (c) The activities of the contract of developing a land belonging to the Ceylon Electricity Board with a contract value of Rs. 9.72 million which had been given to the company by the Urban Development Authority by entering into agreement to complete on 15 May 2018 been stopped midway since the year 2019, and it had been informed in a Letter No. 14/01/134/73 dated 21 August 2018 of the Urban Development Authority that the initial works of the contract done as at the said date were also not up to the standard and not carried out properly. Accordingly, the first progress claim of Rs. 5.75 million sent by the company to the client on 10 December 2018 had not been certified by the client even as at the end of the year under review.
- Although many letters were sent by the Urban Development Authority to the Ceylon Electricity Board to obtain necessary information regarding the project contracted on 15 May 2018 and the project activities, the Urban Development Authority informed about the suspension of the project due to the non-receipt of any response and the actions will be taken to recover the relevant first bill referring to the Urban Development Authority.
- The actions should be taken immediately to recover the respective bills as per the agreement and to increase the performance of the contracts.
- (d) Although the contract worth Rs. 13.91 million, which was accepted by the company on 20 July 2016 to construct a two-story building at the Mundigala hermitage, was to be completed within 120 days, the work had not been completed even by the end of the year under review and the duration had not been extended to cover the delay. It was observed during the audit that there is a risk of paying a late fee of Rs. 1.39 million to the company in the future in accordance with the
- It was decided to finish this project as it is with the consent of both parties. Accordingly, the proceedings in this regard will be done in the future.
- The contract work should be completed as per the agreement and the money receivable should be collected with no delay.

conditions of the contract agreement. A sum of Rs. 7.53 million was also to be paid to the company for this contract by the end of the year under review.

- (e) The Company had entered into agreements with the Department of Wildlife Conservation regarding 04 contract works at a value of Rs. 87.31 million in the year 2021 and the total value of the contract works performed in this regard as at the end date of the year under review was only Rs. 14.29 million. Since the Company had not reached a consent as favorable to the company without considering about the condition that 60 percent of the production value should be paid before transportation once the relevant production is fully completed and the balance amount should be paid after fixing and on the recommendation of the technical evaluation committee in accordance with the payment procedure specified in a letter provided by the Department of Wildlife Conservation before entering into the above agreements with the Department, the further completion of the 04 contract works had been stopped by mutual consent on 13 June 2021. Further, only Rs. 2.82 million had been received from the Department for the above-mentioned contract works, and it was observed to the audit that there was a risk of recovering a retention amount of Rs. 2.63 million and the total cost incurred by the company.
- This audit observation is accepted. The Company has received Rs. 17.46 million as mobilization advances for the above 04 contract works. In addition, an amount of Rs. 2.82 million has been given by the Department of Wildlife Conservation. Accordingly, the amount spent by us can be recovered from this. The discussions are underway with the Department of Wildlife Conservation in this regard.
- The agreements should be entered into with external parties as favorable to the company and the company should take actions to complete the contract work efficiently and effectively, as well as the money receivable should be collected with no delay.
- (f) The Company had not taken steps to obtain a mobilization advance from the Parent Corporation for the Udukiriella Tank Development Project, which was a sub-contract worth Rs. 20.29 million received by the Company from the Parent Corporation in the year 2016, and even if the Company had spent Rs. 6.90 million to complete the said contract work, the steps had not been taken to recover any amount even by the end of the year under review
- Since this is a project initiated in the year 2016, the required steps are being taken to study this matter, discuss it with the parent company, and obtain the relevant funds as soon as possible
- Internal control regarding the contracts should be reviewed appropriately, and the contracts should be managed efficiently and effectively, and the steps should be taken to recover the money to be received immediately.

- (g) In accordance with an agreement entered into by the Company with the Irrigation Department on 05 September 2014 related to the construction of the Bogahapitiya Shoe Bridge in Gampaha, the contract worth Rs. 4.43 million had been awarded by the company to two subcontractors, and the related work had not been completed even by the end of the year under review. Although the temporary embankment constructed had broken due to the flood situation, the insurance company had refused to pay compensation. However, a sum of Rs. 1.35 million paid to the subcontractors had been shown as work in progress by the Company and the first bill worth Rs. 0.73 million had been submitted to the Irrigation Department on 26 February 2016. However, it had not been certified yet. Further, the mobilization advance to be obtained from the Irrigation Department at the commencement of the contract work had not been received.
- The efforts have been made with the Irrigation Department at several occasions for the recovery of this money, and no positive response has been received. In the future, the discussions are scheduled to be held with the Irrigation Department and the relevant ministry through the Line Ministry to recover this money.
- Internal control regarding the contracts should be reviewed appropriately, and the contracts should be managed efficiently and effectively, and the steps should be taken to recover the money to be received immediately.
- (h) The company had entered into an agreement for Rs. 6.98 million with the Urban Development Authority on 7 June 2016 related to the construction of the proposed community hall on Fergusson Road, and only Rs. 1.04 million had been received out of the mobilization advance of Rs. 1.39 million related thereto. Also, even if the contract had been awarded by the company to a subcontractor for a value of Rs. 6.10 million, the work had not been completed even by the end of the year under review, and Rs. 1.10 million paid to the subcontractor for this work had been shown as work in progress. The bills worth Rs. 2.43 million submitted by the company on 18 December 2018 had remained uncertified even by the end of the year under review.
- Although the client institution was notified on several occasions to complete the activities of this project and accept it, the client institution did not take actions to accept it. The matter will be discussed with the client institution and a decision will be taken accordingly.
- The agreements should be entered into with external parties as favorable to the company and the company should take actions to complete the contract work efficiently and effectively, as well as the money receivable should be collected with out delay.
- (i) Although a formal agreement should be entered into with the relevant institutions before the start of contract works, the company had started the activities of 04
- Although the steps were taken to enter into agreements for these 04 contracts subsequent to the discussions with the
- Internal control regarding the contracts should be reviewed appropriately, and the

contract works entered into with the Ministry of Health in December 2023. However, the relevant agreements had not been entered into even as at the end of the year under review, and the approved project estimates had not been submitted to the Standing Technical Committee and the approval for the quotations had not been obtained.

Ministry of Health, the said institutions did not proceed in this regard. The actions will be taken to proceed in this regard and enter into a formal agreement in the future. Further, the project estimates have been submitted to the Standing Technical Committee and the approval has been obtained for quotations.

contracts should be managed efficiently and effectively in line with relevant rules and agreements.

- (j) The Power Plant had entered into an agreement for a period of 3 years from 01 October 2024 to monthly purchase 3600 metric tons of Fly Ash which is a by-product discarded from Lakvijaya Power Plant. An agreement had been entered into with a private company on 24 August 2024 to sell all 3600 metric tons to a private institution at Rs. 3,717 per metric ton with a sale price increasing by 2% per annum. This buyer had been selected outside the tender procedure, and entering into a sale agreement with the respective private institution before entering into agreement to purchase the above-mentioned Fly Ash from Lakvijaya Power Plant (Tenderer) was problematic in the audit. Under the said circumstance, 10,052.4 metric tons of Fly Ash had been sold to this private company in the year 2024.

A committee has been appointed to find facts and report on this matter, and further actions will be taken based on the recommendations and conclusions of the committee.

It should be presented to the public competition through tender procedure as far as possible.

3.7 Human Resource Management

	Audit Observation	Comments of the Management	Recommendation
(a)	The approved staff of the company as at 31 December 2024 was 136, the permanent actual staff was 45, and the contract and casual staff was 30. Accordingly, the number of vacancies existed in the permanent actual staff of the company was 62, and 06 posts in middle management level and 11 posts in lower management level had been vacant for 10 years. Also, 18 management assistant posts and 27 permanent labor	Although the six (06) senior management posts in the permanent staff of the Company have not been filled on permanent basis as at 31 December 2024, the officers have been appointed on contract basis and duty cover basis for those six posts and their services have been obtained. Although there are vacancies in middle and lower management level	The steps should be taken to review and revise the number of approved posts as applicable to the performance of the company.

posts had remained vacant even as at the end of the year under review. However, the company had not taken steps to revise the approved staff and recruit the necessary officers.

officers, the arrangements have been made to fulfill the responsibilities of the officers who should be in those posts to a certain extent through the lower level officers. The delay of filling the vacancies in the lower level officers including these officers has been caused by the financial position of the institution, and filling the vacancies of the related posts was limited due to the setback in the construction sector.

(b) 06 out of the 10 approved middle management posts had been vacant by the end of the year under review, and the company had failed to fill the vacancies in the posts of Engineer, Sales Manager, Supply Manager and Quantity Surveyor even as at the end of the year under review. Consequently, this had directly affected the operations of the company.

Although the restrictions imposed by the Public Enterprises Circular and the financial position of the company have caused the non-recruitment of middle management level vacancies, the recruitments have been made on contract basis for the posts of Middle Management Level Engineer (Civil) and Quantity Surveyor in the year 2024. However, those who held the post of Quantity Surveyor have resigned.

The approved essential staff should be recruited and the operations of the company should be carried out efficiently with no delay.

(c) According to paragraph 3.1 of the Operations Manual for State-Owned Enterprises issued by the Public Enterprises Circular No. 01/2021 dated 16 November 2021, The state-owned enterprises are required to obtain approval from the Treasury for their cadre and salaries, and as per the approval of the Director General of the Department of Public Enterprises, the said cadre and salaries should be reviewed and this list should be updated from time to time according to the approval of the Secretary to the Treasury. However, the company had not proceeded accordingly.

As per a decision of the Board of Directors, a committee has been appointed to review the recruitment process of the institution and submit recommendations, and once the recommendations of this committee is presented, the details regarding the approved cadre of the company will be forwarded to the General Treasury for approval.

A Staff Review should be carried out and the required approval should be obtained.

- (d) According to Section 3.2 of the Operations Manual, the requests regarding the cadre of the institution, the Recruitment Procedure, requests related to the number of employees, including salary structure and allowances, should be submitted to the Director General of the Department of Management Services with the recommendations of the line ministry for the approval of the Director General, and the copies thereof should be submitted to the Director General of the Department of Public Enterprises or the Director General of the Department of National Budget, as the case may be. However, no action had been taken accordingly.
- As per a decision of the Board of Directors of the institution, a committee has been appointed to review and update the recruitment procedure of the company. Once the recommendations of this committee are received, the updated recruitment procedure and salary structure will be submitted to the Director General of the Department of Public Enterprises with copies to the Director General of the Department of Management Services together with the recommendations of the Line Ministry.
- Recruitment Procedures, salary structures should be prepared and the required approvals should be obtained.
- (e) Although the recruitment procedure of the Company had been approved by the Board of Directors' Letter No. 99/18/40 dated 2 August 1999, the audit was unable to verify the qualifications of the officers currently in service as the post of the employee and recruitment procedures had not been approved in accordance with Section 3.4 of the Operations Manual.
- A committee has been appointed as per the instructions of the Board of Directors of the company to update the recruitment procedure of the company, and the relevant work is being carried out by the said committee. Subsequent to the preparation of this recruitment procedure, it will be forwarded for the relevant approvals.
- Recruitment procedures and salary structures should be prepared in accordance with the circular provisions and the necessary approvals should be obtained.
- (f) 191 officers recruited by the Corporation without a proper procedure for the various posts under the Company from 2010 to 2024 had been deployed in the service of the Corporation on the basis of salary reimbursement. These employees had not been brought under the approved staff of the Company or under the approved staff of the Corporation.
- Our company has been established to extend supports to the Corporation. Accordingly, our company has recruited 191 officers for various posts on contract basis from the 2010 to 2024 in order to carry out the functions of the Corporation properly and have deployed them in the service of the Corporation on a salary reimbursement basis. For this purpose, an agreement has been entered into with the Corporation and the Company also earns profit on this. This staff (Man Power) is not a permanent staff and has been recruited only for income generation.
- Recruitment procedures and salary structures should be prepared in accordance with the circular provisions and the necessary approvals should be obtained.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Management	Recommendation
Although the annual financial statements of the statutory institutions should be presented to the Auditor General within 60 days upon the end of the financial year in accordance with paragraph 6.6 of the Operational Manual for State-Owned Enterprises introduced by the Public Enterprise Circular No. 01/2021 dated 16 November 2021, the Company had presented the financial statements for the year under review on 21 May 2025 to the audit, that is, with a delay of almost 03 months.	The relevant officers have been instructed to present the final financial statements to the Auditor General as at the due date from the year 2025.	Financial Statements should be submitted on time to the Auditor General as per the provisions of the circulars.

4.2 Tabling Annual Reports in the Parliament

Audit Observation	Comments of the Management	Recommendation
The company had not taken steps to review and table the annual reports in the Parliament from the year of commencement; 1983, up to the end of the year under review in accordance with the Chapter 3 of the Guidelines on Corporate Governance for State Owned Enterprises introduced by the Public Enterprise Circular No. 01/2021 dated 16 November 2021.	The actions will be taken to table the audited financial statements of the company in the Parliament together with the annual reports of the parent company; the Land Development Corporation.	The Annual Reports should be tabled in the Parliament on the due date in line with the circular provisions.

4.3 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
According to the Public Enterprise Circular No. 01/2021 dated 16 November 2021, the Board of Directors of the company should ensure that its strategic plan has been prepared to achieve the objectives defined therein within a national policy framework, and the strategic plan for a period of 5 years, including gap analysis and strategies to achieve those gaps, should be updated every year in accordance with the changes in the business environment and submitted to its parent company. However, the company had not proceeded accordingly.	A Corporate Plan has been prepared for three years; that is, from 2024 to 2028. Accordingly, a budget statement for the year 2024 was prepared and implemented subject to the approval of the Board of Directors. The relevant officers have been instructed to prepare a corporate plan as pointed out in your observation.	The strategic plan should be prepared according to the provisions of the Circular and the activities of the company should be maintained in accordance with it.

4.4 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) According to the Public Enterprise Circular No. 01/2021 dated 16 November 2021, the activities should be presented in a logical order and in details as per the expected objectives when preparing the Action Plan, and the specific officers should be assigned with the responsibility for carrying out those activities and a specific time limit should be indicated. Although the financial estimate for each activity should be included in the action plan, the company had not prepared the action plan for the year under review.	An Annual Action Plan has been prepared and the approval of the Board of Directors has been obtained together with the budget for the year 2023.	The action plan should be prepared properly in accordance with the circular provisions.
(b) The Key Performance Indicators for the main functions of the company related to the year under review had not been prepared by the management. Consequently, the audit was unable to evaluate the performance of the company for the year under review.	The Key Performance Indicators (KPIs) have been introduced by the Company with the approval of the Board of Directors also, and the performance evaluation will be conducted accordingly.	Key Performance Indicators should be prepared enabling to evaluate the performance.

4.5 Internal Audit

Audit Observation	Comments of the Management	Recommendation
A separate Internal Audit Division had not been established for the audit of the Company in accordance with Sections 40 and 41 of the National Audit Act No. 19 of 2018, and the audit activities had been carried out by the Internal Audit Division of the parent corporation of the company; the Sri Lanka Land Development Corporation. Consequently, it had not been able to ensure the security of the physical, financial and human resources of the Company, to verify that the public funds were spent effectively and efficiently, and to properly review the facts such as evaluating whether the internal control mechanisms established by the Company were functioning properly.	This matter was discussed at the Audit Committee of the Company. Accordingly, it was decided to carry out the internal audit activities efficiently and effectively by the Internal Audit Department of the Parent Company, and instructions have been given to properly review and report on the established internal control systems.	An Internal Audit Division should be established in accordance with the National Audit Act.

4.6 Budget Control

Audit Observation	Comments of the Management	Recommendation
The annual budget had not been prepared according to the paragraph 2.3 of the Guidelines on Corporate Governance for State Owned Enterprises in Public Enterprise Circular No. 01/2021 dated 16 November 2021.	It was implemented subsequent to preparing the budget for the year 2024, and obtaining the approval from the Board of Directors. As per the audit inquiry, the instructions have been given to the relevant officers to prepare the annual budget as described in Section C in accordance with paragraph 2.3 of the Guidelines on Corporate Governance for State Owned Enterprises in the Public Enterprise Circular No.. 01/2021.	A budget should be prepared in line with the circular and used as an administrative and financial control tool.