

Auditor General's Triennial Report

2021-2023

State Owned Companies

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1. Executive Summary

The public companies are the companies which had been established under the Companies Act, No.07 of 2007 and 51 percent or more than that of the total share capital of the company is owned to the Government or one institution or several institutions in the public sector.

The state owned companies which had been established by the public enterprises as subsidiaries or associate companies and made capital by the relevant private companies without intervention of the General Treasury and registered under the Companies Act exist also.

The administration of the state companies is performed by the Board of Directors and the appointment of a Board of Directors with the qualifications related to that as per the nature of the business activities of the relevant company affects to the growth of that business.

The government has been vested with power to appoint directors of limited liability companies in which the government or a state-owned enterprise holds 100 percent of the shares and any private individual cannot receive a share of the profits. It is essentially the equivalent as converting a state corporation into a normal "private sector" company through a simple sale of shares. The government also has the power to appoint directors of the company in the event of a sale of less than 50 percent of the shares. The government is also in a position of sufficient power to influence corporate policy in the case of a sale of more than 50 percent of the shares. However, it was observed that many state-owned corporations do not maintain their control over the administration, even though the majority of the board of directors of the corporations consists of their members.

According to the Operational Manual for State Owned Enterprises, State Owned Enterprises must submit draft annual report and financial statements to the Auditor General within 2 months after the end of the financial year.

The Auditor General submits a report to the Chairman of the Board of Directors of the State-Owned Enterprise within three months of receipt of the approved annual financial statements and other relevant documents and information for publication in the annual report of the company.

The Department of Public Enterprises has issued Public Enterprises Circulars from time to time to control the activities and operations of State-Owned Enterprises, and it was observed that State Owned Enterprises must obtain the approval of the Ministry of Finance to implement certain decisions. However, instances of implementing decisions without obtaining such approval were observed.

2. Opinion of the Auditor General on the Financial Statements

State Owned Companies prepare annual financial statements comprising the statement of financial position as at the end of the year and income statement, a cash flow statement, statement of changes in equity and a summary of significant accounting policies and other explanatory information for the year then ended. The Auditor General provides independent assurance that the financial statements give a true and fair view of the operations of the entities. This assurance is provided by expressing an opinion on the financial statements. The conclusion of the Auditor General as to whether the statement of financial position and the statement of financial performance of the State Owned Companies present a true and fair view and as to whether those financial statements comply with Sri Lanka Accounting Standards or Sri Lanka Public Sector Accounting Standards, which are currently compliant with International Public Sector Accounting Standards, and Financial Reporting Standards is expressed by the audit opinion.

Four types of opinions are expressed after considering material misstatements or discrepancies according to the financial statements, and limitations of scope and disagreements between management and the auditor. They are:

Unqualified Opinion

This opinion is expressed when material misstatements or non-compliances are not reported in the financial statements.

Qualified Opinion

This opinion is expressed when material / misstatements or inconsistencies have been reported in the financial statements, but, they have not been extended to the financial statements of entity.

Adverse Opinion

Adverse audit opinion is expressed when material / misstatements, reported in the financial statements have been extended to the financial statements.

Disclaimer of Opinion

This opinion is expressed when the auditor is unable to obtain sufficient and appropriate audit evidence for audit opinion owing to the limitation in the scope and when the auditor decides that there may be undisclosed misstatements in the financial statements.

Details of Opinions of State Owned Companies.

Information of audit opinions issued in relation to the financial statements submitted in relation to 98 State Owned Companies for the years 2021, 2022 and 2023 is mentioned in the following table.

	2021	2022	2023
Unqualifid	36	35	33
Qualified	47	44	39
Adverse	1	1	0
Disclaimer	5	3	0
Opinion has not decided yet	0	0	0
Financial Statements not received	9	15	26

	Name	2021	2022	2023
1.	Airport and Aviation Services (Sri Lanka) (pvt) Ltd	Unqualified	Qualified	Qualified
2.	Telecommunications Regulatory Commission of Sri Lanka	Qualified	Qualified	Qualified
3.	Information Communication Technology Agency of Sri Lanka (Pvt) Ltd Company.	Qualified	Qualified	Qualified
4.	Lanka Government Information Infrastructure (Private) Limited Company	Qualified	Qualified	Qualified
5.	Sri Lanka CERT (Private) Limited	Qualified	Qualified	Unqualified
6.	Ocean View Development Private Limited.	Qualified	Qualified	Qualified
7.	Sri Lanka Thriposha Limited	Unqualified	Qualified	Unqualified
8.	Kurunegala Plantation Company	Qualified	Qualified	Qualified

9.	Chilaw Plantation Ltd	Qualified	Qualified	Unqualified
10.	Sri Lanka Rubber Manufacturing and Export Corporation Ltd	-	-	-
11.	Elkaduwa Plantation Limited	Qualified	-	-
12.	Mganeguma Road Construction Equipment Company (Pvt) Ltd	Disclaimed	-	-
13.	Maganaguma Emulsion Production Company (Pvt) Ltd	Qualified	-	-
14.	Maganaguma consultancy & Project Management Services Company (pvt) Ltd	Qualified	Qualified	Qualified
15.	Colombo Commercial Fertilizer Ltd	Qualified	Qualified	Qualified
16.	Ceylon Fertilizer Company Limited	Qualified	Qualified	Qualified
17.	Central Engineering Services (Private) Ltd	Qualified	Qualified	Qualified
18.	Cey- Nor Foundation Limited	Qualified	Qualified	Qualified
19.	Milco Private Limited	Disclaimed	-	-
20.	Sri Lanka Poultry Development Limited	Qualified	-	-
21.	North Sea Limited	-	-	-
22.	Selendiva Leisure Investments Limited	Unqualified	Unqualified	Unqualified
23.	Selendiva Investments Limited	Unqualified	Unqualified	Unqualified
24.	Mahaweli Consultancy Bureau (Private) Limited	Qualified	Qualified	Qualified
25.	Mahaweli Livestock and Agro Enterprises (Pvt) Ltd	Qualified	Qualified	Qualified
26.	Kalubovitiyana Tea Factory Limited	Qualified	Unqualified	-
27.	Hingurana Sugar Industries Ltd	-	-	-

28.	Kumbalgamuwa Mini Hydro (Private) Limited	Qualified	Qualified	Qualified
29.	Deduruoya Mini Hydro (Private) Limited	Qualified	Unqualified	Qualified
30.	Sri Lanka Energies (Private) Limited	Qualified	Qualified	Qualified
31.	Canowin Hotels & Spas (Pvt) Ltd	Unqualified	Unqualified	Unqualified
32.	Waters Edge Recreations Limited	Qualified	Qualified	-
33.	Waters Edge Limited	Qualified	Unqualified	-
34.	Sinolanka Hotels & Spa (Pvt) Ltd	Unqualified	Unqualified	Unqualified
35.	Helanco Hotels & Spa (Pvt) Ltd	Unqualified	Unqualified	Unqualified
36.	Hotel Developers (Lanka) Limited	Unqualified	Unqualified	Unqualified
37.	Canwill Holdings (Pvt) Ltd	Unqualified	Unqualified	Unqualified
38.	Peliyagoda Warehouse Complex Ltd	-	-	-
39.	Lanka Rest Houses Limited	Disclaimer	-	-
40.	GSMB Technical Services (Pvt) Ltd	Qualified	Qualified	Qualified
41.	Sri Lanka Building Materials Corporation Ltd	-	-	-
42.	Urban Investment & Development Company (Pvt) Ltd	Qualified	Qualified	Qualified
43.	Land Reclamation and Development Company	Qualified	Qualified	Qualified
44.	LRDC Services (Private) Limited	Qualified	Qualified	Qualified
45.	Lanka Mineral Sands Ltd	Qualified	Qualified	Qualified
46.	Trinco Petroleum Terminal (pvt) Ltd	-	Unqualified	Unqualified
47.	The Ceylon Petroleum Storage Terminal Limited	Qualified	Qualified	Qualified

48.	Litro Gas Terminal Lanka (Private) Limited	Unqualified	Unqualified	Unqualified
49.	Kahatagaha Graphite Lanka Ltd	Qualified	Qualified	Qualified
50.	Lanka Phosphate Ltd	Unqualified	Unqualified	Qualified
51.	West coast power (Pvt) limited	Unqualified	Unqualified	-
52.	Trincomalee Power Company Limited	Unqualified	Qualified	Unqualified
53.	Lanka Sathosa Limited	Disclaimer	Disclaimer	-
54.	Sathosa Security and General (Private) Limited	Qualified	-	-
55.	National Wealth Corporation limited	Qualified	-	-
56.	Litro Gas Lanka Limited	Unqualified	Unqualified	Unqualified
57.	Distance Learning Centre	Unqualified	Unqualified	Unqualified
58.	Kantale Sugar Industries Limited	-	-	-
59.	Sri Lanka climate Fund (Pvt) Ltd	Qualified	Qualified	-
60.	LECO Projects (Private) Limited	Unqualified	Unqualified	Qualified
61.	Ante LECO Metering Company (Private) Limited	Unqualified	Qualified	Unqualified
62.	Colombo Lotus Tower Management Private Limited	-	Unqualified	Unqualified
63.	Lanka Leyland (Private) Company Limited	Qualified	Disclaimed	Qualified
64.	Lakdiva Engineering Company (Private) Limited	Qualified	Qualified	Qualified
65.	Property Development Limited	Unqualified	Unqualified	Unqualified
66.	Ceybank Holiday Homes (Pvt) Limited	Unqualified	Unqualified	Unqualified
67.	BOC Management and Support	Unqualified	Unqualified	Unqualified

	Service (Pvt) Limited			
68.	BOC Property Development and Management (Pvt) Limited	Unqualified	Unqualified	Unqualified
69.	BOC Travels (Pvt) Limited	Unqualified	Unqualified	Unqualified
70.	People's Leasing and Finance PLC	Unqualified	Unqualified	Unqualified
71.	People's Travels (Pvt) Limited	Unqualified	Unqualified	Unqualified
72.	Peoples Insurance PLC	Unqualified	Unqualified	Unqualified
73.	People's Leasing Fleet Management Limited	Unqualified	Unqualified	-
74.	People's Leasing Property Development Limited	Unqualified	Unqualified	Unqualified
75.	Peoples Micro Commerce Limited	Unqualified	Unqualified	Unqualified
76.	Management Services Rakshana (Pvt) Limited	Unqualified	Unqualified	Unqualified
77.	Independent Television Network Limited	Qualified	Qualified	Qualified
78.	Lake House Property Development (Private) Limited	Unqualified	Unqualified	Unqualified
79.	Selacine Media Solutions Pvt Ltd (Selacine Television Institute until 2023.09.30)	Qualified	Qualified	Qualified
80.	Associated Newspapers of Ceylon Limited	Qualified	Qualified	Qualified
81.	Lanka Salt Ltd	Qualified	Qualified	Qualified
82.	Paranthan Chemicals Company Limited	Unqualified	Unqualified	Unqualified
83.	BCC Company	Unqualified	Qualified	Qualified
84.	Sri Lanka Institute of Biotechnology	Unqualified	Qualified	Qualified
85.	Sri Lanka Institute of	Unqualified	Qualified	Qualified

	Nanotechnology			
86.	SLINTEC Academy	Qualified	-	-
87.	National School of Business Management (NSBM)	Unqualified	Unqualified	Unqualified
88.	Skills Development Fund Limited	Unqualified	Unqualified	Unqualified
89.	Sri Lanka Foreign Employment Agency Company Limited	Qualified	Qualified	Qualified
90.	Lanka Sugar Company (Private) Ltd	Disclaimer	Disclaimer	-
91.	Lanka Coal Company (Pvt) Ltd	Qualified	Qualified	Qualified
92.	Jaya Container Terminals Company Limited	Qualified	Qualified	Qualified
93.	Sri Lanka Port Management Consultancy Service (Private) Limited	Qualified	Qualified	Qualified
94.	Gal Oya Plantation (PVT) Ltd	Qualified	Unqualified	Unqualified
95.	NSB Fund Management Company (Pvt) Limited	Unqualified	Unqualified	Unqualified
96.	Sri Lanka Insurance Corporation Limited	Qualified	Qualified	Qualified
97.	Youth Services (Private) Ltd	-	-	-
98.	Sri Lankan Catering Limited	Unqualified	Unqualified	Unqualified

3. Individual Observation of State Owned Companies.

3.1 Airport and Aviation Services (Sri Lanka) (pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	126,844,428,699	85,530,106,999	41,314,321,700	(960,886,767)	Unqualified
2022	179,529,787,309	134,272,632,397	45,257,154,912	6,433,025,990	Qualified
2023	191,542,424,482	123,931,232,976	67,611,191,506	33,639,078,59	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Based on the Cabinet decision dated 17 August 2005, it had been directed to value the land and building of airport presently owned by the Government and other movable and immovable assets held by the Company and taking over the liabilities relating to Airport Development then serviced by the Government of Sri Lanka and issue of shares to the Government of Sri Lanka for the net assets value. However,	2021, 2022, 2023	Subsequent actions pertaining to Cabinet approval should be carried out.	Arrangements had already been made to obtain written approval from the Director General of the Civil Aviation Authority for using all immovable assets as a statutory service provider empowered by the Civil Aviation Act No. 14 of 2010	Subsequent actions had not been taken.

further action had not been taken by the company in this regard.

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| <p>(b) Aerodromes specified in the Second Schedule (Katunayaka Airport and Rathmalana Airport) and the seven aeronautical facilities and the land appertaining thereto (The building and structures there on and land appertain thereto) specified in Third Schedule of the Civil Aviation Act no.34 of 2002 had been vested Civil Aviation Authority of Sri Lanka (CAASL) through Extraordinary Gazette bearing No. 2050/38 dated 21 December 2017. And also, The Company had invested a sum of Rs.60,141 million (Carrying Value of the Property, Plant and Equipment & Work in Progress) for the development of infrastructure facilities without having proper consent.</p> | <p>2022, 2023</p> | <p>Investment should be done only after the getting approval from the relevant Authority.</p> | <p>With ref. to the Audit & Management Committee (AMC) held 21.06.2023, Secretary, Ministry to the Ports, Shipping & Aviation - Chairman of AMC, has stated that though the ownership of lands are vested with CAASL, AASL being the only operator there are no barriers for AASL to carry out its investments.</p> | <p>Agreement/ approval of the Civil Aviation Authority of Sri Lanka had not been submitted to audit.</p> |
| <p>(c) No action had been taken to acquire the legal title of the land or to start the planned</p> | <p>2023</p> | <p>Action should be taken to acquire the legal title of the land and to</p> | <p>This project is on hold with the financial crisis due to Covid-19</p> | <p>Planned activities had not been Commenced.</p> |

construction in the land was handed over to the Company for constructing office premises, storage facilities and staff accommodation. The land located at Kandapola was handed over to the Company for constructing office premises, storage facilities and staff accommodation.

start the planned pandemic. construction work.

(d) **BIA Development Phase II Stage 2 Project (Package A) – (BIADP)**

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| <p>(i) Two companies had been selected to obtain consultancy services of design and post design for the above project for 6 million passenger capacities as per the cabinet decision taken on 19 December 2007. Consultant had taken 04 years from 2009 to 2012 for the design and Company had paid to Rs.344.5 million. However this Consultancy Payment had become uneconomic to the company due to changing of 06 million passenger capacities to 09 million passenger capacity and it had</p> | <p>2021, 2022, 2023</p> | <p>Aviation Development Plan and Master plan for airports should be prepared immediately and scope and design of construction should be clearly identified before entering into agreements.</p> | <p>It had been proposed to further enhance the passenger handling capacity of the BIA by an additional 3 million passengers per year in addition to the already planned 6 million passengers per year.</p> | <p>The company had not focused on reducing the uneconomic costs and the project activities had been progressed with significant delays.</p> |
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been taken another 03 years from 2014 – 2016.

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| (ii) | <p>The Company had entered into two agreements with Japan International Cooperation Agency for funding of 74,397 Japanese Yen million for the Project in 2012 and 2016. And also, the contract value equivalent to the 82 per cent of the funding value had been awarded on 04 March 2020 after 8 years from the contract date. Further, the Company had paid a sum of Rs.359.5 million equivalents to 250.5 Japanese Yen million from 20 April 2013 to 20 April 2022 to the Agency as commitment fee for under-utilization of funds. Changing the roof design of new terminal building in several time by policy decisions had been caused for the delaying of the project.</p> | 2021 | <p>According to the contract agreement, the construction activities of Package A should be completed, and construction progress should be reviewed periodically to prevent further delays.</p> | <p>Due to the COVID-19 pandemic, there was a delay in bringing in the contractor's foreign workforce. Finally, the contract work commenced on December 15, 2020. Further As of February 14, 2021, the actual progress of the project was 0.06%, compared to the planned progress of 0.03%. As at 20 April 2021, commitment fees of 235 million Japanese Yen had been paid under Loan Agreement No. SLP 104, and final delay fees of 90.86 million Japanese Yen had been paid under SLP 114</p> | <p>The company had not focused on reducing the uneconomic costs and the project activities had been progressed with significant delays.</p> |
| (iii) | <p>According to the contractor's implementation plan, the contract progress was supposed to be 30</p> | <p>2021, 2022, 2023</p> | <p>Action should be taken to complete the project immediately by initiating high-</p> | <p>Although the contractor was instructed to commence work before December</p> | <p>The company had not paid attention to minimizing un economical costs</p> |

percent as of June 30 2022, but the actual progress was only 5.38 percent. Subsequently, due to the policy decision taken by the Ministry of Finance on April 12, 2022, the commitment fees and project-related expenses of Rs. 184 million incurred during the period when the credit facility was suspended had become uneconomic.

Furthermore, the company had made an interim payment of 593 million Japanese Yen, equivalent to Rs. 1596 million, including the contractor's monthly expenses until the end of the ownership and late fees from December 9, 2022 to March 31, 2024, and the consultants had estimated a provision of nearly USD 40 million.

level discussions.

15, 2020, the and the project commencement of continued to be the contract was carried out with delayed until significant December 15, delays. 2020 due to reasons such as the lack of a certificate of the pandemic situation for continued construction work at the site. There is a requirement to continue the existing insurance and continue the same quality of work in order to make sure compliance with the next contractor and acceptance to the consultant and probably next Japanese main contractor.

- (iv) Further more, partially 2023 completed materials and equipment valued at Rs. 1,660 million were located in foreign locations, and it had been decided to bring only those materials that could be used for

Actions should be taken to complete the project immediately by initiating high-level discussions.

No answers had been given.

The company had not paid attention to minimizing uneconomical costs and the project had been continued with significant

future construction activities to this country, and to dispose of the other equipment and materials in foreign locations.

delays.

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| <p>(e) According to the 2021, Section 14 of the Civil Aviation Act, No.14 of 2010, a Master Plan on establishment or expansion of aerodromes had not been prepared and obtained the approval from Civil Aviation Authority of Sri Lanka up to now.</p> | <p>Master plan should be prepared and action should be taken to get the approval as in the Civil Aviation Act</p> | <p>The selected bidder ultimately intended to change and amend the terms and conditions that were negotiated and agreed upon. Therefore, it has been decided to call a Request for proposal the same with the approval of the Line Ministry.</p> | <p>The master plan had not been obtained the approval.</p> |
| <p>(f) As per the agreement signed on 15 August 2019 for an initial cost of USD 530,571 (excluding VAT) and Rs. 38,900,544 (excluding VAT) for the implementation of an Enterprise Resource Planning (ERP) system to improve efficiency of the company system and processes, the contract had to be completed on 15 November 2020. However, by March 25, 2023, three years and three months had elapsed since the</p> | <p>The project should be completed as planned and without significant delays.</p> | <p>The project was delayed due to the following reasons.</p> <ul style="list-style-type: none"> i. The gap analysis report which was submitted to the board without being discussed with the operations committee. ii. COVID iii. GI - Troubleshooting after | <p>The system modules had not been completed yet.</p> |

contracts were signed, the final acceptance certificate had not been issued, and the Enterprise Resource Planning (ERP) system modules had not been completed. As of that date, the contractor had been paid a total of USD 427,109 and Rs. 14,704,405 (including VAT).

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| (g) | From the beginning, 2023 the company had not taken steps to generate rental income from four locations with an area of 3293 square feet at the Mattala Rajapaksa International Airport (MRIA). | A committee should be appointed to assess the available opportunities and obtain recommendations, and action should be taken accordingly. A committee should be formed to assess the available opportunities to get recommendations and appropriate actions should be taken accordingly. | It has been reported that the passenger segment eligible for duty concessions is currently not arriving at MRJA and, accordingly, duty-free operations have been declared commercially unviable. | The company had not taken any action to generate rental income. |
| (h) | The contractor had not taken steps to remove the remaining contract equipment, surplus materials, debris, discarded materials and temporary works | Action should be taken in accordance with the terms of the agreement. | Some of the materials stacked in the contractor's yard have been used by the AASL for maintenance work with the | The remaining contract materials at the work site had not been removed and were being |

from the Mattala work site.

contractor's destroyed.
approval and
Currently working
with the contractor
to get the
necessary
materials and
remaining
materials for the
upcoming
maintenance work.

(i) **Maintenance, Repair and Overhauling (MRO) at Mattala**

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| <p>(i) As per the Cabinet 2023 decision dated 05 September 2013, the Company had entered into a supplementary agreement with China Harbour Engineering Company Limited (CHEC) to the main agreement signed for Mattala on 06 September 2013 to implement additional works with a total cost of USD 122,030,389. Although the parties to the agreement were not bound by the agreement due to the People's Republic of China not providing the loan funding facility in relation to the above works as per Article 01 of the agreement, CHEC had commenced the</p> | <p>Construction work should be start after signing a valid contract.</p> | <p>Although the company requested the above facility, the Export-Import Bank of China rejected it. No investigation has been conducted into the commencement of construction work while the agreement was invalid.</p> |
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construction of a new gate lounge at the Passenger Terminal Building (PTB) while the agreement was not valid, pursuant to the initial order given by the Chairman of the Company. The company had made payments for the bill of Rs. 565,491,077 submitted by CHEC without engineering certification and Rs. 187,603,537 (USD 547,524) from the above amount, had been become uneconomical due to the fact that many of the plans were not suitable for the present and the construction of the buildings had not commenced.

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| (ii) | <p>When submitting 2023 recommendations regarding MRO VAT payments, the Mechanical Engineering Division had informed that there was a leak in the fire network at Mattala Airport and that VAT payment could not be recommended until it was rectified, otherwise Rs. 800 million would have to be spent to rectify it. However, as per the</p> | <p>Payments should be made after considering the recommendations made by the subject engineer.</p> | <p>This project had not been continued as the Supplementary Agreement had not been implemented due to non-receipt of funds from the Chinese EXIM Bank. Therefore, the project had not been gazetted as an SDP and accordingly, tax exemptions had not been granted.</p> | <p>The leak in the fire network had not been fixed.</p> |
|------|---|--|---|---|

Cabinet decision dated 28th August 2013, in terms of Section 3 (4) of the Strategic Development Projects Act No. 14 of 2008. VAT of Rs. 79,386,492 had been paid on 28th July 2023 for the above project without getting exemption from tax

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|-------|--|------|---|--|---|
| (iii) | Due to the decision to pay the bills presented for the MRO project in the year 2016 in the years 2022 and 2023, the foreign exchange rate which was 146.03 US Dollers at that time had increased to 360 US Dollers. Therefore, company had to incur of Rs.324.3 million. | 2023 | Action should be taken to minimize unnecessary exchange losses by making foreign currency payments on time. | Since the bills were settled in US Dollers, the US Dollers exchange loss due to the time difference is just a book entry. | No investigation had been conducted regarding the losses incurred due to the delay. |
| (j) | Although the lightning and surge protection system for mast, antenna, multicoupler valued at Rs.5.1 million at the Kandapola receiving station had been shown financial statements as at 31 December 2023, the above equipment were not in the site. | 2023 | Physical existence of the asset should be verified by the entity and if it is not available, required adjustments should be made after obtaining the proper approval. | This land and buildings were taken over by MOD and it is recommended to remove this item from the ERP assets register, following the formal process. | Rest of the underground items had not been removed from the Assets Register |
| (k) | According to the section 2.1 of the circular No. PED | 2023 | As per the circular instruction, interim allowances paid to | Although, It had been decided to deduct this amount | The interim allowances had not been |

04/2023 and dated 11 December 2023 and Section 4 of the internal memo issued by the company, the interim allowance of Rs.50,000 should be deducted from the year end bonus of Rs.125,000, it had not been deducted from the annual bonus or salary by the company yet.

employees should be recovered. in monthly installments with effect from April 2024 at the Board meeting held in January 2024, Subsequently, on the instructions of the Secretary to the Line Ministry, Management decided to temporary withhold deduction of April 2024 installment.

- (1) Contrary to the Section 2.3 and 3.1 of the Public Enterprise Circular No PED 01/2015 dated 25 may 2015 and circular No. 01/2015 (ii) dated 14 January 2022, contrary to the circular provisions 235,865 liters of fuel amounting to Rs.84 million in excess had been given to 336 officers during the year under review as monthly fuel allowances. And also, contrary to the circular provisions 10,142 liters of fuel amounting to Rs3.6 million in excess had been given during the year under review.
- 2022, 2023
- Action should be taken to comply with the circular instructions and get the approval from Ministry of Finance for payment of additional fuel allocation.
- Comprehensively examining this matter considering its nature and the specific business requirements of AASL.
- Approval had not been obtained for the allowances that were paid in excess of the provisions of the circular

3.2 Telecommunications Regulatory Commission of Sri Lanka

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	52,629,846,537	20,569,324,259	32,060,522,278	27,804,147,902	Qualified
2022	43,574,546,372	11,873,398,285	31,701,148,087	31,538,040,003	Qualified
2023	88,599,731,687	13,861,288,277	74,738,443,410	45,301,922,846	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	An amount of Rs. 372,764,954 had to be received from trade debtors as at 31 December 2023. Although the total debt balance was classified regarding this in the financial statements for the year 2023 as debtors that have been in existence for more than 02 years, a loan balance of Rs. 15,103,410 had also been included within that dating back to 1976 as confirmed by the audit. Due to the lack of a formal system for recovering arrears of	2022 2023	A formal methodology should be introduced to recover outstanding frequency revenue.	Actions have not been taken.	A formal methodology had not been introduced to recover outstanding frequency revenue.

frequency revenue, these debtors had not been able to recover. Further, a sum of Rs. 174,800,000, which is more than 46 per cent of the total outstanding balance from Electronics Private Limited since 1993 and a sum of Rs. 145,254,449, which is more than 40 per cent from the Sri Lanka Broadcasting Corporation since 1976 had to be received.

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| (b) | According to the agreement entered into between the Commission and the contractor for the construction of the Telecommunications Media Center at the Hambantota Information Technology Park, although the relevant contract was scheduled to be completed on 10 August 2016, only 33 per cent of the contract had been completed. This contract had already been terminated by 30 May 2024 and the amount of Rs. 711,268,796 spent as at 31 December 2023 had | 2021
2022
2023 | Steps should be taken to generate income by renting out the premises to investors. | Due to the other related projects that should have been implemented were not initiated in addition to this project decided and initiated by the government, it has been impossible to achieve the expected goals of the project and actions have been taken in accordance with the orders given by the Arbitration Boards for this project. Further, A call for Expressions Of Interest (EOI) was issued to offer this | An income was had not been earned. |
|-----|---|----------------------|--|--|------------------------------------|

become a useless
expenditure.

facility to investors
in its current form.
No investor has
expressed Interest
in this. Further,
Necessary steps are
being taken to Call
the Interests by
government
institutions as per
the instructions
given at the Audit
and Management
Committee
meeting of the
Ministry of
Technology.

3.3 Information Communication Technology Agency of Sri Lanka (Pvt) Ltd Company.

	Total Assets	Total Liabilities	Equity	Profit before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	864,114,702	974,100,991	(109,986,289)	(41,648,126)	Qualified
2022	635,442,445	769,392,917	(133,950,472)	(20,629,927)	Qualified
2023	2,555,162,792	2,693,234,017	(138,071,225)	9,342,086	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Contrary to Paragraph 3.2 of the Public Enterprises Circular, No. 01/2021 dated 16 November 2021, the Company had no approved Scheme of Recruitment and approved cadre.	2023	The Company should have an approved cadre and a Scheme of Recruitment in accordance with the Circular.	Approval had been sought from the Department of Public Enterprises and the Ministry of Finance through the Ministry of Technology (MOT) on 04 December 2023.	The Scheme of Recruitment had not been approved even by 30 September 2024.
(b)	An employee of the enterprises owned by the Government should not be released to a Ministry or other institution without being approved by the Cabinet, and no allowances should be paid during the period of release. However,	2022 2023	The Circular should be followed.	No action had been taken.	Action had not been taken in accordance with the Circular.

one of the officers of the Company had been released to the Ministry of Technology without such an approval, and sums of Rs. 1,948,000 and Rs. 2,066,400 had been paid as salaries and telephone allowances during the year under review and the preceding year respectively.

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| (c) | The sum of Rs. 40,215,928 payable to the Sri Lanka Computer Emergency Readiness Team (Sri Lanka CERT), had remained unsettled from the year 2017. | 2021
2022
2023 | Action should be taken to settle the payables. | A Committee has been appointed by the Ministry of Technology to look into this matter. | Creditors' balances had not been settled even up to 30 September 2024. |
| (d) | As salary increments had been given to 30 employees contrary to the decision taken by the Board of Directors, the Company had been informed through the Letter No. E/112/2023/ICTA of the Attorney General dated 14 September 2023 that the said salary increments had been ineffective. However, a sum of Rs. 7,211,465 had been overpaid as salaries in the year 2023. | 2023 | Payments should be made in accordance with the approved salary scales. | Those salary adjustments had been deducted though, the overpayments had not been recovered. | No action had been taken on overpaid salaries. |

3.4 Lanka Government Information Infrastructure (Private) Limited Company

	Total Assets	Total Liabilities	Equity	Profit before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	46,643,595	5,671,895	40,971,700	(2,041,493)	Qualified
2022	45,148,859	5,855,583	39,293,276	(2,133,248)	Qualified
2023	45,429,379	1,057,351	44,372,028	-	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Approval had been given at the meeting of the Board of Directors of parent company (Information Communication Technology Agency of Sri Lanka (Pvt) Ltd) held on 15 November 2022 that the Company be amalgamated with Information Communication Technology Agency of Sri Lanka (Pvt) Ltd in terms of Section 242 of the Companies Act. However, it had not been so done even up to 30 April 2024.	2023	Action should be taken in accordance with the management decisions.	The Secretary of Companies had been assigned by the Board of Directors with the amalgamation.	The amalgamation had not been done even by 30 September 2024.

3.5 Sri Lanka CERT (Private) Limited

	Total Assets	Total Liabilities	Equity	Profit before Tax (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	83,277,223	16,392,082	66,885,141	5,512,737	Qualified
2022	129,031,608	45,944,106	83,087,502	7,902,861	Qualified
2023	384,092,035	279,326,013	104,766,022	22,941,665	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The Company did not possess a Scheme of Recruitment and Promotion, but following approval of the Board of Directors, salary increments of 05-13 per cent had been granted to the staff after a performance evaluation with effect from 01 April 2013. Furthermore, the entire staff of the Company had been recruited on contract basis, and promotion for 02 of them had been approved by the Board of Directors on 01 August 2023.	2023	When recruiting staff on contract basis, period of service and remunerations paid would be informed in advance. Hence, action should be taken to obtain formal approval for the Scheme of Recruitment and Promotion in accordance with the operations handbook.	No action had been taken.	The Scheme of Recruitment had not been prepared and approved.

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| <p>(b) The Company had 2023 spent a sum of Rs. 1,977,653 to obtain a health insurance scheme for the staff for the year 2023 without approval of the Treasury/Board of Directors. Furthermore, a medical allowance of Rs. 2,500 and a travel expense of Rs. 15,000 had been paid per officer. However, approval of the Treasury/Board of Directors in that connection, had not been made available to the Audit.</p> | <p>Prior approval of the Treasury / Board of Directors should be obtained on all the payments.</p> | <p>The Health and Medical Insurance provided by the Sri Lanka Cert Institute for its employees has been referred by the Ministry of Technology for the approval of the General Treasury under the recommendations of the Board of Directors.</p> | <p>The approval has not yet been received.</p> |
| <p>(c) The balance of Rs. 2021 40,215,928 receivable 2022 from Information 2023 Communication Technology Agency of Sri Lanka (Pvt) Ltd Company as at 31 December 2023, could not be recovered from the year 2017.</p> | <p>Action should be taken for the recovery of receivables.</p> | <p>A Committee has been appointed by the Ministry of Technology to look into the said account balance. Further action will be taken based on recommendations of that Committee.</p> | <p>No recoveries had been made even up to 30 September 2024.</p> |

3.6 Ocean View Development Private Limited.

	Total assets	Total liabilities	Equity	Profit (loss) before tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	3,268,310,944	199,060,552	3,069,250,392	265,226,885	Qualified
2022	3,653,529,693	165,568,040	3,487,961,654	413,544,071	Qualified
2023	3,865,953,732	172,024,056	3,693,929,676	225,919,819	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	At the end of the year of 2023, the non-recovered debtor balance over 01-05 years was Rs.4,975,913 and the non-recovered debtor balance over 05-11 years was Rs.9,071,144. Moreover these residents had vacated the rented houses as of the date of audit, and the files of resident who had to be paid of Rs.1,385,526 had been misplaced.	2021 2022 2023	Actions should be taken for immediate recovery.	A Supreme Court case is ongoing for a value of Rs. 1.8 million to recover rent arrears. Further action will be taken with the approval of the Board of Directors regarding the arrears of rent due to the closure of the institutions.	Not recovered.
(b)	Companies Act 2007 Section 223(2) Although the members	2022, 2023	The provisions of the Act should be followed.	Corrections will be made by the Company	Had not been registered.

of Directors Boards of the company should be registered with the Registrar of Companies, members of the Directors Boards had not registered since the year 2015.

Secretary.

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|-----|--|------------|---|--|-----------------------------------|
| (c) | <p>Companies Act 2007 Section 206. Vacations and recruitments of Directors had been made without following proper procedure. It had directly affected the smooth functioning of the company.</p> | 2022, 2023 | The provisions of the Act should be followed. | Comments were not received. | No proper procedure was followed. |
| (d) | <p>The company had sold 21 shops in the Park Road building for Rs.70,025,000 to Main Land Global Company in the year 2019. An amount of Rs.20,025,000 had to be recovered from the buyer for that as at 31 December 2023. The buyer had filed a case against the company in the Colombo District Court demanding a compensation of Rs.130 million due to the non-supply of electricity and water to the shop. Further, it was observed that 21</p> | 2022, 2023 | It should be reached to an agreement and made a settlement. | The reason for the closure of the Park Road shops is the pending cases . | The cases are ongoing. |

shops which were completed in the year 2005 had been closed over the 19 years until the audit date of 28 February 2024 due to inefficient management decisions.

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|-----|---|----------------------|---|--|--|
| (e) | <p>The company was allocated Rs.39.5 million in the year 2022 to implement the 05 housing project as Nuwara Eliya, Maligawatta, Delkanda, Kegalle, Siyabalapitiya and Rs.1,012,411 had been spent in that year. Nevertheless provision was not made for those projects in the year of 2023 and Rs.6,650 had been spent for the Delkanda project. Thus, it was observed that due to poor management decision the projects had started by the company without a long-term program to continue the projects may exist as incomplete.</p> | 2021
2022
2023 | <p>The perspicuity of the lands should be confirmed before implementing the projects.</p> | <p>The Nuwara Eliya and Maligawatta projects are to be carried out in the future. The Delkanda land is proposed to be sold. Preliminary recommendations are being received for the Walawwatta and Siyambalapitiya projects. Furthermore, due to the lack of proper settlement of lands, it has become difficult to carry out projects.</p> | <p>The ownership of the land has not been settled.</p> |
| (f) | <p>09 Housing units agreements had been expired over 10 months to 06 years, it was observed that the rental house owners</p> | 2021
2023 | <p>Entering into agreements should be done immediately.</p> | <p>A copy of the agreement has been sent for 06 houses. Requests have been made to increase the rental period for</p> | <p>Agreements are in progress.</p> |

are staying without entering into new agreements.

2 houses. The legal and stamp duty required to enter into an agreement for one house has been paid.

- (g) In the year 2012 the 2021
company had 2022
purchased 398.1
perches of land in
Kahatuduwa area at a
cost of Rs. 19.21
million and in the year
2014, 11 houses had
been built on that land
under the Kahatuduwa
project phase-I at a
cost of Rs. 77.31
million. But out of
those houses 04
houses could not be
sold at the end of the
year of 2022. In spite
of that, the Board of
Directors had decided
on 21 November 2021
to construct 36 houses
on presale basis under
Kahatuduwa project
phase-II. The
construction work of
11 houses had been
commenced by
spending a sum of Rs.
40.38 million from the
company's own fund
without looking for a
suitable buyer.
However, the
construction work
remains incomplete,
and it will be sold in
- Investment
decisions should
be taken after
proper appraisal
and the project
should be
implemented as
pre planned.
- The company is in
the process of
selling houses and
land.
- They were
working to sell
houses and plots
of land in the
current
condition.

its current condition.

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|---|---|--|---|
| <p>(h) The resident of 2023 housing unit 05-C has been stayed in the house since 2009 without entering into an agreement after October 2018. And also, low rent of Rs.26,580 had been charged for this housing unit and there was no annual rent increase like other tenants. Furthermore, the resident was informed to enter into an agreement for two years from 01 January 2024 according to the board papers dated 26 October 2023 and its decision number 261-05, the monthly rent will remain unchanged as Rs.26,580 and service charge was Rs.7,500. The monthly rental assessment of this housing unit was Rs.240,086 but the agreed rent was Rs.26,580. As a result, it was observed that, the lost of rental income by the company for two contracted years was Rs.5,124,144 due to this.</p> | <p>A formal agreement should be made.</p> | <p>It will be submitted to the Board of Directors and act accordingly.</p> | <p>Actions have been taken as per the decision of the Board of Directors.</p> |
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| <p>(i) Agreement had been made to enter in to the contract for Rs.90,000 as monthly rent and service charges for 05 years without increasing the annual rent for the housing unit 07-C with assessed value of Rs.194,285 and for housing unit 01-A with assessed value of Rs.249,320 as per the decisions of Board of Directors No.257-04 dated 31 July 2023. Although the normal procedure of the company is to increase the rent by 05 percent annually, no annual fee increase will be applied for these residents for a period of 05 years. Accordingly, it was observed that income of Rs.17,478,984 will be lost by the company.</p> | <p>2023</p> <p>The annual rent should be increased as favorable to the company.</p> | <p>Since the residents have filed a fundamental rights case and agreed to withdraw later, action will be taken subject to the board approval.</p> | <p>Actions have been taken as per the decision of the Board of Directors.</p> |
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3.7 Sri Lanka Thriposha Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	2,255,918,451	375,850,575	1,880,067,876	105,520,305	Unqualified
2022	2,296,664,426	460,167,021	1,836,497,405	(48,310,073)	Qualified
2023	3,337,790,207	1,043,236,541	2,294,553,666	555,406,517	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendati on	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	As per paragraph 3.2 (v) of the Operational Manual for public enterprises issued on 16 November 2021 by the Department of Public Enterprises, although the approval of the Director General of the Department of Public Enterprises should be obtained when making bonus payments, a sum of Rs.12,687,147 had been paid in the year under review for all workers of the Company as a targeted allowance of the sale of Suposha.	2022 2023	Action should be taken as per Guidelines.	That the Operational Manual seeking to cover all sectors, approved by the Board of Directors of the Sri Lanka Thriposha Limited, has been referred to the Department of Public Enterprises in the year 2023. The system of making targeted allowances from sales upon manufacturing has been mentioned in the relevant Operational Manual and that the required	Since Sri Lanka Thriposha Limited is a manufacturing institution, the relevant activities are being carried out upon the approval of the Board of Directors till the approval of the Public Enterprises Department is given for the continuation of Operational activities thereof.

approval will be given in future by the Department of Public Enterprises following the analyzing of the Operational Manual.

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|-----|---|--------------|---|---|--|
| (b) | As per paragraph 3.3 of the Operational Manual, although a strategic human Resources Plan should be prepared wherein includes the need of employees of each division and the Orgernizational chart, the Company had not acted accordingly. | 2023 | Action should be taken as per provisions in Guidelines. | That the action required for stratigic Human Resources Plan is being done currently. | That the action required for stratigic Human Resources Plan is being done currently. |
| (c) | As per chapter ii of the Management Services Circular No 03/2018 dated 18 July 2018, the authority to decide on the salaries and wages has not been given to the Board of Directors and although the pre-approval of the Treasury Operations Department should be obtained for all allowances given as additional payments, an additional allowance of Rs. 10,000 had been paid from the Suposha Account on the approval of the Board | 2022
2023 | Proper approvals should be obtained for this. | That the recommendation s have been provided therefor in the Operational Manual with Director Board approval. | That the relevant activities are done upon the Director Board's approval till the approval of the Public Enterprises Department is received. |

of Directors for a Sales Manager recruited for Suposha product introduced by the Company in 2017 and a sum of Rs.120,000 had been paid therefor in the year under review without the approval of the Treasury Operations Department.

- (d) A sum of Rs.192,091,525 had been given by World Food Programme in the year 2021 for the construction of the proposed silo system and such money had been invested in a fixed deposit. The matured amount as at 02 January 2023 thereof amounting to Rs.207,815,400 had been en-cashed on 20 January and a sum of Rs.125,000,000 out of that amount had been reinvested on 27 January 2023. However, it was observed at the audit that this money had been used for a different purpose contrary to the purpose for which it was given.
- 2022
2023
- This amount should be incurred for the expected purpose.
- That the estimate for the construction of a silo system stood at Rs. 800 million by the year 2023 (Rs.500 million-2022). That a part of the fixed deposit was utilized in the year 2022 due to the depletion of capital provision for the Company
- That a sum of Rs.225 million had been allocated as Rs.125 million in January 2023 and Rs.125million in July 2024 for the construction of the relevant silo system.

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| (e) | It was revealed that the main purpose of establishing the Company was to produce Thriposha and however, its inclination to produce Suposha contrary to the main objective was due to 5 per cent to 10 per cent targeted allowance being paid by the Company upon the sales income. And also, there were no proper approval and system in place for the targeted allowance. | 2023 | Priority should be given to fulfill the annual Thriposha requirement and production target allowance should be streamlined. | The production target allowance has been changed based on the total production of the Company to streamline the production target allowance and that it has been referred to the Public Enterprises Department following entering into the Operational Manual of the Company upon the approval of the Director Board. | The production target allowance has been changed based on the total production of the Company to streamline the production target allowance and that it has been referred to the Public Enterprises Department following entering into the Operational Manual of the Company upon the approval of the Director Board. |
| (f) | Although the approval had been obtained for the Administrative Rules Manual which was prepared by the Company in 2016, the approval of the Public Enterprises Department had not been received as yet. However, it was revealed at the audit that the Company is following some of the non-approved rules and regulations contained therein. | 2023 | The facts mentioned in the Operational Manual should not be implemented till proper approval is received. | This is to be maintained as an institution engaged in operational activities until approval is granted in future in respect of facts mentioned in the Operational Manual including the Administrative Rules Manual referred to the Public Enterprises Department upon the approval of the Director Board, | The Institution will carry out the duties upon the Director Board approval till the relevant approval is received. |
| (g) | As per the letter No DMS/E4/13/08/413/1 dated 28 March 2013 issued by the | 2023 | Recruitment Schemes should be prepared and approved for all | That recruitment schemes have been prepared for posts which | That action is being taken to obtain the approval of the |

Management Services Department, although the scheme of recruitment had been approved on 02 December 2010 for the all posts for the Company which was recommended by the Salaries and Cadre Commission, and prepared in terms provisions of the Circular No 30 of the Management Services Department, a scheme of recruitment had not been prepared and approved for the three new posts created thereafter. And also, it was revealed that some of the recruitments had been made disregarding the approved scheme of recruitment.

posts.

existed without such recruitment schemes.

Management
Services
Department.

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|-----|--|------|--|---|--|
| (h) | Two salary increments had been paid each in the year under review as an employee motivation on the approval of the Chairman of Company for 162 employees who had not taken approved / unapproved any pay leave. Accordingly, a sum of Rs. 67,690 had been overpaid monthly as salary increments. Two salary increments | 2023 | Proper approvals required for this should be obtained and submitted for the audit. | That action had been taken to pay two salary increments each considering the production performance owing to a pre tax profit of Rs.811 million according to the financial result of the financial year 2023 2023. That the approval of the | That action will be taken in future to refer to the Line Ministry. |
|-----|--|------|--|---|--|

had been thus paid each by following this precedent in giving salary increments in 2024.

Accounting Officer of the Company has been received therefor.

3.8 Kurunegala Plantation Company

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	3,287,099,773	338,721,597	2,948,378,176	468,604,709	Qualified
2022	3,692,485,597	507,429,292	3,185,056,305	511,539,402	Qualified
2023	3,862,697,258	448,857,374	3,413,839,884	534,430,745	Qualified

	Audit Observations	Year of report	Auditor General's recommendation	Preventive measures taken by the audit firm	Implementation status of recommendation as on date of report
(a)	Paragraph 01 of Circular No. DNS/A/8/27 dated 26 May 2009 of the Department of Management Services a sum of Rs. 13,179,028 had been paid as employee allowances convertible into cash for the officers working in the HM, MM and JM salary categories of the Company during the year under review. Approval of the Board of Directors alone was obtained for this payment and approval of the Treasury was not obtained as per the circular provisions.	2021	Approval of the Treasury should be obtained as per the referred circular to make this payment.	As per the referred circular, has been submitted for the approval of the Treasury.	Approval of the Treasury has not been obtained up to now.
(b)	Not in accordance paragraph 01 of Circular No. DNS/A/8/27 dated	2021	Approval of the Treasury should be obtained as per the	As per the referred circular, has been submitted for the	Approval of the Treasury has not been obtained up to

	26 May 2009 of the Department of Management Services, In the payment of Rs. 8,669,745 to the officers of the Company as medical allowances during the year under review, it had been done only upon the approval of the Board of Directors without obtaining approval from the Treasury.	referred circular to make this payment.	approval of the now. Treasury.	
(c)	Despite being 2022 scheduled to implement the projects to produce virgin coconut oil and cinnamon oil in the year 2022, those projects had not been implemented even up to the date of audit.	Action should be taken to achieve the expected targets.	Action is being taken to complete these projects.	Construction works of the factory relating to the project for extracting oil from cinnamon leaves has been completed in the year 2023 and the production process has been commenced by now. As well constructions of virgin coconut oil factory are being carried out.
(d)	Even though an sum 2023 of Rs.8,432,049 has been paid for turmeric cultivation since 2020 onwards had been accounted for, due to this expenditure had been noted in the current assets without writing-off against the income earned in the years incurred as per	The action should be taken to write off the expenditure incurred for the turmeric cultivation which is a short-term cultivation, against the income earned in the years incurred as per the	Action is being taken to make adjustments the expenditure incurred in short-term projects (less than a year) against with the income earned.	No these expenses have been adjusted in relevant time period.

the adjustment concept, the current assets and cumulative earnings had been overstated by that amount.

adjustment concept.

- (e) Even though an 2023 estimate of Rs.6,500,000 had been prepared for the construction of Dambadeniya provincial estate office building of the company, Rs.7,038,605 had been incurred for the construction of the office building from 2020 to January 2024 and it was observed that it was an increase of Rs.538,605 than the estimated value and the expenditure could be further increased owing to non-completion of the works of the building up to now. An approval had not been also obtained on incurring expenses than the estimated value. The estimate for materials related to this construction had not been prepared and the expenses pertaining to that had not been verified by the relevant

The action should be taken to control the expenditure through purchase of materials and quantities required having prepared a bill of quantity and an estimate for materials for the construction activities.

Instructions have been given to prepare a material estimate for the activities will be done in the future.

The constructions have not been completed up to now and measurement sheets required to evaluate cost has not been prepared.

measurement sheets.

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| <p>(f) The debtor balances 2023 exceeding 03 and 08 years amounting to Rs.1,688,527 and Rs.4,677,838 respectively were in the coconut products debtor balance of Rs.63,510,576 as at 31 December 2023 had not been recovered even at the end of the year under review.</p> | <p>Action should be immediately taken to recover long-term debtor balances.</p> | <p>Taking legal action had been made.</p> | <p>Rs.6,366,365 of more than 03 and 08 years has not been recovered up to now.</p> |
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3.9 Chilaw Plantation Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	2,392,501,090	471,418,566	1,921,082,524	510,887,112	Qualified
2022	2,890,032,133	534,978,980	2,355,053,153	513,881,001	Qualified
2023	3,047,592,877	667,990,604	2,379,602,273	302,606,407	Unqualified

	Audit Observations	Year of report	Auditor General's recommendation	Preventive measures taken by the audit firm	Implementation status of recommendation as on date of report
(a)	186.15 hectares of uncultivable land owned by the company had been forcibly acquired by various persons for village expansion and as unauthorized settlements. It was observed that even though legal measures had been taken for reacquisition only 89.16 hectares of land out of it, no measures had been taken to acquire the remaining 96.99 hectares of land in extent.	2022	It is a responsibility of the company to take legal action to settle lands that illegally occupied under leasehold.	No preventive measures have been taken.	The land extent of 96.99 hectares that no legal measures have been taken, the incidents that had been occurred even before the company took over and no measures have been taken up to now.
(b)	Even though the company has no legal entitle to provide loans to other	2023	The action should be taken in compliance with the objectives of	Regarding recovering of relevant loan amount various	Although various efforts have been taken regarding recovering the

companies, an aggregate loan amount of Rs.105 million had been provided to Janatha Estate Development Board, Elkaduwa Plantation Company, Sri Lanka State Plantation Corporation, Ministry of State Resources Enterprise Development and Rubber Products Exports Corporation by the company in the year 2010. On a decision of board of directors, the full provisions had been allocated in the financial statements for Rs.119.758 million to be charged including interest from relevant companies in 2014. At the end of year under review, the total loan amount of Rs. 190.157 million couldn't be recovered including the interest.

the company and the action should be immediately taken to recover the loans and interest.

efforts have been taken from the year the loan had been given. However, according to the decision of the Board of Directors the full provisions had been allocated in the financial statements in the year 2014.

relevant loan amount from the year the loan had been given, has not been recovered up to now.

The possibility to recovering of this loan and the interest form the lease hold rental payable to the Chilaw Plantation Ltd and the Janatha Estate Development Board is under investigating.

- (c) The Estate 2023 Superintendents had taken action to recruit 23 employees including persons more than 60 years on payment of daily wages of Rs.900 without formal

The recruitments should be made on proper authority of approval of in compliance with the recruitment procedure of the company.

No preventive measures have been taken.

Action had not been taken to recruit on proper approval basis on the payment of daily wages up to now.

approval of the Head
office. \

3.10 Sri Lanka Rubber Manufacturing and Export Corporation Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

- The Sri Lanka Rubber Manufacturing and Export Corporation Ltd had not presented the reports of accounts for the years 2021, 2022, and 2023, to the Audit. (Accounts had last been prepared as at 2011.03.31)
- A transaction report had been presented for the years 2021, 2022, and 2023.

	Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive Measures Taken by the Auditee	Progress of the Recommendation as at the Date of the Report
(a)	According to Cabinet Decision No. CP/22/2180/616/034 dated 31 January 2023, a competent authority had been appointed with effect from 01 December 2022 subject to liquidate the Sri Lanka Rubber Manufacturing and Export Corporation Ltd within a period of 06 months. However, liquidation of the	2023	An extension of only 04 months had been given for the period of validity with effect from 01 July 2023 in accordance with the Cabinet Decision No. CP23/1428/616/02 5-1 dated 12 September 2023. However, the liquidation process had not been completed even by	As a competent authority had not been appointed from 01 November 2023, action is being taken to appoint a competent authority to liquidate the Corporation.	The liquidation process has not yet been commenced.

Corporation had not yet been completed even though a period of over one year had elapsed.

31 March 2024. As such, the liquidation should be expedited.

(b) Of the on-lending 2023

given to this Company by the Treasury in the years 1999 and 2001 to provide relief for owners of small rubber estates through the establishment of factories to make rubber related products, the accrued on-lending and interest amounted to Rs. 766.74 million and Rs. 612.80 million respectively as at 31 March 2023. As such, Cabinet approval had been given through CP/19/0985/117/031 on 24 April 2019 to provide the Elpitiya Foam Rubber Factory for a suitable investor and sell the machinery thereof in view of settling the liabilities. Nevertheless, action had not been taken by the Corporation even up to the end of the year under review as per those instructions to settle the liabilities of the Corporation including the said on-

Action should be taken expeditiously to settle the liabilities in accordance with the said Cabinet Decision.

Approval has been sought to sell the machinery of Elpitiya Foam Rubber Factory at a price lower than the value of assessment.

Instructions had been given to the Industrial Development Board that approval could not be given to sell the items made of iron at prices lower than the assessment and such items should be auctioned instead. Furthermore, instructions had also been given that proceedings from realization of assets be used to settle the outstanding on-lending and interest.

lending.

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| <p>(c) Four of the 06 2023 factories belonging to the Sri Lanka Rubber Manufacturing and Export Corporation Ltd had been given on lease, and one of those factories had been taken over by the owner of the land by filing a testamentary case. Approval had been given through the Cabinet Decision Nos. CP/16/1902/726/041, CP/19/0985/117/031 and CP/23/0225/616/006 dated 09 November 2016, 24 April 2019 and 08 March 2023 respectively to give on lease the other factory-Elpitiya Foam Rubber Factory and sell the machinery thereof by following the Procurement procedure. However, it had not been so done even after 07 years.</p> | <p>Prompt action should be taken in accordance with Cabinet Decisions to assess the machineries and sell them by following the Procurement process, and give the factory on lease.</p> | <p>Cabinet approval has been given that, in order to put on public auction the machineries of the Elpitiya Foam Rubber Factory and give the factory on lease to a suitable investor thereafter, such properties be vested in the Land Reform Commission.</p> | <p>Action has not been taken thus far in accordance with the Cabinet Decision.</p> |
| <p>(d) According to 2023 information made available to the Audit, only the two factories of Mawanella Tyre Tube and Baduraliya Crepe had paid lease</p> | <p>Action should be taken to recover the lease rents in accordance with lease agreements, and information required by Audit,</p> | <p>The increased amount of lease rents are being recovered at present.</p> | <p>Lese rents have not been recovered from the factories defaulting on lease rents, and lease rents that</p> |

rents out of the 03 factories of Mawanella Centrifugal, Mawanella Tyre Tube and Baduraliya Crepe Rubber given on lease to Aroma Natural Rubber Pvt Ltd. Although the lease rent increased from 14 March 2021 had been recovered in terms of Condition No. 05 of the lease agreement, the sum of Rs. 3,908,016 being the increased lease rent for the period from 13 March 2017 to 13 March 2021, had not been recovered. Furthermore, particulars on the lease rents for those 02 factories recovered with respect to the period from April 2020 to March 2021, had not been made available to the Audit.

should also be made available.

had been increased as per agreement, have not been recovered as well.

- (e) Action had not been taken to update the lease agreements in existence since 2014. According to Section 05 of the lease agreements, the lessee should insure buildings and all related risks including the permanent

Action should be taken to update the lease agreements, and implement the agreement as per the sections thereof.

The institution has not updated the lease agreements.

Action had not been taken to update the lease agreements and insure the buildings.

constructions in terms of Condition No. XI of the lessee. However, it had not been so done.

(f)	Documents relating to the inventoried assets handed over to the lessees at the time of giving on lease the 03 factories of the Company, and the reports of survey on articles, had not been made available to the Audit. As such, the Audit could not verify the particulars on assets given on lease and the existence of such items.	2023	Detailed schedules on the assets given on lease, should be made available to the Audit.	Reports on assets given on lease and survey on articles, have not been prepared thus far.	Documents on the assets taken over by the lessees, have not yet been presented to the Audit thus far.
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3.11 Elkaduwa Plantation Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,673,448,658	992,296,484	681,152,174	326,161,829	Qualified
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	AG's Recommendation	Preventive measures taken by the Audited entity	Implementation status of recommendation as on date of report
(a)	According to Section 16 (1) of Part II of the Employees' Trust Fund Act No. 46 of 1980, Sections 15 and 16 of the Employees' Provident Fund Act No. 15 of 1958, Since the payment of premiums was not made by the company as per the referred regulations, along with the surcharge amount to the Employees' Trust Fund Rs. 28,948,985 and to Employees Provident Fund Rs. 276,416,074 and to Estate Staffs' Provident Scheme (ESPS) Rs. 9,603,595 and to Ceylon	2021	A formal program should be prepared to settle the statutory obligations properly.	Due to insufficient cash flow since the opening of the company, the company has failed to settle the statutory payments to the employees in a proper and systematic manner. Efforts have been made to settle the arrears of statutory payments with the intervention of the Ministry of Lines and the financial contribution of the Treasury, but these arrears have failed to be paid in full. From 2022, the Employee Trust	Approval had been grant through the general treasury of Rs. 522.68 million to pay the arrears statutory payments. Cash not received.

Planters' Provident Scheme (CPPS) Rs. 17,343,877 also remained payable end of the review year.

Fund payments will be made properly and from 2023, the statutory payments of Employees Provident Fund, Estate Employees Provident Fund and Gratuity Payments will continue.

- (b) According to Section (5) (1) of Part 02 of the Payment of Gratuity Act No. 12 of 1983, although the gratuity owned to the employee should be paid within 30 days from the date of retirement or death of an employee, due to the failure of the company to pay the gratuity on the due date, the amount of gratuity payable since 1996 was Rs. 171,873,551 as on 31 December 2021. A surcharge of Rs.51,562,065 should have been paid by the end of 2021.
- 2021 A formal arrangement should be made to pay the statutory obligations properly.
- Efforts have been made to settle the arrears of statutory payments with the intervention of the Ministry of Lines and the financial contribution of the Treasury, but these arrears have failed to be paid in full. From 2022, the Employee Trust Fund payments will be made properly and from 2023, the statutory payments of Employees Provident Fund, Estate Employees Provident Fund and Gratuity Payments will continue.
- Approval had been grant through the general treasury of Rs. 522.68 million to pay the arrears statutory payments. Cash not received.
- (c) According to research published in June 2021 by the Faculty of Management and
- 2021 Steps should be taken to increase the production of rubber through
- 73 percent of the company's existing rubber plantations are unproductive
- Action had not been taken to the increased the production of

Finance of the University of Colombo, although the standard latex yield per hectare in 2021 was between 800 and 1000 kg, the figure of the company was between 326 and 711 kg. The fact that the rubber plantations that have exceeded their effective life time were removed and not used for new plantations had caused the decrease in the productivity of latex.

more effective new rubber cultivation and grafted rubber cultivation.

seed rubber latex by planting the productive rubber plants. plantations with a life time of more than 60 years, while the percentage of productive grafted rubber plantations is as low as 27 percent. Due to the heavy rains in 2021, it was unable to cutting latex for 110 days in Hapugaspitiya estate, 124 days in Nalanda estate and 110 days in Millawana estate had also been a factor in reducing rubber productivity.

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| <p>(d) Although the industry standard for fallen coconuts is 5 percent, the company's actual coconut yield in 2021 is 1,060,867 and the number of fallen coconuts is 316,618, which is an increase of 25 percent over the standard.</p> | <p>2021</p> | <p>The percentage of fallen coconuts should be minimized through proper management of coconut picking.</p> | <p>Currently, due to lack of coconut pickers and reluctance to climb tall coconut trees, the rate of coconut fall has continued to rise. Due to the covid 19 pandemic, the country had to be shut down from time to time, the inability to bring in contractors to pluck coconuts has led to an increase in the number of coconuts falling.</p> | <p>Action had not been taken to minimize the percentage of fallen coconuts through proper management of coconut picking.</p> |
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- (e) Although the annual financial statements and draft annual report approved by the Director Board must be submitted to the Auditor General within 60 days after the end of the financial year, the financial statements for the year 2021 were submitted to the Auditor General on 14th June 2024 and the draft annual report has not been submitted for audit till now.
- 2021 Annual financial statements and draft annual reports should be submitted for audit by the due date.
- As soon as the audit report of the year 2021 is received, we hope to submit the draft annual financial statements for the year 2022 and 2023, which have already been approved by the Board of Directors, to the Auditor General. Furthermore, the annual financial statements approved by the Board of Directors for 2024 are still being prepared to be submitted to the Auditor General on or before the due date.
- Financial statements and annual reports of years 2022 and 2023 had not been submitted to the Audit as at 10th October 2024.

3.12 Mganeguma Road Construction Equipment Company (Pvt) Ltd

	Total Assets	Total Liability	Equity	Profit/(Loss)	Opinion
	Rs.	Rs.	Rs.	Before Tax	
	Rs.	Rs.	Rs.	Rs.	
2021	13,411,591,607	10,949,241,250	300	634,734,765	Disclaimed Opinion
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Report Year	Auditor General's Recommendation	Preventive actions taken by the audited entity	Implementation status of recommendation as at the date of the report
(a)	It was observed that company had maintained about 6645 accounts in the General Ledger without maintaining control accounts. Further it was observed that company had maintained 496 ledger accounts without providing an account code.	2021	Proper authority and sound control need to implement before creation of the accounts in general ledger.	Agreed. The accounting software currently used in the company is not tailor-made system for the nature of the construction industry.	2022 accounting reports had not been submitted.
(b)	The company had not made any disclosures regarding 04 on-going legal cases and contingent liabilities amounting to Rs. 498	2021	Financial statements should be prepared based on Paragraphs 21.15 and 21.16 of SLFRS for SME's.	Agreed. We expect to disclose relevant details in future reports.	2022 accounting reports had not been submitted.

million as at 31 December 2021 as per the section 21.15 and 21.16 of SLFRS for SME's.

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| (c) | Related Party Transactions disclosures had not been made in the Financial Statements as per the section 33 of SLFRS for SME's. | 2021 | Financial statements should be prepared based on Paragraph 33 of SLFRS for SME's. | Not Agreed. Related party transactions in detail are mentioned in Note No. 13.1, and totals are linked to the Statement of Financial Position. | 2022 accounting reports had not been submitted. |
| (d) | The opening balance of Plant and Machinery was Rs. 1,081 million as per the financial statements and as per the fixed asset register it was Rs. 984 million. Thus, there was a difference of Rs.96 million. | 2021 | Correct figures should be taken for financial statements and action need to be taken to rectify the differences. | Agreed. There may be transcription errors when copying the opening balances. We expect to correct the Asset register error in future reports. | 2022 accounting reports had not been submitted. |
| (e) | The company had recognized the project wise construction cost at the time of occurrence of the cost and re-transfer to Construction Work – In Progress when the project was not certified. Accordingly, expenditure had been treated as an asset by the company. As a result current assets | 2021 | Contract costs should be recognized as incurred along with revenue and as the construction is not an asset to the company, the cost incurred should not be recognized as a separate asset under the financial statements. | Not Agreed. Recording Revenue and expenses of sub-contracting works done simultaneously when they arise, unless recognizing the completion stage. | 2022 accounting reports had not been submitted. |

and profit had been overstated by Rs. 853 million as at 31 December 2021.

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| <p>(f) As per the Financial Statements of the company the balance receivable and payables from the Road Development Authority was Rs. 5,786.94 million and Rs. 6,857.93 million respectively.</p> <p>However, as per the financial statements of the Road Development Authority, the relevant balances were Rs. 8,030.04 million and Rs.6,016.56 million respectively. A difference of Rs. 2,243.10 million and Rs.841.37 million had been observed respectively, and the reconciliations had not been presented to the audit.</p> | <p>2021</p> | <p>Actions should be taken to rectify the differences.</p> | <p>Agreed. We expect to correct the errors and made adequate disclosures in the future reports.</p> | <p>2022 accounting reports had not been submitted.</p> |
| <p>(g) Cabinet decision no. CP/23/0394/608/033 taken on 20 March 2023, ordered the secretary to the Ministry of Transport and Highways to take step to liquidate the Company. However,</p> | <p>2021</p> | <p>Issue on going concern should be disclosed in the financial statements.</p> | <p>Agreed. We expect to disclose the liquidation / going concern status in future reports.</p> | <p>2022 accounting reports had not been submitted.</p> |

it had not been disclosed in the financial statement as per the section 3.9 of SLFRS for SME's.

(h)	According to the Companies Act No 07 of 2007 section 78, Share certificates had not been issued by the company.	2021	Actions should be taken to secure the rights of the government.	Comment Received.	Not	Current situation as per the observation.
(i)	Approval had been given by the Cabinet decision no. 04/0848/004/013-I dated 18 August 2004 to enter into joint venture partnerships with Chamber of Construction Industries and National Association of contractors. However, it was observed that a private limited liability company had been established instead of being established a joint venture partnership in accordance with the said cabinet approval.	2021	Actions should be taken to secure the rights of the government.	Comment Received	Not	Current situation as per the observation.
(j)	Though the approval had been given by the cabinet decision No. 13/0134/505/004 dated 18 February 2013 to amend the articles of association	2021	Actin should be taken to amend the articles of association of the company.	It was the responsibility of the Line Ministry to implement the same. The Former chairman informed the same		Current situation as per the observation.

of the company including that the majority of right of the company will be vested in treasury and the rest will be given to the Road Development Authority, the company had not amended the articles of association.

to line ministry and action was not taken.

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| (k) | In relation to the work orders of 100000 km road project, the company's target number of road construction in the year 2021 was 1934 and the length was 3010.69 km. But completed number of roads was 774 and the length was 1106.11 km as at 31 December 2021. Accordingly, it was observed that the overall progress as at 31 December 2021 was 40 percent and the company has failed to achieve even 50 percent physical progress from the expected progress. | 2021 | Actions should be taken to expedite the constructions projects within the scheduled time period. | Due to a lack of blasting materials after the ester attack, the COVID-19 pandemic, and the economic crisis, the company could not achieve the required progress. | Information had not been presented to the audit. |
| (l) | The company did not follow the procurement procedures in selecting the service providers and service | 2021 | Action should be taken to act according to the procurement guidelines | The company did not follow a procurement procedure for selecting subcontractors. | Current situation as per the observation. |

providers had been registered by completing an application that included several criteria favorable to the selected service providers.

Accordingly, it was observed that the company had acted without transparent manner in the selection of service providers.

Sub contracts had awarded by evaluating registered subcontractors.

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| (m) | A percentage of profit had been added to the sub contract value of the work in addition to the Bill of Quantity which was prepared by the Road Development Authority instead of calling quotations and getting a competitive price from service providers. | 2021 | Action should be taken to act according to the procurement guidelines | Bill of Quantity had been added a fixed margin. All parties know Bill of Quantities values and fixed margin percentages. Therefore, the company is not doing competitive bidding. | Current situation as per the observation. |
| (n) | It was observed that company had entered into service provider's agreements with the sub-contractors instead of being entering into contract agreements. | 2021 | Action should be taken to act according to the procurement guidelines. | The company had not followed formal procurement guidelines. | Current situation as per the observation. |
| (o) | In addition as per the section 5.3.5 of Supplementary 39 of the Procurement | 2021 | Action should be taken to act according to the procurement | Not Agreed. Financial limit for each grades are amended by | Information had not been presented to the audit. |

Guideline, a contractor must have C 3 grade to carry out a contract between Rs. 150 million to Rs. 300 million and C 4 grade to carry out a contract between Rs.50 million to Rs.150 million. However, it was observed in sample audit that there were 2 instances which exceed Rs.150 million and 6 instances which exceed Rs.50 million and the contract was awarded to C 7 grade contractors.

guidelines.

cabinet paper number 20/1952/319/018 dated 26.11.2020. Maximum financial limit for C4 grade increase up to Rs. 900 million and C3 grade increase up to Rs. 1500 million.

(p) The clause No. 3(g) of the service supply agreement stated that the performance security shall be 10 percent of the estimated contract value. However, it was observed that performance security had been obtained by the company only for the 145 work orders to the value of Rs. 1,113 million out of 1753 work orders amounting to Rs. 125,730 million.	2021	Action should be taken to act according to the procurement guidelines.	Comment Received.	Not	Information had not been presented to the audit.
(q) The Road Development Authority has awarded 2481 work	2021	In order to obtain the maximum benefit of competitive prices	Neutral.		Current situation as per the observation.

orders amounting to Rs. 193,518 million to the company for the construction work of 100,000 km road project in the years 2020, 2021 and 2022. Out of that 2481 orders 351 work orders amounting to Rs. 32,736 million had been cancelled and the construction work of 306 orders amounting to Rs. 29,130 million had not been started. Contractual works of 71 orders amounting to Rs. 5,920 million had been undertaken by the company to directly carry out, and it was only 03 percent of the total work orders. It was further observed that the remaining 1,753 orders equal to 97 percent of total orders value amounting to Rs. 125,730 million were carried out through outside service suppliers, though the awarding sub contracts was contrary to the board paper dated 01 August 2008 of Road Development Authority.

and the services of experienced contractors to the government, the award of the contract should be made according to the open competitive bidding process.

(r)	<p>The Road Development Authority had awarded work orders to the company on the contract value determined by adding a profit margin of 25 percent to the HSR. As per the company's Board Decision, the contract was offered in Lump sum method to the service providers and service providers receive a profit margin of 20 percent of the value specified by the work orders and 05 percent kept by the company. Accordingly, it was observed that, the company has earned Rs. 652 million as per the Financial Statements for the year under review only by acting as an intermediary between the Road Development Authority and the service providers without intervening in the project activities.</p>	2021	<p>Government funds should utilize in efficient and effective manner in order to get the maximum benefit to the government.</p>	<p>Comment Received.</p>	<p>Not</p>	<p>Current situation as per the observation.</p>
(s)	<p>The company had recruited provincial, district and zonal coordinators to evaluate the road construction progress</p>	2021	<p>Coordinators should pay after the evaluating the progress of their works and relevant details should need</p>	<p>Not Agreed. Coordinators were selected on instructions of local government representatives.</p>		<p>Information had not been present to the audit.</p>

of 100,000Km road project during the year 2020 and the company had incurred Rs.39 million during the year 2021 as payments to the coordinators.

However, details relevant to the recruitment of the coordinators and progress reports provided by the coordinators had not been submitted to the audit. Therefore, audit could not verify whether the qualified personnel were recruited in a proper and a transparent manner or coordinators had been paid after evaluating the progress of the work.

to be furnished to the audit.

The company has followed a formal recruitment procedure, and their qualifications were evaluated.

3.13 Maganaguma Emulsion Production Company (Pvt) Ltd

	Total Assets	Total Liability	Equity	Profit/(Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	240,820,147	182,177,970	58,642,177	7,117,410	Qualified
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Report Year	Auditor Generals Recommendation	Preventive actions taken by the audited entity	Implementation status of recommendation as at the date of the report
(a)	As per the section 13 of SLFRS for SME's - inventories, a cost of Rs.43.94 million Bitumen stock belong to the company which were under the custody of the Orumix Lanka from the year 2014 had not been physically verified as at 31 December 2021. Therefore, existence and the accuracy of the stock could not be verified in audit.	2021	Should be act according to the section 13 of SLFRS for SME's.	Investigation report is submitted.	After the year 2021 accounting reports had not been submitted to the audit.
(b)	Long outstanding payable balance of ECB International amounting to Rs.	2021	Accountant should obtain proper documentary evidence before	Company management has been taken decision to stop	After the year 2021 accounting reports had not been submitted to

	24,500,000 was remained unsettled for over 08 years as at 31 December 2021. However, confirmation regarding this balance had not been presented to the audit.	recognize payable.	as that outstanding payable until receive the judgment of the court case in commercial high court.	
(c)	An officer who is entitled to an office vehicle has the option either to use the official vehicle or to avail a monthly transport allowance of Rs. 50,000. However, the company had paid of Rs. 3,140,000 exceeding the entitled limits for following officers of the company during the year 2021.	2021 Actions should be taken to recover over paid transport allowance and should adhere the public enterprise circular instructions.	Comment received.	not Information relevant to current situation had not been presented to the audit.
(d)	As per the cabinet decision no.04/0848/004/013-I dated 27 August 2004 approval had been given to enter into joint venture partnership with chamber of construction industries and National Association of contractors. But, before obtaining the approval of the Cabinet of Ministers, Maganeguma	2021 Actions need to take act according to the Cabinet Decision.	Comment received.	not Information relevant to current situation had not been presented to the audit.

Emulsion (Pvt) Company had been established according to the Road Development Authority's Board Decision No. 795/2004 dated 09 June 2004. However, approval of the Cabinet of Ministers, approval of the Treasury or the approval of the Line Ministry had not been taken.

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| <p>(e) Even though it had been decided to amend the Articles of Association of the Company, receive the majority of the right of the Company will be vested in treasury and the rest will be given to the Road Development Authority as per the cabinet decision No.13/0134/505/004 dated 18 February 2013, Company had not amended the Articles of Association accordingly.</p> | <p>2021</p> | <p>Actions should be taken to amend the Articles of Association of the company.</p> | <p>Comment received.</p> | <p>not</p> | <p>Information relevant to current situation had not been presented to the audit.</p> |
| <p>(f) According to Section 28(2) of the first schedule to the Companies Act No. 07 of 2007, although the Chairman is entitled to</p> | <p>2021</p> | <p>Need to act according to the No 07 of 2007 Companies Act.</p> | <p>Comment received.</p> | <p>not</p> | <p>Information relevant to current situation had not been presented to the audit.</p> |

a casting vote in board meetings, the Chairman of a shareholders' meeting is not entitled to a casting vote in terms of 10(7) of the first schedule in the Companies Act. The casting vote vested in the Chairman in accordance with the Articles of Association applicable to the Act of 1982 has been cancelled in terms of 10(7) of the first schedule to the Companies Act No. 07 of 2007. Even though, the Road Development Authority voted against two resolutions taken at the Annual General Meeting of 2016 held on 20 February 2018, the chairman of the company had used his casting vote and approved those matters.

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| <p>(g) According to the Cabinet Decision No. 2021 CP/23/0394/608/033 dated 20 March 2023, cabinet has decided to give an order to the secretary to the Ministry of Transport and Highways to take steps to liquidate three</p> | <p>Issue on going concern should be disclosed in the financial statements.</p> | <p>The company has appointed a liquidator after following the proper procedure. The board has given the approval for the liquidation at its meeting on 29 August 2023.</p> | <p>Company operations have suspended and the liquidation process has not been initiated.</p> |
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companies including this company. Therefore, the going concern of the company is doubtful. Further it was observed that a liquidator had been appointed without the consent of RDA.

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| (h) | As per section 33 of SLFRS for SME's - Related Party Transactions, Proper disclosures with regard to Related Party Transactions and nature of the related party relationship had not been made in the Financial Statements. | 2021 | Should be act according to the section 33 of SLFRS for SME's. | Agreed. Will be disclosed as required in Financial Statements 2022. | After the year 2021 accounting reports had not been submitted to the audit. |
| (i) | As per the financial statements of the company, for the year 2021 it was stated that shareholding of the Road Development Authority over the company were 50 percent and share value were Rs. 100. However, financial statements of the Road Development Authority for the year 2021, it was sated that the controlling interest over the company were 99 percent and share value was Rs.1,000,100.Therefor | 2021 | Actions should be taken to secure the government ownership and rights as well as figures need to be reconciled before certified the financial statements. | Comment received. | not After the year 2021 accounting reports had not been submitted to the audit. |

e, it was observed a difference of Rs. 1,000,000 between the value in equity investment shown in the financial statements of Road Development Authority and the company.

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| <p>(j) The company had 2021 recognized Rs. 78,086,970 as receivable from Road Development Authority (RDA). However, as per the Financial Statements of RDA for the year ended 31 December 2021, payable balance to the company was only Rs. 61,885,785. Accordingly, a difference of Rs.16,201,185 was observed.</p> | <p>The reasons for the differences between the balances should be identified and steps should be taken to correct them.</p> | <p>We have stated Rs. 78,086,970 in our books as per the transaction between this company and the RDA. We cannot comment on the amounts stated in RDA books. No adjustment required.</p> | <p>After the year 2021 accounting reports had not been submitted to the audit.</p> |
| <p>(k) According to the 2021 Company Act No.07 of 2007 section 78, every company shall, within 2 months from the date of allotment of any of its share and within two months from the date, on which a transfer of any such share is lodged with the company, complete and have ready for delivery the</p> | <p>Actions should be taken to secure the government ownership and rights.</p> | <p>Comment not received.</p> | <p>Same as the observation.</p> |

certification of all shares. However, the share certificates issued by the company as per the above requirement had not been submitted to the audit until the date of the report.

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| (l) | According to the 2021 Company Act No.07 of 2007 section 133 (i), The Board of a Company shall call an Annual General Meeting of shareholders to be held once in each calendar year, not later than six months after the balance sheet date of the company and not later than fifteen months after the previous Annual General Meeting. However, Annual General Meetings had not been held since 2016. | Should act according to the company act requirements. | Comment not received. | Same as the observation. | |
| (m) | Majority of the capital contribution of the company was provided by Road Development Authority and the main buyer of the company's was Road Development Authority. Moreover Road Development | 2021 | Actions should be taken to provide financial benefits to the RDA for the usage of government assets and funds. | Comment not received. | Information relevant to current situation had not been presented to the audit. |

Authority also owns a large percentage of the fixed assets used by the company's operations. However the Road Development Authority as a shareholder had not received any financial benefit.

3.14 Maganaguma consultancy & Project Management Services Company (pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit/ (loss) before taxation	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	561,612,868	122,790,218	438,822,650	22,639,710	Qualified
2022	644,409,151	107,780,179	536,628,972	(4,310,463)	Qualified
2023	552,129,467	21,435,583	530,693,884	(20,657,244)	Qualified

	Audit Observation	Year of the report	Auditor General's recommendation	Preventive action taken by the management	Implementation status of recommendation as on date of report
(a)	According to the financial statements of the company, the amount due from the Road Development Authority is Rs. 24,307,200, and according to the financial statements of the Road Development Authority for the year 2023, it was Rs. 4,086,661. Thus A difference of Rs.20,220,539 was observed.	2021 2022 2023- Draft report	Figures should be reconciled and confirmations should be obtained before certified the financial statements.	The reasons related to these changes have been identified by the company and reconciliations are being made with the Road Development Authority.	As per the observation.
(b)	The company was established as a private limited company under Companies Act No. 17	2021 2022 2023- Draft report	Actions should be taken to achieve objectives, in accordance with the Memorandum	Not received.	As per the observation.

of 1982 in the year 2004 and re-registered under the Companies Act No. 7 of 2007 in the year 2009. The main objectives of the establishment of this company were to provide consultancy services for feasibility studies and construction projects, while providing project management services for the road construction and rehabilitation sector. But it was observed that the company was operated only for producing and sale cold mix and construction works until the liquidation of the company.

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| <p>(c) In the absence of sufficient business opportunities due to the financial crisis in the construction industry, it was decided to liquidate the three companies belonging to the Road Development Authority and all the 47 employees of Maga Neguma Consulting and Management (Pvt) Ltd had been retired by using Voluntary</p> | <p>2023-Draft Report</p> | <p>Actions need to take to reduce uneconomic expense</p> | <p>As the liquidation process began last year we had to maintain a minimum staff to assist the process. Therefore until such time a liquidator is appointed we need to maintain this staff and retain the staff members. Further we have to maintain this staff carder and it was</p> | <p>Company had paid Rs. 11,986,057 as a salary and allowances for January to June 2024.</p> |
|--|--------------------------|--|---|---|

Retirement Scheme (VRS). However, according to the board decision on 11 August 2023, the Board of Directors had decided to re-engage few of the staff who had voluntarily retired to assist in the liquidation of the company and the company had re-engaged 25 employees on assignment basis. Moreover the liquidation process of the company had not been initiated even up to 31 December 2023 and re-engaged employees had been paid of Rs. 7,792,993 as salary and allowances during the period from September 2023 to 31 December 2023 which was observed as an uneconomical expense.

Further the Board approval to re-hire 25 employees and the basis for selection of employees to hire had not been submitted to the audit.

entrusted to the Chairman by the board of directors to use his discretion in retaining the minimum staff.

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|-----|---|--|---|-------------------------|
| (d) | Company has paid 2021 rental fees for the 2022 premises where the 2023-company's head office, Draft | Actions should take to sign agreements with RDA related to | We also wish to place on record that we have taken tireless attempts to | As per the observation. |
|-----|---|--|---|-------------------------|

	Medayaya and Maho plants belonging to the Road Development Authority, no lease agreement or rent agreement has been signed between the Road Development Authority and the company.	Report	rental assets.	sign in an agreement with the RDA and they have not taken steps to do so and we are reminding them frequently.	
(e)	Company had made dividend provision of Rs. 28,351,291 from 2016. However, Board decision and AGM decisions regarding to the provision was not available to the audit.	2022 2023- Draft Report	Board decision and AGM decisions regarding to the provision, should be submit to the audit	This was made as provision for dividend. However no decision has been taken at the AGM to pay at this amount. Therefore we have to carry forward this as current liabilities	As per the observation.
(f)	Company had issued 10003 shares; however, three shareholders had not paid for shares even by 31 August 2023. This Rs. 300 is included under receivable. However, number of shareholders should be determined before liquidation. 2022- 154(6)- 3.2 (a)	2022	Figures should be reconciled and confirmations should be obtained before certified the financial statements	As per the Articles of Incorporation, the company has allotted 03 shares and no share certificates have been issued earlier. Hence they have been issued in 2017 after obtaining Board approval by the Company Secretary.	As per the observation.
(g)	According to the Section 133 of Company Act No.07 of 2007, the board of the company shall call an Annual General	2022 2023- Draft Report	Should be compliance with the regulations of company act.	No comments submitted.	As per the observation.

Meeting for shareholders at once in each calendar year, not later than six months after the balance sheet date of the company and not later than fifteen months after the previous Annual General Meeting. However Company had not held Annual General Meeting after the year 2019.

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| (h) | According to the paragraph 6.9 of the Operational Manual for State Owned Enterprises introduced by the Public Enterprises circular No. 01/2021 dated 16 November, the board of directors of State Owned Enterprises may write off losses, having undertaken a due process. Even though the company had written off Rs. 12,658,780 from amounts due from related parties and Rs. 13,809,996 from amounts due to related parties. The company had only presented the relevant board approval for the Audit. | 2023-Draft Report | Action should be taken to restate the corrected write off value. Write off should not be recognized without following due process of the circular. | No comments submitted. | As per the observation. |
|-----|---|-------------------|--|------------------------|-------------------------|

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|---|------|--|--|--------------------------------|
| <p>(i) The company is a fully owned subsidiary of the Road Development Authority, approvals for the cadre, Salary structure and other allowances paid to the officers of the company had not been obtained from the director board of the Road Development Authority, Secretary of the Ministry or any other statutory bodies. Accordingly it was observed that the company has acted beyond the controlling power of the Authority and the Ministry.</p> | 2021 | <p>An approved scheme of recruitment (SOR) should be introduced.</p> | <p>Maganaguma Consulting and Project Management Services (Private) maintains a minimum staff to conduct the company's business and operate cost-effectively.</p> | <p>As per the observation.</p> |
|---|------|--|--|--------------------------------|

3.15 Colombo Commercial Fertilizer Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	20,418,328,166	17,407,884,294	3,010,443,872	313,634,970	Qualified
2022	22,292,652,703	19,216,903,050	3,075,749,653	234,154,823	Qualified
2023	21,124,922,024	17,692,643,357	3,432,278,667	501,143,796	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Although the payments were made to foreign fertilizer suppliers from the People's Bank In the year 2021 and the amount was converted into a long-term loan, and although the Rs.160,447,581 of interest amount charged by the bank was included in the financial statements under other receivables, it was observed that there was no agreement from the treasury to reimburse the company from that amount.	2020/2021 2021/2022	The possibility of reimbursing the money should be verified from the Treasury.	Necessary actions have been taken to recover the interest amount in discussion with the Treasury.	Interest has not been reimbursed.

- (b) Although a payment of Rs.253,301,126 was made to the supplier on 18 October 2021 at USD 12.45 per bottle for the import of 100,224 bottles of Nano-nitrogen liquid fertilizer, later the price of a bottle was reduced to USD 10 and even though the supplier had agreed to offset the overpaid amount of Rs.49,846,406, the company had not taken actions to offset the said amount and disclosed in the final accounts even by the date of audit.
- 2021/2022
2
3
- Appropriate actions should be taken to recover the overpaid amount to the supplier.
- Legal action has been taken.
- The Attorney General's Department is conducting related legal proceedings.
- (c) It was observed during the audit that there are 1,809 of 500 ml bottles of Nano Nitrogen liquid fertilizer worth Rs.3,672,270 in the warehouses of this company and 701 bottles of liquid fertilizers worth Rs.1,423,030 in the warehouses of Ceylon Fertilizer Company Limited which was undistributed even on 30 September 2023 and all those fertilizers are scheduled to expire by December
- 2022/2023
3
- Fertilizer stock should be distributed before expiry.
- Delivery plan or instructions have not been received from the Ministry until now.
- Although the Secretary of the Ministry was informed about this in writing, action had not been taken.

2023. The quantity of damaged and leaked bottles during the import of liquid fertilizers is 11 and the shortage caused during import is 7 bottles. Its value was Rs.36,540.

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|-----|---|------------------------|--|--|--|
| (d) | The receivable amount as of audited date of 22 September 2023 related with the issuance of fertilizers on credit basis to 15 different private institutions within the period from the date of 29 July 1994 which the date of Colombo Commercial Fertilizer Company was privatized to the date of 20 January 1997 which the date company was taken over by the government was Rs.22,053,338. The relevant documents to prove this credit balance has not been existed with the company and due to this, the company had been failed to take legal action. | 2022/2023 | Action should be taken to recover the loan balances. | The company does not have any related documents as it is a debtor balance that comes before the year 1994. As a result, it has not been possible to take legal actions to recover these loan balances. | Loan balances have not been recovered. |
| (e) | As per the Public Enterprise Circular No.PED 08/2022 dated 21 December 2022, in the payment | 2020/2021
2022/2023 | Provisions of the Circular should be followed. | Actions have been taken to pay the relevant dividends and income taxes. | Provisions of the circular have not been followed. |

of allowances on leave saved to the employees of the companies, although it should have paid the dividend/tax payable to the treasury in respect of year preceding the year of consideration for such payment, company had paid total leave allowances of Rs.4,113,280 for short leave and medical leave saved by the employees of the company and total allowances of Rs.1,708,981 for medical leave saved by the executive officers without paying the dividend for the years 2019/2020, 2020/2021 and 2021/2022.

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| (f) | Although sum of start-up costs incurred in the year 2018/2019 for the construction of a warehouse in the Hambantota leased land was Rs.3,732,901, the construction of the warehouse in the said land had not been started even by the year under review. Accordingly, it was observed that the said | 2020/2021
2021/2022
2022/2023 | Resources should be utilized effectively. | The planned work has not been accomplished due to changes in government policies that have taken place in each period. Plans have been prepared to direct this land for a more productive purpose in the future. | Decision has not been taken regarding the leased land. |
|-----|---|-------------------------------------|---|--|--|

expenditure has
become an idle
expenditure.

- (g) A shortage of 7,508.45 metric tons of subsidized fertilizer in the period from 26 April 2006 to 25 May 2009 was observed in the amount of fertilizer given to the Agricultural Crop Cultivators Organization who acted as a stock distributor for distribution to the Agrarian Service Centres in Anuradhapura district of the Colombo Commercial Fertilizer Company Limited and, the loss of Rs.848,003,961 which was the market value of that stock shortage has not been recovered from that organization by now.
- 2022/2023
- Action should be taken to recover the loan balances.
- Cannot be agreed. This incident was reported in 2009, and the company has taken all possible legal actions by now. A case in Anuradhapura High Court is still ongoing. The loan balance has not been recovered. Legal proceedings are in progress.

3.16 Ceylon Fertilizer Company Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	32,098,651,854	25,752,673,375	6,345,978,479	162,590,416	Qualified
2022	34,851,369,347	28,461,143,140	6,390,226,207	65,348,609	Qualified
2023	31,438,815,909	25,019,403,746	6,419,412,163	112,960,670	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Due to using a rate higher than the exchange rate announced by the Central Bank of Sri Lanka at the time of the maturity of the letter of credit of the fertilizer supplier and the bank which has issued the letter of credit paid on behalf of the company in to a rupee loan, the amount totaling to Rs.485,074,407 had to be paid the company for short term loan.	2020/2021	It should be adjusted to the exchange rates published by the central bank.	It has been converted into a short-term loan according to the exchange rate given by the treasury department of the bank and the accounts have been made based on that rate given to the company.	Adjustments had not been made on exchange rates published by the Central Bank.
(b)	Although the Company has a laboratory registered with the Sri Lanka Accreditation Board	2020/2021	A strategic plan should be prepared and implemented so that maximum	The main activity of the laboratory of the Ceylon Fertilizer Company Limited	Although these laboratory equipments were purchased in 2011/2012 and

with laboratory equipment worth Rs.19,264,125 the number of sample tests conducted during the year under review was 103 and income related to that was Rs.1,200,140.

Strategic plan has not been formulated and implemented to generate revenue from this laboratory and as a result, it was observed that the resources available in the laboratory were underutilized.

income can be earned from the company's resources.

is to carry out test of the quality tests of the fertilizers, fertilizer packaging materials purchased by the company and the fertilizer mixtures prepared in the mixing plant.

A qualified staff should be completed and the accreditation certificate from the Sri Lanka Accreditation Board should be obtained and external sample testing should be done in order to obtain maximum income.

internal sample testing was performed used without repair, but external sample testing was not performed. Also, the accreditation certificate was not obtained from the Sri Lanka Accreditation Board.

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| (c) | The debtor balance as at end of the year under review is Rs.1,066,771,612 and it was observed during the audit that there is a balance of Rs.918,765,715 up to 1-2 years old, a balance of Rs.120,500 up to 2-3 years old and a balance of Rs.807,650 up to 4-5 years old, a balance of Rs.56,596,887 up to 5-6 years old, a balance of Rs.878,607 up to 9- | 2022/2023 | Immediate actions should be taken to recover the debt. | From the balance of more than 10 years, a Rs.86,308,870 is to be received. Rs.37,993,346 from Janatha Estates Development Board, Rs.35,931,679 from Sri Lanka State Plantation Corporation and Rs.12,543,845 from Deputy Director of | Janatha Estates Development Board and the Sri Lanka State Plantation Corporation have not made any settlement. It has been informed that the complaint submitted to the Criminal Investigation Department regarding the non-payment of money due from |
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10 years old and a balance of Rs.86,502,049 more than 10 years old in that balance. Out of the balance of more than 10 years, Rs.86,308,870 are outstanding debtor balances from government institutions and the company has not taken effective actions to settle them and verify their correctness.

Agriculture Ampara are to be settled. the Ampara Deputy Director of Agriculture is being processed.

- (d) At the end of the year under review, The 2022/2023 3 Stock value should be correctly assessed and accounted. The percentage of nitrogen was analyzed at the time of buying compost and the purchase and sale has been done accordingly. As the percentage of nitrogen constantly undergoes changes according to the weather conditions, it is not practical to re-analyze it and since its nutritional components are determined on the basis of microbial activity, it is not practical to calculate the value according to its changes.
- The remaining stock is 2158.43 Further action will be taken according to the instructions given by the Audit and Management Committee of the Ministry in this regard.
- Nevertheless, it was observed in the audit that the value of the stock has not been considered due to the change of nitrogen percentage in storage and weather conditions.

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| (e) | Although the number of approved posts of Internal Audit Officer in the company was 01, the actual number as on the last date of the year under review was 04. The action had not been taken to approve the excess number of workers. | 2022/2023 | Arrangement should be made to maintain approved cadre and after re-reviewing the requirements of the staff should be revised and approved. | Since the amalgamated of Ceylon Fertilizer Company Limited and Colombo Commercial Fertilizer Company has been done, it has been referred to the Department of Management Services to get approval for the new employee composition. | No approval of Department of Management Service |
| (f) | The company had a stock of 56 metric tons of expired chemical fertilizers and 26.7 metric tons of sweeping fertilizer as at 31 March 2023 and the company had not been implemented a proper marketing plan regarding the disposal of this amount of fertilizer. | 2022/2023 | A proper marketing plan should be made for the relevant fertilizers. | Samples are sent to the laboratory regarding the organic fertilizers and expired chemical fertilizers, sweeping fertilizers which are currently remained in the stock and based on that analytical report, it has been planned to sell by considering the possibility of producing hybrid fertilizers. | Fertilizer stocks have not been issued. |
| (g) | After banning the import of chemical fertilizers, it had provided the opportunity to register fertilizer suppliers | 2022/2023 | Immediate action should be taken regarding the stock of fertilizer concerned. | A committee has been appointed to receive recommendations regarding the actions to be taken | The respective fertilizer stocks were stacked in the warehouses. |

from regional warehouses and purchase organic and compost fertilizers from them under the program to purchase environmentally friendly fertilizers in conjunction with the implementation of the fertilizer policy of the government through the company's internal circular No. 2021/GM/02 dated 15 September 2021. It was observed that the fertilizer purchased in this way had been sold less quantity, and 902 MT had not been sold and was piled up in the warehouses by 31 March 2023.

regarding this fertilizer and as the significant profit has been made from the wholesale sale of organic fertilizers according to the recommendations of that committee, it has been recommended to release this fertilizer to government farms free of charge.

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| (h) | A requirement of 05 lac empty bags was decided to purchase the organic fertilizers produced the Army, Department of Civil Defense and other small-scale producers by the company under the eco-friendly organic fertilizer program and supply them to the farmers, and out of that 2 lac were purchased under emergency purchases through the supplier who had submitted the lowest price by calling | 2022/2023 | Alternative opportunities should be considered regarding the use of existing fertilizer bags. | Since the problem related to the specifications related to the compost packs has been discussed in the management committee and the strength of the pack has been checked by the Bursting Test, it has been confirmed that there is no damage to the fertilizer bag and no other effects According to that inspection, | No action has been taken for fertilizer bags. |
|-----|--|-----------|---|--|---|

bid from the registered suppliers in the year 2021, 200,000 empty bags purchase at Rs.68.98 each. Although an order was issued to purchase 200,000 bags under the emergency condition again on 23.09.2021, it was observed that the payments were suspended as the specifications of the bags which supplies related to the second order did not conform to the company's specifications. As such, 58,596 empty fertilizer bags worth Rs.2,909,094 purchased on the basis of emergency requirement had been piled up in the warehouse for more than 02 years at 30 January 2024 which the date of the audit. It is further observed that these empty bags are not capable of being used for any purpose of packing the other fertilizers due to print as COMPOST on them.

so the quality issue has been resolved. There is a high demand and price for used WPP bags in the open market by now, so the polythene and once used empty bags remaining in the warehouses are expected to be sold in bulk according to the procurement process. Accordingly, it is possible to cover the cost of buying this stock.

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| (i) | Although the company has been spent Rs.22,910,795 to replace and operate a computer system, the ability to prepare | 2022/2023 | The system should be established that it can be used to cover entire accounting | The facilities required to obtain the reports and prepare the accounts for the preparation of the | Final accounts are prepared using the system and manual method due to the problem in |
|-----|--|-----------|---|---|--|

financial statements through the computer system purchased at a huge cost became problematic to the audit due to the fact that the financial statements and ledger accounts of the reviewed year were done manually and it was observed during the audit that the above computer system is not being used effectively.

process.

final accounts are available in the enterprise resource software (ERP system) and Manual account preparation is also done simultaneously for several years in order to check the correctness of the system and to establish 100% reliability. Here, 100% of the information obtained for the manual method is obtained from the ERP system itself.

3.17 Central Engineering Services (Private) Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	13,033,915,213	11,969,933,029	1,063,982,182	254,921,963	Qualified
2022	13,609,021,745	12,382,825,985	1,226,195,760	254,537,724	Qualified
2023	14,213,834,474	12,846,100,974	1,367,733,500	302,698,222	Qualified

	Audit observation	Year of the report	Auditor General's Recommendation	Preventive measures taken by the institution	Implementation status of recommendation s as of the report date
01	Accounts Receivable and Payable				
(a)	According to the statement of financial position as on 31 December 2023, the total debtor balance was Rs.2,397 million, out of that Rs.401.63 million and Rs.67.08 million were outstanding for the period of 03 to 05 years and more than 05 years respectively.	2022, 2023	Effective measures should be taken to promptly recover the outstanding balances.	In this regard, actions are taken constantly from the head office as well as from the respective base offices.	The total debtor balance stands at Rs. 2,786.35 million as at 30 June 2024 and out of this amount, Rs. 380.31 million represents debts outstanding for a period of 3 to 5 years, while Rs. 100.14 million amount for debts outstanding for more than 5 years.
(b)	Retention receivable as on 31 December	2022, 2023	Effective steps should be taken to	Continuous actions are being taken in	As of 30 June 2024, the total

2023 was Rs.2,962.35 million, out of this, retentions related to completed projects were Rs.659.28 million. Out of that Rs.127.78 million and Rs.158.02 million remained outstanding between 3 to 5 years and more than 5 years respectively, due to non-taking of proper recovery measures by the responsible officials.

recover the this regards by receivables outstanding head office and amounted to Rs. retention balances relevant branch 915.01 million without delay. offices. and out of this, Rs. 283.68 million has been outstanding for a period of 3 to 5 years, and Rs. 201.48 million has remained outstanding for more than 5 years.

02. Related Parties and Related Party Transactions not disclosed

The Company has to be paid an amount of Rs.1,545.96 million to the parent company Central Engineering Consulting Bureau (CECB) as at 31 December 2023, and the Company had not maintained proper and updated agreements regarding these transactions since inception of the Company and also had not taken any effective action to settle this balance. Therefore, this balance has been continuously increasing since the year 2017.

2021,
2022
2023

Clear agreements should be made for the transactions between the company and the bureau and steps should be taken to disclose and settle the relevant outstanding balances.

The process of accurately identifying and categorizing the inter-organizational balances is in progress.

The balance has not been settled up to now.

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

An approved recruitment procedure had not been prepared for the staff of the company as on 31 March 2024 according to Paragraph 3.2 (i) of the public Enterprises Circular No. 01/2021 dated 16 November 2021 on Operational Manual for Good Governance for State-Owned Enterprises.

2021,
2022
2023

The Scheme of Recruitment and promotion should be approved promptly. Referred to the Approval has not been received up to now. Department of Management Services.

04. Identified Losses

- (a) Due to weaknesses in project management, a sum of Rs. 105.75 million had been deducted from the bills by the employers as liquidated damages related to 62 projects. Although it was able to recover such deducted amount of Rs.36.81 million for 09 projects, approvals were not received for the extension of time had been applied for 18 projects by 31 December 2023 and the deducted liquidated damages amounting to Rs. 49.01 million related

2022,
2023

Proper project monitoring and management should be undertaken to avoid liquidated damages. Efforts are being made with the employers to obtain approval for an extension of time for these projects and to recover all available funds. Liquidated damages amounting to Rs. 49.01 million had not been recovered.

to 35 projects was irrecoverable.

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| (b) | In the year 2019, the Company had paid Rs.15.43 million as rent at once without entering into a formal agreement to acquire 60 perches of land in the Ratnapura district belonging to the Urban Development Authority on a 30-year lease basis and the Sabaragamuwa base office building was built on this land. | 2021,
2022
2023 | Since the Company has paid the full rent, the relevant agreement should be signed with the Urban Development Authority as soon as possible. | UDA has informed that arrangements will be made to sign the agreement immediately after the official transfer of ownership of this land to UDA. | So far contracts had not been signed. |
|-----|--|-----------------------|---|---|---------------------------------------|

05. Management Inefficiencies

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|-----|--|-----------------------|--|---|---|
| (a) | Out of the 05 asphalt/crusher machines that were operating at 05 locations, and the company had incurred a loss of Rs.18.96 million in the year 2023 due to the operation of 02 machines and the other 03 machines were in idle condition. | 2021,
2022
2023 | The management of the company should focus on running the asphalt/crusher machines profitably. | Currently, there is no suitable market to sell the products, even if production is carried out using these machines until the construction industry in the country is restored. As a result, maintenance costs consistently being recorded as losses. | These machines are operating at a loss by October 2024. |
| (b) | The Company has sustained the operating losses of Rs.942.90 million Rs.667.42 million and Rs.888.15 million from its fully | 2021,
2022
2023 | Management should take effective measures to manage contract cost and time and prevent losses | Management is currently conducting close monitoring of all projects using Microsoft 365. | There are 10 projects that are incurring losses as at October 2024. |

completed construction projects in the years 2023, 2022 and 2021 respectively and in the year under review, company had incurred a loss of Rs.528.57 million from 40 ongoing construction projects. Although these losses directly affect to the going concern of the Company, the management had not taken effective measures to identify the persons and reasons directly or indirectly responsible for these losses and to reduce such heavy losses.

from construction projects.

This involves identifying all potential profit/loss situations to manage the projects.

3.18 Cey- Nor Foundation Limited.

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	556,768,828	246,465,747	310,303,081	5,358,737	Qualified
2022	1,217,672,223	223,952,254	993,719,969	(9,867,625)	Qualified
2023	1,331,369,585	325,966,653	1,005,402,932	3,482,963	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Value of Rs.5,059,049 raw materials had been given to a private company under a subcontract basis for manufacturing fishing nets, out of that value of Rs. 149,274 of fishing nets had been received to the Cey-Nor Foundation. When giving those raw materials no having any guarantee or enter in to an agreement had not been done. Accordingly the balance of raw materials valued Rs. 4,909,775 has been shown in the financial statements as receivables form the	2021 2022	Action should be taken to recover the amount which has not been settled for a long time.	The balance of Rs. 4,909,775 receivable form a private company was a balance more than 10 years and since there were no source documents regarding these instructions are being given take necessary accounting measures to make a provision for doubtful debts in the financial statements in 2023.	This balance has not been recovered even by the date of the report.

year 2011 to 31 December 2021 and even though recovering is uncertain a provision for doubtful debts had not been done for this.

(b) Activities related to the Dikowita Fisheries Harbor Project implemented under the Ministry of Fisheries had been got done by the Cey- Nor Foundation and for that the amount total of Rs. 3,527,824 had been as receivable to the Foundation from the Ministry of Fisheries since year 2014 and recovering of these money is uncertain and provisions had not been made for doubtful debts for that.	2021 2022	Action should be taken to recover the amount due for a long period of time or to make provisions for doubtful debts.	It was informed that the action will be taken to discuss with the project section of the Ministry of Fisheries to recover this withholding money amount of Rs. 3,527,824.	This balance has not been recovered even by the date of the report.
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3.19 Milco Private Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	21,451,693,754	20,436,070,474	1,015,623,279	34,325,163	Disclaimer
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	According to section 6.5.1 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, the financial statements and draft annual report for the years 2020 and 2021 within 60 days of the end of the accounting year and the paragraphs of the operational manual presented with Circular No. 01/2021 dated 16 November 2021 According to number 6.6, the financial statements and draft annual report of the year 2022 should be submitted to the Auditor General	Transaction Report of 2021/2022	The 2020, 2021 and 2022 financial statements and draft annual reports should be prepared and submitted to the Auditor General without delay	Due to an error in the computer systems, there has been a delay in the preparation of the draft accounts, and the updating of the computer data is currently underway.	The 2020 and 2021 financial statements have been submitted for audit and the 2020 Auditor General's reports have been issued. According to Section 12 of the Audit Act, the Auditor General's report for the year 2021 has been issued on 2024.09.30. The company has informed that the printing work of the annual report of the year 2020 has been completed and is

within 60 days after the end of the accounting year. However, the financial statements and draft annual reports for the years 2021 and 2022 had not been submitted to the Auditor General by 24 March 2023.

to be submitted to the Parliament and the preparation of the 2022 accounts has been completed.

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| (b) | In order to achieve the desired market share, the quantity of milk which is the main input required to produce the desired output is essential to purchase a significant amount of the total milk production in the country. The company's purchase of milk required for its production activities was as low as 14, 13 and 9 percent of the total liquid milk production in the country in the years 2020, 2021 and 2022 respectively. | Transacti
on Report
of
2021/202
2 | The company should increase the purchase of milk required for its production activities. | A strategic plan has been formulated to develop milk collection. | Since March 2024, the daily milk collection has grown to nearly 200,000 litres, following a strategic plan. Even so, the milk purchases needed for the production activities of the company should be increased. |
| (c) | After the installation of the new plant under the factory modernization projects, 771,652 kg of milk powder produced in July 2017 was issued and sold with test reports that it | Transacti
on Report
of
2021/202
2 | Should conduct a disciplinary investigation and recover the loss from the responsible parties | The remaining stock of milk powder, which is unfit for human consumption, was also sold, and actions are being made to remove that stock. | Although changes in the production process have been made to change the lipase value of milk powder, the officials responsible for this have not been |

was free from defects, and due to customer complaints, it was brought back to the warehouses due to it was unfit for human consumption. After selling 720,000 kilograms of milk powder worth 475.2 million rupees as animal feed from the year 2018 to the year 2022, the remaining 561,264 kilograms have been stored in Ambewela factories on December 31, 2022. No investigation had been conducted against the officials responsible for the production of milk powder unfit for human consumption.

identified and no tests have been conducted on them.

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| (d) | From the year 2017 to 31 August 2022, during the inspection of the documents of the security department of the receipt of fuel stock to the factory, it was observed that 14 bowers carrying 92,400 liters of diesel worth Rs. 9,364,835 had not entered the factory, but the fuel had been paid for. It was observed that the signatures appearing | Transacti
on Report
of
2021/202
2 | Disciplinary action should be taken against the parties involved in the fuel irregularity. | The Internal Audit Division conducted a full audit regarding a diesel stock irregularity, and based on the findings of the report, the officers deemed responsible have been suspended and further disciplinary investigations are underway. The Criminal | A case in this regard is pending in court. The investigations of the institute have been completed and charge sheets have been issued. |
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on the invoices related to certain consignments were not comparable with the signatures of the security department officers.

Investigation Department is also conducting investigations.

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| (e) | <p>Although the total capacity of the old and new factories of Ambewela Dairy is 9,300,000 litres, according to the information submitted to the audit up to August 2020, 2021 and 2022, the average capacity utilization was 3,052,858 litres, 2,675,819 liters and 1,690,560 litres, respectively. It was as low as 33, 29 and 18 percent of the total capacity respectively.</p> | <p>Transaction Report of 2021/2022</p> | <p>Action should be taken to utilize the machines to their full capacity.</p> | <p>Underutilization of machinery occurs because the milk stocks required to use the machinery at full capacity are not sufficient.</p> | <p>Currently, the capacity utilization of the Ambewela Dairy Factory was 12 percent in 2023 and 25 percent until September 2024. Accordingly, the dairy factory continues to be underutilized.</p> |
| (f) | <p>In the Ambewela factory in June 2017, new machines installed in June 2017 have been unable to operate the improved electrical system due to frequent power outages in the national power connection. As a result, tenders were called for the supply and installation of a uninterrupted power supply unit in order not to damage the</p> | <p>Transaction Report of 2021/2022</p> | <p>An uninterruptible power supply unit should be established immediately.</p> | <p>Actions are being made to settle the case without prejudice to the company and to establish a UPS system.</p> | <p>Since the relevant supplier has taken legal action regarding this, we are working to settle with them and based on the agreement of the court install the uninterruptible power supply system (UPS) that was agreed.</p> |

operation of the machines in the event of such a power failure, but after awarding the tender to the selected supplier, the company filed a case against Milco for canceling it after a new board of directors came. In the future, there may be an uncertain cost for this, and due to the fact that the new electrical system (MV panel) could not be used for the work of the factory as expected due to the failure to purchase the supply units, the power generators had to incur high costs.

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| (g) | According to plan No. 4754 surveyed on 10 March 1980, the land owned by the government on which the Ambewela factory is located is 40 acres, 01 rood 36 perches, and the company has paid Rs.5,548 million worth of construction and installation, but ownership of this land has not been transferred to the company till December 31 December 2022. | Transacti
on Report
of
2021/202
2 | Actions should be taken to take over the ownership of this land. | Legal proceedings related to land acquisition are being carried out. | Since the Cabinet has taken a decision to restructure Milco, the acquisition of the land has been temporarily suspended. |
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- (h) Public Enterprise Transaction As per the circular, Payments have No action has
Circular PED 03/2020 on Report fully state-owned been made in been taken to
dated 18 December of companies should accordance with recover the
2020 had stated that 2021/202 make payments the decisions of bonuses paid.
while paying bonuses 2 based on the the Board of Bonuses have not
for the year 2020, the audited financial Directors when been paid since
State Owned statements of 2019 paying bonuses. 2023.
Enterprises should while paying
make the payments bonuses for the
based on the audited year 2020.
financial statements of
the year 2019.
Accounts for the year
2019 were submitted
to the Auditor General
on 16 August 2022,
about 30 months late.
Prior to the audit of
those accounts,
contrary to the
circular, 1350
executive and non-
executive officers had
been paid
Rs.19,086,375 as
bonuses in the year
2020 at the rate of
Rs.15,000 per officer.
- (i) Public Enterprise Transaction According to the Payments have No action has
Circular PED 03/2021 on Report circular, the bonus been made in been taken to
dated 15 December of for the year 2021 accordance with recover the
2021 stated that the 2021/202 should be paid the decisions of bonuses paid.
bonuses for the year 2 based on the 2020 the Board of Bonuses have not
2021 should be paid audited financial Directors when been paid since
based on the 2020 statements. paying bonuses. 2023.
audited financial
statements. The
company had
submitted its financial
statements for the year
2020 for audit on 11
August 2023, about 30

months late. Contrary to the circular before the accounts are audited for the year 2021, 1356 employees were paid Rs.25,921,238 on 09 April 2021 at Rs.20,000 per officer, and Rs.14, 800,907 were paid on 21 December 2021 at Rs.11,657 per officer as bonuses.

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| (j) | <p>PED 09/2022 and Public Enterprise Circular dated 21 December 2022 for the year 2022, the payment of bonuses should be made based on the financial statements of the year 2021, and it has been stated that if there is a loss in the year 2021, there is no entitlement to bonuses. Although the company has not submitted the financial statements for the year 2021 by 24 March 2023 and there is no information about the company's profitability. Contrary to the said circulars, Rs 10,000 for each officer, Rs.13, 044,888 and Rs.12, 719,687 were paid on 11 April 2022 and 23</p> | <p>Transacti on Report of 2021/202 2</p> | <p>According to the circular, the payment of bonuses for the year 2022 should be made based on the financial statements of the year 2021</p> | <p>Payments have been made in accordance with the decisions of the Board of Directors when paying bonuses.</p> | <p>No action has been taken to recover the bonuses paid. Bonuses have not been paid since 2023.</p> |
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December 2022, as bonuses to executive and non-executive employees, respectively.

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| (k) | During the sample inspection conducted for the purchase of diesel stocks from the year 2015 to 31 August 2022 to the Ambewela factory belonging to Milco, it was observed that Rs..17,209,467 worth 165,300 liters of diesel that had been issued by the Petroleum Statutory Corporation had not been unloaded into the oil tanks of the Milco factory. | Transacti
on Report
of
2021/202
2 | Disciplinary action should be taken against all parties involved in fuel irregularities, and strong internal controls should be introduced to prevent such frauds. | An investigation was conducted and the relevant officials were identified according to the report. | Two officers involved in this have been suspended. Disciplinary investigations are underway. |
| (l) | In the Ambewela Dairy Factory owned by Milco, a sample check was conducted regarding diesel emissions from tanks for the generator from the year 2019 to 31 August 2022 in the factory. A quantity of 58,703 liters of diesel was missing between the amounts mentioned in the stock books and the documents maintained by the engineering department. | Transacti
on Report
of
2021/202
2 | Disciplinary action should be taken against the parties involved in fuel irregularities, and a strong internal control system should be introduced to expose such frauds. | An investigation was conducted and the relevant officers were identified based on the report. | Two officers involved in this have been suspended. Disciplinary investigations are underway. The Criminal Investigation Department is also conducting investigations. |

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| (m) | According to the Cabinet decision No. AMA/15/0205/631/01 2 dated 11February 2015, approval was received to implement the Badalgama Dairy Factory Project. In 2015, with an investment of 63.9 million euros, the construction work was handed over to a Denmark private construction company, but the construction work, which should have been completed by the end of 2020, was not completed by February 2023. But while preparing the key performance indicators for 2021, it was stated that the construction work has been completed 100 per cent. | Transacti
on Report
of
2021/202
2 | According to Key Performance Indicators, construction activities at Badalgama Dairy Factory must be completed in due time. | The factory premises are being maintained by Desmi. | Although construction work is about 95 percent complete, production at the factory is not yet operational. |
| (n) | The machine for producing sterilized milk bottles which cost Rs.9, 500,000 in Digana dairy factory owned by the company and the machine for producing ice cream containers which cost Rs.15,445,587 in Colombo dairy factory were underutilized by 46 percent and 71 | Transacti
on Report
of
2021/202
2 | Necessary actions should be taken to use the machines to their full capacity. | Underutilization of machinery occurs because the milk stocks required to use the machinery at full capacity are not sufficient. | It is still underutilized. |

percent respectively.

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| (o) | <p>A contract value of Rs.9,932,709,286 was agreed for the establishment of the Badalgama Milk Processing Factory and Rs.11,671,726,295 had been spent on 31 December 2019 and the construction work of the project was currently being implemented. In the year 2019, the Ambewela factory, whose construction was completed under the modernization project, received only liquid milk for 25 percent of the machine capacity. After the completion of the currently under construction Badalgama factory, according to the machine capacity of the relevant factory, it was reported that the company needs 400,000 liters of liquid milk per day. It was observed that these machines are not able to be used at their full capacity as the daily liquid milk that can be collected by the institution for the</p> | <p>Transacti
on Report
of
2021/202
2</p> | <p>Plans should be made immediately to utilize the machinery to its full capacity.</p> | <p>No plan had been prepared to commence production at the Badalgama Milk Processing Factory.</p> | <p>It is still underutilized.</p> |
|-----|--|--|--|---|-----------------------------------|

other 04 active
factories is about
200,000 liters

- (p) The company owns two lands, the 12-acre land where the Polonnaruwa Dairy Factory is located and another 37-acre land. However, by the end of 2019, the company did not have the deeds and plans related to these two lands.
- Transacti on Report of 2021/2022
- Idle lands should be utilized. Legal ownership of land should be obtained.
- Action is Not yet taken underway to take over.
- (q) During the transportation of milk from milk collection centers under Milco to factories of Milco, Milco and milk tanks were transported by private bowsers. During the year 2020, 71 private bowser vehicles were used for transportation purposes and Rs.203,781,417 were paid for transporting 46,119,573 liters of milk from those vehicles in the year under review. It was observed that these bowser vehicles had been procured by the company without calling competitive prices as per the government procurement
- Transacti on Report of 2021/2022
- Milk transport bowsers should be selected as per the government Procurement Guideline.
- It is planned to work in accordance with government procurement guidelines in the coming years.
- It still has not been corrected.

guidelines and 45 of these vehicles had been used by the company for more than 05 years.

3.20 Sri Lanka Poultry Development Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	263,584,286	5,444,069	209,140,218	9,368,513	Qualified
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Due to the fact that the fixed assets register was not kept up-to-date, the accuracy of the written down value amounting to Rs.75,497,131 and the depreciation amounting to Rs.2,025,960 in respect of property, plant, and equipment stated in the financial statements for the year under review could not be confirmed during the audit.	2021	Fixed asset register should be maintained up to date.	Assets are planned for revaluation and the reports have not been received so far. According to those records, it is possible to prepare an accurate fixed asset register.	The fixed asset register was not kept up to date even on 15 October 2024.
(b)	A balance of Rs.3,431,328 due for providing books and equipment to the National Livestock	2021	Action should be taken to recover receivable balances immediately	No recovery has been made.	As on 15 October 2024, this balance has not been recovered

Development Board was included in trade and other receivable balances. The company had not taken effective steps to recover the balance which has been there for more than 05 years even at the end of the year under review.

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| (c) | <p>The National Livestock Development Board took over the company in the year 2014 and according to a request made on 8 July 2014, an advance of Rs.140,000,000 was given to the parent company and till now the advance amount has not been recovered.</p> | 2021 | <p>Action should be taken to recover the advance amount immediately.</p> | <p>As per a cabinet decision, this company is to be dissolved and merged into the National Livestock Development Board, so a decision regarding this advance amount is to be taken at that time.</p> | <p>The amount of Rs.140, 000,000 has not yet been received to the company.</p> |
| (d) | <p>Before establishing this institution as a company, the company named LANLIB (LANLIB) has an unpaid tax liability of Rs.25,932,371 from the years 2009 to 2013 in the financial statements of the year under review, and that tax liability is a balance that has existed for more than 07 years. Even at the</p> | 2021 | <p>Actions should be taken to settle the relevant tax liability</p> | <p>Payments were made for several types of taxes as discussed by the company and the advisory committee of the Inland Revenue Department on 20-09-2023. The remaining taxes will be decided in the future.</p> | <p>Necessary actions are being taken to settle this tax liability.</p> |

end of the year under review, the relevant tax liability had not been settled.

3.21 North Sea Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Even though the company had constructed buildings on government-owned land in the Weerawila and Jaffna areas where the factories were run, the ownership of those lands had not been transferred or leased out in the name of the company to operate without interruption.	2021/2022 2 (Transact ion Report)	The Management should take actions to transfer the ownership of the land in the name of the Company, to avoid any legal problems in the future, to protect the investment in the building and to carry on the business in the same premises.	A preventive action has not been taken.	A takeover had not been done so far.
(b)	The letter dated 25 March 2022 was submitted to the Department of Management Services through the Ministry of Fisheries to get approved the number	2021/2022 2 (Transact ion Report)	The Company should take actions to submit the information requested to approve the positions to the Department of	A preventive action has not been taken.	The information had not been submitted so far.

of employees proposed by the company.

Management Services.

Accordingly, the Annual Report submitted by the Department of Management Services to the Parliament for the last 5 years by the letter No. DMS/1747 dated 18 May 2022, the programmes to be implemented by the Company in the next 5 years, production, sales, income received and the progress of the implemented programmes in the last 5 years, and a detailed report containing the Strategic Plan of the Company had been requested.

Nevertheless, it had not been submitted by the Company even by 24 November 2022, the date of audit.

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| (c) | Although the annual financial statements of the Company should be submitted to the Auditor General within 60 days of the end of the accounting year in terms of Section 6.6 of Public Enterprises Circular No. 01/2021 dated 16 November 2021, the | 2021/2022
2
(Transact
ion
Report) | The annual financial statements of the Company should be submitted to the Auditor General within 60 days of the end of the accounting year. | Actions have not been taken to submit the financial statements to the audit. | Only the financial statements for the year ended 31 March 2021 has been furnished as at the date of report and financial statements related to subsequent years have not been submitted. |
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Company had not acted accordingly.

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| (d) | <p>Although Value Added Tax Act No. 14 of 2002 requires remittance of Value Added Tax to the Inland Revenue Department before the 20th of every month, the Value Added Tax amounting to Rs. 182,799,880 had not been paid by the end of the year 2021 by the Company. Further, due to non-payment of Value Added Tax on time, a sum of Rs.27,693,374 had to be paid as fine. However, the Company had not settled this amount by the date of audit, 27 November 2022 .</p> | <p>2021/2022
2
(Transact
ion
Report)</p> | <p>The Management should comply with applicable tax laws to avoid unnecessary penalty payments.</p> | <p>The outstanding amount is being paid in monthly installments of Rs. 100,000 each.</p> | <p>The outstanding Value Added Tax to be paid by 27 March 2024 was Rs. 144,271,952 .</p> |
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3.22 Selendiva Leisure Investments Limited

	Total assets	Total liabilities	Equity	Profit (loss) before tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	10	848,136	(848,126)	(848,136)	Unqualified
2022	10	1,084,148	(1,084,138)	(236,012)	Unqualified
2023	10	1,379,572	(1,379,562)	(295,424)	Unqualified

	Audit Observation	Year in Report	Auditor General's recommendation	Comment of the Management	Implementation status of the provision as on the date of report
(a)	The company was incorporated in 2021 but had not commenced any business till the end of 31 July 2023 and as on that date there was an accumulated loss of Rs. 1,379,572.	2021, 2022, 2023	Management should guide the company to achieve its objectives.	The Fundamental Rights Petition and the filing of a suit in the Commercial High Court the Company could not achieve their objectives.	The affairs of the company have been terminated on 31 July 2023.
(b)	The company had not made any provision for liquidation expenses in the financial statements and had not appointed a liquidator till 19 December 2023.	2023	A liquidator should be appointed and liquidation proceedings should be carried out.	In the process of appointing the liquidator	No liquidator has been appointed.

3.23 Selendiva Investments Limited

	Total assets	Total liabilities	Equity	Profit (loss) before tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	15,439,196	4,005,618	11,433,578	(7,689,511)	Unqualified
2022	4,699,429	1,237,280	3,462,149	(7,036,430)	Unqualified
2023	2,164,698	587,552	1,577,146	(1,885,002)	Unqualified

	Audit Observation	Year of the Report	Auditor General's recommendation	Comment of the Management	Implementation status of the provision as on the date of report
(a)	Even though the company was incorporated in 2021 a citizen filed a Fundamental Rights Petition against the companies incorporated Selendiva Investments Limited, Selandiva Leisure Investment Limited had not commenced any business till the end of 31 July 2023. The accumulated loss as on 31 July 2023 was Rs. 19,802,426.	2021, 2022, 2023	Management should guide the company to achieve its objectives.	The Fundamental Rights Petition and the filing of a suit in the Commercial High Court the Company could not achieve their objectives.	The affairs of the company have been terminated on 31 July 2023.

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| <p>(b) The company had not made any provision for liquidation expenses in the financial statements and had not even appointed a liquidator till 19 December 2023.</p> | <p>A liquidator should be appointed and liquidation proceedings should be carried out.</p> | <p>In the process of appointing the liquidator</p> | <p>No liquidator has been appointed.</p> |
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3.24 Mahaweli Consultancy Bureau (Private) Limited

	Total Assets	Total Liabilities	Equity	Profit Before Tax (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	80,737,659	10,986,763	69,750,896	(7,284,205)	Qualified
2022	86,975,067	11,016,699	75,958,368	6,430,563	Qualified
2023	104,582,772	20,718,188	83,864,584	8,064,123	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendatio n as on date of the Report
(a)	During the construction of the Moragahakanda circuit bungalow, payments were made in violation of Procurement Guidelines, resulting in an overpayment of Rs. 20,200,000. This amount, which should have been recovered from the contractor, has been listed in financial statements as a receivable under current asset for over five years.	2021 2022 2023	Allocations should be made for impairment losses in accordance with accounting standard and must be disclosed appropriately.	The outstanding amount of Rs. 20,200,000 owed by the subcontractor of the Moragahakanda project has been recorded as a receivable in the balance sheet. Legal action is currently being pursued to recover this amount, and the Attorney General's Department has been requested to provide necessary advice and legal	No actions have been taken to recover the amount.

measures in this regard.

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| <p>(b) Even though only a public officer who is confirmed in his substantive post serving in a comparable post or a post immediately below it and has fulfilled all the qualifications stipulated in the approved service minute or the scheme of recruitment of the relevant post can be appointed to act in a post as per the Section 115 of Chapter IX of the procedural rules established by the Public Service Commission according to the extraordinary gazette notification no. 1589/30 of the Democratic Socialist Republic of Sri Lanka dated 20 February 2009, a female officer holding a permanent position at the non-managerial salary scale MN-04 during the period of probation had been appointed to work in a position on acting basis at the senior managerial officer category in the salary scale HM 1-3. This officer received a salary for the</p> | <p>2023</p> | <p>Actions should be taken in accordance with the procedural rules.</p> | <p>Disagree with the observation. The appointment was not made on acting basis. Instead, a skilled officer was engaged to provide part-time service. Therefore, the procedural rules were not relevant to such appointments and the appointments made by the Board of Directors of the Company were applicable.</p> | <p>Have not been rectified.</p> |
|--|-------------|---|---|---------------------------------|

mentioned position, along with a total acting allowance of Rs. 2,131,745, amounting to Rs. 60,907 each, from February 2021 to December 2023.

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|-----|---|--------------|---|--|--|
| (c) | A detailed action plan that includes specific steps and tasks necessary to achieve short-term goals, as well as a comprehensive strategic plan outlining the company's long-term vision and overall direction, had not been developed or approved according to the chapter 05 of the Public Enterprises Circular No 01/2021 dated 16 November 2021. | 2023 | Action should be taken in accordance with the Public Enterprises circular. | Currently, operations are being carried out according to a summary action plan, which was formulated during the COVID-19 pandemic and the economic crisis. A detailed action plan, incorporating the vision and direction of the organization, is expected to be developed in the coming months. | Action plan and corporate plan were not prepared. |
| (d) | Action had not been taken to establish an audit committee according to the section 4.2 of the Public Enterprises Circular No 01/2021 dated 16 November 2021 | 2022
2023 | Action should be taken in accordance with the Public Enterprises circular. | It will be established within the next few months. | Audit and Management Committee have not been established. |
| (e) | Even though State Owned Enterprises must submit their requests pertaining to cadres including the cadre positions, scheme | 2022
2023 | Action should be taken in accordance with the operational manual introduced by the Public | Agreed with the observation. The company is currently taking steps to obtain the necessary | Relevant approvals have not been obtained for scheme of recruitments |

of recruitments (SOR), pay structure and allowances with a Board approval and recommendations of the line ministry according to the section 3.2 of Operation Manual introduced by the Public Enterprises circular No 01/2021 dated 16 November 2021, for the approval of the Director General, Department of Management Services with a copy to Director General Department of Public Enterprises DG-PED) or Director General Department of National Budget (DG-NBD) as applicable, the action had not been taken accordingly.

Enterprise circular approvals by May (SOR), pay structure and allowances. 2025.

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| (f) | Even though annual report to be tabled in Parliament within 05 months after the end of the financial year according to the Section 6.6 of Operation Manual introduced by the Public Enterprises Circular No 01/2021 dated 16 November 2021, action had not been taken related to the annual reports from the year 2018 to the | 2022
2023 | Actions should be carried out in accordance with the operational manual introduced by the Public Enterprises circular | Necessary actions will be taken in the future by investigating this matter. | Annual reports from the year 2018 to 2022 had not been tabled in Parliament. |
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year 2022 accordingly.

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| (g) | The annual board of survey related to the fixed assets of the Company had not been carried out according to the Section 6.7 of Operation Manual introduced by the Public Enterprises circular No 01/2021 dated 16 November 2021. | 2023 | Actions should be carried out in accordance with the operational manual introduced by the Public Enterprises circular | Necessary actions will be taken in the future by investigating this matter. | Physical verification has not been conducted. |
| (h) | Even though key performance indicators and operational performance indicators should be established and obtain the approval of the Treasury according to the section 7.2 of operation manual introduced by the Public Enterprises circular No 01/2021 dated 16 November 2021, action had not been taken accordingly. | 2023 | Actions should be carried out in accordance with the operational manual introduced by the Public Enterprises circular | Necessary actions will be taken in the future by investigating this matter. | Performance indicators have not been established. |
| (i) | Even though the monthly, quarterly, and annual performance reports of the Company should be sent to the Line Ministry and the Treasury according to the section 7.5 of Operation Manual introduced by the Public Enterprises circular No 01/2021 | 2023 | Actions should be carried out in accordance with the operational manual introduced by the Public Enterprises circular | Comments have not been given. | Monthly, quarterly, and annual performance reports of the Company have not been sent to the Line Ministry and the Treasury. |

dated 16 November 2021, this has not been done

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| <p>(j) Specific provisions had not been indicated in the Articles of Association regarding the composition of the Board of Directors of the company, which is a minimum of 2 and a maximum of 7. The Secretary to the Public Service Commission has appointed a Civil Engineer of Grade II, Class II of the Sri Lanka Engineering Service to the position of Director (Technical Audit) at the Ministry of Irrigation. That officer had been appointed by the Secretary to the Ministry of Irrigation as the Chief Executive Officer and a member of the Board of Directors of the Company without the approval of the Public Service Commission. According to the appointment letter issued to the concerned Chief Executive Officer, it was not clearly stated whether the appointment was full-time or part-time and as his allowance, a</p> | <p>2023</p> | <p>The appropriate approvals must be obtained for the amendments to the Articles of Association and appointments, and all conditions related to the appointments should be included.</p> | <p>Disagree with the observation. The appointment was not made on acting basis. Instead, a skilled officer was engaged to provide part-time service. Therefore the procedural rules indicated by the audit were not relevant to such appointments and the appointments made by the Board of Directors of the Company were applicable. The appointment has been made based on the requirements of the government and according to Section 1.4 and 1.6 of the Establishment Code, with the approval of the Secretary to the Ministry, a government officer has been appointed by the Company to provide services to a private public institution based</p> | <p>Action had not been taken to obtain the necessary approvals for appointments.</p> |
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sum of Rs. 52,342 each which included half of the salary of Rs.98,215 for a senior management position mentioned in Management Service circular No. 02/2016 dated 25 April 2016, salary increments of Rs.13,500 for 05 years and other allowances had been paid without the approval of the Treasury. As at 31 December 2023, a total of Rs. 697,890 had been paid as allowances.

Accordingly, for the year 2023, he had received Rs. 926,976 as salary for his position and Rs. 697,890 as allowances for the role of Chief Executive Officer.

on Section 2.2 of chapter 09 of the Establishment Code and the fee to be paid to the Consolidated Fund also has been paid.

(k)	Even though the officer who worked as Assistant Director (Legal) of Mahaweli Authority of Sri Lanka was appointed for the position of Secretary/Legal Officer of the Company, the concerned officer was not released from Mahaweli Authority of Sri Lanka and the nature of appointment, the way of allowances	2022 2023	Action should be taken to obtain the formal approval of the appointing authority for appointments and action should be taken to obtain the approval for scheme of recruitment and payment structure.	Disagree with the observation. The appointment was not made on acting basis. Instead, a skilled officer was engaged to provide part-time service. Therefore the procedural rules indicated by the audit were not relevant to such appointments and	Action had not been taken to obtain the necessary approval for appointments.
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are paid and other appointment conditions had not been specified in the letter of appointment. A sum of Rs. 33,700 each which included half of the salary of Rs. 55,925 relevant to the said position as per the Management Service circular No. 02/2016 dated 25 April 2016, Rs. 6,875 for salary increments for 05 years and other allowances had been paid monthly without the Treasury approval. A total of Rs. 404,400 had been paid as allowances as at 31 December 2023. Additionally, this official received an amount of Rs. 30,000 as an allowance paid to board members participating in board meetings.

the appointments made by the Board of Directors of the Company were applicable.

The appointment has been made based on the requirements of the government and according to Section 1.4 and 1.6 of the Establishment Code, with the approval of the Secretary to the Ministry, a government officer has been appointed by the Company to provide services to a private public institution based on section 2.2 of Chapter 09 of the Establishment Code and the fee to be paid to the Consolidated Fund also has been paid.

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| (1) The officer, who had been appointed by the Secretary to the Ministry of Irrigation to cover the duties of the project manager position of the Company, had been assigned to the Ministry to the Irrigation as a graduate | 2023 | Action should be taken as per the Management Service circular. | Disagree with the observation. The appointment was not made on acting basis. Instead, a skilled officer was engaged to provide part-time service. Therefore the procedural rules | Action had not been taken to obtain the necessary approvals for appointments. |
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trainee from 01 August 2019, and had been appointed to the position of Development Officer from 01 January 2021. Even though the power of appointment belonging to the Director General of Combined Services, the Secretary to the Ministry of Irrigation had exceeded his authority and made the aforementioned appointments.

Furthermore, this officer had received a salary of Rs. 572,160 for her permanent position as Development Officer, as well as an allowance of Rs. 730,890 for the position of Project Manager in the company, for the year 2023. The company had calculated the allowance based on the HM 1.3-2016 salary code, and an additional Rs. 2,300 as other allowances, Rs. 1,500 as a travel allowance, and Rs. 8,000 as transport expenses were also included

indicated by the audit were not relevant to such appointments and the appointments made by the Board of Directors of the Company were applicable.

The appointment has been made based on the requirements of the government and according to Section 1.4 and 1.6 of the Establishment Code, with the approval of the Secretary to the Ministry, a government officer has been appointed by the Company to provide services to a private public institution based on Section 2.2 of chapter 09 of the Establishment Code and the fee to be paid to the Consolidated Fund also has been paid.

(m)	Even though the contract value of Rs.	2022 2023	The consultancy work undertaken	The preparation of the environmental	The final report on the
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22,138,000 had been agreed upon in the agreement reached between the Ministry of Irrigation and Water Resources Management and the company on 28 April 2017 to prepare the Environmental Impact Assessment (EIA) report related to the implementation of the Gin-Nilwala Diversion Project, the contract value had been increased to Rs. 38,854,215 on 9 February 2022, while the work was not completed by the due date, where the related tasks were to be completed within 9 months as per the agreement. The draft final report had been submitted to the Technical Evaluation Committee on 13 December 2022, and the report including the observations of the Technical Evaluation Committee was provided to the Company on 27 December 2023. Even though the report indicated that there were 7 general deficiencies in the relevant draft report, 9 deficiencies under the

as per the agreement must be completed within the stipulated timeframe.

study report for the Gin-Nilwala project was temporarily halted after the signing of the contracts by our department due to various challenging circumstances and the critical situation that had arisen in the country as a result of the project. New team members had to be recruited, and discussions were held with the ministry and the advisory team regarding new budget estimates. Approval was granted for a new estimate, taking into consideration the economic situation that prevailed by 2021. Subsequently, these activities resumed; however, due to challenges such as the COVID-19 pandemic and the prevailing fuel crisis in the country, it was not possible to carry out these activities as planned. During

Environmental Impact Assessment has not been issued.

executive summary, and 95 deficiencies under 7 chapters, and it requested that these to be corrected and resubmitted, these deficiencies had not been corrected, and the report had not been released as at 22 July 2024.

the preparation of this final report, all errors in the report were corrected by the Technology Evaluation Committee, taking into account all shortcomings identified for the final draft report.

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| (n) | The Company had primarily undertaken tasks assigned by the Ministry of Irrigation and its affiliated projects, but had not made efforts to compete with other private consulting firms by offering competitive prices to secure consultancy work in the private sector. | 2023 | Efforts should be made to competitively secure consultancy work in the private sector. | This matter will be investigated and reported on in due course. | Consultation work from the private sector have not been undertaken. |
| (o) | Even though income and expenses for revenue-generating units should be separately identified and profits and losses should be reconciled, a percentage of the expenses incurred for the related activities, as the implementing agency for the project as determined by the project documents, was received as income from the project aimed at Strengthening | 2023 | Action should be taken to identify and account for separate income and expenses for each consultancy task. | Action will be taken to review this matter and report in the future. | Separate accounts have not been maintained for revenue-generating units. |

Climate Resilience of
Subsistence Farmers
and Agricultural
Plantation
Communities Residing
in the Vulnerable River
Basins, Watershed
Areas, and
Downstream of the
Knuckles Mountain
Range Catchment of
Sri Lanka where the
company's Chief
Executive Officer
served as the Deputy
Project Director. Profits
or losses had not been
adjusted by separately
accounting to identify
the income and
expenditure relevant to
this.

3.25 Mahaweli Livestock and Agro Enterprises (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit Before Tax (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	77,325,656	50,059,915	27,265,741	(1,325,556)	Qualified
2022	72,300,466	52,042,863	20,257,603	167,815	Qualified
2023	74,073,172	54,219,097	19,854,075	(295,352)	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Even though the land of 1113 acres 0 rood and 37.76 perches in Girandurukotte farm and the land of 100 acres in Damminna farm had being used by the Company, the values of the lands had not been taken in to the accounts as per the Section 04 of the Sri Lanka Accounting Standards No.17 for Small and Medium-sized Enterprises.	2022 2023	Action should be taken to assess the values of the lands and take them to the accounts as per the Accounting Standards.	Lands of the Company have not been assessed and accounted for. Lands have not been transferred to the Company.	Had not been accounted for
(b)	195 teak trees in Damminna farm and 211 teak trees in Girandurukotte farm, which were recommended to be sold as commercial timber, had not been	2023	Action should be taken to revalue these trees and taken in to account as per the Standard.	It has been identified and documented 211 teak trees in Girandurukotte farm and 195 teak trees in Damminna farm. A board	Had not been accounted for

assessed and accounted for in accordance with Section 10 of the Sri Lanka Accounting Standards No. 41.

paper will be presented related to this and it is informed that action will be taken to account for the values of these trees in the year 2024, by assessing these trees through a committee appointed by Board of Directors.

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| (c) | <p>Niraviya farm located in Thambuththegama, Kanthale farm, Siddhapura farm in Polonnaruwa, Muthuwella farm in Welikanda owned by the Company, had been vested in Mahaweli Authority during the period 2005-2010 without formally exchanging the documents. Nevertheless, buildings and fittings, 26 vehicles, 45 office equipment, 63 plants and machinery, 03 generators, and 260 furniture and fittings costing Rs.22, 336,573 owned by those farms were shown in the accounts, even though they had not been utilized by the</p> | <p>2021
2022
2023</p> | <p>Action should be taken to account for the Company owned assets only.</p> | <p>It is informed that action will be taken to rectify this by submitting a board paper to appoint a verification committee including a member of Mahaweli Authority of Sri Lanka for the year 2024 to physically verify the assets of the following farms, Niraviya, Kantale, Siddhapura, Muthuwella, Thungkama, which have left the control of the Company.</p> | <p>Had not been resolved.</p> |
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Company. Further the assets had not been physically surveyed by the Mahaweli Authority of Sri Lanka or the Company.

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| (d) | A contribution of Rs. 25,840,605 to be paid to the Employees Provident Fund for the period of 110 months from January 2013 to December 2023 had not been paid by the date of audit on 04 April 2024 and surcharges amounting Rs.6,208,029 relevant to it had not been accounted for. | 2022
2023 | All liabilities should be identified and accounted for | Action will be taken to account for the surcharges to be paid for Employee Provident Fund in the year 2024. | Contribution for Employee Provident Fund have not been paid and surcharges payable had not been accounted for. |
| (e) | A contribution of Rs. 1,345,988 to be paid to the Employees Trust Fund for the period of 42 months from July 2020 to December 2023 had not been paid and surcharges amounting Rs. 652,809 relevant to it had not been accounted for. | 2022
2023 | All liabilities should be identified and accounted for | Action will be taken to account for the Surcharges to be paid for Employee Trust Fund in the year 2024. | The contributions of the Employees Trust Fund have not been paid, and the payable surcharge had not been accounted for. |
| (f) | According to the financial statements of the Company, the balance due to the Company from Mahaweli Authority of Sri Lanka was Rs.5,820,430 but | 2022
2023 | Arrangements should be made to collect the receivables. | I certify that there is no balance due to Mahaweli Authority of Sri Lanka. It is certified that a sum of Rs.446,460 indicated as the | The balance has not been reconciled. |

according to the financial statements of the Authority, the balance due from the Authority was Rs. 12,710,820 a difference of Rs. 6,890,390 was observed.

difference of the receivable balance of the Mahaweli Authority of Sri Lanka is the value of raw materials and production stocks the farm had as on 30.09.2010 when the Niraviya Farm was handed over to Mahaweli Authority of Sri Lanka.

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| (g) | A total of Rs. 842,668 in gratuity, which was due to three employees who left service in February 2020, had not been paid as of 31 May 2024 as per the Section II, Clause 5(1) of the No. 12 of 1983 Payment of Gratuity Act | 2023 | Gratuity payments should be made to employees who have left the service according to the provisions of the Circular Guidelines. | It is noted and Gratuity action will be payments taken in this not been made. regard. |
| (h) | The scheme of recruitment and payment structure for the staff had not been sent for approval to the Director General of the Department of Management Services as per the Section 3.2 of the Operational Manual of Public Enterprises Circular No 01/2021 dated 16 November 2021. | 2023 | The necessary approvals for the scheme of recruitment and payment structure should be obtained. | It is noted to Necessary present in the year approvals have not been obtained. |

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| (i) | The draft annual performance report had not been submitted along with the financial statements as per the Section 6.6 of the Operational Manual of Public Enterprises Circular No 01/2021 dated 16 November 2021. | 2023 | The draft annual report should be submitted along with the accounts. | It is noted to present in the year 2024. | The draft annual performance report has not been submitted. |
| (j) | The six vehicles, which had been left idle at the Girandurukotte farm with a cost of Rs. 2,351,000 were not repaired for use or taken steps to be disposed of. | 2023 | These vehicles should either be repaired and returned to farm vehicle operational status or disposed of in an appropriate manner. | Out of the six vehicles listed in the Girandurukotte farm vehicle register, the water bowser bearing number 42-1470 was sent to the Madatugama workshop for repairs on 15 May 2013. The tractor bearing number 37-6614 and the lorry bearing number 42-832 were allocated for auction. The motorcycle bearing number 121-5661 and the tractor trailer were deemed unfit for use, and the tractor bowser was set aside for repairs. | Action have not been taken to repair or dispose. |

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| (k) | According to the Articles of Association of the Company, the authorized capital comprised 5,000,000 shares each valued at Rs.10, and only 03 shares had been issued to the initial directors. But the other shares had not been issued even up to 31 December 2023. | 2021
2022
2023 | Steps should be taken to issue the shares as necessary. | Arrangements were made to transfer a portion of the shares to D.G. M.A.S.L. (by Mr. Ranjith Amaranath Ibuldaniya) in April 2024. I would like to inform you that the shares will be issued after the transferring of remaining two shares. | Shares have not been issued. |
| (l) | The approval had been given to reorganize the Company as a Public-Private Partnership with an external investor selected by the project committee by Cabinet Decision No. අමුණ/18/2083/803/031 dated 18 September 2018. After that the approval to reorganize the Company under a contract to a Public Private Management had been granted by the cabinet by Cabinet Decision No. අමුණ/21/2229/317/025 -1 dated 18 January 2022, but the required steps had not been taken to complete that task as on the date of audit. | 2022
2023 | Necessary actions should be taken to finalize the reorganization by entering to a contract under public-private management in accordance with the cabinet decision. | The selection of this external investor is being carried out entirely by the Mahaweli Authority of Sri Lanka. | It has not been restructured as a public-private partnership. |

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| (m) | The financial progress of broiler meat production operating under the livestock resources division was at a low level, with a financial growth of 11.63 percent and a physical growth of 12.25 percent. Even though the financial growth in the goat rearing was 55.2 percent, and the physical growth was recoded at 41.46 percent. | 2023 | Action should be taken to prepare the action plan by studying the market and considering the practical situations and achieve the established goals accordingly. | Outside meat was purchased and sold from January to July. Even though an estimate of 1,200 kg was made for each quarter, the sales requirement for these two quarters was only 588 kg. in the year 2023, animals were sold only once from the goats unit. | Agricultural production has not been brought to a higher level. |
| (n) | Even though the Company had expected to earn an income of Rs.1.19 million by producing 3200 liters of ice cream according to the Action Plan, only a sum of Rs. 0.31 million had been earned by producing 548 liters. | 2023 | The Action Plan should be prepared based on practical conditions and actions should be taken to achieve the established goals. | The ice cream production machine has become inoperable and cannot be repaired. Production has stopped since the second quarter. | Ice cream production has been halted. |
| (o) | Even though goods and constructions including barns for cattle and goats constructed in the 2014 and 2015 by system "C" of the Mahaweli Authority of Sri Lanka with a view to converting the farm maintained in Girandurukotte in to a | 2021
2022
2023 | Appropriate methods should be devised to effectively utilize these constructions and act accordingly. | The buildings, constructed based on the requirements of another party, were handed over to the company on 08 February 2016. However, the company did not have the capability to purchase the | No appropriate procedure has been followed to utilize these assets. |

training centre for poultry farming, had been assessed to the value of Rs. 9,338,000 and handed over to the Company on 08 February 2016, as the Company failed to establish a specific plan or methodology to make use those construction, such assets remained idle from the date of handover.

animals necessary to utilize these buildings. As a result, depreciation allocation for unnecessary assets has been assigned to the company, leading to a burden of non-revenue generating expenses.

(p) The seven buildings constructed in 1986 and owned by the Giradurukotte Livestock Farm have remained completely idle and had not been utilized.	2023	Action should be taken for disposal if the idle buildings are found to be unusable after inspection.	Action will be taken to identify and remove these buildings during the asset verification in 2024. I would like to inform you that all renovations of the production facility will be carried out after the commencement of the Public-Private Partnership.	Buildings have not been removed.
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3.26 Kalubovitiyana Tea Factory Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	921,221,136	277,681,480	643,539,656	(2,764,772)	Qualified
2022	1,204,495,037	319,534,409	884,960,627	346,987,513	Unqualified
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendatio n as on date of the Report
(a)	A number of 15 unauthorized residents have settled in between 1989 and 1996 on the land in extent 4.075 hectare where the Kalubowitiyana tea factory is located and assessed and accounted for Rs.23,000,000 and, the Company had failed to resolve this issue even by the end of the year under review.	2022/2023	The ownership of the land should be cleared through legal proceedings after checking the legal ownership.	Letters have been sent to the Pitabaddara Divisional Secretary to Cancel the permits which were issued to the unauthorized residents and acquire the land title to the Kalubovitiyana factory.	The right of land has not been settle after the solving the problem of unauthorized residents.
(b)	The Hiniduma Hills and Menikdiwela Tea Factories established under the Tea Shakthi Fund were handed over to	2022/2023	Necessary steps should be taken immediately to take over the ownership of the tea factories in	Preliminary work had been done with the Land Reforms Commission to enter into a lease	The legal ownership of the factory has not been acquired till now.

Kalubowitiyana Tea Factory Limited for operations in the years 2012 and 2015 respectively and the Company had provided a loan amount of Rs.50 million to Tea Shakthi Fund on 09 April 2015. Although the approval had been received to legally take over the ownership of Hiniduma and Menikdiwela Tea Factories for this amount and the related interest in accordance with the Decision of the Cabinet of Ministers No. CP/19/0743/117/024 dated 19 March 2019, the legal ownership of those factories had not been taken over by the end of the year under review.

accordance with agreement for the the decision of the land where the Cabinet of Hiniduma Hills Ministers. factory is located and the Provincial Land Commissioner has given the recommendation to the Land Commissioner General regarding the handover of the Menikdiwela land where factory is located.

3.27 Hingurana Sugar Industries Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	As per section 6.5.1 of the Public Enterprises Circular No PED/12 dated 02 June 2003 and section 6.6 of the Public Enterprises Circular No 01/2021 dated 16 November 2021, although the financial statements and draft annual reports should be produced to the Auditor General within 60 days from the date of ending the year of account, financial reports and draft annual reports related to the 7 years from 2016 to 2022 had not been presented to	Transacti on report 2019 - 2022	Financial reports should be presented to the Auditor General within the due time period as per the Circular.	A letter has been sent by the Ministry on 27 September 2022 to the former General Manager of the Hingurana Sugar Industries Ltd, requesting to present the financial statements.	Financial statements related to 08 years from 2016 to 2023 have not been presented to the Auditor General

the Auditor General even as at the date of this report.

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| <p>(b) Since the institution was subjected to privatization in 1993 and became a failure thereafter, it was taken over by the Government in 1997 and since no production process took place from the year 1998, all employees had been paid compensation and services of them had been terminated in the year 2001. The Galoya plantation Private Ltd had been established by giving buildings and part of the land belonging to this industry on 30 year lease and 9 workers had been employed in the year 2016 for the protection of the assets of the firm and to carry out the administration works thereof and although one General Manager has been temporarily appointed as at present, he had not carried out the relevant work. Therefore, since this industry is existing</p> | <p>Transacti
on report
2019 -
2022</p> | <p>Immediate steps should be taken to finish the activities related to clearance of assets of the industry and liquidation thereof.</p> | <p>Liquidation of this industry will be done by a Cabinet Memorandum since It is existing only in name by present time.</p> | <p>Steps have not been taken to finish the activities related to clearance and liquidation of the assets of the industry.</p> |
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only in name, its going concern is uncertain.

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| (c) | It was observed at the audit that the lands, buildings, machinery and equipment worth Rs. 183 million, mentioned in the balance sheet of this institution which have not been involved with any production process, have been existing idle since 1998. | Transacti
on
report201
9 - 2022 | Immediate steps should be taken to duly utilize the existing assets of the industry. | Draft of the Cabinet Memorandum for liquidation and clearance of the assets of the Hingurana Sugar Industries has been prepared. Future activities will be done. | Required steps have not been taken to fully utilize the existing assets of the Industries. |
| (d) | Although lands in extent of 277.73 hectares, and related factory buildings belonging to the industry had been given in 2007 to the Galoya Plantations (pvt) Ltd on lease basis for a period of 30 years, action had not been taken to prepare a lease agreement and obtain the approval of the Attorney General as per the Cabinet decision No. CP 09/0398/329/003 dated 26 March 2009. | Transacti
on report
2019 -
2022 | Action should be taken to prepare a proper lease agreement and obtain the approval of the Attorney General as per the Cabinet decision. | The administration of these lands has been handed over to the Galoya Plantations (pvt) Ltd through the letter No 4/10/63593 dated 15 February 2021 of the Lands Commissioner General. | No steps had been taken to prepare a lease agreement and obtain approval therefor as per the Cabinet decision. |
| (e) | Although 11,232 acres had been distributed amongst 4493 farmers 2.5 acre each by lease agreements about 20 | Transacti
on report
2019 -
2022 | Steps should be taken to prepare lease agreements for the lands given to the farmers and | Following a discussion with the Commissioner General of Lands and the General | No steps have been taken to prepare lease agreements anew for the |

years ago, no tax money had been recovered therefor and the terms of those lease agreements too had ended. No proper step had been taken to retake the possession of these lands or to recover taxes after signing lease agreements anew or to vest them in the possession of the Galoya Plantations (pvt) Ltd.

recover the tax money therefrom.

Treasury, a lands given to tripartite farmers or to agreement has revise them or been prepared and to recover taxes. further action is being taken thereon.

- (f) Since a physical verification had not been carried out of the assets and stocks of the factory for a period over 20 years, existence and accuracy of the assets could not be verified at the audit.
- Transacti on report 2019 - 2022
- Verification of existence and accuracy of those assets and submitting those reports to the audit should be done without any delay.
- It has been planned to carry out a physical verification of the assets of the Hingurana Sugar (p.v.t) Ltd at the clearance and liquidation of assets thereof. The Committee appointed to receive the property and assets existing at the Narahenpita premises, has by now completed the task of identifying goods, equipment, machinery and files and the vehicles belonging to the industry (motor bikes and motor vehicles)
- Existence and accuracy of assets to be verified through a physical verification and handing over of such reports to the audit has not been done.

and the former General Manager of the Hingurana Sugar Industries Ltd has been informed by the letter dated 26.09.2022 to hand over the assets registration certificate and the relevant keys to the Ministry.

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| (g) | Unauthorized persons had occupied 91 of 273 official quarters belonging to the Factory, but legal action had not been taken to evict them. Furthermore, no action had been taken to recover lease rents from other houses. | Transacti on report 2019 - 2022 | Legal action should be taken against the persons illegally occupying the official quarters of the Factory. Lease rents should be recovered by preparing proper lease agreements | The Commissioer General of Lands will take action to evict the illegal occupants from the 91 houses occupied by them illegally. | Legal action has not been taken regarding illegal occupants in official residences and no lease rents have been recovered frm such persons following preparation of proper lease rents agreements. |
| (h) | Machinery, equipment and 03 motorcycles and a motor vehicle belonging to the bottle manufactory in the office at Narahenpita, and assets including machinery existing at the premises of the Factory in Hingurana, remained idle since 1997, therefore had become unusable. | Transacti on report 2019 - 2022 | Action should be taken to dispose of assets that remain idle. | The Committee appointed on 29 April 2022 has completed the task of receiving the movable and immovable properties. | No action has been taken to dispose of the assets remaining idle. |

However, no action had been taken to dispose of those assets even by the end of 2023.

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| (i) | <p>The former General Manager had been informed on 27 February 2018 by the Secretary of the Ministry of Industries and Commercial Affairs to obtain Government valuation reports of all assets of the factory, even though approval and directives had been given in terms of decisions of the Committee on Public Enterprises taken in February 2017 and the Cabinet Decision No. CP/1972/117/058 dated 27 August 2019 to the effect that the Factory be liquidated and action be taken without delay to recognize and settle the assets and liabilities, no such action had been taken even by the end of the year 2023.</p> | <p>Transacti
on report
2019 -
2022</p> | <p>Action should be taken without delay to liquidate the factory following settling of assets and liabilities of the factory</p> | <p>The draft of the Cabinet Memorandum in this regard has been completed and further action will be taken thereon.</p> | <p>Activities of liquidation and settling of assets and liabilities of the factory have not been completed even by now.</p> |
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3.28 Kumbalgamuwa Mini Hydro (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	554,758,696	361,510,878	193,247,818	38,979,739	Qualified
2022	574,804,381	392,814,989	181,989,392	(11,258,426)	Qualified
2023	514,473,531	331,419,686	183,053,845	1,064,453	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	As per the financial statements of the Company, annual registration fees for 4 years payable to Board of Investment as at 31 December 2023 was Rs.24,749,632. However, the Company had failed to settle the said balance even as at the end of the year under review.	2021,2022,2023	Action should be taken to settle the due balances of BOI without delay.	Several discussions have completed with the BOI Director (Recoveries) regarding the settlements of due payments under a payment plan.	No settlements had been done.
(b)	The Company had entered into an agreement with the Department of Forest Conservation to lease a land for the purpose of building, owning and operating the mini hydro power plant for	2021,2022,2023	Should be complied with the agreement.	Negotiations with the Department of Forest Conservation are in progress for the finalization of fee payable.	It was agreed to settle the full amount in 4 installements and only 1 installement had been paid.

a period of 20 years from 18 February 2015. However, per the letter sent by the Department of Forest to the Company on 17 December 2023, an annual permit fee of Rs.31,308,661 for the period from 2017 to 2023 had not been paid yet.

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| <p>(c) The company had 2023 obtained a term loan of Rs.426.4 million from a private commercial bank on 10 March 2015, and as per the special condition no. 11 of the loan agreement the Company shall undertake to create a reserve with the bank covering a sum of Rs.13,200,000 equivalent to 03 months loan installments in a deposit account to be used during the periods which power production is not adequate to service the loan commitments of the Company and replenish the fund whenever necessary. However, the Company had not taken action to create such a reserve.</p> | <p>Should be complied with the conditions of the loan agreement and action should be taken to settle the loan installments in due dates in order to avoid penalty interest and make necessary disclosures in the financial statements.</p> | <ul style="list-style-type: none"> • This situation was arrived only because of delayed payment by the CEB. • Comprehensive disclosure will be added accordingly in future. | <ul style="list-style-type: none"> • The Reserve has not yet been created. • At present, loan installments are paid on time and no overdraft facilities used for repay loan installments. • Comprehensive disclosures are going to be made in financial statements. |
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Further, the Company had failed to settle the loan installments on time and loan installments amounting to Rs.59,202,221 had been recovered by the Bank through a temporary overdraft facility. As a result, the Company had to pay an overdraft interest of Rs.2,167,496 and penalty interest of Rs.149,435 for the year under review other than the loan interest. Further it was secured by project assets together with all permits; licenses issued by the regulatory bodies and mortgage for Rs.10 million over 100% shares of the Company. However, the security conditions of the above loan had not been comprehensively disclosed in the financial statements of the Company for the year under review.

ts in
2024.

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| (d) The Company had 2023 financed Rs.101,000,000 to Sri Lanka Energies (Private) Limited to | Should be complied with the provisions of Company's Act. | With the suggestion made, company will adhere to this best practice in future. | Board approvals for major transations scheduled to be obtained |
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acquire Bio Med
Hydro Power (Private)
Limited without
obtaining the board
approval of the
Company
contradictory to the
Section 185 (1) (a) of
Companies Act no. 07
of 2007.

seperately by
each company
in future.

3.29 Deduruoya Mini Hydro (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	379,064,295	310,565,190	68,499,105	31,430,866	Qualified
2022	429,467,605	325,530,581	103,937,024	35,437,919	Unqualified
2023	411,182,558	301,005,903	110,176,655	6,239,630	Qualified

	Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive actions taken by the Auditee Institute	Implementatio n status of the recommendatio n as at the reporting date
(a)	As per the financial statements of the Company, the royalty fees payable as at 31 December 2023 was Rs.31,259,762. This balance had been consisted of the royalty fees payable to the Department of Irrigation for the years of 2021, 2022 and 2023. However, the Company had not taken action to settle the said balance even as at the end of the year under review.	2021, 2022, 2023	Action should be taken to settle the due balance.	As per the MOU, payments are done when requested only. All the requested demands were completed by now, though this is accumulated at present.	No settlements had been done.
(b)	As per the Section 126 of Inland Revenue Act No. 24 of 2017, the duly completed return along with the	2021, 2022, 2023	Should be complied with the provisions of the Inland Revenue Act.	Actions will be taken to file the IT return for 2022/23	Income Tax Return for the Y/A 2022/2023 had not been filled.

schedule and any other required documents should be submitted to the Inland Revenue Department on or before the 30 November subsequent to the end of the year of assessment. However, the Company had not filed returns for the year of assessment 2022/2023 complying with the said provisions of the Act. As per the financial statements of the Company, tax payable amount as at 31 December 2023 was Rs.22,927,946.

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| <p>(c) The company had 2023 obtained a term loan of Rs. 83.2 million from a private commercial bank on 06 August 2021, and as per the special condition no. 02 of the loan agreement the Company shall undertake to create a 03 months debt service commitment in a Debt Service Reserve account to be used during the periods where power production is not adequate to service the loan commitments and to replenish same whenever necessary</p> | <p>Should be complied with the conditions of the loan agreement and action should be taken to settle the loan installments in due dates in order to avoid penalty interest and make necessary disclosures in the financial statements.</p> | <ul style="list-style-type: none"> • This situation was arrived only because of delayed payment by the CEB. • Comprehensive disclosure will be added accordingly in future. | <ul style="list-style-type: none"> • The Reserve has not yet been created. • At present, loan installments are paid on time and no overdraft facilities used for repay loan installments. • Comprehensive |
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until the loans are settled in full. However, the Company had not taken action to create such a reserve.

Further, the Company had failed to settle the loan installments on time and loan installments amounting to Rs.10,800,000 had been recovered by the Bank through a temporary overdraft facility. As a result, the Company had to pay an overdraft interest of Rs.2,204,244 and penalty interest other than the loan interest.

Further, it was secured by project assets (plant and machinery excluding lands) & all permits, licenses and approvals issued by the government agencies for the power project as primary mortgage and 100% share issued by the company supported by an irrevocable Power of Attorney from the shareholders in favour of the Bank with the right to transfer the shares mortgaged to the Bank as an additional mortgage. Furthermore, as per

disclosures are going to be made in financial statements in 2024.

the Section 06 of the Memorandum of Understanding (MOU) between Department of Irrigation and the Company, the bank shall take over the plant operation to recover its losses in case of default of the repayment of the financial assistance given to the project.

However, the security conditions of the above loan had not been comprehensively disclosed in the financial statements of the Company for the year under review.

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| <p>(d) The Company had 2023 financed Rs.97,000,000 to Sri Lanka Energies (Private) Limited to acquire Bio Med Hydro Power (Private) Limited without obtaining the board approval of the Company contradictory to the Section 185 (1) (a) of Companies Act no. 07 of 2007.</p> | <p>Should be complied with the provisions of Company's Act.</p> | <p>With the suggestion made, company will adhere to this best practice in future.</p> | <p>Board approvals for major transations scheduled to be obtained seperately by each company in future.</p> |
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3.30 Sri Lanka Energies (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	196,208,335	63,466,587	132,741,748	31,430,866	Qualified
2022	199,542,227	64,714,482	134,827,745	35,437,919	Qualified
2023	193,514,977	56,736,379	136,778,597	6,239,630	Qualified

	Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive actions taken by the Auditee Institute	Implementatio n status of the recommendati on as at the reporting date
(a)	The Company had not prepared the Scheme of Recruitment (SOR) for their recruitments compliance with the requirements of the Section 3.2 (i) of the Operational Manual for State Owned Enterprises dated 16 November 2021.	2021, 2022, 2023	Should be complied with the Operational Manual for State Owned Enterprises.	Being Developed.	Scheme of Recruitment (SOR) for the recruitments had not yet been prepared.
(b)	The Company had entered into a joint venture agreement with Amtrad Holding (Private) Limited on 27 July 2012 to engage in a business for manufacturing and selling of cement-based products using fly ash and bottom slag. However, the	2021, 2022, 2023	Progress of implementation of the direction given by the committee need to be furnished to the audit.	For the progress, this need to be refer to the committee chairman who is appointed to this inquiry through the MOPE . Also this has been written off based on the approval of the	Inquiry is in progress.

joint venture agreement had been terminated by the management on 27 March 2014 and the assets had been remained idle due to non-availability of a business partner. The Company had invested a sum of Rs.7,364,447 for this project by the end of the year 2014, and pursuant to a valuation made by the Valuation Department in 2019, the balance of the investment had been impaired Rs. 2,660,000 in the books of Accounts for the year 2019.

Subsequently, the board of directors of the Company had granted approval to write off the said Investment balance on 31 January 2024 based on the recommendations made by the Special Audit Report dated on 20 October 2023 done by the Internal Audit division of Ceylon Electricity Board (CEB) and recommendation given by the Audit and Management Committee of the Company.

BOD subject to the report by the internal auditor.

Accordingly, the said investment balance had been written off from the books in the year under review. Therefore, the audit revealed that the total investment of this project amounting to Rs.7,364,447 had been made without identifying the necessity of the project due to poor decision making of the management.

Further, the Audit and Management Committee of the Ministry of Power and Energy, at its meeting held on 18 April 2024, had directed to appoint a committee to conduct an inquiry to identify the responsible persons. However, the progress of the implementation of the said direction was not presented to audit.

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| <p>(c) According to the 2022, Section 2.2.5 (a) of the 2023 Guidelines on Corporate Governance for State Owned Enterprises dated 16 November 2021, it is mandatory to have a Board approved subsidiary policy that</p> | <p>Should be Being Developed. complied with Guidelines on Corporate Governance for State Owned Enterprises.</p> | <p>Subsidiary policy had not yet been prepared.</p> |
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addresses issues including dividends, changes in equity and shareholding and major transaction. However, the Company had not established such a policy.

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| <p>(d) The Company had 2023 engaged the business to build up an Aluminium Redraw Rod manufacturing facility and operate it with the collaboration of CEB as per the Board approval granted on 23 February 2022. Accordingly, the construction of the Scrap Aluminium Recycling project had been started in September 2022. As per the decision taken by board of directors of CEB and the DCC circular 2021/DCC/com-14 dated 23 September 2021, the Scrap Aluminium would be provided by CEB to SLE at free of charge and SLE produced the Aluminium Redraw Rods by recycling the Scrap Aluminium with adding the optimal amount of Virgin</p> | <p>An agreement should be entered into between the Company and the respective parties regarding aluminium Redraw Rod manufacturing activities.</p> | <p>Management Business agreement had not been submitted to CEB, but no response had received from CEB.</p> |
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Aluminium and deliver the redraw rods back to CEB to a negotiated price which covers the raw materials and production expenses with SLE margin.

However, no business agreement, buy back agreement or Memorandum of Understanding (MOU) entered between two parties regarding the said business engagement even up to the date of this report. Further, The construction works had been commenced in September 2022 at Galgamuwa site and the balance of Work in Progress (WIP) of SCALP project as at 31 December 2023 was Rs. 27,416,630. Further, the legal clearance for the land of the project site had not been obtained from the relevant authorities even as at the end of the year under review.

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| (e) The Seethawaka 2023 Ganga Hydro Power Project had been initially recognized as a Hydro power source by the CEB and they | Action should be taken to speed up the project. | Project is at the final stage of the clearing. Only NARA clearances is pending. | Environmental clearance received and Standard Power Purchase Agreement is |
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had engaged with this project from 2015 to 2021 and spent Rs. 301 million for the project. However, due to the financial difficulties and changes in government policies, the CEB had transferred the project to Sri Lanka Energies (Private) Limited in 2021. Accordingly, the Company had done a feasibility study regarding this project and planned to build 2 hydro power plants of 7 MW each at a cost of Rs. 3,500 million. Initial activities of the project had been commenced by the Company in 2021 and foundation stone had been placed on 01 April 2024. In addition to the expenditure made by CEB, the Company had spent Rs. 6,386,066 on this project by 31 December 2023. However, the project was still under initial stage without generating expected benefits to the National Grid.

planned to be signed with CEB by end November 2024.

3.31 Canowin Hotels & Spas (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit / (Loss) before tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,309,405,097	186,614,997	1,122,790,100	75,874,385	Unqualified
2022	1,432,482,221	221,988,334	1,210,493,887	129,321,728	Unqualified
2023	1,683,741,116	348,151,957	1,335,589,159	241,581,037	Unqualified

	Audit Observation	Year of Audit Report	AG's Recommendation	Preventive Measures Taken by the Auditee Entity	Implementati on Status of the Recommendat ion as on Date of Report
(a)	The company had paid Rs.4,113,720 on cash for 55 procurements during the year 2022 and up to July 2023 and accordingly, it was observed that there was control risk in handling cash where such payment had made exceeding the petty cash float.	2022	Internal Control Procedures should be strengthened.	Maintenance materials are kept in stock to reduce the cash transaction on emergency purchase.	Internal Control Procedures had not been strengthened.
(b)	As per the lease agreements between tenants and Canowin, all tenant shall pay utility bills within 7 days after issuance of utility invoice in respect of water, electricity and other	2022	Necessary actions should be taken in accordance with the Leases agreements.	It was informed that the tenant meetings were held to discuss and recover arrears. Shop owners highlight their difficulty and delay the payment	Outstanding utility balance of active tenants as on 30 September 2024 has been reduced to Rs.7,908,890.

utilities provided by Canowin. Further to that agreement, in the event if the utility bill has not been settled by tenant on due date, utilities will be disconnected after such period. However, there were Rs.27,430,097 outstanding for more than the said period from 24 tenants and company had failed to take actions to disconnect utilities or recover dues.

of utility bills and the company's objective is to provide high quality service to the consumers visiting arcade. Hence it is impossible to follow the lease agreement and disconnect their utility supply try to collect their outstanding utility bills while reminding continuously.

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| (c) | As per Canowin arcade construction initial plan, it has proposed to plant trees in open area of upper floor in line with green concept. However, it had not been done by the Company so far from its inception. | 2022,
2023 | Necessary action should be taken to comply with initial plan. | - | Action will be taken to plant trees as per the initial plan up to the date of the report. |
| (d) | Administrative office, stores and VIP washrooms are only located in upper floor area of canowin arcade. Balance part of the upper floor area had not been occupied a long time without having proper management and therefore, company lost its rental income | 2022,
2023 | Necessary actions should be taken to effectively utilize the space available. | Once it was discussed at the board meeting held on 25 April 2022 that Sri Lanka Insurance Corporation had submitted a proposal for a VIP Lounge at the Arcade and the Chairman of SLIC stated that they | The management had not taken necessary steps to utilize this space for revenue generation. |

from this area.

consider making the investment in this regard. However, the discussions regarding the VIP Lounge were not concluded.

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| (e) | According to the inspection done by Audit on the 29 August 2024 it was observed that 2 ATM spaces were vacant out of 5 ATM spaces were in both block "A" and "B" of the Canowin arcade. | 2022, 2023 | Necessary actions should be taken to effectively utilize the space available. | Company has requested People's bank and Bank of Ceylon (BOC) to install the ATM or CRM machine for vacant spaces. This has failed. | Management is trying to get this service from other commercial banks. |
| (f) | It was observed two LED panels located in Canowin arcade were not in operation. These panels had been constructed by Road Development Authority (RDA) with their own funds in the land leased out to the Company and the ownership of this assets had not been transferred to the company by the RDA. Either RDA or Canowin Arcade had not manage these panel to generate income to the government. | 2022, 2023 | Need to be come to a conclusion with the Road Development Authority. | The management of the Company discussed with RDA to resolve the problem. Then the Road Development Authority agreed to shift the LED panels to a land owned by Road Development Authority if there is an objection from the Company. As the Company declared their objection, Road Development Authority had requested the Company | In progress. |

Chairman's
permission to carry
out a land survey
for this LED
panels shifting
purpose and had
granted eventually,
both parties had
agreed to proceed
further actions
immediately after
doing the land
survey by the
Road
Development
Authority

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| (g) | A Corporate Plan had not been prepared for the period which is covering the year of 2023. | 2021,
2022,
2023 | The corporate plan should be prepared and implement to achieve its strategic objectives. | Several discussions made to prepare a Corporate Plan. Departmental Action Plans which prepared per year were collected and studied for further proceedings. | The corporate plan covering the accounting year had not been prepared. The management will take the necessary steps to develop the corporate plan from 2025 to 2030. |
| (h) | As per the Section 4.1.1 (a) of the Government Procurement Guideline, Efficient planning of the entire Procurement process is vital to ensure timely completion of the project and to obtain the best market value for it. However, | 2021,
2022,
2023 | The management should comply with the requirement of the procurement guidelines. | The master procurement plan for the year 2025 is being prepared through further improvement of the procurement plan. | The master procurement plan for the year 2025 had not been prepared. |

the entity had not prepared a procurement plan for the year 2023 with specific time frames.

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| (i) | <p>Although losses can be written off after following due process and the recommendation of Audit and Management Committee (AMC) Meeting with the Board of Directors approval, the Company had written off PPE amount of Rs.1,654,747 without following guidelines of Public Enterprise Circular No. PED 01/2021 (1) dated 16 May 2023.</p> | 2023 | <p>Need to be conducted inquiry on this matter recover loss from responsible person and Company should draw attention to the circular guidelines.</p> | <p>As there was not an asset register since inception, it was unable to identify the responsible individuals for asset losses and since the assets have been already depreciated, the Director Board decided not to pursue police entry or legal action. Also, the Director Board decided to remove the missing assets from the asset register.</p> | <p>Although the assets are controlled as per the Fixed Assets Manual, necessary steps have not been taken in respect of asset losses.</p> |
| (j) | <p>Sales income received from subway operation for the year 2023 was Rs.43,223,601. However total operating cost including material, labor, royalty and other was Rs.43,724,252. Company had recorded loss of Rs.500,651 from subway operation</p> | 2022, 2023 | <p>Necessary actions need to be taken to turn the Subway as Profit making entity.</p> | <p>Actions had been taken to Increase Marketing Efforts, Revamp the Menu, Control Food Costs, Enhance Staff Training, Monitor Financial Performance, Improve Customer Experience and Differentiate from Competitors.</p> | <p>Actions had being taken to make Subway as a profitable entity.</p> |

during the year 2023. Getting negative return from this franchise is not financially viable for the company.

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| (k) | <p>Several damages in the stair cases of side A and side B of the canowin arcade were observed at the audit inspection carried out on 29 and 30 August 2024. Further, it was observed that contract for repairing of side A had been awarded for Rs.1,480,000.</p> <p>Although the contract was incomplete, the Company had paid the full contract value. Repair contract of side B of this arcade had been offered for Rs.1,680,000 to the same contractor without following the Government Procurement Guidelines.</p> | 2023 | <p>Need to be conducted inquiry on this matter recover losses from responsible person.</p> | <p>Repairs to the damaged areas have begun.</p> | <p>50% of the epoxy coating of the water base layer in both Zones A and B has been completed so far.</p> |
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3.32 Waters Edge Recreations Limited

	Total Assets	Total Liabilities	Equity	Profit / (Loss)	Audit Opinion
	Rs.	Rs.	Rs.	before tax	
				Rs.	
2021	171,278,409	182,466,260	(11,187,851)	(14,205,722)	Qualified
2022	150,692,540	158,785,341	(8,092,801)	(1,971,616)	Qualified
2023	-	-	-	-	-

	Audit Observation	Year of Audit Report	AG's Recommendation	Preventive Measures Taken by the Auditee Entity	Implementation Status of the Recommendation as on Date of Report
(a)	A very minimal income of Rs.175,790 from September 2020 to December 2021 had been earned for Basket Ball playground within the premises of Otter Aquatic Club and Director General of Sport Development Department had inquired to modify by the funds of Sport Development Department and to utilize for practices of National Basket Ball team. However, according to the letter no 53/2/29 of Director General of Urban	2021	Arrangements should be made to get maximum effectiveness and efficiency in utilization of the assets owned by the Company.	Urban Development Authority (UDA) is in the process of handing over these premises and the business operation to an interested party through Request for Proposal (RFP). Therefore, no intention to invest in renovations further.	Urban Development Authority (UDA) is in the initial stage of the process of awarding this premises and business operation to an interested party through a Request for Proposal.

Development

Authority dated 27 September 2021, it was informed that the necessary measures had been implemented by the authority to call development proposals relating to the development of the premises of Otter Aquatic Club. However, during the physical inspection on 17 August 2022, it was observed that any development had not been carried out.

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| (b) | Even though the land and the premises where Otter Aquatic Club has run with an area of 1.163 hectares in Sarana Road, Colombo 07 was a place that could have been run very effectively and beautifully by prioritizing the sports, it was observed that state properties had become inefficient without proper maintenance due to underutilization. | 2021,
2022 | Arrangements should be made to identify the objectives in establishment of the Company and achieve expected objectives as accordingly. | - Do - | Necessary measures had not been taken to rectify the existing deficiencies. |
| (c) | The Company's total liabilities exceeded its total assets by Rs.8,092,801 as at 31 December 2022 and | 2022 | Need to be put in place plans to overcome the going concern issues. | As per the terms and condition of the tri party agreement, the operations | The management of the Company conducted several |

reporting continuous loss from operations for year 2021 and 2022 amounted to Rs.14,205,722 and Rs.1,971,616 respectively. Further current liabilities exceeded its current assets by Rs.27,531,234 as at the end of the year 2022. These events indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) for the year 2022 do not disclose this fact along with necessary disclosures regarding the existence of plans, the management has put in place or the existence of other mitigating factors.

running restaurant discussions had been taken with the 80 over. However, club committee generating of the members to income for the allow the reasonable amount business to run as a healthy operation to operation has been the outsiders restricted due to the and non special term in the members for tri party agreement all sport restricting provide activities to the service to increase the outsiders and the additional nonmembers. This income. has become the However, The serious issue to the management Waters Edge since was unable to members were not conduct some patronizing as events to expected. minimize losses time to time.

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| (d) | Even though Urban Development Authority which is the ultimate parent of the company had spent | 2022 | Need to act to make this investment financially viable one. | As per the tri party agreement the Company is appointed only for the Manage & | Even as at date of 30 September 2024, the investments |
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Rs.411.42 million for renovation of building of 80 club, the membership fee income of the club which is the main income of the club had not remit to the company or Urban Development

Authority. The membership fee income of the club for the year 2022 was Rs.19,484,722. As per the triparty agreement, the membership fee was collected by the club committee and committee paid only monthly fee of Rs.1.2 million to Urban Development

Authority and Rs.505,000 to the Company. Getting such lower return for this type of larger investment is not financially viable for either party of Urban Development

Authority or the Company.

operate the were not Restaurant and the properly maintain the managed. premises. Hence the Company have no rights to get involved in Membership or any other matters which is control by UDA.

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| (e) The land plot of approximately 2 perches in extent near to the Tennis Ground of the Otters Aquatic Club and separated by the wall of Tennis Ground had been | 2021, 2022 | Necessary actions should be taken to effectively utilize the resources available. | - | Appropriate actions had not been taken even by the date of 30 September 2024. |
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abandoned without utilizing.

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| (f) | The building between the Basketball Tar Mat and Open Stage which had been constructed before transferring the Otters Aquatic Club to UDA had not been utilized for any function and being idling by storing redundant items of the entity. | 2021,
2022 | - Do - | Water's Edge UDA is in the Recreation Company is only process of operating the handing over restaurant and these premises and sports activities, and the business company operation to an does not make interested party capital investment through as the return on Request for investment is Proposal (RFP). unpredictable with the current situation. |
| (g) | Even though more income could be earned by modifying the 2 halls in the entity's premises where one spread over 1680 square feet with air conditioning and other spread over 1692 square feet without air conditioning and letting on rent basis for functions, this premise made only Rs.241,350 as income. However, it was observed in the premise that there were no adequate facilities (sanitary facilities, decorations, furniture) for hall to let on rent basis. | 2021,
2022 | - Do - | The operator Waters Edge Recreation Limited has taken steps to renovate the said space with the minimum investment and converted this as sellable condition. |

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| (h) | The buildings of the entity were not in a useable condition and safely and it was observed that the Main Panel Board and power supply circuits also were in dangerous situation. | 2021,
2022 | - Do - | Electrical power supply is been monitored by Engineering department as necessary. | - Do - |
| (i) | There was no approved recruitment procedure (SOR) for the company. | 2022 | Need to prepare and get approve Scheme of Recruitment for the Company. | The recruitment procedure has been finalized for the parent company of the Waters Edge Limited in 2024 and same steps will be taken to the Company as well. | The recruitment procedure had not been prepared even as at 30 September 2024. |
| (j) | Corporate plan had not prepared for the year 2022. | 2021,
2022 | The corporate plan should be prepared and implement to achieve its strategic objectives. | Proper decision is to be taken for the Company since the UDA has call for the RFP for both club from interest party. | The board of Waters edge management needs to take a decision of continuing the business operation of both clubs as UDA as taken a decision to call for the RFP from interested party. |
| (k) | Action plan by including activities which was expected to be performed during the year based on the business plan with commercial targets | 2021,
2022 | The Action plan should be prepared. | The company is working on yearly revenue, expenditure and CAPEX budget as its annual plan which includes the | The company is in the process of developing an action plan for the year 2025. |

had not been prepared
by the Company.

all the operational
and marketing
activities which has
been calculated
with the seasonal
effect. This
operational action
has been converted
to revenue and
expenses number
as annual budget
and the same has
been implemented
continuously every
year as the practice.

3.33 Waters Edge Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	6,599,395,602	5,468,775,124	1,130,620,478	(141,309,989)	Qualified
2022	7,448,023,414	5,961,262,612	1,486,760,802	443,534,879	Unqualified
2023	-	-	-	-	-

	Audit Observation	Year of Audit Report	AG's Recommendation	Preventive measures taken by the Auditee Entity	Implementati on status of the recommendati on as on date of report
(a)	The Company had entered into an agreement in the year 2018 with a locally established foreign private Company for constructing, financing, operating, maintaining and managing a leisure park within the Company premises for a period of 15 years. Accordingly, it had been agreed based on the payment of a Sri Lanka Rupee value (according to the exchange rate prevailed in January 2021, under a fixed exchange rate of	2021	New projects should be implemented by carrying out an independent and acceptable feasible study.	Even though the project has been executed in year 2018 as a development project called Fantasy Island Park. There were many external and internal factors that had affected the continuity of the operational and development activities. However, it has been noticed that the Fantasy Island (Pvt) Ltd has sent a formal letter on 05 July 2022 indicating that they	As per the Board Paper no 24/2022 dated on 14/10/2022 project has been abandoned and formal request has been made to the Chairman of Urban Development Authority to cancel the Lease agreement of Plan No 3527 on 18 November 2022. However, as of

Rs.153.74 for US\$ Dollar) equivalent to US\$ 20,000 per year. However, the relevant contractor had paid only a sum of US\$ 9.956 or Sri Lankan Rupees 1.53 million to the Company by the end of the year 2021 and the construction of the leisure park had been abandoned halfway.

will not continue the project by mentioning the fact and evidence that has been affected not to continue the same. Accordingly. The management of water's edge has taken a necessary action to inform to the Board of directors under the Board Paper no 24/2022 dated on 14/10/2022 to consider the cancellation of the Lease agreement since project has been abandoned. the date of this report, appropriate action had not been taken.

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| <p>(b) The cafeteria called platform restaurant was being operated under a very low income. Even though the approval of the Board of Directors had been received on 04 August 2021 to convert it into a seafood cafeteria, it had not been implemented even by July 2022.</p> | <p>2021</p> | <p>Income generating projects should be efficiently implemented.</p> | <p>According to the information availability and feasibility conducted during that period, this project has been implemented to generate additional income in line with the proposed projects called "Colombo Eye" by Fantasy Islands (Pvt) Ltd and Lala Park. However, the projects have been abandoned and stopped by the investing company due to several</p> | <p>The necessary measures to increase revenue had not been taken even 30 September 2024.</p> |
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reasons. Recently the in year 2024 the Theme Park, (LaLA Park) has been withdrawn and land has been handed over to the Urban Development Authority (UDA). Therefore, Waters Edge has lost anticipated revenue and the infrastructure that has been expected to bring prospective client base to run this as a profitable operation.

(c) The Sport bar which was constructed by spending Rs.57,337,629, remained idle since commencing year of 2022 and currently it is in unusable condition.	2022	Proper evaluation should be done before the investment is made.	According to the information availability and feasibility done during that period this project has been implemented to generate additional income in line with the proposed projects called Colombo Eye by Fantasy Islands Pvt Ltd and Lala Park. However, projects have been abandoned by the investment company due to several reason.	The premise is not being used and necessary steps had been taken to use the assets which can be used in the said premises for operation in other areas.
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Recently the in year 2024 the theme park has been withdrawn and land has been handed over to the UDA. Therefore, Waters Edge has lost anticipated revenue and the infrastructure that has been expected to bring prospective client base to run this as a profitable operation.

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| (d) | An additional interest of Rs.7,577,515 had been paid on a loan facility amounting Rs.240,000,000 that had been taken to pay interest on loan amounting to Rs.1,405,700,000, initially taken for the construction of a boutique hotel with 48 rooms at Battaramulla hotel premises. | 2022 | Proper evaluation should be done before make a decision. | In order to minimize the impact on the current operating cash flow until the project is implemented and income is generated from the boutique hotel, an additional loan amount of Rs.240 million was applied for to cover the interest amount and amount equivalent to Rs.240 million to cover another loan and interest. | The company has further negotiated with the bank of Ceylon the reconsider the loan as total project loan by extending the grace period of one year to repayment of 11 years. The bank has agreed to consider the same. |
| (e) | An amount of Rs.19,527,684 had to be paid as interest for the period from 28 February 2018 to 31 | 2022 | agreement should be entered in time. | There were several negotiations undertaken at that period regarding the finalization of | Since the company has entered into the Loan repayment |

July 2022 due to delay of signing the agreement with Sri Lanka Land Reclamation and Development Corporation with regard to the restaurant of Diyatha Railway.

the agreement. Since both parties concluded in August 2022, we have accounted accordingly. Initially, Sri Lanka Land Development Corporation proposed an interest rate of 15 percent, which the company did not accept.

agreement with the SLLDC the payment has been started from 2022 and even though balance to be paid Rs.35.59 million as at 30 September 2024, it had not been paid. Subsequently, the company was able to reduce the interest rate to 5 percent. As a result of delaying competing the agreement, an additional interest payment has been incurred.

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| (f) | Although, a sum of Rs.10,719,033 had been earned as annual rents from LALA park, the lease agreement had not been signed with the lessor for the land. | 2022 | Agreement should be entered into. | Under the agreement between Extreme Adventure (Private) Company and Waters Edge Company on 21 December 2017, an amount of Rs.10,719,033 which is shown as other income in the financial statements were received from the year 2022 as the rent income with the understanding | The company will take the necessary steps to refund the same to UDA. |
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of our parent company, Urban Development Authority.

However, this project has moved out and UDA has sent the letter to claim of Rs.12.62 million for the usage of that premises.

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| (g) | <p>The initial commencement date of the construction of a boutique hotel with 48 rooms was 02 October 2019 and Completion date was 24 March 2021. However, due to the suspension of the construction in 2019, the construction was delayed for approximately 24 months up to the date of recommencement on 06 November 2021. Further, as per the board decision, it was decided to scale down the project up to 20 rooms and new completion date was 01 November 2023. However, the construction of boutique hotel had not been completed even at the date of 30 September 2024.</p> | 2022 | <p>Action should be taken to be in line with the timelines of Project proposal.</p> | <p>The project has been suspended and reschedule and the completion date as 01 November 2023 there were some pending legal approvals which has not been sorted out.</p> | <p>The Management of Waters Edge has taken necessary steps to formalize the procurement and legal approvals to comply with the financials regulations and same has been resulted to submit a necessary document to cabinet, since the price escalation and scope change has not been communicated to the cabinet. However, completion of 20 Rooms has been rescheduled to</p> |
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31 December 2024 based on the careful evaluation and consultations that has been provided by the project consultant.

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| (h) | A Corporate Plan had not been prepared for the period which is covering the year of 2022. | 2022 | The corporate plan should be prepared and implement to achieve its strategic objectives. | Initial corporate plan has been done with the previous management with the consultation of private firm of chartered accountants. | The management has not taken necessary steps to prepare the corporate plan for the period covering the years 2023 and 2024. |
| (i) | An Annual Action Plan had not been prepared for the year 2022. | 2021, 2022 | The Company should prepare the action plan. | The company is working on yearly revenue, expenditure and CAPEX budget as its annual plan which includes the all the operational and marketing activities which has been calculated with the seasonal effect. This operational action has been converted to revenue and expenses number as annual budget and the same has been implemented continuously every year as the practice. | An action plan had not been prepared for the years 2023 and 2024. |

3.34 Sinolanka Hotels & Spa (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit / (Loss) before tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	28,623,347,812	7,151,694,115	21,471,653,697	760,645,501	Unqualified
2022	38,086,738,164	11,859,611,135	26,227,127,029	(2,446,366,057)	Unqualified
2023	38,017,589,303	11,531,161,729	26,486,427,574	133,364,534	Unqualified

	Audit Observation	Year of Audit Report	AG's Recommendation	Preventive Measures Taken by the Auditee Entity	Present Status of Implementati on of AG's Recommendat ion as on Date of Report
(a)	The company had incurred Rs.913,174,853 as project prolongation cost due to management inefficiencies.	2021	The management should ensure that sufficient inflow of funds before awarding contracts which will enable for avoiding unnecessary cost of this nature.	-	The investigation had not been done with regards to the cause of management inefficiency.
(b)	The Company's management has made an assessment on the Company's ability to continue as a going concern and is satisfied that it has resources to continue in business for the	2023	The management of the Company should take necessary action to coordinate the appropriate authorities to take decision on future directions of the	-	As per the directives of the line ministry, the company's management is working on the proposed divestiture

foreseeable future.

Project.

program.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Although the Cabinet of Ministers had approved through No.20/1092/204/050-1 dated 08 July 2020 to recommence the construction activities of the Grand Hyatt Colombo project, the Board of Directors of the Company resolved to proceed with scaling down the Grand Hyatt Colombo project for the period of 09 months effective from 30 May 2022 and construction activities had not recommenced even at the reporting date.

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| (c) | Due to termination with contract to provide interior fit out and finishing works for the Grand Hyatt Colombo project for the price of EURO 28,869,392, the Company had to pay as per the final award of case | 2023 | Action should be taken to conduct proper investigation on this matter. | We have filed a case in this regard at the supreme court. | The case which had filed is pending. |
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No:21266/CYK/PTA, EURO 7,432,062 as damages to the contractor, USD 483,500 as costs of arbitration and EURO 516,597 as additional cost of arbitration. This compensation cost is 30 percent from the total contract price.

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| (d) | Under Extraordinary Gazette No.1771/18 of 15 August 2012, the Company has started a project to construct and operate a 475 roomed city hotel with 90 serviced apartments at No.116, Galle Road, Colombo 03 with total investment of USD 158,890,000 (Rs. billion 18.5). Although the commercial operations of the project scheduled to be commenced within 24 months from the commenced date of 19 July 2012, this project had not completed up to the date of this report. According to the Cabinet Decision No. 20/1042/204/050-I dated 10 July 2020, estimated total cost of | 2022, 2023 | The management should complete the project within the time frame given for enabling investors to get expected return from their investments and avoid increase of project cost. | The Government has taken the decision to divestiture the project due to the non-availability of the allocation to complete the project. | The project is in the process of restructuring. |
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the project approximately Rs. 60 billion. The Cabinet had decided, a partial completion of 16 levels together with level 31 to operate as a fully- fledged hotel with 236 rooms out of the 458 rooms. Phase 2 would include completing balance 222 rooms and 100 service apartments. The target completion date of the first phase was August 2021. Even though the 10 years was lapsed from the original project completion date of 19 July 2014, this project activities of this project had not been commenced.

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| (e) | A Corporate Plan had not been prepared for the period which is covering the year of 2023. | 2021, 2022, 2023 | Immediate action should be taken to implement the decisions of Cabinet of Ministers. | This is an ongoing project and it is suspended by the management due to the unavailability of financial resources to be received from the Government or Stakeholders. Therefore, marketing strategy can't be defined at the present situation and also directives received from the line ministry, the | The company's management is working on the proposed divestiture program. |
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company's
management is
working on the
proposed
divestiture
program.

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| <p>(f) Annual Action Plan 2021, for the year under 2022, review had not been 2023 prepared for the Company.</p> | <p>The Company should prepare and obtain approval for the action plan at the beginning of the year and implement to achieve its annual targets.</p> | <p>-</p> | <p>As per the directives of the line ministry, the company's management is working on the proposed divestiture program.</p> |
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3.35 Helanco Hotels & Spa (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit / (Loss) before tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	693,941,159	2,516,408	691,424,751	15,626,177	Unqualified
2022	703,954,155	4,824,161	699,129,994	16,284,129	Unqualified
2023	572,166,885	1,843,821	570,323,064	(2,731,176)	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Annual Action Plan for the years 2021 and 2022 had not been prepared for the Company.	2021, 2022	Immediate action should be taken to implement the decisions of Cabinet of Ministers.	-	As per the directives of the line ministry, the company's management is working on the proposed divestiture program.
(b)	The Board of Directors of the Company have resolved to discontinue the project to construct the Hotel in Hambanthota in the year 2015. As a consequence, the hotel construction	2022, 2023	Decisions of Cabinet of Ministers should be implemented.	The process of share transferring had been started.	Share transfer had not been executed following the Cabinet Decision No. 17/1613/733/029 dated 01 August 2017 due to the limitations that

activities of the project have come to an end. Further, the Ministry of Public Enterprise Development has given their instructions to transfer the Company's stake in portion of shareholding in Canwill Holdings (Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No. 17/1613/733/029 dated 01 August 2017. Further, as per the cabinet decision No. 23/0431/604/046 dated 14 March 2023, the Cabinet of Minister had granted approval to transfer the shares held by Sri Lanka Insurance Corporation Ltd and shares held by Litro Gas Lanka Limited in Canwill Holdings (Pvt) Ltd to the General Treasury with immediate effect. This program has not been completed as of reporting date.

prevailed at the time. Shares held by SLIC under Canwill Holdings (Pvt) Ltd were transferred to the secretary to the treasury on 08 July 2024. The share transfer process of Litro Gas Lanka had not been completed.

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| (c) | On 13 February 2024, the board had decided to do a capital | 2023 | Decisions should be taken after proper evaluation | The decision has been taken considering the best | Actions had not been taken to recover the |
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	reduction of Rs.400 million which is equivalent to the loan granted to Sinolanka Hotels & Spa (Pvt) Ltd for a consideration of Rs.10 per share. Further the board has approved to suspend the interest for the year 2023 and to write off the interest receivable of Rs.126,075,753. The Company had already paid tax, based on unrealized interest income from the aforesaid transactions since year 2018 though the interest had been written off during the year 2023.		of the situation.	interest of the group of companies	interest.
(d)	Since the board has decided to discontinue the construction of the hotel, the capital work in progress balance amount of Rs.111,103,548 had been written off in the year 2015. Therefore, aforesaid total amount spends on the construction became a sunk cost.	2023	Proper evaluation should be done prior to the investment is made.	This was happened due to the strategic decision taken in 2015 to prioritize the construction of the Grand Hyatt Colombo Project.	As per the directives of the line ministry, the company's management is working on the proposed divestiture program.
(e)	As per paragraph 3.10 of the Lease Agreement signed between Helanco	2023	Actions should be taken to monitor the compliance with terms and	-	The entire lease amount has been paid to the UDA at

Hotel & Spa (Pvt)Ltd and Urban Development Authority on 28 August 2014, the lease will be automatically cancelled and 10 percent of the land value initially deposited will be forfeited without recourse subject to violation of the condition of failure to fully develop the land within 36 months from the commencement of construction.

Therefore, there is a possibility of imposing the 10 percent penalty which will further weakening the financial position of the Company.

conditions of the Lease agreement and take corrective and preventive actions.

the initial stage. But due to the cash flow situation construction activities of the project have been temporarily suspended. It is scheduled to be discussed with the UDA about the conditions of the agreement.

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| (f) | Though the Company has acquired a land of 3.8 hectare by investing Rs.177.97 million from Urban Development Authority on lease basis in the year 2014, the land had not been used for any useful purpose. | 2021, 2022, 2023 | Necessary actions should be taken to make use of this property for the intended purpose or any other useful purpose. | - | Working in line with the proposed divestiture program. |
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3.36 Hotel Developers (Lanka) Limited

	Total Assets	Total Liabilities	Equity	Profit / (Loss) before tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	16,768,381,000	17,229,774,000	20,566,957,000	(976,415,000)	Unqualified
2022	3,603,463,000	4,947,007,000	8,300,066,000	(632,764,000)	Unqualified
2023	13,164,918,000	12,282,767,000	12,266,891,000	(784,367,000)	Unqualified

	Audit Observation	Year of Audit Report	AG's Recommendation	Preventive Measures Taken by the Auditee Entity	Implementation Status of the Recommendation as on Date of Report
(a)	<p>The accumulated loss of the Company as at the beginning of the year 2021 was Rs.7,821,569,000 and it had been increased up to Rs.8,808,317,000 as at the end of the year 2021.</p> <p>Simultaneously, unfavorable working capital of the Company as at the beginning of the year 2021 was Rs.997,068,000 and it had been increased up to Rs.1,059,237,000 as at the end of the year</p>	2021	Accelerate its direction towards profitable venues and managing working capital are required.	<p>Year 2021 was one of the worst affected year due to the COVID pandemic with the drastic drop in tourist arrival to the country and multiple lockdowns throughout the period. Hence, entire global hospitality business was severely affected and therefore operational losses were inevitable in managing international branded hotel.</p>	<p>Hotel is now functioning smoothly with Average occupancy of 60 percent from available resources and the forecasted operating profit for the year ended 31 December 2024 is Rs.1 billion.</p>

2021. Although, in terms of the provisions of the Underperforming Enterprises or Underutilized Assets Act No. 43 of 2011, all the shares of the Company were vested to the Secretary to the Treasury, any return has not been given to the shareholder even after 10 years of its vesting.

Managing working capital was also extremely challenging given the industry wide operational limitations with limited cash flows. During this period, hotel was adopted an innovative business strategy to introduce online platform to promote food and beverage services which created additional inflows of revenue streams.

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| (b) | <p>The term loan amounting to Rs.2 billion from Peoples Bank had not been fully utilized for the agreed purpose where only Rs.1,427 million had been spent as the project expense up to April 2023. Further, the loan disbursement was received to the current account of Peoples Bank which had an approved overdraft limit of Rs.900 million for the working capital requirement.</p> <p>However, the said overdraft as at 31 December 2022 was Rs.883 million even</p> | 2021, 2022 | <p>The funds should be used for the intended purpose.</p> | <p>The new working capital facility was not obtained during year 2022, and therefore, the working capital requirement was also partly finance through the term loan facility. The funds used for working capital purposes will be progressive recovered from operations which is now being growth phase.</p> | <p>It is forecasted that the operations will be back to the pre covid levels from 2025 onwards with the increasing tourist arrivals and the completion of the renovation program. Hence, operating profits will be over Rs.1.7 billion. This is expected to further contribute for working</p> |
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though the refurbishment was still in progress. Therefore, it was observed that the Company had failed to properly estimate and spend the funds for the agreed purpose.

capital recovery.

- (c) Although actual possession of the 52 perch land in front of the hotel using for the car park since 2016 rest with the Company, lease agreement had not been signed. Further, as per the notice sent by Urban Development Authority on 20 December 2022, amount payable for the period of 2021 – 2023 was Rs.24 million and the due date was 01 January 2023. However, the Company had failed to work in accordance with the above notice.
- 2022 Lease Agreement should be entered into.
- The final draft agreement was forwarded to UDA with matters highlighted by the Company lawyers.
- Although arrears had been paid, agreements had not been entered.

3.37 Canwill Holdings (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit / (Loss) before tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	20,886,043,035	18,167,126	20,867,875,909	6,598,472	Unqualified
2022	20,880,551,757	17,028,095	20,863,523,662	(6,126,467)	Unqualified
2023	21,284,274,688	416,186,661	20,868,088,027	5,445,592	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	A Corporate Plan had not been prepared for the period which is covering the year of 2023.	2021, 2022, 2023	The corporate plan should be prepared and implement to achieve its strategic objectives.	The management of the Company is of the view that such planning initiatives can only be worked out when the project way forward arrangement is confirmed.	The project to construct the building in the hotel premises has been suspended by the management due to the unavailability of financial resources to be received from the Government or Stakeholders. Therefore, marketing strategy can't be defined at the present situation and the company's management is

					working on the proposed divestiture program.
(b)	An Annual Action Plan had not been prepared for the year 2023.	2021, 2022, 2023	The Company should prepare and obtain approval for the action plan at the beginning of the year and implement to achieve its annual targets.	The management of the Company is of the view that such planning initiatives can only be worked out when the project way forward arrangement is confirmed.	As per the directives of the line ministry, the company's management is working on the proposed divestiture program and all construction works have been temporarily suspended since 2022.
(c)	The Board of Directors of Helanco Hotels & Spa (Pvt) Ltd (Subsidiary) have resolved to discontinue the project to construct the Hotel in Hambanthota in the year 2015. As a consequence, the hotel construction activities of the project have come to an end. Further, the Ministry of Public Enterprise Development has given their instructions to transfer the Company's stake in portion of shareholding in Canwill Holdings	2021, 2023	Decisions of Cabinet of Ministers should be implemented.	Share transferring process had been executed.	Shares held by SLIC under Canwill Holdings (Pvt) Ltd were transferred to the secretary to the treasury on 08 July 2024. The share transfer process of Litro Gas Lanka Ltd is pending due to Cabinet of Ministers approval has not yet been received.

(Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No.17/1613/733/029 dated 01 August 2017. Further, as per the Cabinet Decision No.23/0431/604/046 dated 14 March 2023, the Cabinet of Minister has granted approval to transfer the shares held by Sri Lanka Insurance Corporation Ltd and Litro Gas Lanka Limited in Canwill Holdings (Pvt) Ltd to the General Treasury with immediate effect. This program has not been completed as of reporting date.

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| <p>(d) The management of 2021, Sinolanka Hotels & 2023 Spa (Pvt) Ltd (Subsidiary) has made an assessment on the Company's ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's</p> | <p>- Do -</p> | <p>Even though the Cabinet of Ministers decided to recommence the construction activities, the required funds have not been received for the project.</p> <p>The company's management is currently working on the proposed divestiture program.</p> |
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ability to continue as a going concern. Although the Cabinet of Ministers had approved through No.20/1092/204/050-1 dated 08 July 2020 to recommence the construction activities of the Grand Hyatt Colombo project, the Board of Directors of the Company has resolved to proceed with scaling down the Grand Hyatt Colombo project for the period of 09 months effective from 30 May 2022 and construction activities had not recommenced even at the reporting date.

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| <p>(e) Contrary to the section 52 (3) of the Companies Act, No.07 of 2007, without receiving consideration, the 235,294,117 shares at Rs.8.50 per share had been issued and issuance of share had been filed with Registrar of Companies. However, the Financial statements had not been adjusted accordingly. Hence a difference of Rs.2 billion was observed</p> | <p>2022, 2023</p> | <p>Action should be taken in accordance with sections of Companies act.</p> | <p>The Company had initiated share buyback procedure to cancel this share issue update records of Canwill Holdings (Pvt) Ltd's stated capital at the Registrar of Companies.</p> | <p>The Company had initiated share buyback procedure to cancel this share issue update records of Canwill Holdings (Pvt) Ltd's stated capital at the Registrar of Companies.</p> |
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among the amount
shown as share capital
in the Financial
Statements and
records available at
the Registrar of
Companies.

3.38 Peliyagoda Warehouse Complex Ltd.

	Total Assets	Total Liabilities	Equity	Profit Before Tax (Losses)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the report	Auditor General's Recommendation	Prevention action taken audited by the Entity	Implementation status the recommendation as at the date of the Report
(a)	The Company Limited had not submitted the relevant financial statements for the years 2017, 2018, 2019, 2020, 2021, 2022 and 2023 for Audit until the date of this report.	Transaction Report 2024	Financial Statements of the company should be submitted to audit on due date and the liquidator must be subjected to responsibility in this regard.	An Action had not been taken.	Financial Statements had not been submitted to audit.
(b)	The change of assets, liabilities and equity from the last Financial Statements that submitted on 31 December 2016 to the date of this report could not be identified in Audit due to non-submission of	Transaction Report 2024	Financial Statements of the company should be submitted to audit on due date and the liquidator must be subjected to responsibility in this regard.	An Action had not been taken.	Assets are under custody of Urban Development Authority, and it is being functioned as a separated operation unit.

financial statements and ancillary evidence. Further, the evidence on holding of Asset Valuation and Board of Survey had not been submitted to the Audit.

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| (c) | As per the decision No: 208/2017 of the Board of Directors of Urban Development Authority held on 27 June 2017, the operation and assets of the company should be handed over to the authority and the decision had been taken to complete the liquidation as soon as possible, the liquidation process had not been ended up to the date of this report. | Transacti
on Report
2024 | Liquidation process of the Company must be expedited and the liquidation must be subjected to responsibility for delays. | A liquidator has been appointed. | The liquidation process had not been finished. |
| (d) | Warehouse along with other facilities around in Peliyagoda area could be provided for storage facilities at a price of Rs. 60 to 100 for a square foot. However, the company had provided storage facilities at a non-competitive rate and therefore the company had to be beared a loss of Rs. 4 million from existing | Transacti
on Report
2024 | An action needs to be taken to repair the premises which belongs to the company and rent them to entrepreneurs on a competitive price. | The company has informed that it is not in a suitable position to charge a competitive price since requests are being received for repair from the customers. | The observation is still there. |

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| (e) | A warehousing complex usually provides storage facilities to store raw materials or finished goods in good condition until they are released to the factory or to the market and the charge is calculated on square foot basis. However, a cement company is using 55,985 square feet of the Company's WH (II) and further to that, this premises had been used without any additional payment for the process of imported cement powder mechanically packing them into bags of 50 kg each in addition to consume storage facility. From this point of view, it is an additional advantage had been given to that company, and further it is observed that by charging the same amount from other companies that are used only for storage facilities, it was a great injustice to those companies. Therefore, the Urban Development | Transacti
on Report
2024 | It must be charged more and reasonable price for renting out premises on production activities beyond just storing raw material, semi-finished goods and finished goods. | It has informed to audit that the ability to charge an extra fee on packaging process considering the agreement entered is being searched. | The observation is still there. |
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Authority had a loss in huge amount of income continuously in collecting income of the Warehouse Company.

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| (f) | Part C of WH 1 warehouse is consisting of 6,750 square feet and it could be provided and collected income from storage facilities without any renovation, but due to keeping that part as idle until the date of this report, as per the current rate per square foot, the monthly lost income was Rs. 405,000 and per year it was Rs. 4.88 million. | Transacti
on Report
2024 | Opportunity should be given to use warehouse premises for suitable entrepreneurs. | This premises has been given to the ministry of housing to store soil sample of the Light Rail Project and requests have received to transfer the materials which is being stored. | The observation is still there. |
| (g) | Peliyagoda Warehouse Complex Company Limited (PB401) incorporated on 29 July 1993 which was a wholly owned subsidiary of the Urban Development Authority and located at a land of 11 acres, 02 rude, 23 perches obtained from the Urban Development Authority on a 99-year lease basis. According to the decision of the Board | Transacti
on Report
2024 | Liquidation process of the Company must be expedited and the liquidator must be subjected to responsibility for the delay. | An action had not been taken. | The observation is still there. |

of Directors meeting held on 27 June 2017, it was decided to hand over the company's assets to the Urban Development Authority. However, until the date of this report, the company's liquidation process was not completed and the assets of the company were not transferred to the authority.

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| (h) | At the date of this report, an amount of Rs.42.93 million had not been paid by 06 companies that had obtained storage facilities from the company's warehouse premises. | Transacti
on Report
2024 | Actions need to be taken to recover dues. | It has been forwarded to Atterny Generals Department and Leagal Division to recover the money. | The observation is still there. |
| (i) | A significant amount of land extent of 1,863 perches with a very high commercial value are still being idle and it is observed that a strategic decision should be made to use this land for effective economic activity instead of keeping as idle. | Transacti
on Report
2024 | The land must be deployed on suitable economic activity considering the nature of the area and space available. | The warehouse premise has been in a dilapidated condition and not a repair has also been done since it has been proposed to handover these warehouses to the ports authority. | The observation is still there. |
| (j) | At present, the rent of Rs. 151 million had been charged by the Authority, which was | Transacti
on Report
2024 | It is suitable to arrange the warehouse for common use and | It informed that it is going to be repaired and to keep an optimum | The observation is still there. |

70 percent of the annual electricity expenditure of the Urban Development Authority. Further it was observed that income could be contributed to cover the electricity charges of Urban Development Authority but warehouse had been operated under poor facilities.

More over the warehouse premises are not in a clean condition, and it will be a bad image to the Authority among General Public as a government institution.

The land area between WH I and WH II storage premises should be a well-prepared space for the common use of vehicles and equipment handling of all institutions, but such a space had not been observed.

operation activities use in the year easier for all 2024. institutions. The rate also must be amended accordingly.

3.39 Lanka Rest Houses Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	97,842,973	130,117,930	(32,274,957)	(2,008,783)	Disclaimer
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	Even though the land and buildings belong to the 32 Rest Houses as at 31 December 2021, had been transferred to the Urban Development Authority (UDA) as per Gazette No. 105/3 dated 09 September 1980, those had not been properly identified or accounted for as 'right of use' assets in accordance with Paragraph 22 of the Sri Lanka Financial Reporting Standard No. 16.	2021	Land and buildings of 32 rest houses should be recognized as right of use assets.	The value of rest houses had not been assessed until up to now and control was acquired by Urban Development Authority under the gazette no 105/3 dated 09 September 1980.	The Observation is still remained the same.
(b)	A repair had been carried out at a cost of Rs.10.42 million in the year 2020, at the Mahianganaya rest	2021	Asset related to the capital expenditure should be identified.	To be corrected as a prior year adjustment in the financial statements of	Relevant Correction had not been reified since the financial

			2022.	statements of the year 2022, have not been submitted up to now.
(c) When the preparation of the financial statements for the year 2021, 05 debit balances totalling Rs.444,824 and 02 credit balances totalling Rs.14.93 million which were included in the trial balance had not been included. In addition to that in comparing with trial balance a difference of Rs. 12.99 million had been observed in 10 accounting balances. Thus, balancing of the financial statements was questionable in Audit.	2021	Financial statements should be prepared with professional due care.	Agreed. Corresponding corrections will be made in the financial statements of the year 2022.	Relevant Correction had not been reified since the financial statements of the year 2022, have not been submitted up to now.
(d) Compare to the non-current assets, the current assets of the company had increased for the by 6.45 times as at 31 December the 2021. And also, the retained earnings of the company had been shown as a negative	2021	Financial position and financial performance should be improved.	The comment had not been given.	Observation with regard to financial position and liquidity mount be able to present since the financial statements have not been

value of Rs.32.28 million and that was a decreased by 74 per cent compared with the previous year. And current assets of the company had increased by 4.96 per cent compared with the previous year, but current liabilities had increased by 15.64 per cent. Accordingly, problems may be arisen on the company's ability to generate income, short-term liquidity, and going concern in future.

submitted after 2021

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| (e) | While information and documents about the decision that 65 per cent of the income from monthly management fee received from the rest houses should paid to the local authorities on behalf of the local authorities had not been submitted to the audit up to now, the amount of Rs.56.08 million to be paid as at 31 December 2021 as per the presented financial statements. | 2021 | A certified copy of the relevant observations should be submitted to the audit. | The matter will be reported to the Board of Directors and get the necessary approval. | The observation is still remains the same. |
| (f) | Although the company should prepare Annual Financial Statements during the period as per | 2021 | Action should be taken as per the section of 150(1) of the act. | The comment had not been given. | Financial Statement of the years 2022, 2023 had not |

the Section 150 (1) of the Companies Act No. 07 of 2007, the financial statements for the year 2021 had been submitted to the Audit on 26 April 2024. And the company should conduct an Annual General Meeting as per the Section 133 of that act, but Lanka Rest Houses Company had not arranged an Annual General Meeting at the date of audit.

been submitted to audit by 31 December 2024.

(g) The company's Board Of Directors consisted of 08 members and 15 other staff members only worked at the end of the year 2021. The company had incurred a loss of Rs.02 million due to incurring administrative expenses of Rs.36.08 million over the annual operating income of Rs.30.29 million in the year under review. Establishing of a separate company to handle only administrative affairs of 32 rest houses was not economical and effective, and further it was a problematic issue in audit.	2021	The company should be dissolved and the assets transferred to the Urban Development Authority.	The comment had not been given.	The observation is still remains the same.
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(h)	The institutional framework had not been prepared for the company's financial, administrative, human resource, operational and procurement and tender affairs and the decision had not been taken so far as to which institutional framework or policy the company should followed in those areas.	2021	An institutional framework should be prepared in this regard with the agreement of the Urban Development Authority and the Ministry.	The procedure which includes matters related to human resource management, is being implemented from the beginning of year 2024.	The observation is still remains the same.
(i)	According to the information had been submitted to the audit, the company had lost an income from 25 rest houses. Out of the 32 had been active and 07 rest houses had been inactive during the year of 2021.	2021	The necessary actions should be taken to utilize the non-performing rest houses effectively.	Agreed. Out of 07 inactive rest houses Weligama rest house had been leased at this moment.	The observation is still remains the same.
(j)	Due to the Covid-19 pandemic in the year 2021, the business activities of the rest houses had been exhausted while the annual income of the company had been fallen. Therefore, the company had requested a concession of 50 per cent out of the 65 per cent that paid from the rental income of the rest houses to the Local Authorities. Some Local Authorities had	2021	The action should be taken to obtain the relevant concurrence.	The discussions are being made with the Local Authorities in this regard.	The observation is still remains the same.

agreed for that, but some Authorities had not given an approval. Accordingly, the company had unilaterally obtained a concession of 50 per cent regarding the value of 65 per cent to be paid by the company to the relevant Local Authorities without concurrence with them.

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| <p>(k) Although it had been stated in the agreements between the company and the lessee that if the lessee fails to pay the rent income to the company on the due date, a surcharge of 1.5 percent per month will be charged,</p> <p>It had not been clearly stated in the agreements whether the surcharge is imposed on the monthly rent or the due amount of the rent.</p> | <p>2021</p> | <p>Unclearity and unfavourable conditions in the agreements should be identified and corrected immediately.</p> | <p>The surcharge had been levied on the monthly rent.</p> <p>Action have had been taken up to now.</p> |
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3.40 GSMB Technical Services (Pvt) Ltd.

	Total Assets Rs.	Total Liabilities Rs.	Equity Rs.	Profit before Tax Rs.	Audit Opinion
2021	478,105,056	191,035,664	287,069,392	28,753,025	Qualified
2022	546,652,265	193,297,671	353,354,594	97,081,603	Qualified
2023	553,581,574	150,611,124	402,970,450	159,733,997	Qualified

Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive Measures taken by the Auditee	Progress of the Recommendation as at the Date of the Report
(a) Of the 46,306 cubes of sand transported to a storage facility after being mined under Kantale sand mining project, 41,773 cubes of sand had been sold. As the remaining stock of sand remained unsold for 10 months, silt had been mixed, and tenders had been called for the sale of remaining 4,533 cubes. The bidder informed that less than 1,000 cubes of sand existed at the location, and 875 cubes had been sold to a bidder. As such, there existed a shortage of 3,658 cubes of sand,	2021	Measures should be taken formally on the shortage.	A special investigation has been conducted on the Kantale sand mining project through a Committee.	Action had not been taken on the shortage.

and the cost thereof amounted to Rs. 12,107,980.

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| <p>(b) Losses amounting to 2022
Rs. 1,345,485, Rs. 3,975,095, Rs. 97,541, and Rs. 3,216,621 had been sustained by the sand projects in Aralaganwila, Boatta, Nidanwala, and the Mutur sand project respectively in the year 2022.</p> | <p>As project sustaining losses, have an adverse impact on the other projects, the management should taken action to ensure profitability.</p> | <p>No action had been taken.</p> | <p>Action had not been taken to decrease the losses.</p> |
| <p>(c) The Mahaweli Authority of Sri Lanka had assigned the Company in the year 2019 to remove the sand mine of 103,128 cubes under the project for mining sand and conservation of dam which posed a risk to the dam built for the safety of Mahaweli river at the Grama Niladhari division of Suriyapura in Divisional Secretariat, Kantale. However, with no sand mining activity done from 10 July 2022 up to the end of the year under review, a sum of Rs. 4,773,910 had been incurred as salaries, allowances, house rents, office expenses and travel expenses.</p> | <p>Action should be taken to achieve the objectives through proper planning of the project. Necessary action should be taken on likely damages to the dam during floods.</p> | <p>Of the volume of sand that had been requested for mining by the Company, only 53.6 per cent had been mined, and construction of erosion stoppers had been completed up to 75 per cent.</p> | <p>Action had not been taken on likely damages to the dam during floods.</p> |

Furthermore, the Company had planned to construct 03 erosion stoppers at Mahaweli river under this project at an estimated value of Rs. 168,254,363, but only one stopper had been constructed, and the progress of the construction of other two stoppers remained 75 per cent and 54 per cent. The period of agreement for construction of those erosion stoppers has expired now, but it was observed that dam of the Mahaweli river would be damaged during floods due to failure in completing the construction works of 02 stoppers.

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| <p>(d) Plans had been 2023 underway since 2020 to implement a project with Post Graduate Institute of Science of the University of Peradeniya under the objectives of mining and exporting after value addition the Calcite deposit at Rajawaka forest reserve in Divisional Secretariat, Balangoda in Ratnapura district, and use the product locally. Expenses</p> | <p>An inquiry should be conducted on the abandonment of the project and fruitless expenses. Disciplinary action should be taken against the officers who implemented the project without a proper study.</p> | <p>A committee has been appointed to look into fruitless expenses of the project.</p> | <p>Action had not been taken on abandoning the project.</p> |
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totaling Rs. 3,304,612 had been incurred by the Company by the end of the year under review viz. payment of consultancy fees to the Post Graduate Institute of Science, transport and travel expenses, combined allowances, and testing fees. However, this project had been abandoned.

3.41 Sri Lanka Building Materials Corporation Ltd.

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
1.	Non submission of financial statements				
	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 Lanka Building Materials Corporation Limited had submitted the financial statements for the year 2018 with a delay of 4 years and 08 months. The company had not	2022	Action should be taken to submit financial statements in accordance with circular instructions.	The financial statements for the year 2018 had been given for audit on 27 October 2023. Investigating the complaint filed by the Criminal Investigation Department regarding the malfunctioning computer system in 2019 and a report on the matter has not been received as of 04 March 2024.	Financial statements for the years 2019 to 2023 have not been submitted until 30 October 2024.

submitted financial statements since 2019, stating that the computer server used by the company was disabled due to a virus attack in 2019 and that the information required to prepare the accounts was not available due to the fact that data backups were not stored at that time. Although a complaint was made to the Criminal Investigation

Department on 28 April 2022 in this regard on the orders of the Committee on Public Enterprises held on 19 April 2022, the current status of those reports had not been submitted for audit.

2. Purchases of Goods

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| <p>(a) According to the draft 2022 monthly accounts, the total purchases of asbestos, iron, tiles, cement, sand and other materials in 2022 were Rs.941 million.</p> <p>In these procurement activities, procurement committees had not appointed as per the guidelines of the National Procurement</p> | <p>That procurement for the institution should be done in accordance with the Government Procurement Guidelines dated 25 January 2006</p> | <p>As it is an institution that buys and sells goods, committees have been appointed for the years 2022/2023 in accordance with the activities of the institution, as approved by the Board of Directors.</p> | <p>Committees have not been appointed in accordance with the procurement guidelines up to date.</p> |
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Agency Circular No.
06 dated 25 January
2006.

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| <p>(b) According to 2.8.1(a) 2022 of the Procurement Guidelines, Technical Evaluation Committees should have been formed for all procurements under the purview of Departmental Procurement Committees, but no Technical Evaluation Committee had been formed for the company's procurement decisions. According to paragraph 2.8.4 of the guidelines, a technical evaluation committee appointed by the head of the company should give the technical evaluation required for the procurement, but the evaluation of an expert in the subject required for the purchase of the items had not obtained.</p> | <p>That a technical evaluation committees should be appointed as per Government Procurement Guidelines dated 25 January 2006, when making purchases for the institution</p> | <p>The General Manager has appointed Procurement Committees by letters dated 2022.06.07 and 2022.09.16.</p> | <p>The technical evaluation committees have not been appointed as per the procurement guidelines up to date.</p> |
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3. Sales of Goods

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| <p>(a) According to the 2022 accounting report prepared by the company for presentation to the</p> | <p>That the wrongly manipulated sales should be properly adjusted in the accounts and that</p> | <p>No action has been taken at the institutional level to identify the responsible parties.</p> | <p>No action has been taken to identify the responsible parties and take</p> |
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board of directors for the year 2022, the sales value of the company was Rs.3,324 million. In this sales value, it was observed that 98 invoices amounting to Rs.557.02 million had been wrongly issued for the Fifth Executive President/Prime Minister's Office Repair and Modernization Project and 22 sales invoices amounting to Rs.79.19 million had been wrongly issued to the Urban Development Authority were also included. Among the goods ordered for those sales, information was not submitted that the goods were received and conformed to the specifications regarding the goods that were directly supplied to the relevant work sites

the parties responsible in this regard should be identified and prompt disciplinary action should be taken

disciplinary action.

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| (b) | It was observed that the company had not followed the procurement process and made the purchases transparently while purchasing goods for sale. As a result of | 2022 | That the company should follow the procurement process to buy the goods at the lowest price and get the maximum profit under competitive selling prices in the | The company purchases goods at the lowest prices by comparing market prices in a manner that is beneficial to the company through registered | The company had invited prices from suppliers instead of inviting prices from several manufacturers in a way that |
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this, the company had to raise the selling prices of the products due to the increase in costs due to the inability to purchase the products at the lowest price. Therefore, it was observed that the sales revenue of the company was deteriorating day by day due to the failure of the company to compete with the prices of similar products in the market.

competitive market. suppliers.

would enable the company to gain competitive advantages.

4. Long Term and Short Term Loans

- (a) In order to meet the 2021 working capital 2022 requirements, the company had obtained a short-term loan of 150 million rupees from the People's Bank on 03 occasions during the period from 02 March 2017 to 10 April 2018. According to condition number 07 included in the loan agreement, it should be confirmed that the loan was used for the intended purpose, but it was observed that regardless of the purpose of obtaining this loan, it was spent on other expenses
- That the Arrangements management is have been made to responsible for not pay Rs. 14.5 million in of June 2024 settle the debt by installments of Rs. and in view of the financial difficulties currently faced by the institution, payments have been temporarily stopped from July 2024.
- utilizing the loan 500,000/= each from 2022.01.28 to 2024.06.24. agreement entered into

including salary payments, bonus payments, etc., administrative expenses of the company. However, since the company had failed to settle this loan as scheduled, the total outstanding amount with the loan amount and accrued interest on 31 December 2022 was Rs. 220.37 million and it was observed that the penalty to be paid for that was Rs. 17.12 million.

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| <p>(b) In order to enable the company to overcome 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 and No. අම/18/0504/736/007 on a Treasury guarantee. From that, an amount of Rs. 199.05 million that was due to the Bank of Ceylon was deducted and the remaining</p> | <p>2021
2022</p> | <p>Management should take steps to use the loan funds for the purpose for which they were obtained.</p> | <p>A such a plan has not been presented to the bank due to the practical difficulties in preparing and implementing such a plan.</p> | <p>The company has so far failed to repay the loan.</p> |
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amount of Rs. 301.38 million was given to the institution. Of that, 35 percent i.e. Rs.105.98 million was spent on employee salary payments, employee provident/trust fund payments, loan interest payments, bonus payments, settlement of overdrafts, purchases of fixed assets, which were expenses contrary to the purpose of obtaining loans. The company had failed to settle this loan amount of Rs.500 million according to the agreed terms and as of 26 May 2023, the outstanding loan interest was Rs.264.43 million

5. Non-compliance with Tax Regulations

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| <p>(a) A sales revenue of 2022 Rs.2,924.73 million had been received under the company's tile project from September 2021 to 30 June 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</p> | <p>That the tax collected under the Value Added Tax Act should be immediately remitted to the Inland Revenue Department.</p> | <p>Sales values are being entered into the accounting data system from the year 2021 and currently the sales values of the first 3 quarters of the year 2021 have been entered into the data system.</p> | <p>Although sales revenue has been received, the VAT balance has not been paid to date.</p> |
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the Inland Revenue Department.

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| (b) | According to the letter No. 2021/1779/302/002/-1 dated 26 October 2021, Approval had been given to provide necessary building materials, equipment and all supplies for the repair and modernization of the Prime Minister /Fifth Executive President's official residence and to obtain the consultancy services related to civil engineering, architectural and interior design by a public body ie: the Corporation without calling for tenders, and | 2021
2022 | That the details of the payable amount of Rates and Taxes should be inquired from the relevant local authorities and arranged to be paid | Although it was stated that a plan should be submitted regarding the repayment of arrears of rates and taxes from 2007 to 2021, such a plan could not be submitted due to current financial difficulties. | Rs. 23.34 million has been accrued as arrears of rates and taxes from 2007-2021 |
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6. Improper Transactions

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| (අ) | According to the Cabinet Decision No. 2021/1779/302/002/-1 dated 26 October 2021, Approval had been given to provide necessary building materials, equipment and all supplies for the repair and modernization of the Prime Minister /Fifth Executive President's official residence and to obtain the consultancy services related to civil engineering, architectural and interior design by a public body ie: the Corporation without calling for tenders, and | 2021
2022 | Action should be taken according to the decision of the Cabinet and to follow the procurement guidelines and to be contracted with the customers | These transactions have taken place during the Covid period. Therefore, there have been difficulties in proceeding as stated in this recommendation. | No action had been taken to enter into agreements with the Corporation as per the Cabinet decision. |
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to enter into agreements with the body as necessary. However, the company did not reach an agreement with the Prime Minister's Office that included an estimate including the materials and quantities required and the terms of supply of goods, cash payments, etc

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| (b) | <p>And although the 2021 consultancy services is 2022 not within the company's functions, the company had paid an amount of Rs.10 million to an architect for the consultancy services regarding the civil engineering, architectural and interior designs required for the above repairs and maintenance, following any procurement process for calling quotations and selection etc. and a sum of Rs. 3.07 million of the relevant invoice value had not been reimbursed by the Prime Minister's Office by 30 July 2023.</p> | <p>Action should be taken to follow procurement guidelines and entering into contracts with customers at the outset.</p> | <p>These transactions have taken place during the Covid period. Therefore, there have been difficulties in proceeding as stated in this recommendation.</p> | <p>Procurement guidelines have not been followed.</p> |
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| (c) | Based on the verbal instructions of the architects selected as above, materials for this project were procured from 16 suppliers nominated by them without following the procurement procedure and purchased on the purchase orders of the Building Materials Corporation. Later, goods were issued to the official residency project and invoiced in the name of the company. A large number of vouchers that included expenses reimbursed by the Prime Minister's staff were not submitted for audit and although the Chairman was informed in writing on 07 August 2023, the vouchers were not submitted for audit till the date of this report. | 2021
2022 | When purchasing, procurement guidelines must be followed and payment vouchers and all necessary supporting documents must be attached to ensure that payments are correct. | The required supporting documents related to the payment voucher have been attached correctly with the documents since the year 2023. | The procurement guidelines for this project had not been followed and the payment vouchers had not been submitted correctly. |
| (d) | The amount settled by the Prime Minister's Office was Rs. 559.59 million as at 30 July 2023 and accordingly the amount to be recovered was Rs. 90.23 million. | 2021
2022 | Action should be taken to reimburse all this money. | A report outlining the issues in purchase orders and loan documents is scheduled to be submitted to the Ministry on 2024/10/23. | At present the amount not recovered from the Prime Minister's Office is Rs. 84.63 million. |

7. Performance

Building Materials 2022

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". Even so, at present, it is engaged in selling with a profit margin for the building materials and equipment purchased from the private building material equipment suppliers at the modernized showroom maintained in the main office

That it is the responsibility of the management to manage the affairs efficiently and effectively according to the goals and vision of the company.

This situation has arisen due to the creation of an open economy after 1977. However, I would like to inform you that all activities of selling and distributing building and construction materials, machinery, equipment, tools and other accessories manufactured in Sri Lanka throughout Sri Lanka will be performed by the institute. This act is expected to be modified in the future as appropriate to the institution, and is expected to approach the competitive market according to an action plan that suits the current economy.

The company has not been able to generate reasonable profitability by operating in accordance with the purpose and vision for its establishment.

premises and by the branch offices. Thus, it was observed that the objectives of the establishment of the company and the vision of the company were not covered. Also, during the period of 06 years from 2013 to 2018 when the financial statements were presented, the net loss had grown from Rs.15 million to Rs.167 million.

8. Transactions contrary to the Objectives

Release of materials from Building Materials Corporation for Model Village Programme

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 during the period of 7 years from 2015 to 2021. Building materials worth Rs. 34.69 million had been issued without any

2022

Company management must act in a manner that achieves the company's business objectives.

Officers working under the supervision of the officer who coordinated with those who provided the goods in the Model Village Program had been deployed in the Model Villages for 02 days a week to collect money.

The outstanding amounts have not been recovered yet.

restrictions from the branch warehouses of Ambalantota, Tangalle, Lunugamwehera, Tissa, Weerakatiya, Embilipitiya, Suriyawewa, belonging to this building materials corporation and this loan balance had not been settled until 30 June 2023.

9. Identified Losses

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| (a) | <p>A contract was entered into with DMW Ventures (Pvt) Ltd, a Sri Lankan intermediate company of a Pakistani firm selected by inviting quotations from importers without inviting national competitive bids for the supply of 5600 metric tons of cement at USD 79.50 per metric ton in paper bags with the name "BMC" printed on them at 50 kg each. A cash deposit of Rs.05 million had been paid for this purpose on 14 March 2022. However, due to the People's Bank's refusal to open letters of credit in the face of the country's</p> | <p>2022</p> | <p>Action should be taken to recover the money paid according to the Memorandum of Understanding.</p> | <p>A written request has been made to DMW Ventures (pvt) Ltd to recover this amount due to non-supply of supplies for the relevant project. A preliminary investigation has been conducted in this regard and recommendations have been made.</p> | <p>The institution has refused to return this deposit as the project activities have not been implemented through the supplier's response letter. No action has been taken to recover this amount by filing a lawsuit as per the relevant recommendation.</p> |
|-----|---|-------------|---|---|---|

exchange crisis, it was not possible to import cement, and the Rs.05 million that had been paid without prior confirmation could not be recovered.

10. Assets Management

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|-----|---|--------------|---|---|---|
| (a) | <p>The proceedings of an Anuradhapura land measuring 03 roods 35.6 perches have been completed, but the illegal occupants have not been removed and the possessive has not been taken over.</p> | 2021
2022 | <p>The company should take action to obtain title deeds to the relevant properties and remove unauthorized occupants.</p> | <p>A discussion was held with the Additional Secretary (Administration) of the Ministry of Urban Development and Housing on 30.04.2024 to resolve the issues of land and buildings.</p> | <p>No action has been taken so far to remove the unauthorized occupants and take possession of the property related to the institution.</p> |
| (b) | <p>Although the Cabinet decision dated 21 August 2019 of No. අමප්/19/2192/122/076 has approved the transfer of the right of the land to the company for the transfer of the land No. 549/A, Borupana, Moratuwa, The company had not yet prepared the deed related to the ownership of the land.</p> | 2021
2022 | <p>That the company should take action with the related agencies to prepare and register the title deeds.</p> | <p>During the discussion held on 30.04.2024 with the Additional Secretary (Administration) of the Ministry of Urban Development and Housing, it was stated that the deed writing process is being carried out through the Western Provincial Land Commissioner.</p> | <p>Title deeds have not yet been prepared.</p> |

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| (c) | Cement Warehouse, 2021
Warehouse No. 06 and 2022
Sangharaja Warehouse
No. 11 had been given
on rent during the year
under review at prices
more than 05 years old
without obtaining new
valuation reports. | The assets should
be assessed and the
rent amount should
be updated
accordingly and the
warehouse should
be rented out. | The valuation
department has
been entrusted
with updating the
old prices and
obtaining new
prices to renew the
contracts. | The valuation
reports have not
been obtained
yet. |
| (d) | A 1480 sq.ft. 2021
warehouse owned by 2022
the company in the
company premises at
No. 541 Sri
Sangharaja Mawatha
was rented to a
businessman for Rs.
66,600 per month at
Rs. 45 per sq. ft. from
April 2015. The
contract period was up
to 09 April 2017 and
without entering into a
new contract, the same
rent as per the original
contract was given
until 31 December
2022. | Arrangements
should be made to
rent the warehouse
and collect the
arrears according to
a new assessment. | The Valuation
Department has
been given the task
of obtaining a new
valuation value to
enter into an
agreement to lease
this warehouse. | The valuation
reports have not
been obtained
yet. |

11. Cash Management

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|---|---|---|---|
| The company 2021
maintains 12 bank 2022
accounts out of which
two are inactive. No
cash books had been
maintained and no
bank reconciliation
statements had been
prepared indicating
opening and closing | That the
management should
immediately take
steps to prepare the
cash books and
monthly bank
reconciliations
based on a more
accurately
calculated opening | The cash book has
been prepared for
the year 2023. The
relevant bank
reconciliation
statements have
not been prepared.
The cash book has
been prepared for
all current | Bank
reconciliations
have not been
prepared
accurately so
far. |
|---|---|---|---|

balances for the year 2022. According to the bank account balance confirmations, the debit balance of 03 bank accounts was Rs.25.78 million and the credit balance of 07 accounts was Rs.303.04 million. Due to this, it was observed that the company has not implemented sufficient control over cash.

balance and that it is their responsibility in terms of financial management accounts for the year 2024 and arrangements have been made to prepare bank reconciliation statements.

12. Human Resource Management

- (a) As per the decision of 2022 the Board of Directors held on 27 October 2022, the former General Manager of the company was suspended and the commercial department was sealed due to the discovery of letterheads and seals of three suppliers of the company in the office (desk drawer) of two officers working in the commercial department. In this regard, a complaint was submitted on 28 November 2022 with reference number IR/629/06/22 of the Colombo Fraud Investigation Bureau.
- Management should take immediate action to investigate and take the necessary disciplinary action.
- Initial investigations have been conducted regarding these officers, whose services were suspended due to the fact that they were found to have the letterheads and seals of company suppliers, and a formal disciplinary investigation is being conducted following that investigation.
- The investigations have not yet been completed and a final decision has not been reached.

However, no report has been submitted till now after completion of investigations. Also, the Chairman/Board of Directors had been informed in the report dated 27 January 2023 of the internal auditor that the certificates submitted for the interview by the former General Manager on 02 November 2020 were fake. So far no investigation has been conducted and no disciplinary action has been taken.

3.42 Urban Investment & Development Company (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit/ (Losses) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	3,657,997,096	1,315,426,122	2,342,570,974	451,854,296	Qualified
2022	10,972,479,358	826,328,569	10,146,150,789	7,839,601,455	Qualified
2023	12,745,901,727	546,533,813	12,199,367,913	2,105,068,141	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The value added tax receivable as per the financial statements as at 31 December 2023 was Rs.80 million. It has been calculated by offsetting the value added tax recoverable from Department of Inland Revenue of Rs.91 million in respect of the company's import duty exemption period from 2007 to 2013 and the value added tax payable to the Department of Inland Revenue of Rs.11 million on the company's day to day normal transaction.	2021	Tax Payable and tax receivable should be shown separately.	The Financial Statements in the year 2024 will be prepared to reflect separately the value added tax receivable from the Department of Inland Revenue on the company's normal transaction.	The observation is remains the same

Accordingly, the company's liabilities as at 31 December of the year under review had been decreased by Rs.11 million and the recoverable tax asset had been decreased by the same amount.

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| <p>(b) As per the paragraph 7.7 of the operational manual for Government-Owned Enterprises, with effect from 17 November 2021, Although the Board of Directors of the parent company is required to establish a structure to facilitate the monitoring and review of the activities of the subsidiary company, such structure had not been established with regard to the operational, administrative and financial affairs of the Urban Investment and Development (Pvt) company up to the date of this report.</p> | <p>2023</p> | <p>A structure should be established to supervise the activities of the subsidiary companies as per the para 7.7 of the manual</p> | <p>The staff recruited by the company has been recruited with the approval of Board of Directors of the company</p> | <p>The observation is remains the same</p> |
| <p>(c) Although it was practical to establish the company as a separate entity with the purpose at the time of establishment, as the current activities</p> | <p>2023</p> | <p>This company should be operated as a division of the Urban Development Authority</p> | <p>After settling the loan amount taken by the institution, the top management will be decided to focus on the</p> | <p>The observation is remains the same</p> |

of the company had carrying out by officers of the Urban Development Authority. So It was a problematic issue in audit, why it was operated as a separate company.

investment activities as per the objectives mention in the Article of Association

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| (d) | The company's objective is to conduct, construct and develop any development projects in any area according to the articles of association or the company but it had not been included in the company's Corporate Plan for the period 2021-2024. Furthermore, instead of achieving company objectives it only collects annual rental and service income from the lease holders and maintaining the building. | 2023 | Attention should be made in respect diversification strategies as per the Article of Association | After considering the sufficient financial strength to invest in other project activities, the top management will be focus on the implementation in the future, | The observation is remains the same |
| (e) | An annual action plan had not prepared for the year 2021, 2022 and 2023 including performance targets financial target and procurement plan | 2021
2022
2023 | An annual action plan should be papered | The intuition has a strategic plan for the period 2021 - 2024 and which include an action plan, it is accepted that it has not been presented in detail. | The observation is remains the same |

(f) Although the officers of the company should not be released to the work in the Line Ministry or any other institution without the approval of the cabinet, but only on the approval of the Board of Directors, 02 Quantity Surveying Officers in the year 2017 and 09 Assistant Planning Officers in the year 2019 were recruited on contract basis and released to the Urban Development Authority and had been employed till the audited date of 30 August 2022. A salary of Rs.7,553,369 had been reimbursed by the Urban Development Authority for the year under review.	2021	It should be done as per the circular.	Not comments had been received.	At present these employees has not in the cadre of the company, but the company had not reimbursed the expenses incurred at that time.
(g) As at the last date of the year under review, the rental income receivable from the Government Institutions which are using the "Sethsiripaya Stage - II" building of the Company, the trade debtor balance was Rs.142.71 million and out of which Rs.41.62	2022	Receivable debtor balances should be collected promptly.	Not comments had been received.	Even though the existing balances will be received later, new balances will be created. Further due to the shortcomings of the company's accounting system, such longterm

million was existed
overdue for more than
03 months.

balances are
being shown.

3.43 Land Reclamation and Development Company

	Total assets	Total liabilities	Equity	Profit / (Loss) before tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	453,272,633	483,971,095	(30,698,462)	332,980	Qualified
2022	423,599,291	440,913,811	(17,314,520)	11,462,577	Qualified
2023	506,770,221	456,156,051	50,614,170	7,561,406	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	The company owned sea sand packaging building, valued at Rs. 301.28 million, it has been assessed by the government's valuation department at Rs. 326.30 million and taken over to the parent company in the year 2021. However, the cost of the building, including water retention ponds, was reported as Rs. 331.02 million in the company's financial statements. While only the value of the building should have been deducted from assessed value, the	2023 2022	Only the value of the building should have been deducted from the revaluation amount.	The valuation amount related to the building included in the work in progress account was removed, and the remaining values, including water retention ponds, will be removed upon the completion of the entire transaction.	All Assets related to the transfer activities and adjustments concerning this project have not been accounted so far.

total value mentioned above was set off against the assessed value. As a result, the company's retained earnings and non-current assets had been understated by Rs. 25.03 million.

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| <p>(b) Production activities at the Higurakgoda and Ampara factories had been discontinued by the end of the year 2019. The equipment at the factories had remained unused and underutilized by the end of the year 2023. Although it was stated that plans were in place to either rent the factory or utilize it for other business activities, action had not been taken in this regard during the year 2023.</p> | <p>2023
2022</p> <p>The assets owned by the company should be utilized with maximum efficiency and effectiveness.</p> | <p>Since a significant loss (operating loss) occurs during the production activities at the Higurakgoda factory, it had been decided to shut down the factory. A watchman has been retained solely to secure the equipment at the factory. The established machinery is deemed suitable to be relocated after selecting a different location, so the machinery has been kept at this location.</p> | <p>Currently, production at the factory has been stopped. Since the company does not own the rights to the land where the institution is located, it has become unable to rent. The individuals who had agreed to lease the machinery have abandoned those plans due to the downturn in the construction sector.</p> |
| <p>(c) The company or the parent organization of Sri Lanka Land Development corporation had failed to acquire the leasehold rights or ownership of the lands belonging to the other</p> | <p>2023</p> <p>The company or the parent entity should take necessary actions to acquire the lease rights or ownership.</p> | <p>The company has held the land for more than 30 years and plans to use it for purposes other than cement production in the future.</p> | <p>The lease rights to the land had not yet been obtained.</p> |

government agencies extended to 2.1979 hectares of cement related production centers that have been established in the areas of Hingurakgoda, Trincomalee and Ampara for a period of 30 years, even at the end of the year 2023.

(d) Sea Sand Packeting

(i) Project	2023	Feasibility study	The government	This project is
This project had been	2022	should be	made a policy	currently not
implemented without	2021	conducted, and	decision to limit	operational.
any project evaluation		projects should be	river sand mining,	Instead, from
or feasibility study and		implemented with	and considering	the Rs. 200
preliminary cost		proper	the existing	million loan
estimated by the		management.	demand for sand,	provided by the
company Prior to the			the project was	parent
commencement of the			initiated with the	corporation to
project and the project			aim of promoting	the management
had been initiated and			sea sand in 2018.	company, an
implemented in 2018			Although it was	amount of Rs.
based on a proposal			planned that the	141,233,022
presented by the			land would be	was expected to
Business Planning and			transferred after	be received by
Development			the	the corporation.
Department of the			commencement of	Furthermore,
parent company. To			the project, the	the land and
facilitate this, the			project could not	building used
parent company had			be implemented as	for this project
given a loan of Rs 200			planned. As a	were provided
million to the			result, the land	to a private
company, with a 2			owned by the	institution
year grace period, an			corporation could	without a lease
interest rate of 12 per			not be transferred	agreement and
cent per annum, and a			to the company.	without
repayment term of 10			Due to the	charging the
years. The total cost			company incurring	applicable value
incurred by the			significant losses	to be collected.

company for this project was to Rs 382.5 million. However, the company had not taken any steps to enter into an agreement regarding the land owned by the parent company, which was used for the continuation of the project. After the project was initiated, within a short period of two years, by 2020, the parent company had reported that the project was running at a loss. Consequently, the Board of Directors had decided to terminate the project and it was decided to lease the land and building used for the project on a long term lease basis for 50 years, following a request made by a private institution on 7 February 2020 and the building had been subsequently handed over to the institution on 14 June 2021.

in the course of managing this project, it was decided to cease certain components of the project (excluding the cleaning and processing of sea sand). Since the land used for this project is owned by the corporation, it was overtaken it, along with the constructed building with the expectation that it would be leased on a rental basis to the government major shareholder.

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|------|---|----------------------|---|---|--|
| (ii) | Without following proper procurement process The total cost of Rs. 211.93 million incurred by the company for the | 2023
2022
2021 | After the legal proceedings are concluded, disciplinary actions should be taken against | An investigation into the irregularities reported during this purchase is currently ongoing | The matter is currently under investigation by the National Procurement Commission |
|------|---|----------------------|---|---|--|

	prefabricated steel structure imported from China, and for the construction of a building to the company has lodged complaints to the National Procurement Commission and the Bribery or Corruption Investigation Commission regarding the irregularities that occurred during the purchase of this steel structure. However as of the end of the 2023 year, these complaints were still under investigation.	responsible parties in accordance with the regulations.	with the National Procurement Commission and the Bribery or Corruption Investigation Commission.	and the Bribery or Corruption Investigation Commission. Although the responsible parties have been identified, any actions have not yet been taken to recover the losses.	
(e)	A total of Rs. 13.79 million was spent to purchase 500,000 polythene bags for sand packaging, which were imported from China. However, similar bags could have been purchased locally from a domestic supplier for Rs. 12.13 million. The sample bags presented were rejected because the institution's name was not printed on them. However, it was observed that the imported bags also did not have the institution's name printed on them. As a	2022 2021	After identifying the market demand, procurement should be carried out accordingly, and purchases should be made in a manner that minimizes costs. Attention should be focused on conducting business operations efficiently, and disciplinary actions should be taken against the parties responsible for any irrational decisions.	Since these bags are environmentally friendly, their durability is very short. Given that the stock of these bags deteriorates quickly, the need for prompt sale was considered, and in consultation with the relevant department, price quotes were obtained from three suppliers. The purchase was made with the approval of the general manager, as confirmed by	The responsible parties have been identified in this regard, but no actions have been taken to recover the associated losses.

result, the company incurred a loss of Rs. 1.67 million, but any action had not been taken to identify the responsible individuals.

the concerned parties.

Out of the purchased polythene bags, only 5,355 bags were used for sand packaging, while an additional 54,000 bags were handed over to the parent company without collecting any payment. Furthermore, 1,645 bags were discarded, and 2,595 bags were used for other purposes. The remaining 436,405 bags were sold for Rs. 5.88 million in 2023 without following procurement procedures or obtaining approval from the board of directors, based solely on the approval of the general manager. As a result, it was observed that the company suffered an excess loss of Rs. 8.14 million from the sand packaging bag purchase transaction.

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| <p>(f) The company 2022 purchased a water purification machine worth Rs.7.55 million for the sea sand washing project, and spent Rs. 29.74 million to construct water retention ponds to store clean water needed for sand washing. However, by the end of the year 2023, both the machine and the water retention ponds were underutilized. Additionally, the sea sand packaging machinery, worth Rs. 17.81 million, purchased for the project, was found to remain unused by May 2024, as observed in the audit.</p> | <p>The assets of the company should be utilized with maximum efficiency and effectiveness.</p> | <p>The water purification machine has been handed over to the parent organization, and the constructed water retention ponds are currently being used for sand washing.</p> | <p>However, all the assets are currently in an idle state.</p> |
| <p>(g) Out of the 2023 mobilization advance 2022 of Rs. 4.65 million 2021 given to the subcontractor by the Company in the year 2014 for construction of the weekly fair in Horana. Only a sum of Rs. 2.65 million had been recovered by September 2015 and the balance of Rs. 2 million had not been recovered even by the end of the year 2023.</p> | <p>Action should be taken to promptly collect the deposit funds from the subcontractor.</p> | <p>The subcontractor has been notified in writing, and the payments owed to them have been suspended. Furthermore, the company is actively taking the necessary steps to collect the funds owed.</p> | <p>The advance amount have not been clarified or released up to now.</p> |

As advances had been paid to the sub-contractor without obtaining a security contrary to Section 5.4.4 of the Government Procurement Guidelines, the advance could not be recovered by the Company.

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| <p>(h) The value of Rs. 9.72 million contract had been given to the company by the Urban Development Authority for the development of a land belonging to the Ceylon Electricity Board had been agreed to be completed on 15 May 2018 but the work had not been completed as scheduled. From the year 2019, More over the work of the contract had been stopped according to the letter of the Urban Development Authority dated 21 August 2018, No. 14/01/134/73 and it had been informed that the initial level of work done on that date was substandard and not being done properly. Due to this,</p> | <p>2023
2022
2021</p> | <p>The reasons for the non-compliant and improperly executed work segments should be investigated, and the related costs incurred should be recovered accordingly.</p> | <p>Although a number of letters were sent to the Lanka Electricity Board (LEB) to obtain the necessary information regarding the project, which was contracted on 15 May 2018, by the Lanka Electricity Board and the Urban Development Authority, no response was received. As a result, the Urban Development Authority notified the cessation of the project. The necessary actions were taken to forward the first progress claim and recover the related costs.</p> | <p>Although a bill was sent again in September 2024, the funds have still not been received as of now.</p> |
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the first progress bill amount of Rs. 5.75 million, which was forwarded by the company to the client on 10 December 2018, had not been certified and paid even by the end of the year 2023.

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|-----|---|--------------|--|---|--|
| (i) | <p>The company had not taken action to obtain a mobilization advance from the parent corporation for the development project of Udukiri Ella Lake, received from the parent corporation as a sub contract work with a value of Rs.20.29 million and the company had spent Rs.6.90 million to complete the contract work, but any amount had not been collected by the end of the year 2023.</p> | 2023
2022 | <p>Action should be taken promptly to recover the outstanding funds.</p> | <p>Since the project was initiated in 2016, an investigation is being conducted regarding this matter, and discussions are ongoing with the parent company to take prompt action to recover the outstanding funds.</p> | <p>Although the relevant department was notified and efforts were made to obtain the necessary documents, no funds have been received as of now.</p> |
| (j) | <p>According to the financial statements at the end of the year 2023, the balances for trade receivables and contract receivables were Rs. 27.43 million and Rs. 71.30 million, respectively, and Rs. 15.41 million and Rs. 35.25 million to be received from the company's parent</p> | 2023
2022 | <p>The relevant parties should take immediate action to clarify and settle the transactions.</p> | <p>It appears that the company is still awaiting payments of Rs. 15.41 million from trade receivables and Rs. 35.25 million from contract receivables, which should be received from its parent company, Sri Lanka Land</p> | <p>The company has not yet collected all the amounts owed.</p> |

company, the Sri Lanka Land Development Corporation.

Additionally, of the trade receivables, of Rs. 5.86 million was due from the period between 1 to 4 years, and Rs. 7.34 million was due from the period exceeding 4 years, which should have been received from the parent company. The remaining trade receivables, amounting to Rs. 12.02 million as shown in the accounts, including Rs. 9.92 million which had been remained over 4 years without being collected.

Development Corporation. In 2024, the company successfully collected Rs. 9.98 million from trade receivables and Rs. 34.9 million from contract receivables.

- (k) The company's debt-to-equity ratio for the years 2023, 2022, and 2021 were (25.46), (15.77), and (26.60) respectively. This indicates that the company's liabilities exceed its assets, providing evidence of a high-risk situation and suggesting that the company may face insolvency in the future. This is further supported by the

company's long-term debt servicing ratio, which was 1.10, 1.12, and 1.11 for the years 2023, 2022, and 2021, respectively.

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|-----|---|----------------------|--|--|--|
| (l) | A dividend of Rs. 4.56 million had been declared as per the board paper No. 2014/89/554 dated 10 October 2014, but the Company had failed to pay those dividends over of 09 years by the end of the year 2023. | 2023
2022
2021 | The company must take immediate steps to free it from these obligations. | Once the financial situation improves, these payments will be made. | Dividends have not been paid so far. |
| (m) | Out of the 8 factories operating under the company, 7 factories incurred a total financial loss of Rs.13 million. Weaknesses in financial management and the failure to implement marketing strategies directly impacted this situation. The company had prepared a marketing plan for the year 2021, however, it was unsuccessful in increasing sales and expanding market growth as per the plan. | 2021 | The company must take steps to remain competitive in the industry by effectively managing costs and implementing market strategies for growth and development. | Due to government circulars, procurement processes, and the taxes imposed by the government, the cost of our products has become excessively high, making it extremely difficult to compete with local manufacturers | Out of the 6 factories, 4 are still operating at a loss. |

3.44 LRDC Services (Private) Limited

	Total assets	Total liabilities	Equity	Profit)(/Loss) before tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,230,511,322	837,078,181	393,433,142	54,984,909	Qualified
2022	1,656,652,603	1,201,302,915	455,349,688	81,482,328	Qualified
2023	2,093,128,024	1,550,137,758	542,990,266	123,979,053	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementati on status of recommenda tion as on date of the Report
(a)	The value added tax on a cash basis for the year 2019 was Rs. 110.91 million and it was still due by the end of 2023. It was observed that money had been used for the working capital of the company.	2023 2022 2021	The VAT payable should be remitted to the Department of Inland Revenue on or before the 20th day of the following month.	It is planned to pay Rs. 40 million in the year 2023.	A request to exempt the institution from the surcharge for outstanding tax along with the Value Added Tax payment plan has been submitted to the Inland Revenue Department on 02 August 2024.
(b)	In 2018, the company had acquired a 120-perch plot of land in Aththidiya from the	2023 2022 2021	Should be focused to achieve the desired goals.	Agree with the observations. This land is to be handed over to	The Board of Directors has decided to transfer this

parent company on a 30 years long term lease for Rs. 19.91 million to construct its main office building. However, as of June 2024, since six years enter into the lease period, any construction had not been taken place. In 2019, the company had built a wall approximately 700 feet long around the land at a cost of Rs. 5.87 million, which included enclosing a part of the land of the parent company. Additionally, the company had incurred expenses amounting to Rs. 2.72 million from 2018 to the end of the year 2023 for security, electricity, and water for the land. During the audit, it was observed that the selection of this land was problematic due to the presence of 33KVA high-tension electricity lines running across the land, which could hinder construction. Furthermore, it was noted that the expenses incurred for this project could potentially become

SLLDC and a land back to decision will be the Sri Lanka taken in Land consultation with Development the parent Corporation and company and regarding the accordingly, financial value to the lease be paid back to the agreement is institution. to be terminated on 27 September 2024, the institution is to collect Rs. 3.3 million for the period during which the land had been used and the remaining amount of Rs. 13.2 million is to be given to the LRDC Services (Private) Limited.

non-economic costs in future.

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|--|-------------------------------|---|--|--|
| <p>(c) Out of 1,669 CCTV equipment had been purchased by the company for sale in the year 2018 at \$49,537.90 (equal to Rs. 8.73 million), only 248 units had been sold during the year 2023. And 587 units, worth of Rs. 2.4 million had remained even at the end of the year 2023. Due to this, the money of the company was unnecessarily trapped in the stock. Also, due to the inability to sell the goods and due to their technological obsolescence, stock write-off of Rs.3.19 million had also been made in year 2021. And the company had failed to take legal action against officers who made purchases contrary to the Procurement Guidelines.</p> | <p>2023
2022
2021</p> | <p>After identifying the market requirement, procurement should be done and purchases should be made.</p> | <p>As a leading security service provider, the company was forced to import the security equipment mentioned here in a situation where it was impossible to accurately predict the security emergency in the country due to the bomb attacks on Christian churches and hotels on Easter Sunday, 21 April 2019.</p> | <p>An investigation had been conducted by the Internal audit Division of the Corporation about the weaknesses in the procurement process followed in relation to the purchase and reported on 26 November 2020. Based on that report, a complaint has been made to the Criminal Investigation Department on 17 March 2021.</p> |
| <p>(d) Without properly identifying the requirement in the market, In the year 2018, 506 units out of 1000 units of Hand Held Metal Detectors</p> | <p>2023
2022
2021</p> | <p>After identifying the market requirement, procurement should be done and purchases should be made.</p> | <p>As a leading security service provider, the company was forced to import the security equipment</p> | <p>An investigation had been conducted by the Internal audit Division of the</p> |

with Chargers had been imported at Rs. 2.34 million and 731 Security Equipment belonging to 8 items imported at a cost of Rs.10.77 million could not be able to sell even in the year 2023. The warranty period of these devices had expired and local agent had not been identified for after sales services. Due to the inability to sell the goods and due to technological obsolescence, Rs.5.18 million worth of stock had been written off from the equipment in the year 2021. And an investigation by the Criminal Investigation Department is also going on in connection with this transaction from the year 2021, but the company had not been conducted any investigation related those transactions.

mentioned here in a situation where it was impossible to accurately predict the security emergency in the country due to the bomb attacks on Christian churches and hotels on Easter Sunday, 21 April 2019. Corporation about the weaknesses in the procurement process followed in relation to the purchase and reported on 26 November 2020. Based on that report, a complaint has been made to the Criminal Investigation Department on 17 March 2021.

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| <p>(e) Trade debtor balance of the company was Rs.1,557.36 million at the end of the year 2023 and out of that balance Rs. 62.89 million was between 1</p> | <p>2023
2022
2021</p> | <p>Arrangements should be made to recover the debtor balances promptly.</p> | <p>Agree with these observations. By during paying close attention to the debt collection process and managing it this</p> | <p>The full amount of outstanding balance had not yet been recovered.</p> |
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and 2 years, and the value to be collected between 2 and 5 years was Rs. 110.18 million. Also, the value that should have been collected over 5 years was Rs. 25.33 million. From that debtor balances of Rs. 1,251.6 million related to the providing of security services and more than 53 per cent of that balance and Rs. 669.63 million was the remaining amount due from the Ministry of Health and furthermore 14 per cent or Rs. 171.78 million was the remaining amount due from the National Water Supply and Drainage Board. Moreover From that debtor balance Rs.302.54 million had to be recovered from 04 institutions for providing manpower.

debtor balance has decreased from Rs. 1557 million to Rs. 1150 million.

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| <p>(f) According to 2023 paragraph 15 of the 2022 National Audit Act 2021 No. 19 of 2018, although the annual report with the audited financial statements and the opinion of the Auditor General should be tabled in the</p> | <p>The provisions of the Audit Act should be followed.</p> | <p>The matters related to that find out and corrections will be made in the future.</p> | <p>The audited financial statements and annual reports had not yet been tabled in Parliament.</p> |
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parliament, the company has not arranged to table the audited financial statements and annual reports in the parliament since 2018.

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| <p>(g) As per the Company's 2023 Revenue Recognition 2022 Policy No. 2.4.1, due 2021 to failure to prepare invoices based on reliable measurable evidence, revenue of Rs. 59.07 million, Rs. 32.94 million, and Rs. 23.30 million had been lost in the invoiced years 2023, 2022, and 2021 due to refusal of payments by client institutions. Necessary control action was not taken to rectify this. Although the company had replied to the audit in year 2023, that it was working to reduce this situation, but it had not done so.</p> | <p>Invoices should be prepared based on verified evidence that can be reliably measured.</p> | <p>All efforts will be made to bring this situation to a satisfactory level in future by strengthening of control measures.</p> | <p>The necessary control measures had not been taken to correct this.</p> |
| <p>(h) For the boat service 2023 had operated by the 2022 company without 2021 proper evaluation of the market requirement, the income related to the years 2023, 2022 and 2021 was Rs. 7.81</p> | <p>Attention should be paid to identify market requirements accurately and business should be conducted in a manner that minimizes the</p> | <p>In order to reduce the financial loss of the boat service in future, the company will revise the prices charged for pleasure boat rides and reduce</p> | <p>The boat service is already running at a loss.</p> |

million, Rs. 4.32 million and Rs. 2.51 million respectively, the actual cost incurred during the year to maintain the boat service was Rs. 14.23 million, Rs. 10.77 million and Rs. 7.75 million respectively, resulting in a loss of Rs. 18.1 million in those 3 years from maintaining the boat service.

costs.

the service work.

3.45 Lanka Mineral Sands Ltd.

	Total Assets	Total Liabilities	Equity	Profit before Tax	Audit Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	5,845,829,448	1,679,080,522	4,166,748,926	1,386,986,318	Qualified
2022	11,063,871,280	3,701,320,009	7,362,551,271	6,160,425,036	Qualified
2023	9,902,118,691	891,053,163	9,011,065,528	4,050,724,331	Qualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation on status of recommendation as on date of the Report
(a) Having imported a dryer worth Rs. 62,370,234 on 30 June 2016 in order to save expenses on fuel by 50 per cent , a sum of Rs. 43,838,767 had been paid including the penalty for delay amounting to Rs. 1,164,350. That machine had been shown under advances in the financial statements since that date up to 31 December 2021. Even after 06 years since the purchase, the	2021	Action should be taken to make use of the machine in the production process, and action should be taken against the officers responsible.	No action had been taken.	Action had not been taken to make the machine functional thus failing to use it in the production process.

Company could not use the machine in production process even up to the date of this report. Action had not been taken to identify the officers responsible and take disciplinary measures against them.

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| <p>(b) Having justified the facts that the mining licenses of the Company remained underutilized, and capacity of the existing mining licenses would not be sufficient for operations of the 20 ensuing years, a mining plan for the next 20 years had not been presented. As such, the applications presented by the Company for 07 new exploration licenses had been rejected by the Geological Survey and Mines Bureau. As the area belonged to the Department of Wildlife Conservation, the Company was unable to complete the exploration using the License No. EL/406 obtained for Nayaru-Chemmalai area in Kokilai lagoon thus failing to obtain a</p> | <p>2022</p> | <p>Action should be taken to expeditiously obtain exploration licenses by preparing a mining plan.</p> | <p>No action had been taken.</p> | <p>As a mining plan had not been presented, the mining licenses remained underutilized.</p> |
|---|-------------|--|----------------------------------|---|

mining license. The said exploration license expired on 31 December 2022. Due to these reasons, there existed no valid exploration license whatsoever in possession of the Company as at 31 May 2023.

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|-----|--|------|--|---------------------------|--|
| (c) | Four wheel loaders valued at Rs. 53,695,105 and a lorry valued at Rs. 800,000 remained idle for over 05 years at the premises of the factory in Pulmudai. | 2023 | The assets remaining idle should be recognized, and suitable measures should be taken. | No action had been taken. | Had not been made functional. |
| (d) | Licenses obtained for mining mineral sands at a land in extent of 0.5041 hectares in Poduwakattu had not been used for any mining activity, nor had the license been renewed, thus, the license had become expired, and the sum of Rs. 1,284,500 spent thereon had become fruitless. | 2023 | The licenses should be properly made use of for mining activities. | No action had been taken. | Action had not been taken either to renew the license or do the mining. |
| (e) | The Company owned 13 wheel loaders, but only 07 of them had been used in the year under review whereas action had not been taken to repair and use | 2023 | The existing wheel loaders should be repaired and made use of at maximum capacity. | No action had been taken. | Action had not been taken to optimally use the wheel loaders of the Company and make |

the other machines. The 07 machines so used, had been deployed for 17,343 hours in the year. The Company had employed 21 wheel loader operators and a sum of Rs. 20,368,840 had been paid as salaries, allowances and overtime during the year 2023. Although all the 07 wheel loaders had been used at maximum capacity, a wheel loader obtained on rent at an hourly rate of Rs. 12,400 had also been deployed to service. Although the hourly rate had been estimated to be Rs. 9,500 when selecting the contractor, the contract had been awarded at a value more than the estimated rate by Rs. 2,900. The wheel loader obtained on rent for the period from 17 November 2023 to 31 December 2023, had been deployed for 817.9 hours and a sum of Rs. 7,161,204 had been paid to the supplier.

payments based on the estimated rates.

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| (f) | Action had not been taken to settle the Value Added Tax amounting to Rs. 102,010,243 receivable until the end of the year under review since 2006 and shown as other current assets. | 2023 | Action should be taken to settle the receivable taxes. | Tax liabilities had not been settled. | Tax liabilities had not been settled. |
| (g) | According to the sample test conducted at the laboratory of the Company in the year under review, the percentage of mineral sands contained in the sand remained less than 39 per cent. It was observed that an amount of 42 – 57 per cent had been removed by the Block A Plant as tailings. | 2023 | New mining areas should be identified. | No action had been taken. | Action should be taken to identify minerals sands of required standard. |

3.46 Trinco Petroleum Terminal (pvt) Ltd

	Total Assets (Rs)	Total Liabilities (Rs)	Equity (Rs)	Profit/(loss) before tax (Rs)	Audit Opinion
2021	-	-	-	-	-
2022	317,820,000	255,790,000	62,030,000	(37,970,000)	Unqualified
2023	351,190,000	235,910,000	115,280,000	(46,750,000)	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The Company had submitted an application dated 16 December 2022 for the purpose of setting up a new company to be operated under section 17 of the BOI law. The application was accepted by the Board of Investment (BOI) on 20 December 2022 and the total registration fee paid to the BOI amounted to Rs. 1.2 million as at 31 December 2023. However, the agreement with the	2023	Action should be taken promptly to get the BOI registration and to start operational activities for timely achievement of the business objectives.	During discussions conducted with the legal section of the BOI, it was requested to submit several documents such as Amended Article of Association, Approval of Central Environment Authority, Approved Survey Plan, Draft Agreement and Auditors conformation	BOI registration had not been obtained as of 18 November 2024.

BOI had not been signed as of end of June 2024. As a result, the Company was unable to obtain the benefits under the section 17 of the BOI law. Further, that was adversely affect on commencement of the operational activities and timely achievement of the business objectives.

before signing the agreement.

After preparing the documents, it is expected to complete the process of obtaining this registration.

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|-----|--|------------|--|---|---|
| (b) | According to the short-term strategic plan of the Company, 09 tanks had to be refurbished during first phase of the project or first three-year period. However, it was unable to observe that the Company has reached to the target timely even the first two years have already passed. Therefore, the completion of the project and commencement of business activities timely according to the strategic plan were doubtful. | 2023 | The process of obtaining the required funds for the project should be expedited. | The Capital expenditure requirement for this is USD 11.9 million. Since TPTL does not have funds for this investment, Expression of Interest (EOI) was called in newspapers on 20/05/2024 and websites of TPTL, CPC and LIOC with effect from 21/05/2024. Development activities of the project will have to be scheduled based on the outcome of the results of the EOI. | The EOI process had not been completed even by 31 October 2024. |
| (c) | The Company had not entered into a common user facility agreement | 2022, 2023 | Prompt actions should be taken to enter in to common | The consultant appointed to design the | Common user facility agreements |

or does not have a plan with the relevant parties regarding the common user facilities, including the use of jetties, pipelines, and other ancillary services. Therefore, it was observed that there is no common agreement with relevant parties to success the business operation of the Tank Farm Project at Trincomalee.

user facility development agreements with the stakeholders of the company to success the business operations of the Tank Farm Project at Trincomalee.

activities of Phase 1 of the project has agreed to provide the detailed design within the month of June 2024. The agreement for the common user facilities will be finalized by both CPC and CPSTL, after studying the detail design of Phase 1 of the project.

had not been reached as of 31 October 2024.

- (d) The consultancy project for the preparation of an Initial Environment Examination (IEE) report which is required to obtain the approval from the Central Environmental Authority (CEA) for the Tank Farm Development Project at Trincomalee had been awarded to a local consultant on 13 September 2023 at contract value of Rs. 3.3 million. Even though, the contract period is 2.5 months, the IEE report has not been obtained yet. According to the records of the Company, the
- Getting the preparation of an Initial Environment Examination (IEE) report should be expedited from consultant so as to enable the company to obtain the approval from the Central Environmental Authority.
- Progress of the work of the Consultant was delayed due to following reasons.
- Delays for granting approvals from some of the stakeholders of the project for collecting data required for completion of the report.
 - Under water survey within the area of China Bay lagoon could not be conducted for a longer period, due to bad weather conditions.
- The approval of the Central Environment Authority had not been obtained as of 31 October 2024.

cumulative progress of the project as at 31 December 2023 was only 10 percent. As a result, the preparation of the IEE report for the project has been delayed for 07 months as of July 2024.

- Delays for providing data from the other contractors involved in the project.

<p>(e) According to the 2023 information provided to the audit, 76 percent or Rs. 139.81 million of the capital budget was remained unutilized for the year 2022 and 100 percent or Rs 3,965 million was remained unutilized in 2023. Even though, the capital budget of Rs 4,291.16 million had been made for the year 2024 for the capital improvements of the Company, it was observed that there are no secured internal or external funding source to finance the budgeted CAPEX of the company.</p>	<p>The process of securing funds for the project should be expedited.</p>	<p>50 percent of the capital budget allocation of 2023 consists for the tank repair and rehabilitation for 10 tanks where balance was budgeted for the development of allied facilities. Development activities of the project will have to be scheduled based on the outcome of the results of the EOI and revised budget for 2024 will be presented for the approval based on the outcome.</p>	<p>The EOI process had not been completed even by 31 October 2024.</p>
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3.47 The Ceylon Petroleum Storage Terminal Limited

	Total Assets	Total Liabilities	Equity	Profit / (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	Rs.
2021	33,998,801,381	5,999,110,141	27,999,691,240	1,169,211,614	Qualified
2022	33,481,121,505	6,252,243,898	27,228,877,607	(1058,696,799)	Qualified
2023	32,227,513,385	5,746,840,480	26,480,672,905	36,611,411	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	As reiterated in previous reports, it was observed that the Shareholders Agreement and Share Sales Purchase Agreement for the common user facility among CPC, LIOC and CPSTL had expired on 31 December 2008. However, the Company had not taken any action to extend the agreement for a further period of time or to enter into a new agreement with related parties by way of proper evaluation and approval of the	2021 2022 2023	Action should be taken to renew the relevant agreements.	A new agreement proposed to be signed with LIOC during the month of July, 2024 in line with the agreement already signed with CPC.	The agreements had not been signed even in November 2024.

Board. As a result, the pricing formula used for the purpose of determining the throughput charges, transport charges including slab recoveries with the consent of all the related parties had not been revised after 2011.

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|-----|--|--------------|---|---|---|
| (b) | The ownership of 09 bulk depot lands are vested with Sri Lanka Railway Department and the Company uses these lands under lease basis. The lease agreement with Sri Lanka Railway Department to use these lands had been expired on 31 December 2013 and Company uses these lands continuously after expiry of lease agreement neither entering in to a new agreement nor renewing exiting agreement. However the Company had not made relevant disclosures in the financial statements in this regard. | 2022
2023 | Action should be taken to sign a new lease agreement. | There is no other option and continuing the operation of depots is a must. After 2014, the CGR has increased lease rentals more than 100% by doing valuation including improvements done by the company. Since the company did not agree to pay the unjustifiable increased lease rentals, with the board approval the lease rentals were paid on prevailing rates from 01 January 2014 to 31 December 2021 until correct valuation is done by CGR. The | A new lease agreement had not been signed even November 2024. |
|-----|--|--------------|---|---|---|

CGR did not agree to execute the lease agreements with retrospective effect. They have consented to execute lease agreements for a period of 05 years from 2023 onwards on the payment of arrears of lease rentals for last 08 years. Until resolving the payment issue, the execution of the lease agreements cannot be completed. The CGR has already submitted the draft lease agreements until 31 December 2027.

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|--|----------------------|--|--|--|
| <p>(c) The Company had commenced to construct new pump house in Zone 06 Kollonnawa Oil Terminal in the year 2018. Instead of constructing pump house as single package of construction, Company had initially sliced this work in to</p> | <p>2022
2023</p> | <p>The company should be follow government procurement guidelines.</p> | <p>The project is scheduled to be completed by September 30, 2024.</p> | <p>Although construction work had been completed, the work required to make it condition of fit for use had not been completed by November</p> |
|--|----------------------|--|--|--|

05 separate constructions such as construction of pump house building, construction of pipe support, electrical fittings, yard development and make simplex basket strainer and the Company had awarded these 05 constructions to 05 separate contractors. The construction activities of construction of pump house building, electrical fittings and yard development had been completed during the year 2019 and 2020. However it was observed in site visit that construction of pipe support had not been completed and procurement activities of construction of pipe line connection from pump house to filling gantry and tank farm had not been initiated up to 31 May 2023. As a result, pump house is not in a condition for intended use. Further, a sum of Rs.115.2 million incurred for this construction up to the end of the year under review was become unutilized asset and it was 2024.

observed that packaging of contract had become ineffective.

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|-----|---|----------------------|---|--|--|
| (d) | According to the financial statements of the Company for the year under review amount receivable from Ceylon Petroleum Corporation (CPC) was Rs. 7,357 million. However, as per the financial statements of the CPC, the corresponding payable balance was Rs. 6,128 million and a difference of Rs. 1,229 million was observed. The company had reconciled the differences and had discussions with the CPC to agree with these differences. Accordingly, the company had mutually agreed with a net difference, of Rs. 313 million. However no any adjustments had been made in the accounts. | 2021
2022
2023 | Should take actions to reconcile Intercompany balances and receivables balances from relevant parties and settle or recover timely. | Decision has been taken to resolved most of the disputed transactions with CPC. Had discussion with CPC management and agreed to settle old unpaid User License fees after obtaining the Board approval. | The balances had not been settled yet. |
| (e) | According to the financial statements of the Company for the year under review amount receivable from The Lanka | 2021
2022
2023 | Should take actions to reconcile Intercompany balances and receivables balances from relevant parties | As per the Board Decision No.14/231 of 24 November 2022, the Board of Directors granted | The balances had not been settled. |

Indian Oil Company (LIOC) was Rs. 693 million. However as per the balance confirmed by the LIOC it was Rs. 289 million and a difference of Rs.404 million was observed. Accordingly, the reconciliation had been prepared to identify the differences and bulk transport charges amounting Rs. 301 million had not been mutually agreed with the LIOC.

and settle or recover timely.

approval to recover inter terminal bulk fuel transport charges of Rs. 300 million from LIOC on LBD fuel sales as per the clause No. 06 of the new agreement proposed to be signed with CPC & LIOC with effect from 01 January 2022. Accordingly, CPSTL has generated invoices for the value of Rs. 300 million and payments remain unsettled to date.

3.48 Litro Gas Terminal Lanka (Private) Limited

	Total Assets (Rs)	Total Liabilities (Rs)	Equity (Rs)	Profit/(loss) before tax (Rs)	Audit Opinion
2021	13,383,443,548	1,367,712,163	12,015,731,385	1,200,865,503	Unqualified
2022	13,859,961,921	1,634,037,303	12,225,924,618	1,159,594,660	Unqualified
2023	14,618,950,510	1,937,372,247	12,681,578,263	2,161,303,131	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation on status of recommendation as on date of the Report
<p>(a) PED Circular No 01/2015 dated 25 May 2015 and PED Circular No 01/2015 (ii) dated 14 January 2022.</p> <p>Chief Financial Officer/Chief Operations Officer and any other officer who holds a post approved by Management Services Department and have been placed equal or above HM 1-1 category of any SOE will be entitled to draw a fuel allowance equivalent to 145 and 115 liters per month respectively. However, the company had provided a monthly</p>	2021 2022 2023	The board shall adhere to the applicable laws and regulations in this regard and obtain prior approval of the Ministry of Finance for any deviations required	<p>The Fuel allowance have been based on the Job Group of the employees, the role performed/related duty. The Company operations model requires staff to travel. The practice was applied since Shell Management.</p> <p>It is pertinent to mention that Litro Gas Terminal Lanka Pvt Ltd has been incorporated under the Companies Act No 07 of 2007 as such</p>	The fuel allowance have been paid exceeding the fuel limits for seven employees without prior approval of the ministry of finance

fuel allowance ranging from 200 liters to 600 liters exceeding above fuel limits for seven employees.

Accordingly, an overpayment of Rs 1.75 million had been made for those officers in the year 2023, and the company had provided a fuel allowance of Rs. 301,648 per employee who was not eligible for fuel allowance for the year 2023.

the decisions are made by the board of Directors.

- (b) PED Circular No 2021 01/2015 dated 25 May 2022 2015 and PED 2023 Circular PED 01/2015 (i) dated 27 October 2016,

An officer who is entitled to an official vehicle has the option either to use the official vehicle or to avail a monthly transport allowance of Rs. 50,000 and monthly fuel allowance applicable to the post. However, such officers shall not be provided with a driver or a driver allowance.

But Contrary to the circulars,

- (i) The company had 2021 provided a monthly 2022 transport allowance 2023

The board shall Few employees Without prior adhere to the who requires job approval of applicable laws and related vehicles are the Ministry

ranging from Rs. 171,600 to Rs. 360,360 for seven employees, and Rs. 15.36 million had been overpaid during the year 2023.

regulations and obtain prior approval of the Ministry of Finance for any deviations required.

provided company of Finance, maintained transport allowance is paid exceeding the prescribed limit for seven employees and driver allowance is also paid for two employees. These employees are not paid a vehicle allowance. Providing vehicles to perform the day to day operations in order to perform the operations of the Company is Pivotal.

- (ii) The company had 2021 provided a monthly 2023 vehicle allowance totaling to Rs. 6.09 million for ten employees who are not eligible for vehicle allowance in the year 2023.

The board shall adhere to the applicable laws and regulations and obtain prior approval of the Ministry of Finance for any deviations required.

Vehicles Allowances are based on the Job Groups and market rates of vehicles. The practice was applied since Shell Management. Litro Gas Terminal Lanka Pvt Ltd has been incorporated under the Companies Act No 07 of 2007 as such the decisions are made by the board of Directors. Transport Allowance is paid to ten employees who are not eligible for such benefits without prior approval of the Ministry of Finance.

- (c) The company had been 2023 established to provide bulk storage facilities for petroleum liquid gas for the Litro Gas Lanka limited and it had recorded a

The company should take the necessary actions to improve operational efficiency in order to reduce operating costs.

The company has taken significant steps to reduce operational costs for Litro Gas Lanka Limited through the project so far. The company has not invested in the storage capacity expansion project so far.

significantly high gross profit margin (based on Cost of Sales) of 525 per cent and 352 per cent in the year 2023 and 2022 respectively. Compared to the previous year, the gross profit for the year 2023 has increased significantly by Rs.554 million. The throughput fee of USD 51 per ton of gas decided by the board paper LGGTTL/AOB/03/OC TOBER/2019 on 28 October 2019, had been reduced to USD 20 in the year 2023. However, the action had not been taken by the company to reduce the operating cost of the Litro Gas Lanka limited by further reducing the liquid gas bulk storage facility charges and support to reduce the gas price and ease the inconvenience caused to the gas customer of the country.

reduction of the throughput fee. We will continue to evaluate and implement measures that support cost reduction and customer convenience, while ensuring the company's long-term viability and operational excellence. It is apparent that the storage capacity needs to be expanded to ensure uninterrupted supply with the current increasing demand of the product. The investment for this is substantial. As such before making any decision to further reduce cost this issue needs to be addressed.

- (d) The Company had paid Rs. 500 million to Sri Lanka Land Development Corporation in 2021 as part of the total lease rental for a 22 acres' land and a building in

2021
2022
2023

The company shall use this property for the intended purpose or any other suitable purpose with the approval of the relevant authorities.

The payment to SLLDC was made with the intention of securing the land for strategic projects essential to the company's operations. Despite

Need to get necessary action for effective utilization of land and building.

Kerawalapitiya, for the purpose of construction of an oxygen filling station and/ or to utilize as an additional LPG operation and storage expansion project or any other related activities. However, the cabinet approval was not being granted to the Sri Lanka Land Development

Corporation to lease the above land for the Company up to the year under review due to on-going restructuring process of the Company. Therefore, the Company had not been deriving any benefit from the above payment up to now.

the delay in Cabinet approval due to the ongoing restructuring process, steps have been taken to ensure that the land lease is secured and the company derives the intended benefits. The situation has been managed proactively, with continuous communication and negotiation with SLLDC and the Ministry of Finance. In addition, new plans of other Company facilities to be placed in this facilities are in progress. A details of such will be provided once it is finalized and approved.

Recent developments

The payment of Rs.500 million was made on the condition of using the building standing in the property and the same was using for the company purposes since

2022.

- | | | | |
|--|--|--|---|
| <p>(e) The Chairman 2021
nominated by the Line 2022
Ministry had been 2023
appointed by the Board
of the Sri Lanka
Insurance Corporation
(the parent company)
and he had also been
appointed by the board
of directors of the
company as the Chief
Executive Officer in
the year 2019.
According to Guideline
2.2.2 of Guidelines on
Corporate Governance
for State Owned
Enterprises dated 16
November 2021, the
Chairman is the head of
the Board of Directors
and according to
Guideline 2.5.1, the
responsibility of the
CEO is to prepare
strategic, tactical and
operational plans.
Having the same
person holding both
these positions are
against good
governance practices.</p> | <p>It is recommended
to separate the two
powerful
conflicting roles of
chairman and CEO.</p> | <p>The decision to
appoint Mr. M S G
Peiris as both
Chairman and
CEO of LGTLL
was driven by the
need to address an
urgent operational
crisis and was
made in the best
interest of the
company and the
nation. The
presence of an
Independent Non-
Executive Director
further reinforces
our commitment to
maintaining good
governance
standards.
The decision was
addressed by the
Board of Directors
at the meeting held
on 13 August 2024
and a CEO has
been appointed
with effect from
01st January 2025.</p> | <p>New
Chairman has
been
appointed for
both
companies
and CEO has
not been
appointed up
to now.</p> |
| <p>(f) The Audit Committee 2022
should meet at least 2023
once in three months
and report its
recommendations to
the Board of Directors.
However, only one
Audit and Management</p> | <p>The Audit
Committee shall
meet regularly and
oversight the
finance function
and the other
related matters of
the company.</p> | <p>Despite not
meeting the
minimum
requirement, the
focus on covering
the audit plan has
been achieved
during the year</p> | <p>No audit and
management
committee
meeting has
been held for
the company
during the
year 2024.</p> |

Committee Meeting was held for the Company during the year under review.

2023. However, the requirement to have a minimum of four audit committee meetings will be fulfilled during the year 2024.

- (g) In accordance with the 2022 guidelines 4.2.2 and 2023 4.2.3 of the Government Procurement Guidelines and the related structure of the Procurement Guideline, a procurement entity should be prepared for the expected procurement activities through the procurement plan. Further, a procurement time schedule should be prepared, describing in chronological order of the steps of each individual procurement action from the point of commencement until its completion. However, the company had not prepared a procurement plan and procurement time schedule in line with the above guidelines.
- Company shall prepare procurement schedule by chronological order describing the steps of each procurement action.
- The procurement plan and time schedule for the procurements valued at more than 50 million rupees (DPC major) have been submitted to the line ministry. The entity is not preparing a procurement plan for the shopping level procurements.
- The company had not prepared a procurement plan and procurement time schedule in line with the procurement guidelines.

3.49 Kahatagaha Graphite Lanka Ltd.

	Total Assets	Total Liabilities	Equity	Profit before	Audit Opinion
	Rs.	Rs.	Rs.	Tax	
				Rs.	
2021	510,862,154	58,458,933	452,403,221	11,085,760	Qualified
2022	566,673,584	64,720,489	501,953,095	57,110,521	Qualified
2023	591,174,305	64,617,781	526,556,524	28,262,020	Qualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) Due to failure in settling expenses on electricity on time, a surcharge of Rs. 447,754 had been paid by the Company in the year under review.	2023	Expenses should be settled on time.	No action had been taken.	A mechanism to recognize the payable expenses had not been introduced.
(b) The total sales income of the Company from Graphite during the year 2023/2024 amounting to Rs. 128,558,961 comprised a sum of Rs. 103,708,458 from foreign sales and a sum of Rs. 24,850,503 from local sales. It had been decided by the pricing committee on 11	2023	Action should be taken to minimize losses by adhering to prices decided by the pricing committee.	No action had been taken.	Prices decided by the pricing committee had not been adhered to.

September 2023 that 01 Metric Ton of Graphite of the category 97-99 per cent (lump+10mm) be sold at US \$ 2,400. However, the Company had sold 40 Metric Tons of Graphite to Bogala Graphite Company on 02 October 2023 for a sum totalling Rs. 20,768,126 at US \$ 1,600 per Ton. As such, the Company had been deprived of an income amounting to Rs. 10,384,000 due to that transaction.

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| <p>(c) Having mined graphite with higher percentage of Carbon, it had been planned to increase the monthly production up to 80 Metric Tons. However, the average monthly production of the year under review was 44 Metric Tons, and the total production was 530 Metric Tons. As such, the Company had not been able to achieve the expected targets of production.</p> | <p>2023</p> | <p>Plans should be prepared practically, and action should be taken accordingly.</p> | <p>No action had been taken.</p> | <p>Action had not been taken to increase the monthly production.</p> |
| <p>(d) Laboratory of the Company had been established with the objective of value addition for graphite, but no relevant activities had been</p> | <p>2023</p> | <p>Action should be taken for value addition to graphite.</p> | <p>No action had been taken.</p> | <p>The intended purpose had not been executed through the laboratory established</p> |

executed therein; instead, only measuring the percentage of carbon in the samples from graphite processed for export, had been done. At present, the Company has exported graphite only in the forms of flakes (Carbon 97-99 per cent) and chips (Carbon 90-92 per cent), and no products had been manufactured through value addition as finished or semi-finished.

for value addition to Graphite.

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| (e) | It was expected as per the Action Plan of the Company to sell 647 Metric Tons of Graphite annually, but only 264 Metric Tons had been sold in the year under review indicating 57 per cent of the expected sale. During the said period, the Company had not taken action to gain competitive advantages, and 220 of the 264 Metric Tons sold had been purchased by one foreign buyer. | 2023 | Sales strategies should be put in place to achieve the expected targets of sales. | No action had been taken. | The expected sales strategies had not been executed. |
| (f) | According to the letter of the Secretary to the Ministry of Policy Planning and Implementation dated | 2022 | Action should be taken to reach a consensus with the relevant parties to enter into a lease | No action had been taken. | A lease agreement had not been entered into for lands |

15 October 2003, it had been decided at the meeting of the Board of Directors held on 16 October 2003 that space facilities for the Youth Corps training center in Dodangaslanda be provided from lands owned by the Kahatagaha mine. Accordingly, lands had been released for a period of 03 years since 2003, and that period had elapsed by 17 years as at the date of audit, but the lands are used for the training center without entering into a lease agreement or paying lease rents.

agreement, follow the agreement and recover the outstanding lease rents.

granted to the training center.

- (g) The requirement for a 2021 2nd shaft to reach the 2000 feet level from the depth of 1130 feet, had been identified several year ago and preliminary activities had been commenced. However, no further action had been taken.

Action should be taken as per the plans to expand the operations.

No action had been taken.

Action had not been taken for products of the 2nd shaft.

3.50 Lanka Phosphate Ltd.

	Total Assets Rs.	Total Liabilities Rs.	Equity Rs.	Profit before Tax Rs.	Audit Opinion
2021	1,184,905,388	116,386,382	1,068,519,006	157,030,089	Unqualified
2022	1,310,280,040	298,537,689	1,011,742,351	69,334,034	Unqualified
2023	1,468,740,433	413,336,131	1,055,404,302	363,349,438	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation on status of recommendation as on date of the Report
(a)	Considering the matters such as supplying fertilizer in the wake of increasing demand, and reducing expenditure on the import of fertilizer, a used crusher had been purchased in the year 2014 at a value of Rs. 34,654,178. The brand, model, company of production, or country of origin had not been mentioned on any part of the machine, informed by the then Production Manger to the General Manager with photographic and documentary evidence. That machine had not been made use of since	2021 2022 2023	The management should take action to ensure productivity in using the machine purchased at a sum of over Rs. 34 million.	No action had been taken.	The crusher had not been used, nor had the losses been recovered.

the date of installation up to 30 November 2024. The authorities of the Company had not taken action thus far to recover the loss sustained by the Company due to purchase of a used machine rather than a new one, and identify the officers responsible for not using the machine since the purchase. Furthermore, as the machine remained unsafe since 2014, it had become decayed. The retention money of Rs. 4,386,358 payable to the company from which the purchase had been made, had not been released as well as the machine had not functioned properly.

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| (b) | The production process of the coconut fertilizer project commenced in the year 2014 at a capital expenditure of Rs. 21,226,633 at Wariyapola, had been halted by 05 May 2021, thus sustaining a loss of Rs. 31.71 million due to the entire project. Furthermore, the five year lease period of the land obtained for the project, had expired on | 2022
2023 | As the project had been implemented incurring a capital expenditure of Rs. 21 million, Action should be taken to ensure productivity of the project by expeditiously settling the dispute. | The Institution had taken legal action through the Attorney General's Department. | Action had not been taken either to renew the lease period of the land or restore operations of the project. |
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05 September 2018. Although the production process had been continued without renewing the lease agreement, the land owners had prevented the Company from entering into the premises of the project from September 2022. However, action had not been taken even by 30 November 2024 to settle the dispute.

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| <p>(c) As the desired 2023 percentage of rock phosphate did not exist in 393 metric tons of ERP fertilizer sold to CIC Company, that stock of fertilizer had been returned, and an uneconomic expenditure of Rs. 1,739,381 had been incurred thereon as transport and loading charges in the year under review. That stock of ERP fertilizer had been reprocessed by mixing with super grade Eppawala rock phosphate during the period from 23 July 2023 to 07 August 2023, but had not been sold.</p> | <p>The required standard should be maintained in the production process.</p> | <p>No action had been taken.</p> | <p>Action had not been taken to sell the product with required standards.</p> |
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| <p>(d) It was stated in the 2023 Cabinet Memorandum No. 16/2012 presented by the Ministry of Environment on 20 April 2012 that exporting raw minerals should be discouraged. However, the Company had taken action to sell the phosphate mineral to 03 buyers at local prices in order to export without value addition. No evidence was made available to the Audit that a formal methodology had been followed in selling phosphate to those buyers. The Company had earned Rs. 343,382,000 (at Rs. 26,000 per metric ton) by selling 13,207 metric tons of phosphate to the said 03 buyers at local prices in the year under review.</p> | <p>The process of value addition to the product should be done.</p> | <p>No action had been taken.</p> | <p>No value addition had been done to the phosphate mineral.</p> |
| <p>(e) The spare parts worth 2023 Rs. 3,975,998 purchased without evaluating the requirements of the factory, remained unused at a store over many years.</p> | <p>Action should be taken to recover the loss sustained due to overpurchase.</p> | <p>No action had been taken.</p> | <p>Action had not been taken to make use of the spare parts.</p> |
| <p>(f) The Company had 2023 locally purchased rubber bushes used in grinding machines at</p> | <p>Disciplinary action should be taken against those responsible for</p> | <p>No action had been taken.</p> | <p>The rubber bushes imported at higher prices,</p> |

Rs. 350 per unit, and used them on the machines until the date of audit on 01 April 2024. Having stated that the stock had become zero despite the availability of 81 units at the store, 200 units of rubber bushes had been imported on 17 December 2022 at Rs. 15,816,482 each costing Rs. 79,082. As the stock of items that would have been purchased at a cost as low as Rs. 70,000 (Rs. 350 x 200), had been imported at a much higher price, the Company had sustained a loss of Rs. 15,746,482. The stock so purchased, remained idle at the store without being mentioned in the stores registers even up to the date of audit on 01 April 2024. Although 198 coupling bolts had also been received along with the rubber bushes, those bolts were of no use for the machine, hence the bolts remained idle.

uneconomic purchases. The stock should be made use of.

remained idle without being mentioned in the stores registers.

3.51 West coast power (Pvt) limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	99,983,953,818	19,461,258,191	80,522,695,627	18,736,211,849	Unqualified
2022	149,271,421,430	58,321,192,508	90,950,228,916	19,427,533,289	Unqualified
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementati on status of recommenda tion as on date of the Report
(a)	Monthly invoices issued by the Company as per power purchase agreement regarding power generation had been reviewed by Ceylon Electricity Board (CEB), and in most instances the amount accepted by the CEB was lower than the amount invoiced. CEB had confirmed the amount agreed without providing the reason affected to the difference. Total balance receivable from CEB as at 31 March 2023 was Rs.	2022/2023 3 2021/2022 2	Action should be taken to resolve the dispute with CEB.	As discussed in numerous Board meetings of West Coast Power (Pvt) Ltd, the Company prepares monthly Energy invoices to CEB based on the contractually agreed parameters and values, but CEB prepares payable balance to the company based on different set of parameters of their own which is not agreed between Company and CEB. The following six areas (disputes)	The Board of Directors of West Coast Power (Pvt) Ltd and CEB have agreed to the proposed parameters.

110,194 million.
However, as per the balance Confirmation of CEB, respective payable balance to the Company was Rs. 79,382 million. Further, the Company had made provision of Rs. 12,160 million for impairment for the above receivable balance.

described below have contributed to the above large difference.

1) Arbitrary

Application of values after the Conclusion of Parameter Negotiations. After the several discussions had with CEB, Company has agreed for parameters subsequent to a joint committee discussion held on 02nd September 2024.

2) Fuel Energy Rate Dispute.

The CEB is now in agreement of using formula, which has been used in Company invoices, from December 2016 onwards.

3) Diesel Fuel Operation.

The committee, both CEB and

Company,
noted that the
parameter FER
calculated in
the invoices for
Auto Diesel
operations are
correct and
CEB agreed to
settle the due
payment for
period of total
diesel
operation.

- 4) Liquidated
Damages
Imposed on
Non-
Availability of
Fuel.
The committee,
both CEB and
Company,
recommends
and agreed to
remove the
imposed LDs
during the
mentioned
period
(November,
December
2019 and
January 2020)
for the
deducted
amounts due to
LD imposed on
non-
availability of
fuel

5) Import Energy Dispute.

CEB agreed to stop deducting for import energy units from monthly invoices for energy sales and implementing tariff category IP3.

6) Reduction of Excess Energy

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| (b) | As per the Section 3.1 of Operational Manual for state owned enterprises dated 17 November 2021, All state owned enterprises must seek the approval of the General Treasury for their cadres and remuneration. Company had failed to comply with the requirement. | 2022/2023
2021/2022 | Should be complied with the provisions of the above manual | Management comment had not been received. | Only the Board of Directors of West Coast Power (Pvt) Ltd has been approved. |
| (c) | As per the Section 3.2(vi) of Operational Manual for state owned enterprises dated 17 November 2021, Bonus payment should be made in line with the circular directions issued by the General Treasury. | 2022/2023
2021/2022 | Should be complied with the provisions of the above manual. | The Chief Executive Officer of the company has informed the Audit Committee regarding this matter, and the Audit Committee recommends establishing a | Not complied with the provisions of Operational manual. |

Accordingly, the Company should pay bonus as per the public Enterprises circular dated 21 December 2022. However, the Company had paid Rs.1.85 million as Bonus for the year under review to all three employees of the Company without complying with above Circular. Further, Board approval and other documentary evidence relating to the above payment were not made available to audit.

procedure for bonus payments.

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| (d) | As per the Section 6.6 of Operational Manual for state owned enterprises dated 17 November 2021, The Annual Report should be tabled in Parliament within five (5) months after the close of the financial year. However, Company had not tabled the annual report from its inception. | 2022/2023 | Should be complied with the provisions of the above manual. | Management comment had not been received. | Not complied with the provisions of Operational manual. |
| (e) | As per the Section 7.5 of Operational Manual for state owned enterprises dated 17 November 2021, SOE should forward monthly, Quarterly | 2022/2023
2021/2022 | Should be complied with the provisions of the above manual. | The General Treasury has not invested any funds in the company; its involvement was solely for the purpose of | Not complied with the provisions of Operational manual. |

and annual performance report to the Line Ministry and General Treasury. However, it was observed that Company had not complied with above requirement.

financing the power plant through a foreign loan, which has now been fully settled.

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| (f) | As per the section 4.4 of Guidelines on Corporate Governance for State Owned Enterprises dated 17 November 2021 , All SOEs should have an internal auditor who reports only to the Board through Audit committee. However, the Company had not complied with that requirement. | 2022/2023
2021/2022 | Should be complied with the provisions of the above manual. | The Board of Directors of West Coast Power (Pvt.) Ltd has appointed the Audit Committee. | The quarterly financials have been reviewed by the Audit Committee, and the Chairman of the Audit Committee has provided updates to the Board of Directors. |
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3.52 Trincomalee Power Company Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	54,857,827	12,851,457	42,006,370	(11,024,650)	Unqualified
2022	79,812,761	46,869,301	32,943,461	(9,062,909)	Qualified
2023	126,691,734	64,765,983	61,925,750	(11,017,710)	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementati on status of recommenda tion as on date of the Report
(a)	The Company had received a Cabinet approval in the year 2018 to set up a 50 MW solar power plant in Sampur. However, operations of the said power plant had not been commenced up to 31 March 2024. Even though no operations had been carried out by the Company, a sum of Rs. 13 million had been spent on administrative expenses for the year under review. Accumulated Retained Loss of the Company as at 31 March 2023	2022/2023 2021/2022	Necessary action should be taken to implement the project without delay.	Although policy approvals of the Cabinet had been received to establish a 50 MW solar power plant in Sampur, the approval of the Cabinet to follow the Government-to-Government process for the procurement of the project as per the attorney general approvals was received on 19-06-2024. The technical and financial proposal for the project is currently presented	Recommendations are being implemented.

was Rs. 635 million.

to the project committee and the Bargaining Committee appointed by the Cabinet. Accordingly, necessary steps are taken to implement the project without delay according to the government's wishes.

3.53 Lanka Sathosa Limited.

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	8,908,170,536	23,848,470,808	(14,940,300,272)	(840,281,278)	Disclaimer
2022	12,175,345,725	24,785,185,492	(12,609,839,767)	(35,424,512)	Disclaimer
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive Measures Taken by the Auditee Entity	Implementatio n Status of Recommendati on as at Date of The Repor
(a)	At the end of the year under review, the deficit of the company was Rs.35,424,512, while current assets were Rs.10,832,852,647 and current liabilities were Rs.17,780,745,951, while current liabilities exceeded current assets by Rs.6,947,893,304. Also, total assets were Rs.12,175,345,725 and total liabilities were Rs.24,785,185,491, while total liabilities exceeding total assets were Rs.12,609,839,766. As	2022 2021	Action should be taken by the company to continue the operations of the company.	Currently, the company has been able to reduce its liabilities.	It could not be checked since the accounts for the year 2023 had not been provided.

a result, the company's ability to meet its liabilities through its assets and continue to operate is uncertain without treasury provision.

Furthermore, according to Section 220 of the Companies Act, it was not observed that the Board of Directors has taken necessary measures to protect the existence of the company by paying attention to the existing situation.

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| (b) | In accordance with Pubic Enterprise Circular No. 1/2015 dated 25 May 2015, the Company had paid transportation allowances of Rs. 12,500 per month to officers who were not entitled to use official vehicles without obtaining Treasury approval, amounting to Rs. 1,775,000 for 14 officers in 2021 and Rs. 1,487,500 for 11 officers in 2022. | 2022
2021 | The approval of the Department of Management Services should be obtained | A letter explaining the reasons for approving the transportation allowance had been sent to the Director General of the Department of Management. | Approval had not been received up to now. |
| (c) | Contrary to the letters of the Department of Management Services No. DMS/1744 dated 22 February 2017 and | 2022 | The letter of the Department of Management Services should be followed. | It has been forwarded for approval to the Director General of the Department | Illegal payments had not been recovered. |

No. DMS/1741 dated 16 May 2017, a monthly allowance of Rs. 250,000 was paid to the Chief Executive Officer without the approval of the Department of Management Services, and a monthly allowance of Rs. 150,000 was paid to the Deputy General Manager without the approval of the Board of Directors. The amount paid in excess without approval was Rs. 5,795,000 in the year 2021 and Rs. 4,001,666 in the year 2022.

of Management Services.

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| (d) | <p>According to Cabinet Decision No. 19/1659/108/147 dated June 25, 2019, the approval had been given that Treasury should make funds as an equity investment in government-owned enterprises for 05 years from 2020 to settle the capital value of the loan taken by the company for importing rice. Accordingly, share transfer had not been done even at the end of the year under review for the</p> | 2022 | <p>Action should be taken to obtain a share transfer for the accumulated value of the settled loan amount.</p> | Preventive measures had not been informed. | Share transfer had not been made so far. |
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accumulated value of the loan amount of Rs.5,739,364,265, which was settled for 03 years from the year 2020 to the year under review.

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| (e) | The unrecognized balance of Rs.3,498,678 in the rent advance account coming from the year 2015 was not reconciled and corrected untill the year under review. | 2022 | Action should be taken to reconcile and correct the unrecognized balance. | Preventive measures had not been informed. | Recommendations had not been implemented. |
| (f) | In accordance with the Paragraph 6.1 of the Operational Manual as per Public Enterprise Circular No. 01/2021 dated 16 November 2021, It should be ensured that a proper financial management system of the company should be in operation, but 04 accounts maintained by the company in the People's Bank were in overdraft status. The total of overdraft balances in the year under review was Rs.5,050,282,232, which had increased by Rs.1,868,683,577 or 37 percent compared to the previous year. During | 2022 | Action should be taken as per circular. | The bank overdraft balance of the institution is determined based on the institution's working capital requirements and action will be taken to reduce bank overdraft balances at present. | The overdraft situation is continue. |

the year under review, the interest paid for bank overdrafts was Rs.829,787,908, which had increased by Rs.607,589,920 or 273 percent compared to the previous year.

(g)	<p>Security camera systems had not been installed in 114 outlets of the company and only a part of the security cameras installed in 65 outlets are in working condition. Also, due to the fact that the camera systems of the outlets were not connected to the head office, the head office had not been able to maintain direct control over the outlets. There were continuous stock shortages in outlets, and these deficiencies in the security camera system were affected by that. Also, this security camera system was installed in 2016 and had not taken any steps for maintenance after the expiration of the 02 year warranty period of the contract</p>	2022	<p>Security camera systems should be installed and properly maintained.</p>	<p>Preventive measures had not been taken.</p>	<p>Recommendations had not been implemented.</p>
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| (h) | <p>As per the financial statements of the year under review, no amount of stock losses receivable of Rs.342,327,235 had been recovered by the date of audit. When examining the stock loss recovery method of previous years, no value was recovered from the stock shortage of Rs.271,125,743 and Rs.193,280,144 in the years 2018 and 2019 respectively. Out of the stock shortage amounting to Rs.55,253,300 and Rs.194,770,627 respectively, in the years 2020 and 2021, Rs.5,032,576 and Rs.1,151,372 were only recovered. Accordingly, no confirmation was submitted to the audit as to whether there is a possibility to recover the stock shortage value.</p> | 2022 | <p>The internal control system regarding stock shortages should be strengthened and action should be taken to recover stock shortages from the responsible parties.</p> | <p>Stock losses are being recovered.</p> | <p>Stock losses are continually reported and the recovery process is slow.</p> |
| (i) | <p>The company has built a building at a cost of Rs.22,748,813 on a land belonging to the Kamburupitiya local council and has been running a shop since 2014. But there was</p> | 2022 | <p>The ownership should be taken over before the relevant construction is carried out.</p> | <p>This land which belongs to the Kamburupitiya Pradeshiya Sabha has been agreed to be leased for the years 2014-2034.</p> | <p>Recommendations had not been implemented.</p> |

no lease agreement related to taking over the land on lease basis for the construction of the building or lease agreement related to the legal enjoyment of the building and the land after the building was constructed.

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| <p>(j) The post of Deputy General Manager (Marketing) was changed to Head of Online Trading by Board Resolution No. 108 dated 30 July 2021. However, there was no such positions in the approved recruitment procedure, and the new position title was also not approved by the Department of Management Services. As a result, the unapproved salary paid to an unapproved position was Rs.4,125,000 from 01 November 2021 to 31 May 2023.</p> | <p>2022</p> | <p>The position should be included in the recruitment procedure, and the approval of the Department of Management Services should be obtained.</p> | <p>Permission had been obtained by submitting a paper to the Board of Directors.</p> | <p>Recommendations had not been implemented.</p> |
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3.54 Sathosa Security and General (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	119,151,223	73,949,121	45,202,102	(5,271,216)	Qualified
2022	-	-	-	- -	
2023	-	-	-	- -	

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	The carder had not been approved by the General Treasury in accordance with the Paragraph 3.1 of Operational Manual as per Public Enterprise Circular No. 01/2021 dated 16 November 2021.	2021/2022	Provisions of the circular should be followed.	Preventive measures have not been announced.	The recommendation had not been implemented.
(b)	The Company had not appointed an Internal Auditor in accordance with the Paragraph 4.4 of guideline as per Public Enterprise Circular No. 01/2021 dated 16 November 2021.	2021/2022	Provisions of the circular should be followed.	- Do -	The recommendation had not been implemented.

(c)	Annual assets verification had not been carried out on the fixed assets in accordance with the Paragraph 6.7 of Operational Manual as per Public Enterprise Circular No. 01/2021 dated 16 November 2021.	2021/2022 2	Provisions of the circular should be followed.	- Do -	The recommendation had not been implemented.
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3.55 National Wealth Corporation limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,258,482,698	1,186,050	1,257,296,648	(2,224,093)	Qualified
2022	-	-	-	- -	
2023	-	-	-	- -	

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	Income tax receivable as at 31 December 2021 was Rs.13,044,600 and it is observed that the value of Rs.12,962,617 had been outstanding for more than 05 years.	2021 1.6.1 (a)	Informing the tax advisors of the company to obtain and submit a full report on the taxes of the company from the Inland Revenue Department.	A final agreement had not been reached yet on the settlement of income tax receivable.	
(b)	According to the Financial Statements for the year 2021, other receivables amounting to Rs.14,730,273 had been outstanding for a period of 03 years.	1.6.1 (b)	Identifying the final specific receivable balance after making the relevant adjustments.	Although it had been stated that the relevant adjustments had been made to the accounts for the year 2023, it could not be verified as the accounts had not been submitted.	

3.56 Litro Gas Lanka Limited

	Total Assets (Rs)	Total Liabilities (Rs)	Equity (Rs)	Profit/(loss) before tax (Rs)	Audit Opinion
2021	30,323,792,284	20,244,505,058	10,079,287,227	(10,170,174,257)	Unqualified
2022	28,778,959,194	17,779,546,381	10,999,412,813	1,122,049,096	Unqualified
2023	33,646,162,208	18,722,031,036	14,924,131,172	6,571,254,858	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	<p>Contrary to the procurement guideline 5.4.4, 62.5% advance payment amounting to Rs.10.15 million for 400 Nos of cylinders, 100% advance payment amounting to Rs.7.16 million for 200 Nos of cylinders and an advance payment amounting to USD 100,000 (Rs.20.3 million) for 4,330 Nos of cylinders had been paid without obtaining a guarantee.</p> <p>Due to cancellation of the purchase order by the Company, the recoverability of this advances is doubtful.</p>	2021 2022 2023	The company shall not pay advance payment without obtaining an advance payment guarantee.	<p>Company did not obtain an advance payment guarantee due to the following reasons,</p> <p>- Considering the urgency of supplying medical oxygen cylinders to the hospitals, it was decided to issue the payment in advance with slight LC to keep the available stock allocated for litro. Advance guarantee was omitted to reduce the guarantee</p>	Legal action is open to both parties in relation to this issue. Company had not recovered the above advance up to now.

processing lead time and shorten the procurement lead time at large.

- Litro puts trust on the supplier based on his previous behavior. The supplier was continuously supplying required items after the advance payment without a guarantee in history as well.

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| <p>(b) As of 31 December 2022 2023, the Company had 2023 a receivable balance of Rs. 50.6 million for the Port and Airport Development Levy (PAL). This amount consists of Rs. 15.5 million, Rs. 29.8 million, and Rs. 3.2 million in payments made for PAL at the time of LP gas importation in 2013, 2019, and 2021, respectively.</p> | <p>The company shall take necessary actions to recover outstanding balances on timely basis.</p> | <p>The matter has been taken up with Sri Lanka Customs and Sri Lanka Ports Authority and further information and documents requested by the relevant authorities to assess on the recoverability.</p> | <p>The company has not recovered outstanding balances up to now.</p> |
| <p>(c) As of 31 December 2022 2023, the total 2023 container deposits receivable amounted to Rs. 4.57 million which</p> | <p>Necessary actions should be taken to recover outstanding balances</p> | <p>This matter has been referred to Audit committee for write off and as per the</p> | <p>The Company has not yet managed to recover these overdue</p> |

includes long-outstanding amounts from the year 2002. The Company has not yet managed to recover these overdue amounts.

instructions given amounts. by the Audit committee further processing with the procurement department.

- (d) Department of Public Enterprises Circular 2021 PED 01/2015 dated 25 2022 May 2015 and 01/2015 2023 (ii) dated 14 January 2022.

Chief Financial Officer/Chief Operations Officer and any other officer who holds a post approved by Department of Management Services and have been placed equal or above HM 1-1 category of any SOE will be entitled to draw a fuel allowance equivalent to 145 and 115 liters per month respectively.

However, The Company had provided a monthly fuel allowance ranging from 200 liters to 600 liters exceeding above fuel limits for 28 employees.

Accordingly, an overpayment of Rs 8.05 million had been made for those officers and the Company had provided a fuel allowance of Rs. 30.32

The Board of Directors shall comply with the relevant laws and regulations in this regard and shall obtain the prior approval of the Ministry of Finance for essential deviations.

The fuel allowance is based on the employee's work category and role. The staff is required to travel as part of their duties. This practice was applied since shell management. The Board of Directors makes decisions for Litro Gas Lanka Company, which is incorporated under the Companies Act No. 07 of 2007.

The excess fuel allowance has been without prior approval of the Ministry of Finance and fuel allowances had been paid to the non-eligible employee as well.

million for 43 employees who were not eligible for fuel allowance in the year 2023.

- (e) PED 01/2015 dated 25 May 2015 and PED 01/2015 (i) dated 27 October 2016. 2021 2022 2023
- An officer who is entitled to an official vehicle has the option either to use the official vehicle or to avail a monthly transport allowance of Rs. 50,000 and monthly fuel allowance applicable to the post. However, such officers shall not be provided with a driver or a driver allowance. Contrary to the circulars,
- The board shall adhere to the applicable laws and regulations and it is required to obtain prior approval from the Ministry of Finance for any deviations required.
- Vehicle allowance and fuel allocation had been provided per job category and the related duty with the approval of the board of Directors. This has been the structure followed and revised for inflation.
- Company maintained vehicles with the fuel allocation had been provided to the few employees who requires job related vehicles based on the availability of the company owned vehicles. Vehicle allowance had not been paid for those employees. Providing vehicles to perform the day to day operations in order to perform the operations of the
- Transport and driver allowances had been paid beyond the prescribed limit without prior approval of the Ministry of Finance.

Company is
Pivotal.

(i) The Company had provided a monthly transport allowance ranging from Rs. 171,600 to Rs. 360,360 for 28 employees and Rs. 149.67 million had been overpaid in 2023. Further monthly driver allowance totaling to Rs. 1.2 million had been paid for four employees from the above-mentioned officers in the year 2023.

(ii) The Company had provided a monthly transport allowance totaling to Rs. 172.23 million for 147 employees who are not eligible for transport allowance in the year 2023.

(iii) The Company had 2021 provided a monthly 2022 entertainment 2023 allowance totaling to Rs.2.7 million for Director Sales and Marketing in the year 2023.

The Board of Entertainment Directors shall comply with the relevant laws and regulations in this regard and shall obtain the prior approval of the Ministry of Finance for essential deviations required. The relevant Allowance for Director Sales and Marketing has been decided and approved by the Chairman/CEO letter dated 18 January 2021 as per the power delegated by the board of Directors at its meeting held on 21 February. The relevant allowances will continue to be paid without obtaining the prior approval of the Ministry of Finance.

2020. Since the Director Sales and Marketing is involved in many external activities related to the promotional events that he has to directly handle. Therefor management has decided to pay him an extra allowance to cover the expenses on those occasions.

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| <p>(f) PED 01/2020 dated 27 January 2020 and PED 03/2015 dated 17 June 2015.</p> <p>The maximum sitting allowance of a Non-Executive Director is Rs. 12,500 and he is only entitled to the sitting allowance. However, the Company had paid a monthly transport allowance of Rs. 100,000 for three Non-Executive Directors since 2020.</p> | <p>The Company should adhere to the applicable guidelines and obtain prior approval from the General Treasury for any deviations required.</p> | <p>This has been approved by the board of Directors of the Company.</p> <p>Approval had not been obtained for the monthly transport allowance paid to Non-Executive Directors.</p> |
| <p>(g) The Section 3.5 of the Operation Manual for State owned Enterprises (SOEs), PED 01/2021 dated on 16 November 2021. Employees of State owned Enterprises</p> | <p>2023</p> <p>The Company should adhere to the applicable guidelines</p> | <p>This employee has released to the Prime Ministers Office duty since 18 February 2020 as per the request made by the</p> <p>Even by October 2024, the respective employee had not reported back to the company.</p> |

(SOE) shall not be released to a ministry or other institute without approval of the cabinet and had not been paid any wages during the said period. However, an employee of the Litro Gas Lanka Limited had been temporarily released to the Prime Minister's Office without the approval of the Cabinet of Ministers and paid a total salary of Rs.2.18 million for the year 2023.

Senior Assistant Secretary at the Prime Minister's Office and he serve as an office Assistant.

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| <p>(h) Circular No. 2023 SEC/2023/E/01, dated 29 March 2023, and Circular No. SEC/2023/E/02, dated 06 April 2023, of the Commissioner General of the Department of Inland Revenue. When calculating Advance Personnel Income Tax (APIT), the Company had not considered fuel allowances totaling to Rs.59 million provided for 71 employees, for the year 2023.</p> | <p>The Company should adhere to the tax regulations and pay tax accordingly.</p> | <p>No fuel allowance had been paid to the employees. Fuel expense is reimbursed on a monthly basis on the actual consumption. There is an upper limit for each employee depending on the job grade and the requirement.</p> | <p>The company had not complied with the tax regulations.</p> |
| <p>(i) The Company has used 2023 two systems for the purpose of transaction recording (Sun system) and financial analysis</p> | <p>The management should provide required access to the management information</p> | <p>Two officers have been deployed to provide information required for the</p> | <p>Access facilities have not been provided till now.</p> |

(Vision system). The Government Audit has requested to access to those systems. However, the company had only provided access to the Sun System. Therefore, the efficiency of the audit is limited due to inability to view detailed accounting information and analysis of data.

systems in audit. compliance with the National Audit Act.

(j) The Company engaged **2023**

a private consulting service firm to assess its current systems in 2017, identifying key issues and recommending an ERP solution to address them. Based on the reported observations, the project committee had hired two private companies to implement an ERP system on December 21, 2020.

However, the project was abruptly halted but later resumed in 2021, during which the Company paid Rs. 23.7 million as an advance to aforesaid one of the private company. Additionally, the Company re-engaged with a private consulting firm to

The Company may conduct a Post-Implementation Review (PIR) to identify areas where improvements could have been made and enhance project management practices to get the project success.

The government decision to stop projects in 2022 had been followed.

A post review to identify the project's reactivation has not been conducted to date.

review ERP deliverables and paid Rs. 1.9 million for that review and Rs. 972,000 for the plan in 2021 and 2022.

Despite these efforts and investments, the project was stopped again. Accordingly the Company has incurred a total cost of Rs. 30.37 million on this project and the relevant system has not been completed yet.

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| <p>(k) According to the 2023 guidelines 4.2.2 and 2022 4.2.3 of the Procurement Guidelines procurement entity should prepare a procurement plan for the expected procurement activities and time schedule. However, the Company had not prepared a procurement plan and procurement time schedule in accordance with the above guidelines, for 129 procurement activities total amounting to of Rs.659.12 million.</p> | <p>Company shall prepare procurement schedule by chronological order describing the steps of each procurement action.</p> | <p>The procurement plan and time schedule for the procurements valued at more than 50 million rupees (DPC major) have been submitted to the line ministry. The entity is not preparing a procurement plan for the shopping level procurements.</p> | <p>The company had not prepared a procurement plan and procurement schedule for the year 2024 in accordance with the procurement guidelines.</p> |
| <p>(l) According to the 2023 paragraph IV of the Public Enterprises Circular No. 06/2022</p> | <p>The Company should have a succession plan for the human</p> | <p>All the staff of the Litro company retired on reaching the age</p> | <p>The company has not yet prepared a succession plan</p> |

dated 06 October 2022, employees of State Owned Enterprises who are serving beyond the age of 60 years shall retire by 31 December 2022. However, the Company continued the services of nine officers including key positions such as Director Procurement, whose age beyond the 60 years of age and paid total of Rs. 35.8 million and Rs. 29.97 million for the years 2023 and 2024 respectively.

resources management and adhere the guidelines of the circular.

of 60 years as per their original service contract and their permanent employee status ends from that date. Considering the need to continue the appointment the company propose to the employee to continue the appointment after completion of 60 years. for human resource management and service of those employees was still continued.

- (m) The Chairman **2021**
nominated by the Line **2022**
Ministry had been **2023**
appointed by the Board of Directors of the Sri Lanka Insurance Corporation (The parent company) and he had also been appointed by the board of directors as the Chief Executive Officer from the year 2019. According to the Guideline 2.2.2 of the Guidelines on Corporate Governance for State Owned Enterprises dated 16 November 2021, the Chairman is the head of the Board of Directors

It is recommended to separate the two powerful conflicting roles of Chairman and CEO in order to maintain balance of the board and avoid conflict of interests.

The decision to appoint Mr. M.S.G.Peris as both the Chairman and CEO of Litro Gas Lanka Limited in order to resolve an urgent operation crisis and the best interest of the country and the nation. The availability of independent non-executive director will held for strengthening our commitment towards the maintaining good New Chairman has been appointed for the company and CEO has not been appointed up to now.

and according to Guideline 2.5.1, the responsibility of the CEO is to prepare strategic, tactical and operational plans. Having same person holding both these positions are against the good governance practices.

governance standards.

The decision was addressed by the Board of Directors at the meeting held on 13th August 2024 and a CEO has been appointed with effect from 01st January 2025.

(n)	As per the Guideline 4.2 of the Guidelines on Corporate Governance for State Owned Enterprises, PED 01/2021 dated on 16 November 2021, the Audit Committee is required to meet at least once in every three months and report its recommendations to the Board of Directors. However, the company had held only 3 and 2 meetings in the years 2022 and 2023. Further, it was observed that the financial statements for the year 2023 have not been reviewed by the Audit Committee.	2022 2023	The Audit Committee shall meet regularly and oversight the finance function and the other related matters of the Company.	Despite not the minimum requirement, the audit plan has been achieved during the year 2023. However, the requirement to have a minimum of four audit committee meetings will be fulfilled during the year 2024.	As of the October 2024, the e Company had held two Audit and Management Committee meetings in the year 2024.
(o)	The estimated LPG sales revenue for 2023 was Rs. 108.64 billion, but actual revenue was Rs. 87.37 billion, resulting in a shortfall	2023	Budget should be used as an instrument of financial control and unnecessary expenses need to be	In the year 2023 the exchange rate crisis reduce the ability to import LPG cylinders. The constraints	An estimate for marketing expenses of Rs.139 million had been prepared for the year 2024

of Rs. 21.27 billion. Despite missing the revenue target, the Company spent Rs. 338.98 million on sales, marketing, and promotion expenses for the year 2023. It was 304% increase when compared to the year 2022. According to the amendment made to the section 18 of the Consumer affair Authority Act No.9 of 2003 by the extra ordinary gazette No 2287/37 dated 08 July 2022. Liquefied petroleum gas is designated as an essential commodity and the company has 85% market share . Therefore, we were not observing for necessity or rational of spending high advertising expenses for marketing of LPG gas. Further it was observed that market share of the company for last 5 years was average about 80%

avoided by the on imports and Rs. 135
Company limited our ability million had been
to meet existing spent by
demand. September 2024.

3.57 Distance Learning Centre

	Total assets	Total	Equity	Profit (Loss) before	
	Rs.	liabilities Rs.	Rs.	Tax	Opinion
				Rs.	
2021	128,977,651	9,045,217	119,932,434	(3,863,535)	Unqualified
2022	143,529,611	15,974,078	127,555,533	(2,197,283)	Unqualified
2023	146,776,961	10,068,757	136,708,204	8,699,112	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	As per the Action Plan 2022, even though it had been expected to earn a revenue of Rs.58, 111,029 from the training programs and other activities scheduled to be implemented, an amount of Rs.24,067,890 or only 41 percent had been earned. Similarly, even though new programs, regional training and internal training programs had to be implemented, those had not been implemented.	2022	Taking into consideration as a budget, management control tool the action should be taken accordingly.	It is being planned to pay attention to the marketing strategies targeted the private sector and other non-governmental institutes and minimization of the training cost through distance learning method.	The revenue earned in 2024 is only Rs.25,377,469. 34 percent out of that is the revenue obtained for providing the facilities.

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| (b) | The tax receivable of Rs.4,136,528 more than 05 years old had not been settled. | 2023 | The action should be taken to recover. | The several discussions had been conducted with the officers of Department of Inland Revenue in November and December 2023 for assessment the value considered for impairment adjustment in the final accounts. | Had not settled. |
| (c) | In accordance with 8.9.1 of the Government Procurement Guidelines issued in 2006, the food had been supplied to a private institute for the training programs without a formal acceptance letter or signing a contract agreement and an amount of Rs.1,751,230 had been paid to such company for providing of food within year. | 2021/
2023 | The action should be taken in accordance with the Government Procurement Guidelines. | It will be taken measures in 2025 in compliance with the Procurement Guidelines. | Action had not been taken in compliance with the Government Procurement Guidelines. |
| (d) | The Annual Reports for 2020, 2021 and 2022 had not been presented to the parliament. | 2023 | The Annual Reports should be tabled to the parliament. | The Annual Reports 2020 and 2021 had been tabled to the parliament. | The Annual Report 2022 had not been tabled in the parliament. |

3.58 Kantale Sugar Industries Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	According to Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003 and Section 6.6 of the Public Enterprises Circular, No. 01/2021 dated 16 November 2021, the financial statements and draft annual reports should be presented to the Auditor General within a period of 60 days after the end of the accounting year. However, the financial statements and draft annual reports for a period of 04 years relating to 01 January 2020 – 31 December 2023, had not been	Transaction report for the period 2020-2023	The financial statements and annual reports should be presented to the Auditor General on the date specified as per the Circular.	Funds are provided by the Line Ministry since 1994 until this day and notes on income and expenditure are maintained in cash books. Financial statements of the Industries relating to the years 2020 and 2021 have been prepared. The financial statements for the years 2022 and 2023 are being prepared.	Financial statements relating to the 04 years of 2020-2023, had not been presented to the Auditor General

presented to the Auditor General even up to the date of this report.

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| (b) | <p>The Kantale Sugar Industries Limited established in the year 1957, had an annual production capacity of 16,320 metric tons of sugar, 9,000 metric tons of molasses , and 3.9 million liters of maturate spirit. Due to severe inefficiency and irregularities in administration and operations of the Industries, the service of all the 1,133 employees had been terminated in the year 1994 by paying gratuity, and the Industries had remained closed since then with no operational activity whatsoever. Net assets valued at a minus value of Rs. 3,179,245 had also been observed as at 31 December 2019. Furthermore, an agreement had been entered into with 02 private companies in the year 2021 to restore operations of the Industries, but the operations could not be restored even up to the</p> | <p>Transacti on report for the period 2020-2023.</p> | <p>The operations of the Industries should be managed without delay.</p> | <p>The initial steps to restructure this institution had been taken with the involvement of Ministry of Finance.</p> | <p>Operations of the Industries had not been restored even by 30 November 2024.</p> |
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date of this report, thus indicting that going concern of the Industries remained doubtful.

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| (c) | Through the Gazette Notification No. 11212 , lands in extent of 21,233 acres, 02 roods and 30 perches (8,596 hectares) had been granted to the Kantale Sugar Industries Limited in the year 1957 by the Ministry of Lands and Agriculture. An extent of 4,887 hectares of those lands had been allocated for 04 zones, whereas the rest of the 3,709 hectares had been utilized on the farm, sugar factory, housing complex, youth corps, refugees, forest, canals, roads and army camps. At present, each of a private institution and a public institution had been provided with 500 acres from those lands , but information in that connection had not been made available to the Audit. | Transacti
on report
for the
period
2020-
2023. | Action should be taken expeditiously by the Line Ministry to provide the Auditor General with information relating to the Kantale Sugar Industries under scope of the Ministry. | The
Commissioner
General of lands
is responsible on
the affairs of
lands belonging
to the Kantale
Sugar Industries
Limited. | The Audit has not been provided with information on the transfer of lands of the Industries functioning under the Ministry of Plantations. |
| (d) | Operations of the Industries had come to a halt since 1999, but for securing the assets and other activities, 33 | Transacti
on report
for the
period
2020- | Prompt action should be taken by the relevant parties to ensure effective and productive | No operational activity whatsoever has been taking place since 31 March | The Industries, not executing any operational activity, is paying salaries |

employees whose 2023. services had been terminated after being compensated including the General Manager, 03 security officers, 15 guards, 04 drivers, 03 storekeepers, 06 book keeping clerks, and 02 technical helpers, are still in service. In the years 2020, 2021, 2022, and 2023, payments amounting to Rs. 14,822,246, Rs. 15,000,761, Rs. 16,838,619 and Rs. 16,569,952 had been paid to them as salaries and allowances, overtime, Employees' Provident Fund, and Employees' Trust Fund respectively.

utilization
Government
resources.

of 1994, and 230 and allowances employees had for 33 been retained in employees. The view of securing resources of the the existing assets Government, and remaining idle, administrative have not been activities. Some utilized of those effectively as employees had well. been deceased, and some others had resigned whilst 33 employees still in service at present. Provision has been allocated by the Treasury for paying salaries of the existing employees.

3.59 Sri Lanka climate Fund (Pvt) Ltd

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	13,887,731.42	3,037,164.61	10,850,566.81	196,388,57	Qualified
2022	16,297,269.65	2,916,630.43	13,380,638.62	2,530,071.81	Qualified
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	The company had not been established operational systems and control methodologies according to the paragraph 2 of the operational manual of Department of Public Enterprises Circular No. 01/2021 dated 16 November 2021.	2021	Actions should be taken according to the operation manual of the circular.	Actions will be taken in the future by examine about this.	An operating systems and control methods have been established within the limited staff of the company as far as possible. It is planned to develop an Enterprise Resource Planning (ERP) in the years 2027-2028 according to the strategic plan of the company.

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| <p>(b) The Board of Directors of the Company had not periodically reviewed the Key Performance Indicators (KPI) along with the approved Action Plan and Budget (KPI) as per the Operational Manual Paragraph No. 7.3 of the Circular No. 01/2021 dated 16 November 2021 of the Department of Public Enterprises.</p> | <p>Actions should be taken according to the operation manual of the circular.</p> | <p>The performance indicators have been developed and included into the corporate plan and will be submitted for review in the future.</p> | <p>The reviews will be conducted in this regard at board meetings from the year of 2024.</p> |
| <p>(c) Although the draft 2022 annual report and final accounts should be submitted to the Auditor General within 60 days of the end of the financial year according to the guidelines number 6.6 of the Circular No. 01/2021 dated 16 November 2021 of the Department of Public Enterprises, but the company had been submitted financial statements of it for the year 2021 after 20 months late on 30 October 2023 and the financial statements for the year 2022 had been submitted 12 months late on 05 March 2024.</p> | <p>Actions should be taken according to the operation manual of the circular.</p> | <p>Actions will be taken to submit the annual reports without delay in the future. The annual report of the year 2020 has been submitted to the Ministry.</p> | <p>The draft annual report and final accounts for the year 2023 have been submitted to the Auditor General. It is planned to submit the relevant reports for the year 2024 to the Auditor General on the stipulated date.</p> |

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| <p>(d) Although a surcharge of Rs. 169,225 had imposed on the late payment of contributions for the Employees' Provident Fund for the year 2022, but these surcharges had not been recognized and accounted in the financial statements of the year 2022.</p> | <p>The statutory requirements prescribed by the Acts should be followed</p> | <p>In relation to the year 2022, A surcharge of Rs.169,225 has not been imposed on the company for the employee provident fund.</p> | <p>The levy imposed on the Employees' Trust Fund had not been received to the Company at the time of preparation of the financial statements for 2022.</p> |
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3.60 LECO Projects (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	7,861,493	8,823,109	(961,616)	(328,912)	Unqualified
2022	32,202,575	25,685,688	6,516,887	7,478,503	Unqualified
2023	26,305,183	21,802,544	4,502,639	(2,014,248)	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	Fixed asset verifications to verify existence of the Property, Plant and Equipment cost of Rs.5.2 million had not been carried out by the company. Further, all of these assets were idled since 2013.	2021,2022,2023	Action should be taken to carryout annual board of survey to verify the physical existence.	Necessary arrangements have been made to verify the assets at the end of 2024.	Board of Survey had not been appointed. As soon as the asset verification is completed, the relevant reports will be forwarded.
(b)	Trade and other receivable balance as at 31 December 2023 was Rs 9.47 million. Out of that balance Rs 9.41 million had been remained outstanding for over 5 years. It was observed that Company had not been taken sufficient actions to recover the debtors.	2022,2023	Action should be taken to recover receivable balance.	According to the chances of recovering these receivables, provision has been made.	Had not been recovered. Arrangements are being made to get the relevant approvals to write off these balances from the books.

Nevertheless

Impairment of Rs 9.35 million had been made for above over five year balance.

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| (c) | <p>Production of the electricity poles which is the main business of the company, had been stopped by the company due to failure in quality inspection in the year 2013. Thereafter, the Company had not restarted producing the electrical poles by improving quality of the poles or identified any other suitable business up to the end of the year under review. Further, Company had recorded a cumulative loss of Rs. 20.5 million as at 31 December 2023.</p> | <p>2021,2022,2023</p> | <p>Action should be taken to restart poles production by improving quality or identify any other suitable business.</p> | <p>Feasibility studies were conducted on several projects.</p> | <p>Had not been started electricity pole production and efforts are being made to select a more suitable project.</p> |
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3.61 Ante LECO Metering Company (Private) Limited

	Total Assets	Total liabilities	Equity	Pretax profit(Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,241,273,362	722,169,972	519,103,390	61,251,801	Unqualified
2022	1,238,941,583	811,031,354	427,910,229	(106,184,727)	Qualified
2023	1,736,966,432	993,370,037	743,596,395	325,256,881	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	According to the reports of the Inland Revenue Department (IRD), the Company is liable to pay tax and penalty for previous years amounting to Rs23.4 million as at 31 December 2022. However the Company had not recognized the liability. As a result of this, liability had been understated and retained earnings had been overstated by same amount as at 31 December 2022.	2022	Appropriate action need to be taken to clear the disagreement with the Inland Revenue Department and to make required adjustments or disclosures to the financial statements..	The accountant has discussed with the inland Revenue Department and company tax consultant regarding the Collectible tax amount of Rs 23.4 million. The company tax consultant has sent an appeal regarding the CIT and informed to the IRD separately regarding VAT outstanding since the company has made these payments	1. The Inland Revenue Department considered the appeals forwarded and has rectified the VAT default mentioned for period code 1820 already. 2. The amount of Rs. 15,134,322.00 including the penalty is rectified. 3. The accountant will co-ordinate with

correctly.

the IRD to sort out the balance tax amounts that are in dispute before end of 2024.

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- (b) In contrary to the **2023** section 4 of the Nation Building Tax Act No 2009, It was observed that the long outstanding Nation Building Tax (NBT) Payable (from 2011) amounting to Rs 12.4 million as at 31 December 2023.

Action should be taken to negotiate with Inland Revenue Department and sort out the issue.

Discussions are ongoing with the IRD regarding the NBT payables.

1. Removed the NBT due for several periods.
2. Request the Accountant to get a statement from the legacy unit of IRD regarding this matter.

3.62 Colombo Lotus Tower Management Private Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before tax Rs.	Opinion
	Rs.	Rs.	Rs.		
2021	-	-	-	-	-
2022	1,346,533,985	741,556,996	604,976,989	104,976,979	Unqualified
2023	1,831,719,203	1,056,677,872	775,041,331	170,064,342	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Provisions should be made regarding the rights and obligations of the shareholders of a Company in terms of Section 13(b) of the Companies Act No. 07 of 2007 relating to the Articles of Association. Although, a Master Agreement should be entered into between the Company, the Secretary to the Treasury and the Telecommunications Regulatory Commission of Sri Lanka, the Company had not acted accordingly.	2022 2023	Actions should be taken in terms of Section 13(b) of the Companies Act No. 07 of 2007 relating to the Articles of Association.	Since the management agreement and the lease agreement with the Telecommunications Regulatory Commission of Sri Lanka have already been signed agreeing to amend the Company's Articles of Association, eliminating the need for a master agreement.	Actions had not been taken in accordance with Section 13(b) of the Companies Act No. 07 of 2007 relating to the Articles of Association.

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|--|----------------------|---|---|---|
| <p>(b) In accordance with Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022,</p> <p>i. Despite it had stated that the government circulars shall be applicable to all allowances paid in addition to salary as per Decision No. 13 of the Minutes of the Board of Directors Meeting dated 16 March 2023, and although the higher management level (HM1) officers are to be paid the monthly amount of litres of fuel as fuel allowance, on the contrary, the Company had paid Rs.4,441,459 for 19 officers in the year 2023.</p> <p>ii. A sum of Rs. 4,231,577 had been paid as vehicle allowance of the year 2023 to 20 officers who are not eligible for official vehicles.</p> | <p>2022
2023</p> | <p>Actions should be taken in terms of Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022 .</p> | <p>Payment of fuel and transportation allowances 2024 based on the approval of the Board of Directors held on June 19 and the nature of the work performed by such employees.</p> | <p>Actions had not been taken in accordance with Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022 .</p> |
| <p>(c) Although at least 30 per cent of the profit after tax should be remitted to the</p> | <p>2022
2023</p> | <p>Actions should be taken in terms of Paragraph No 5.3 of Operation</p> | <p>The Board of Directors directed that the dividends payable to the</p> | <p>Actions had not been taken in accordance with Paragraph 5.3</p> |

	Treasury as dividends in terms of Paragraph No 5.3 of Operation Manual for State Owned Enterprises dated 16 November 2021, it had not so done. Further, since the Treasury owns the entire capital of the Company, although the remaining dividend should also be remitted to the Treasury in addition to the said 30 per cent dividend, actions had not been taken accordingly.		Manual for State Owned Enterprises dated 16 November 2021.	Treasury be used for future business expansion and applying for relevant approval from the Department of Public Enterprises.	of the Operations Manual for State-Owned Enterprises dated 16 November 2021 .
(d)	Although an Annual Board of Survey on the fixed assets and storage materials of the Company amounting to Rs 393,621,112 should be made and reports should be submitted in terms of 6.7 of the Operational Manual for State Owned Enterprises, the reports had not been submitted up to 27 May 2024.	2022 2023	Actions should be taken in terms of 6.7 of the Operations Manual for Government Owned Enterprises.	Due to the fact that the purchased goods are not even 2 years old, a Board of Survey had not been conducted.	Actions had not been taken in terms of 6.7 of the Operations Manual for State-Owned Enterprises.
(e)	During the physical inspection of the Lotus Tower in Colombo, names and various images were painted on the wall paints on the Observation Deck of the Tower. Even though plastic panels lit	2022 2023	The Management should take actions to employ the minimum number of security personnel required.	Agreeing to install a plastic UV Light Board.	The Management had not taken actions to employ the minimum number of security personnel

by electric lights in the Observation Deck had been installed by spending Rs. 1,084,050 to reduce the damage, they were also damaged by the spectators. Although security camera systems were installed in the Tower and employees were deployed for its operation, the Management did not deploy the minimum number of security personnel required to calculate the damage and identify the people who caused the damage and take necessary measures.

required.

3.63 Lanka Leyland (Private) Company Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,340,406,496	1,641,175	1,338,765,321	(60,738,483)	Qualified
2022	1,276,226,059	5,829,381	1,270,396,678	(51,364,173)	Disclaimed
2023	1,629,473,504	5,695,782	1,623,777,722	355,812,551	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementatio n status of recommendati on as on date of the Report
(a)	No activity whatsoever had been carried out in the past few years to achieve the objectives of the Company by the Board of Management of the Company. The Company had incurred Rs. 31,621,843 as administrative expenses from the interest income received from fixed deposits and dividend income received from shares during the last 06 years. Accordingly, the Company continued to operate without carrying out any activity.	2021/2022 2 2022/2023 3 2023/2024 4	Administrative expenses should be incurred in parallel with the achievement of objectives.	Agree. Under New Management, *Road worthiness * Industrial Laboratory * Solar Panels Above three new projects have been identified and implemented and out of that, a feasibility study is being conducted on the first two projects. Accordingly, it had been expected that the	Any activity has not been performed.

income generated from this would cover the administrative expenses of the institution in the future.

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| (b) | Schedules relating to the gratuity allowances of Rs. 1,514,896 allocated for employees who had left the Company had not been submitted to the audit. | 2023/2024 | Evidences should be submitted for audit. | Agree. Any supporting documents related to this has not been received from the previous governing authority and there is also a lawsuit for this. It had been informed that appropriate adjustments will be made in the future based on management decisions in accordance with the decision in the case. | Schedules have not been submitted for audit. |
| (c) | Actions had not been taken to send Directors' Declaration to be sent to the Registrar of Companies along with the annual report in accordance with Section 132 of the Companies Act No. 07 of 2007 and a certificate signed by a director and the Secretary of the Company to be sent to the Registrar of | 2023/2024 | Actions should be taken according to the Companies Act. | It had been informed that the change in the company's Board of Directors has not been submitted to the Companies Registrar's Office to date because of the former Director of the company, Ms. Himali | Reports have not yet been sent. |

Companies from 2018
onwards.

Bogodagedara, a
representative of
the Treasury, did
not submit her
resignation as
required.

3.64 Lakdiva Engineering Company (Private) Limited

	Total Assets	Total Liabilities	Equity	Profit /(Loss)	Opinion
	Rs.	Rs.	Rs.	Before Tax	
				Rs.	
2021	104,493,622	40,977,344	63,516,279	(9,880,554)	Qualified
2022	111,716,728	64,279,403	47,437,325	(20,197,033)	Qualified
2023	138,731,172	65,199,846	73,531,325	28,039,032	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Although the vehicle servicing institutions should obtain a license related thereto as per the Section 23 (a) of National Environmental Act No.47 of 1980 as amended by Act, No.53 of 2000 and 56 of 1988, the Company had not obtained that license up to now.	2021	Actions should be taken to obtain the Environmental License.	Answers had not been given.	The relevant Environmental License had not been obtained.
(b)	The repair cost in the year under review for 07 vehicles owned by the institution had been Rs.1,390,393. This was an increase of 371 per cent compared to previous year.	2021	Actions should be taken to control the repair cost.	Answers had not been given.	The 2 repaired buses were unable to operate anymore and, 2 three-wheelers are also not in running condition.

However, it was observed during the audit that 02 repaired vehicles were not in running condition at present.

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|---|-------------|---|------------------------------------|---|
| <p>(c) Although the persons who receive the tender should deposit Rs.05 lakhs in the current account of the institute before the removal of relevant items in terms of tender conditions, 17 tenderers who received the tenders had not deposited Rs.8,500,000.</p> | <p>2021</p> | <p>Action should be taken in accordance with tender conditions.</p> | <p>Answers had not been given.</p> | <p>Actions had not been taken in accordance with the conditions in tender.</p> |
| <p>(d) Even though actions had been taken to sale scrap metal, aluminums and other materials belonging to the Company, the Company had not identified the quantity of scrap metal to be sold before carrying out procurement activities. Accordingly, although the company had sold scrap metal and aluminums amounting to Rs.11,535,238 during the year under review, the accuracy of the sold quantity could not be ascertained in the audit.</p> | <p>2021</p> | <p>Procurement activities should be carried out according to a proper method.</p> | <p>Answers had not been given.</p> | <p>The amount of iron to be sold had not been identified and procurement activities had not been carried out.</p> |

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| <p>(e) Spare parts of the 2021
busses amounting to
Rs.571,216,224
required for the
repairs for the places
such as garages and the
service centers had
been purchased from
the private companies
without calling for
National Competitive
Bids in terms of
Section 3.2 of the
Procurement
Guidelines 2006 during
the year under review.</p> | <p>Actions should be
taken in
accordance with
the Procurement
Guidelines.</p> | <p>Answers had not
been given.</p> | <p>Purchases are
made under
shopping method
without calling
for National
Competitive Bids.</p> |
| <p>(f) Even though the spare 2022
parts value of the
Vehicle Service
Division had been
stated as Rs.1,867,245
as at 31 December
2022, the value could
not be verified during
the audit due to the fact
that the spare parts
were not documented
in the bin cards and the
annual stock
verification was not
conducted.</p> | <p>All spare parts
received by the
Company should
be recorded and
entered into the
accounts and
verified annually.</p> | <p>The 17 items
which you
identified were
received to
service centers
from individual
locations and they
were not bought.
Since those items
therefore have no
cash value, it had
been reported as
not shown in the
financial
statements.</p> | <p>It had not been
entered in bin
cards and
accounted for.</p> |
| <p>(g) Even though an 2022
estimated time of 48
days for 6 sides as 8
days for one side is
identified for complete
repair of a bus, it was
observed that 76 to 210
days had been spent for
a bus exceeding that
period in the audit test</p> | <p>Repairing activities
of customers
should be carried
out without delay
by using strategies
related to financial
difficulties.</p> | <p>Since spare parts
could not be
purchased at the
right time due to
the financial crisis
in the Company,
more time had
been spent for
repairing the
buses than the</p> | <p>The repairing
works had been
delayed due to
the ongoing
financial crisis of
the Company.</p> |

check carried out by the audit.

estimated time.

- | | | | | |
|--|------|--|---|--|
| <p>(h) Although skilled workers with technical knowledge are essential to carry out the works of Repair Division of the Company, the attention of the management had not focused on the proper management and utilization of the existing human resources and the hiring of skilled workers as per the requirement. As a result, 15 contract teams were hired to carry out works in the Bus Repair Division in the year under review and an amount of Rs.29,150,085 had paid for that.</p> | 2022 | <p>Arrangements should be made to recruit trained workers as required for the essential activities of the Institution.</p> | <p>Since no approval is given to recruit permanent employees to the institution, employees have been hired on contract basis and relevant repairs are being carried out in order to achieve the relevant targets.</p> | <p>Contract teams are employed for bus bodyworks, painting and other activities.</p> |
| <p>(i) Although the annual reports should be tabled in Parliament within 05 months after the end of the accounting year in terms of Section 6.6 of Public Enterprise Circular No.01/2021 dated 16 November 2021, annual reports had not been tabled from 2014 to the year under review and it was observed that the last report related to the</p> | 2022 | <p>Annual reports should be tabled in Parliament as per Circular.</p> | <p>Annual reports have been prepared and it had been informed that it is stipulated to be handed over to submit to the Parliament.</p> | <p>Preparation of annual reports is in progress.</p> |

year 2013 had been tabled in 2016.

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|---|-----------------------|---|--|---|
| <p>(j) Although the Service Center of the Company was established in the year 2021 and has been maintained until now, vehicles are sent to external agencies and repairs are being carried out due to lack of qualified staff for that. An amount of Rs.15,012,342 had been paid to external agencies for vehicle repairs during the year under review. The Company had to bear a loss of Rs.2,951,848 in the year under review due to the income was Rs.17,906,855 whilst the cost of the service center was Rs.20,858,703</p> | <p>2022,
2023</p> | <p>Actions should be taken to increase the revenue of the Service Center and make it a profitable division through cost management.</p> | <p>Even though the requests were made on several occasions for the recruitment of properly trained technicians to maintain the functions of the vehicle service center properly, approval had not been received from the relevant institutions for that.</p> | <p>The works in service center has been suspended.</p> |
| <p>(k) The approved staff for 28 positions of the Company is 121 and the post such as General Manager, Administrative Officer and Internal Audit Officer belonging to the higher management level, had remained vacant since 2018 when the recruitment procedure was approved and the position of Accountant</p> | <p>2021,
2023</p> | <p>Human resources should be managed as necessary for the assignment activities.</p> | <p>This situation has arisen due to non-receipt of approvals from proper institutions for recruiting employees for relevant positions.</p> | <p>The Scheme of Recruitments has not approved and the positions of the Company are still vacant.</p> |

had remained in vacant
since 2021.

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|--|-----------------------|--|--|---|
| <p>(1) Equipment amounting to Rs.11,407,706 purchased for carrying out works of Service Center had remained underutilized and the 3D Wheel Alignment device out of them amounting to Rs.1,684,975 was at inoperable level.</p> | <p>2021,
2023</p> | <p>Arrangements should be made to utilize machinery.</p> | <p>This situation has arisen due to unavailability of trained workers for this machine, and the related machine has not been properly installed.</p> | <p>Since the work of the service center has been stopped, those equipment and machines had remained uneconomical without use.</p> |
|--|-----------------------|--|--|---|

3.65 Property Development Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	5,339,762,716	730,431,989	4,609,330,727	649,977,839	Unmodified
2022	6,638,714,674	873,144,132	5,765,570,542	793,327,849	Unmodified
2023	7,777,011,924	828,247,821	6,948,764,103	913,854,457	Unmodified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The PDL Tower Building is currently being depreciated over 50 years which is appears to be in lower of the building useful life. When an asset is depreciated over a period lesser than its useful life the asset will be undervalued and the depreciation expense will not be correctly matched to the benefit, resulting in profit being misstated.	2021	It is recommended to make necessary adjustments base on the prediction of residual service life of the BOC Headquarter Building.	Management obtained a report on remaining useful life service life of the BOC Headquarters Building from Central Engineering Consultancy Bureau (CECB) in August 2022. Accordingly, Company made necessary adjustments in the Financial Statements from year ended 31 December 2022 based on the new useful life as	Complied with the recommendation

predicted by the
CECB report.

- | | | | | |
|--|------------------|--|---|--|
| <p>(b) Section 2 of Prevention of Frauds Ordinance, No. 07 of 1840 and Rule 14(30A) of Amendment to the Notaries Act No. 31 of 2022.</p> | <p>2022/2023</p> | <p>Adhere to register every deed or instrument within stipulated time.</p> | <p>This matter is under discussion with BOC (i.e. Tenant) and the following facts are stated with regard to the current position of the matter under reference.</p> | <p>Waiting a response from BOC. (i.e. Parent Company and the Tenant)</p> |
|--|------------------|--|---|--|

As per the said instruction, it shall be the duty of every notary to submit for registration to the Registrar, every deed or instrument attested by him before the expiry of thirty days from the date of attestation thereof.

However, the Company has not registered relevant Agreement in the land registry within the stipulated time.

(a) This matter was communicated to the BOC (i.e. Tenant) vide PDL letter dated 09 August 2023 by Manager (HRA)PDL

(b) BOC vide their letter Ref.AGM/PRO/CM/pks dated 12 December 2023 had requested certain documents with regard to the matter under reference

(c) PDL sent the

said
documents to
BOC vide
PDL's letter
dated 18
March 2024

Accordingly,
appropriate action
will be initiated
with the approval
of the Board
when a response
is received from
BOC.

(c) Delays in Projects or
Capital Work

Although following
capital works were
budgeted and made
provisions in 2022
budget, works have
not been done during
the year 2022.

	Description	Budgeted provision (Rs.000)	Remarks
(i)	Upgrading of Chiller Management System	4,000	Full budget allocation for the upgrading of Chiller Management System has not been utilized during the year 2022.
(ii)	Replacement of 11KV Power Cables from Basement 2 to Floor 17 & Replacement of 11KV Isolator Panel on Floor 17	30,000	Full budget allocation for the replacement of 11KV Power Cables from Basement 2 to Floor 17 & Replacement of 11KV Isolator Panel on Floor 17 has not been utilized during the year 2022.

2022

(i) Need to budget at
right time without
any delay or earlier.

(ii) Since contract
was already
awarded, need an
effort to expedite the
work in order to
minimize the
possible losses from
delay.

It has been
decided to carry
out detailed
studies on the
relevant
replacement/
upgrading
projects before
making
provisions in the
Annual budget.

Both projects
have already been
completed.

(d) Delays in Projects or
Capital Work

Although following

2023

Need to budget at
right time without
any delay or earlier.

It has been
decided to carry
out detailed
studies on the

The management
decided to defer
the both projects
to 2026 as the

capital works were budgeted and made provisions in 2023 budget, works have not been done during the year 2023.

	Description	Budgeted provision (Rs.000)	Remarks
(i)	Supply and Installation of Air Handling units	84,000	Full budget allocation for the Supply and Installation of Air Handling units has not been utilized during the year 2023. The physical progress of the project has been zero percent till the end of the year 2023.
(ii)	Replacement of Electrical power sub distribution panels in selected floors	15,000	Full budget allocation for the project has not been utilized during the year 2023. And the physical progress of the project has been zero percent till the end of the year 2023.

relevant replacement/upgrading projects before making provisions in the Annual Budget. existing Air Handling Units and the Electrical Power Sub Distribution Panels can be used a further period of 2 to 3 years.

3.66 Ceybank Holiday Homes (Pvt) Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	43,050,722	108,136,180	(65,085,458)	(26,669,357)	Unqualified
2022	47,443,901	115,022,207	(67,578,306)	(2,492,848)	Unqualified
2023	24,532,080	88,762,131	(64,230,051)	3,348,255	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) Instead of automated system, the Company use manual system for inventory management and record keeping which will increase the risk associated with the inventory management and control.	2021	Recommended to review the existing systems and procedures in relation to inventory management and consider implementing inventory modules to monitor and control inventory movements.	Head office level, it monitor the stock levels monthly with a bird's eye view. It is in the process of introducing digitalized system for billing and provision is available in the system and controls for the inventory too.	The responsibility of inventory management lies with the relevant resident manager of each rest as we follow the manual procedure for inventory. Until the company introduces a new computerized system, it will take steps to strengthen the controls of the existing manual procedures and minimize the risk associated with inventory.

- (b) The Company has not implemented a centralized control system over the guest houses in order to monitor the activities of the guest houses. 2021 It is recommended to introduce a centralized booking system for the guest houses to prevent from fraud risk at the guest house. Surprise visits from the head office and getting assistance from Bank of Ceylon officials to keep track of the caretakers of the holiday homes. Staff of the BOC is only eligible to reserve the holiday homes through the welfare reservation system.
- (c) The trade debtor balance of Rs.1,687,931 includes long outstanding balance of Rs.740,821 which comes since more than three months period. Satisfactory actions have not been taken by the company to recover the long outstanding debtor balances. The age analysis of the debtor balance is given below. 2021 It is recommended to recover the debtor balances within the prescribed period. The Company had written off long outstanding balance of 532,801.18 during last financial year with Board of Director's approval. The Company reduced the debtor collection period. No long outstanding material items.

Period	Outstanding Balance (Rs.)
0-30 Days	580,400
31-90 Days	366,710
91-180 Days	16,425
181-365	125,340
More than One Year	599,056
Total	1,687,931

- (d) B1/B2 holiday bungalows Nuwara Eliya and Holiday bungalow Kandy are under renovations since 2018 and 2019 respectively. These bungalows had generated Rs.1.4 million worth of income during 2018 and it was observed that the Company is losing such amount of income in every year due to delays of completing renovations.
- 2021 It is recommended to speed up the renovation and make available the bugloss for the commercial operations.
- Operations of Rectified. the two holiday homes have been started after the completion of renovation.

- (e)
- | | |
|---|-----------|
| The aggregated debtor balance 0-30 Days | 2,074,560 |
| 31-90 Days | 1,283,065 |
| 91-180 Days | 80,435 |
| 181-365 | 27,595 |
| More than One Year | 116,350 |
| More than Two Year | 128,825 |
| More than Three Year | 474,511 |
| Total | 4,185,341 |
- 2022 Need to take necessary actions to recover long outstanding debtor balances.
- The Company had written off long outstanding balance of 532,801.18 during last financial year with Board of Director's approval.
- of the Company as at 31 December 2022 was Rs.4,185,341 which includes long outstanding debtor balances. Out of the aggregated amount, Rs. 719,686 or 17 per cent was outstanding since more than one year period and satisfactory actions have not been taken to recover the outstanding balances on a timely manner. Details are as follows.

Rectified.

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|--|------|---|---|
| <p>(f) The reservations for rests and holiday homes managed by the Company (other than those maintained for welfare purpose) can be done through the Company's Head Office (via over the phone or in person) or the Rest (via over the phone).</p> <p>It was noted that neither the company website (www.ceybankholidayhomes.com) nor any mechanism is available for online reservations. The social media platforms (e.g; Facebook) are also not timely updated as an effective marketing tool.</p> | 2022 | <p>The management should ensure that all possible measures including the use of new technology are adopted to increase its revenue.</p> | <p>The Company is in the process of building a website for the company. Social media (facebook) is timely updated by the company.</p> |
| <p>(g) It was noted that there is no documented cancellation policy for Ceybank Holiday Homes (Pvt) Ltd.</p> <p>In the absence of a documented and approved policy for cancellations and refunds, inconsistencies could arise in the related procedures which could lead to customer dissatisfaction and unfair treatment.</p> | 2022 | <p>The management should establish cancellation policy</p> | <p>Cancellation policy implemented with the approval of Board of Directors.</p> <p>Rectified.</p> |

- | | | | |
|---|------|--|---|
| <p>(h) Lack of Reconciliation Schedule for Booking Advances with Bank Statements.</p> <p>During the audit procedures to verify the balance of booking advances, it was noted that the company has not maintained a proper schedule for reconciling booking advances with bank statements. As per the financial statements provided, the balance for booking advances stands at Rs. 1,307,540/-.</p> <p>The absence of a structured reconciliation schedule poses a significant internal control weakness. Without regular reconciliation of booking advances with corresponding bank transactions, there is an increased risk of errors or discrepancies remaining undetected. This could potentially lead to misstatements in financial reporting and affect the accuracy of the company's financial statements.</p> | 2023 | <p>Recommend to implement a structured reconciliation process for booking advances on a daily, weekly, or monthly basis, as appropriate. This process should involve cross-checking bookings made against the bank statements to ensure that all transactions are accurately recorded and accounted for. By doing so, the company can strengthen its internal controls over financial reporting and reduce the risk of errors.</p> | <p>BOC Welfare Department under Deputy General Manager (Human Resource Division) is in the process of implementing a new reservation system through a system. After the completion of the process, it will be able to reconcile the Current Ac using the said system.</p> <p>The moment the Company reconcile the current account no.324 by gathering information part from booking system and the rest manually.</p> <p>Provision is available in the propose system for reconciliation digitally.</p> |
| <p>(i) Even through, the Company has earned profit of Rs.3,348,255 for the financial year ended 31 December</p> | 2023 | <p>Company should take necessary actions to make profit itself.</p> | <p>Bank of Ceylon, Company is making profit gradually since 2023.</p> <p>the ultimate parent of the company has agreed to provide</p> |

2023, until the financial year ending 31 December 2022, the company incurred continuous losses. Further as of 31 December 2023, the Company's Total Liabilities exceeded Total Assets by Rs.64,230,049 and the amount was Rs.67,578,306 in the preceding year (2022).

Further, the company is suffering from serious loss of capital as per section 220 of the Company's Act No 07 of 2007.

the financial assistant to the company until such time the company is able to finance itself and had issued a letter of comfort in this regard.

3.67 BOC Management and Support Service (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	887,749	33,600	854,149	(29,083)	Unqualified
2022	854,826	33,600	821,226	(32,923)	Unqualified
2023	819,128	43,338	775,790	(45,436)	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) Although, the Board of Directors of the Company has resolved in 2017 that the company should wind up in the future, the Board of Directors of Bank of Ceylon at its meeting held on 18 February 2021 has approved to convert the company in to debt recovery service provider in order to manage the Non-Performing Advance position of the Bank subject to the approval of the Monetary Board of Central Bank of Sri Lanka. However the decision has not been implemented yet by the	2021, 2022, 2023	Bank should consider going concern of the business if bank has not taken any decision yet.	After deliberations on the need to have robust IT drive in the Bank and to prevent vendor dependency of the Bank, the Board, at their meeting held on 03 rd April 2024, decided to repurpose the BOC Management and Support Services (PVT) Ltd (MSS), a subsidiary of BOC which is currently inactive, as a wholly-owned IT company.	CBSL, has granted approval in terms of the Banking Act, No.30 of 1988, as amended, for BOC to establish a subsidiary to provide Information Technology (IT) services, by way of repurposing existing subsidiary and Bank is currently working on this.

Bank.

Accordingly,
Bank prepared the
project report of
the proposed IT
subsidiary
company and
submitted to the
Director of Bank
Supervision of
CBSL for
approval.

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|-----|---|---------------|--|----|----|
| (b) | The principle business activity of the Company is recruitment of employees in order to facilitate manpower requirements of the Bank of Ceylon. However as per the confirmation made by the company, it had not engaged in principle activity since 2007 due to Business operation was ceased in 2007 as directed by the Bank of Ceylon. Accordingly management of the company should take appropriate decision about the continuation of the company. | 2022,
2023 | Management of the company should take appropriate decision about the continuation of the company due to incurring expenses without any income. | DO | DO |
| (c) | The principle business activity of the Company is recruitment of employees in order to facilitate manpower requirements of the Bank of Ceylon. | 2022,
2023 | Management of the company should take appropriate decision about the continuation of the company due to incurring expenses without any income. | DO | DO |

However as per the confirmation made by the company, it had not engaged in principle activity since 2007 due to Business operation was ceased in 2007 as directed by the Bank of Ceylon. Accordingly management of the company should take appropriate decision about the continuation of the company.

3.68 BOC Property Development and Management (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	2,112,041,012	100,363,803	2,011,677,209	188,841,319	Unmodified
2022	2,169,300,415	154,837,458	2,014,462,957	278,909,443	Unmodified
2023	2,350,447,667	134,045,140	2,216,402,527	309,255,057	Unmodified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) As per the lease agreements with all lessees, a penalty of 20 per cent from the monthly rental is charged from the tenant if they are unable to pay the monthly rental before 14 days from the first day of each month. Though instances were observed that the tenants were delayed the payments for more than 03 months period, no penalties were charged from them for the delayed payments. Details of lessees are given below.	2021	It is recommended to impose a penalty on delayed lease payments as mentioned in the lease agreements.	Although the penalty clause is available in all Lease Agreements, penalties were not charged from tenants since inception. we intend to obtain approval from the management regarding this issue.	The Company had not charged the penalties for delayed payments yet.
○ Engenuity (Pvt) Ltd				

○ Sameera Caters

<p>(b) As per the Lease 2022 Agreements with all lessees, the rent shall be paid in advance on the first day of each month. However rent receivable balance of the Company as at 31 December 2022 was Rs.18,115,075 from which Rs.9,754,221 or 54 per cent were in arrears over 90 days period. Hence it was observed that the Company was unable to collect the lease rentals as agreed in the lease agreements. Out of the total arrears lease rentals, Rs. 9,581,823 or 53 per cent is from Merchant Tower-Kollupitiya Building and the balance 47 per cent is from Ceybank House Kandy. The age analysis of receivables are shown below.</p>	<p>It is recommended to take all necessary steps to collect rent receivables in due time.</p>	<p>All the receivables shown below are fully settled other than Engenuity (Pvt) Ltd, Sri Lanka Institute of Information Technology and SLIIT Academy (Pvt) Ltd. The receivables from Sri Lanka Institute of Information Technology and SLIIT Academy (Pvt) Ltd are fuel surcharges introduced during fuel crisis.</p>	<p>Legal case is ongoing for Engenuity (Pvt) Ltd. After completed the negotiation for other two balances with them, Board approval had taken to write off these balances in 2024.</p>
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Description	Overriding Balance (Rs.)				
	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Payments in Merchant Terms- Kollupitiya					
1. Merchant Bank of Sri Lanka & Finance PLC	2,000,665	-	-	-	2,000,665
2. Bank of Ceylon - Western Province North	207,473	-	-	-	207,473
3. Bank of Ceylon Super Grade Branch	344,448	-	-	-	344,448
4. Sri Lanka Institute of Information Technology	982,451	-	-	188,813	1,171,264
5. SLIT Academy (Pvt) Ltd	1,120,893	-	-	174,360	1,295,253
6. Esperanto (Pvt) Ltd	-	-	-	3,047,913	3,047,913
7. Dialog Internet PLC	100,933	39,221	-	-	140,154
8. Mahesh (Pvt) Ltd	50,985	-	-	-	50,985
9. Shree Laxmi Lanka (Pvt) Ltd	37,721	1,474	-	-	39,195
10. Public Utility Commission of Sri Lanka	311,429	-	-	-	311,429
11. Queens Corp Lanka (Pvt) Ltd	61,207	-	-	17,364	78,571
12. Bani's Catering	12,041	-	-	-	12,041
Total - MT (A)	5,912,978	40,695	-	4,228,487	9,580,160
Payments in Cash/Bank/Balance - Kandy					
1. Bank of Ceylon Central Provincial Office	270,830	270,830	379,192	2,275,501	3,196,353
2. Bank of Ceylon Super Grade Branch - Kandy	685,553	685,553	685,553	3,320,270	5,386,929
Total - Cash/Bank (B)	946,383	946,383	1,064,745	5,595,771	8,553,282
Grand Total (A+B)	6,859,361	1,007,078	1,064,745	9,824,258	18,755,442

- (c) It was observed that 2022 four numbers of lease agreements were expired and no renewed agreements were available up to the date of audit on 21 August 2023. Details of those expired lease agreements are given below.

It is recommended to sign a lease agreement/ renewal prior to commencement of the lease period.

1 & 3. BOC Super Grade / BOC Central Province Agreement

Nos.266 & 267/117/2073 –

These two agreements renewed for 2021 and 2022-2024. Renewal Agreements sent to BOC Central Province office and yet to receive signed Agreements.

02. BOC Western Province Agreement

Signing of these agreements had completed.

	Lessee	Agreement No.	Period of Agreement
01	BOC Super Grade-Kandy	266	Expired in 2021
02	BOC Western Province North	353/3050	01.01.2021 to 31.12.2022
03	BOC Central Province	267/117/2073	01.12.2019 to 31.12.2020
04	Mobitel	194	18.02.2018 to 17.02.2023

No.353/3050 – Draft renewal Agreement sent for confirmation **2023/24** – pending confirmation from BOC Western Province (N) office.

04.Mobitel Lease Agreement No.194 – Negotiation for rental Value in progress and expected to complete within September 2023

- (d) A strategic planning process is carried out by every company normally for a five years' period which helps for the company to achieve its objectives and to ensure the optimal utilization of its resources. However strategic plan has not been prepared by the Company for the five years' period from 2022 to 2026.
- 2022
- It is recommended to prepare a corporate plan to achieve the objectives and to ensure the optimal utilization of resources of the company.
- The Company does not have a corporate plan since inception. A new corporate plan was prepared for 2023-2025.
- The Company had prepared a corporate plan for 2023-2025.
- (e) Although the lease agreement of Engenuity (Pvt) Ltd had ended on December 2021, the outstanding balance of Rs.3,847,913 had not been recovered up to the date of audit on 10
- 2023
- It is recommended to take suitable action to recover the outstanding balance without incurring loss to the Company
- Legal actions has been initiated to recover outstanding from Engenuity (Pvt) Ltd. (Case No. DMR 1375/23- Last calling date for answer 14.06.2024 and for replication
- Legal case is ongoing.

June 2024.

calling date
18.10.2024)

- (f) Lease agreements 2023 need to be signed prior to commencement of the lease period. However, four number of lease agreements made during the year 2023 were signed after 03 months lapsed since the commencement of specified lease period. Details are given below.

It is recommended to sign the lease agreement prior to commencement of the lease period

Due to delay in Action is being confirmations, taken. revision in rentals and their approvals in lessee's side execution of the lease agreements go beyond the expire date.

	Name of the Lessee	Lease Agreement No.
01	Bharti Airtel Lanka (Pvt) Ltd.	436
02	MBSL & Finance PLC	386
03	BOC Super Grade-Kandy	393
04	Quess Corp Lanka (Pvt) Ltd	388

3.69 BOC Travels (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	298,760,000	134,623,000	164,137,000	(39,707,000)	Unmodified
2022	353,737,000	143,358,000	210,379,000	48,587,000	Unmodified
2023	451,393,000	157,356,000	294,037,000	91,778,000	Unmodified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The Trade Payable balance of the Company as at 31 December 2022 was Rs.51,376,877 which includes long outstanding payables ranging from 0 days up to more than 360 days. Satisfactory actions have not been taken by the Company to clear the long outstanding balances. Age analysis of Trade Payable balance of the Company is given below.	2022	It is recommended to clear the long outstanding balances.	Up to now the Company hasn't been requested to pay some trade payable balances even asked from creditors to send us invoices to pay. In such an incident as a practice company keep these payable balances for 5 years and after certain verification with Board approval which will be transferred to income.	The Company has taken efforts to clear the long outstanding payable balances.

Number of Days	Amount (Rs.)
0-90	50,024,617
91-180	712,727
181-270	86,634
271-360	19,989
> 360	532,910
Total	51,376,877

- (b) As per the Company's 2023 credit policy, the government departments, corporate customers and individual customers are permitted a maximum credit period of 60 days, 30 days and 15 days respectively and the maximum credit extension is given only for 10 days. When analysing the outstanding debtor balance from each customer category, it was observed that some balances are exceeded the allowed credit period of the Company. Therefore, it was observed that the Company was unable to recover the outstanding debtor balances within the stipulated credit period. The age

It is recommended to take every effort to recover the receivable balances within the credit period as per the company's credit policy. As well it is recommended to introduce new strategies to recover the long outstanding balances without affecting to the company's working capital.

Travel and Tourism As travel and tourism is a credit-driven market, the company takes all possible measures to recover the Debtors as per their credit policy. Exerting undue pressure on the Government Institutions or Corporate Institutions, to abide by the companies credit policy may risk in the client moving away from us as they have the option to proceed and deal with different Travel and Tourism companies. The staff is always advised to abide by the Credit policy in place in the company for the smooth flow of funds into the company to ensure settlement in a timely manner to

analysis of the total outstanding debtor balance is given in the following table.

Customer Category	Total Outstanding as at 31 December 2023 (Rs. 000')				Outstanding as a % of the total outstanding
	0-180 days	181-360 days	More than 360 days	Total	
Government	52,217.1	1,250.4	8,094.3	61,561.8	38
Corporate	73,706.1	7,197.9	19,192.4	100,096.4	62
Total	125,923.2	8,448.3	27,286.7	161,598.2	100

(ii) Out of the total outstanding debtor balance of Rs.161,598.215, Rs.125,923,253 or 78 per cent represents outstanding up to 180 days period of time and Rs. 27,226,719 or 17 per cent represents outstanding for more than 360 days which may adversely affect to the working capital condition of the company.

(iii) Out of the total outstanding balance of Rs.161,598,215, Rs.100,096,424 or 62 per cent represents the receivable from corporate customers. Although the company has allowed 30 days credit period to corporate customers, Rs 26,390,319 or 16.3

our suppliers.

To this effect the Accountant periodically has a debtors meeting individually with all staff to discuss the recovery of long outstanding. In most cases with Government Institutions and private Corporate companies, there is a limited possibility of Zero recoverable at a time as it is always a trading pattern that payments are made and fresh tickets are issued.

per cent from the total receivables as at 31 December 2023 was outstanding for more than 181 days.

- | | | | |
|---|--|---|------------------------|
| <p>(c) The Central Bank of Sri Lanka has instructed to the Bank of Ceylon through their letter dated 20 November 2017 to dispose the BOC Group's holding in BOC Travels (Pvt) Ltd within the next 3 years, since the key business activities of the subsidiary do not fall within the purview of Section 17 (1) (a) – (g) of the Banking Act No. 30 of 1988. The decision to dispose the subsidiary was approved by the Board of Directors of Bank of Ceylon on 28 December 2017. A resolution has been passed by the Company on 24 July 2023 towards the divestment. An advertisement was published on 19 and 20 May 2024 in 5 newspapers by requesting Expressions of Interest from prospective investors. At the closure of Request of</p> | <p>2023</p> <p>It is recommended to speed up the divestment process.</p> | <p>Divestment of BOC Travels (Pvt) Ltd is handled by Bank of Ceylon</p> | <p>Is in progress.</p> |
|---|--|---|------------------------|

Proposal (RFP) only one prospective investor has submitted a bid. However, the transaction advisor has recommended to reject the said RFP due to lack of information and not fulfilling the requirements as set out in the RFP.

3.70 People's Leasing and Finance PLC

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	180,764,579,000	141,946,268,000	38,818,311,000	4,659,009,000	Unqualified
2022	171,073,162,000	131,281,097,000	39,792,065,000	3,017,638,000	Unqualified
2023	159,852,088,000	118,025,950,000	41,826,138,000	3,540,497,000	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
According to the selected sample, the user accounts of the resigned employees were not deactivated in a timely manner in the InBank and Microfin systems. Inadequate procedures over timely deactivation of user accounts of resigned employees could result in significant issues when allocating responsibilities for business transactions. As an example, an existing user can utilise the account of a resigned employee to make fraudulent transactions in the	2022/2023, 2023/2024	It is important to promptly remove access to the organization's applications from the employees who have resigned, since it will help to mitigate the risk of these accounts being misappropriated. The user accounts of resigned employees need to be deactivated on their dates of resignation, at the end of the business day.	When an employee resigns, the HR department submits a request to the access unit (IT department) on a daily basis to deactivate the employee's system access.	If any issues arise during this process, immediate preventive measures are taken to address them.

system, but he/she
could not be held
responsible for such
transactions since
he/she uses someone
else's user
credentials.

3.71 People's Travels (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	96,052,212	34,609,439	61,442,773	(6,500,086)	Unqualified
2022	133,283,665	56,723,169	76,560,496	19,096,383	Unqualified
2023	164,779,861	70,082,686	94,697,175	21,307,198	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) <u>Accounts Receivable</u> Receivables amounting to Rs.10,046,001 or 57 percent from total trade debtors represents the receivable from government organizations and receivables amounting to Rs.3,611,080 or 20 percent from the total receivables are from People's Bank. Even though the company has 15 days period of credit policy, Rs.17,646,938 (Trade Debtor) includes balances amounting to Rs.8,686,500 which are outstanding	2021/2 022	Take necessary actions to strengthen the follow up procedures to ensure recoverability of the balances without any delay.	-	The necessary action has already been taken to collect the long-outstanding debts. The highlighted debtors have already been recovered.

for more than 01 year period of time and the company was unable to collect the outstanding balance within the stipulated time period.

- (b) The staff debtor balance amounting to Rs.2,868,261 represents an individual customer receivable balances under the name of the person who handle the individual customers.

The highlighted debtors have already been recovered.

- (c) Rs.384,083 or 13 percent from total staff debtors is above 360 days as at 31 March 2022 and the company was unable to collect those receivable balances within the stipulated time period.

The highlighted debtors have already been recovered.

- (d) Receivable's amounting to Rs.20,075,063 or 85% from total Trade debtors represents the receivable from government organizations and receivables amounting 604,615 or 3% from the total receivables are from People's Bank. Even 2022/2023 Company should - strengthen the follow up procedures to ensure the recoverability of the balance.

The necessary action has already been taken to collect the long-outstanding debts. The highlighted debtors have already been recovered.

though the company has 15 days period of credit policy, Rs. 7,734,186 (Trade Debtor) includes balances which are outstanding for more than 01 year and company was unable to collect the outstanding balance within a year.

- | | | | | |
|-----|--|-----------|---|---|
| (e) | Proper lease agreement for the building had not been available between the People's Bank and the People's Travel (Pvt) Limited since 2020. | 2022/2023 | Take necessary actions to available such documents. | The mentioned agreement has already been signed and implemented with People's Bank. |
|-----|--|-----------|---|---|

3.72 Peoples Insurance PLC

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	11,054,713,518	6,061,617,536	4,993,095,982	979,669,349	Unqualified
2022	11,216,615,678	6,563,132,953	4,653,482,725	635,958,900	Unqualified
2023	12,144,228,792	6,895,677,109	5,248,551,683	521,578,016	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
<p>(a) 1.5.1 Internal Control over the preparation of financial statements.</p> <p>(a) The Insurance receivable ageing includes the related party insurance receivable amounting to Rs. 10,914,222 from five related parties. However, there is no separate ageing maintained for related party insurance receivables in respect of their own policies.</p>	2022	<p>It is recommended have a separate mechanism for identifying and monitoring of insurance receivables from related parties.</p>	<p>The related party policies also considered under general premium receivable ageing. The long outstanding receivables are monitored through the same</p>	<p>Separate mechanism for insurance receivables from related parties had not been fully implemented yet</p>

(b) **1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

<p>(e) Determination No. 03 of the Insurance Regulatory Commission of Sri Lanka,</p> <p>According to the determination, the period for settlement of premia to be set at 60 days from the date on which the premium is payable. However</p> <p>Company had been used the credit period of 90 to 120 days for different policies contrary with the determination No. 03 of Insurance Regulatory Commission of Sri Lanka.</p>	<p>2022</p>	<p>The credit policy shall be in line with the statutory requirements of the Country.</p>	<p>We adhere to this approach in a limited scale to maintain industry Competitiveness. Company gradually reducing the credit periods granted to be in line with the determination no 03.</p>	<p>Company still unable to fully implement the time period inline with the determination 3</p>
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(c) **1.8 Cash Management**

<p>(b) As per the paragraphs 2.1 of the Investment Operational Manual of the company, the investment mix of the Company should be 40 percent and 60</p>	<p>2022</p>	<p>There shall be prudent investment mix between long term and short term investments in accordance with the investment policy of the company.</p>	<p>According to the management This decision had been taken to maximize investment income after considering the claim payments expenses and short term cash</p>	<p>Investment mix not been alien with operational manual</p>
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percent respectively for long term investment and short term investment. However company portfolio had been mixed with long term investment of 74 per cent amounting to Rs. 6,470,865,303 and short term investment of 26 per cent amounting to Rs.

2,223,514,875 as at 31 December 2022.

requirements of the company after obtaining necessary Board approvals.

(e) **3.2 Management Inefficiencies**

There was no consistent methodology or structure in place to measure branch performance, where previous year performance figures are evaluated on the basis of zone wise while current year performance data evaluated on branch wise. Hence, no comparison is possible on yearly and cost center basis. According to the current year branch analysis 3 branches out of 21 branches earned profit and 18 branches out of 21

2022

There shall be consistent methodology or structure in place to measure branch performance annually.

In 2021 company had three business channels headed by three channel heads. In 2022 the three channels were amalgamated and one head of sales was appointed to reduce the cost and increase the operational efficiency.

Management had not implemented corporate plan for the company. They are following year plan from the year 2021. Hens the audit observed that the management could not forecast the future profitability of the branch network and make their corporate plans.

branches incurred
losses for the
year under review.
The

cumulative profits of
profitmaking
branches were

Rs.57,502,527 where

cumulative loss for
the year is
Rs.486,742,147 for
loss making branches

3.73 People's Leasing Fleet Management Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	445,058,774	59,272,802	385,785,972	153,515,853	Unqualified
2022	444,218,702	95,338,757	348,879,945	39,189,932	Unqualified
2023	220,052,079	27,649,377	192,402,702	19,091,375	Pending

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) It was noted that there were long outstanding other financial assets under the following general ledger accounts amounting to Rs. 793,152.	2021/2022	Need to assess the recoverability and appropriateness of long outstanding balances.	The company is currently identifying gaps in the recovery process to have long outstanding balances in order to take corrective actions to reduce those balances.	The company is currently assessing the recoverability of those balances.

GL Account	Rs.
Debtors-Credit Card	10,049
Maintenances Expenses-Other Company Vehicle	280,052
PLC group Staff	83,678
Debtor People's Merchant PLC	419,373

- (b) Long outstanding 2022/2
balances were 023
reported in relation
to following debtors.

GL Code	Debtor	Amount (Rs.)
1304990210	Maintenance Expenses - Other Company Vehicle	280,052
PMPLC	debtor Peoples Merchant PLC	419,373
1304990022	Debtors - Peoples Leasing Finance PLC	776,568

3.74 People's Leasing Property Development Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	2,711,213,467	911,883,250	1,799,330,217	240,622,829	Unqualified
2022	3,060,561,071	978,669,062	2,081,892,009	398,310,971	Unqualified
2023	3,521,322,241	1,001,809,005	2,519,513,236	466,635,621	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
Outstanding receivable from related parties amounting to Rs. 4,931,450 had been remained with no transactions for more than 5 years as at the year end of 31 March 2023.	2022/2023	Take necessary actions to recover the related balances without any further delay.	The company has started negotiations with the relevant parties to recover the outstanding balances.	The company is currently in negotiations with the relevant parties to recover the outstanding balances.

3.75 Peoples Micro Commerce Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	3,070,809,760	2,552,191,322	518,618,438	196,856,866	Unqualified
2022	2,635,250,826	2,122,969,234	512,281,592	67,028,756	Unqualified
2023	2,941,796,183	2,318,838,230	622,957,953	111,010,290	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
The current provision model calculates the credit related provisions based on the age of the customer as the days past due (DPD) is not available in the system. The age is arrived based on total arrears and it does not reflect the actual DPD.	2023/2024	Take necessary actions to calculate DPD accurately.	DPD calculation done based on age (system generate) and the Company is manually calculate for DPD which reflects accurate DPD.	The Company has started automating the calculation of DPD in the system with IT Department.

3.76 Management Services Rakshana (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	159,276,727	219,857,297	(60,580,570)	28,146,609	Unqualified
2022	175,357,056	202,745,307	(48,020,135)	33,192,319	Unqualified
2023	235,567,335	283,587,470	(27,388,251)	20,631,884	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
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(a) **1.5.1 Internal Control over the preparation of financial statements.**

(c) All the payments of the company had been made using the payment vouchers of the Sri Lanka Insurance Corporation (Parent). Therefore, the serial number ordering had not been observed during the audit. As an independent entity, a unique payment voucher process had not been developed for the company.	2021	The management should introduce a unique payment voucher system to the company with sound system of internal controls.	SLIC will be taken an Action to introduce payment voucher for MSRPL payments with effect from 2022.	Payment voucher system for MSRPL had not been developed.
(d) The Loans paid to the employees of the company and its	2021, 2022	The staff loans also the part of the employment	Started to maintain the loan register in MSRPL in 2022.	Staff loans had not been accounted in

recoveries had not been recorded in the books of Company. Instead, those balances had been recorded in the books of the parent company (Sri Lanka Insurance Corporation Ltd). The total amount of the staff loan balances as at 31 December 2022 was Rs. 155,295,603.

benefit. Therefore, the management should take necessary steps to record staff loans in the books of the company.

MSRPL accounts yet.

1.5.2 Unreconciled Control Accounts or Records

Un reconciled 2021 difference of Rs. 597,098 between MSRPL and SLIC current Accounts had been observed.

Management should identify the reasons for difference and reconcile periodically.

Reconciliation provided by MSRPL

A deference of Rs.52,353,772 had been observed in 2023.

1.5.2 Documentary Evidences not made available for Audit

(a.) Medical Leave Allowance of 2021,2022 Rs.23,572,912 -

Documented payment policy and board approval for Medical Leave Allowance of Rs.23,572,912 had not been presented to the audit.

The company shall develop formal policies and get the prior approval from the relevant authorities to process the employment benefit schemes.

Sick leave has been paid as per the company past practice.

Formal policy for Medical leave allowance had not being implemented

(b.) Vehicle Loan - Rs. 75,802,708 - Board approved policy	2022	The company shall develop formal policies and get the prior approval from the relevant authorities to process the employment benefit schemes.	This payments has been paid as per the company past practice.	Formal policies for those allowances had not being implemented.
(d.) Payment of profit bonus Rs.39,377,303 - Board paper	2022			
(e.) Gift voucher payments of Rs.1,305,000 - Board approval and board paper	2022			

1.6 Accounts Receivable and Payable

According to the Economic Service Charge (Amendment) Act No. 04 of 2020, Economic Service Charge (ESC) had been withdrawn from 01 January 2020. However, ESC receivable amount of Rs. 4,346,862 and ESC payable amount of Rs. 1,940,901 had been observed as at 31 December 2022 without taking necessary steps for settlement.	2021,2022	The management shall take necessary actions to settle those outstanding balances with tax authorities.	Reversed the original journal entry and approval will be taken before passing the journal entry.	MSRPL had not been taken any action to reverse this amounts.
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1.6.1 Accounts Receivable

VAT receivable amount of Rs. 218,482 had been carried forward from the year 2019. The necessary actions had not been taken to identify and recover the balance by the company.	2021	Management should be taken necessary actions to identify and recover the balance.	This was arrived from the input VAT claim from the VAT payable. This is an accounting error. Will set off from the VAT payable account from next year with proper justification.	This amount is still remaining in 2023 financial statements.
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1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

(b) According to the section B.3, the Company's Annual Report should contain a statement of remuneration policy. However, the remuneration policy of the company and the parent had not been disclosed in the Annual Report of the parent.	2022	Company's Annual Report should contain a statement of remuneration policy.	Steps had not been taken by management to contain a statement of remuneration policy in the annual report.	Steps had not been taken by management to contain a statement of remuneration policy in the annual report.
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3.2 Human Resources Management

(a.) A one of the company objectives is to recruit and seconded the key management position (KMPs) of the Sri	2022	The company should recognize the Key Management Positions (KMPs)	Organization Structure is available.	Sri Lanka Insurance Corporation Ltd had been segregated as
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Lanka Insurance Corporation Ltd. However, the company had not recognized KMPs which required to recruit through the company. Further the organization structure of the company had not been submitted for the audit.

which required to be seconded through the company.

Life insurance and General Insurance companies. After segregation MSRPL employees had been permanently allocated to those companies. Organization structure has been changed.

(c)A Recruitment 2022 Plan and Recruitment Committee had not been available for the company for the year 2022. According to the payroll, two (02) management positions had been retired/ resigned during the year under review. Further, six (06) persons had been recruited for the company and seconded to the parent during the year under review.

There should be formal recruitment plan for the company.

Recruitments are done based on the SLIC strategic plan and business requirements.

Segregation had been done and MSRPL officers had been allocated to life and general insurance companies.

4. Accountability and Good Governance

4.1 Internal Audit

An internal audit had 2022 been carried for the year under review. However, the report had not been furnished to audit.

The internal audits report shall be available to the audit.

The internal audit report should be furnished to the audit after finalize.

Internal audit report had not been furnished to the audit.

3.77 Independent Television Network Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	2,094,880,624	1,079,155,295	1,015,725,329	(343,711,481)	Qualified
2022	1,998,574,171	1,344,413,113	654,161,058	(370,278,935)	Qualified
2023	2,125,748,733	1,635,827,141	489,921,592	(205,344,079)	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	As per Section 02 of the Public Enterprises Circular No. PED 1/2015 dated 25 May 2015 Rs. 6,524,899 had been paid as travelling allowances to 41 middle level managers who were not entitled to official vehicles during the year under review.	2022	Actions should be taken to proceed as per the circulars.	It has been informed that this allowance will be paid with the approval of the Board of Directors according to the corporate constitution, considering the limited public transport facilities.	It has been informed that approval has been requested from the Department of Public Enterprises. Letters dated 25 September 2023 and 16 March 2024 have been forwarded to the Department of Public Enterprises through the Ministry of Mass Media seeking approval for the transport

allowance paid based on the decisions of the Board of Directors for staff who are not entitled to official vehicles. It has been recommended by the Secretary to the Ministry of Mass Media and forwarded to the Department of Public Enterprises for approval on 22 July 2024. Approval had not been received by 30 September 2024.

- (b) As of 31 December 2023, the trade receivable balance shown in the company's financial statements was Rs. 905,105,718 and action had not yet been taken to recover receivables of Rs. 903,747,078, including the balance of Rs. 222,661,338, which is overdue for five years from 4
- Action should be taken to recover outstanding balances without delay.
- At present, actions have been taken to refer a sum of Rs. 19.7 million to the Legal Division for legal action and it has been informed that legal proceedings have been completed for about Rs. 5 millions of this amounts.
- It has been informed that a loan policy has been introduced at present and that action is being carried out accordingly.

television and radio channels.

- | | | | | | |
|-----|--|----------------------|--|--|---|
| (c) | Rs. 139,877,017, out of the outstanding balances exceeding Rs. 100,000 of Independent Television Service exceeding 05 years and Rs. 21,610,622, Rs. 885,903 and Rs. 6,810,041 out of the outstanding balances of over Rs. 100,000 of Vasantham Television Channel, Vasantham Radio Channel and Lakhandha Radio Channel exceeding one year respectively, remained unchanged from the previous year under review. The Company had not taken any action to recover those balances during the year under review. | 2021
2022
2023 | Actions should be taken to recover outstanding debtors' balance without delay. | It has been informed that although the necessary legal actions were taken to recover outstanding balances which were over a year old, practical problems had arose in continuing to take legal action as the agencies had ceased operations. | It has been analyzed in the Audit and Management Committee in detail and necessary actions are being taken. |
| (d) | The Company had taken actions to provide communication facilities for the coming period after the cancellation of 05 lease agreements entered into with the telecommunication companies in leasing the broadcasting | 2023 | Actions should be taken to reach formal agreements and recover the balances due. | Actions are being taken to the renewal of contracts with certain service providers regarding the rental of communication towers and services have continued to be | It has been informed that the drafts have been sent to the Legal Officer of the administration Division in the relevant institutions for the preparation of the |

towers to the telecommunication companies. Further, the outstanding balance due from the telecommunication companies for the provision of communication facilities as at 31 December 2023 was Rs. 19,971,680.

provided until the contracts are renewed. Necessary actions are being taken to recover the amount of Rs. 6,502,042 due from Lanka Bell. It has been informed that the money due from other service providers is currently being collected.

agreement. However, due to internal issues in the telecommunication companies, there has been a delay in checking the accuracy of the agreements and returning them to the company. It has been informed that issues have arisen regarding the timely renewal of those agreements. It has been informed that some institutions have been closed and arrangements have been made to renew the agreements that had not been renewed.

Rs. 13,663,821 was still due as of 30 September 2024.

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|---|-------------------------------|--|--|--|
| <p>(f) As of the last date of the year under review, the total value of the trade receivables balances consisting of twenty-two debtors was Rs. 28,824,030 and the total of trade receivables balances outstanding for more than 5 years due to the company not providing the relevant services was Rs. 17,288,167. Action had not been taken to recover these balances during the year under review.</p> | <p>2021
2022
2023</p> | <p>Immediate action should be taken to recover the trade balances.</p> | <p>Due to the lack of documents confirming that the service related to the counter trade transactions was received, this value is shown in the accounts, but impairment adjustments have been made in accordance with accounting standards. It has been informed that actions will be taken to write off long-standing counter trade balances in accordance with the relevant circulars in the future.</p> | <p>It has been informed that the balances of counter trade transactions and the balances where advertisements were not actually broadcast within these balances are about Rs. 60.2 million and those balances were referred to the Audit and Management Committee and with the relevant recommendations actions had been taken to write off from the books and to be obtained the approval of the Board of Directors.</p> |
| <p>(g) The company's equity capital in 2015 was Rs. 3,198,499,721 and in 2022, the equity capital of Rs. 654,161,058 had continuously decreased to Rs. 489,921,592 in the year under review. The company had incurred losses</p> | <p>2021
2022
2023</p> | <p>Arrangements should be made to minimize losses and increase income.</p> | <p>Although the loss situation was reduced in 2023, the working capital has decreased due to the loss situation, but necessary actions have been taken to reach a profitable level in 2024.</p> | <p>It has been informed that it is expected to reach the breakeven point in 2024, reducing losses by about 50 percent compared to 2023.</p> |

ranging from Rs. 107,189,266 to Rs. 361,564,271 from 2016 to 2022 and had also incurred continuous losses of Rs. 213,739,466 in the year under review. The loss of the Independent Television Service during the year under review was Rs. 180,808,436 while the losses of Wasantham TV and ITN FM, which are under it were Rs. 9,882,712 and Rs. 27,816,668 respectively.

3.78 Lake House Property Development (Private) Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	18,692,467	29,600	18,662,867	(9,600)	Unqualified
2022	18,673,267	9,600	18,663,667	800	Unqualified
2023	18,637,747	23,000	18,614,747	(48,920)	Unqualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
a) This Company had been established in the year 1985 in view of conducting property development businesses, but its objectives had later been amended so that vehicles such as motor vehicles, lorries, busses, vans , taxi cabs, or omni busses would be purchased, rented or given on lease. Nevertheless, only an expenditure of Rs. 48,920 comprising an audit fee of Rs. 33,800 and a secretarial fee of Rs.	2023	The management should take action to restore operations so that objectives of the Company would be achieved.	Although no business operations are conducted by the Company, it is intended to restore operations of the Company in due course. Hence, the Company is maintained without being liquidated.	The Lake House Property Development Pvt Limited remains non-functional over an extensive period with no activity whatsoever done. Considering this context, the Board of Directors of the Associated Newspapers of Ceylon Limited had decided on 10/07/2024 that further action be taken after

15,120 for the year under review, had been shown in the revenue statement whereas no other operating activity whatsoever had been done.

looking into the possibility of liquidating this Company.

b) The sum of Rs. 2023

3,801,363 being the value of 08 acre land of the Company in Hokandara had been transferred to the current account of the Associated

Newspapers of Ceylon Limited in the year 2014 whilst the balance in the Current Account No. 3068095 amounting to Rs. 13,958,641 had also been transferred to the said account in the year 2015. Hence, objectives of the Company could not be achieved.

The management should take action to restore operations in a manner that objectives of the Company would be achieved.

Noted.

The Lake House Property Development Pvt Limited remains non-functional over an extensive period with no activity whatsoever done.

Considering this context, the Board of Directors of the Associated Newspapers of Ceylon Limited had decided on 10/07/2024 that further action be taken after looking into the possibility of liquidating this Company.

3.79 Selacine Media Solutions Pvt Ltd (Selacine Television Institute until 2023.09.30)

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	436,001,394	343,615,026	92,386,368	(6,841,002)	Qualified
2022	373,289,927	275,558,426	97,731,501	(14,695,458)	Qualified
2023	364,102,084	284,333,129	79,768,955	(18,647,695)	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Rather than selecting a building suitable for the requirement by following the formal procurement procedure, the institution had obtained a 6850 square feet building which required heavy repairs, on lease for a period of 10 years at a monthly lease rent of Rs. 675,000 in the year under review. Without ascertaining as to whether the completed works had been inspected in terms of the agreement entered into between the	2021	Action should be taken in a manner that the institution does not sustain losses.	An investigation has been conducted by the financial crimes investigation division and all the relevant documents have been taken into their custody.	An investigation has been conducted by the financial crimes investigation division and all the relevant documents have been taken into their custody

institution and owner of the building and identifying whether further repairs would be necessary, a sum of Rs. 21 million on repairs of the building along with a sum over Rs. 08 million had been spent. A refundable deposit of Rs. 4,050,000 equivalent to the value of lease rent for 06 months, had been paid to the owner of the building. In order to supply funds in that connection, 03 fixed deposits of the institution valued at Rs. 23,000,000 had been withdrawn, thus depriving the institution of an interest income amounting to Rs. 1,066,424.

- | | | | | | |
|-----|--|--------------|--|---|---|
| (b) | The institution had obtained on lease the ground floor of the building owned by the National Film Corporation at No. 224 Bauddhaloka Mawatha Colombo 07 through the Agreement No. 4660 for a period of 05 years from 15 January 2014 to 14 | 2021
2022 | With attention drawn on period of agreement and expenditure, action should be taken to legally solve the issues thus avoiding further issues among institutions. | A letter had been issued on 26 July 2023 informing that the balance after settling the sum of Rs. 7,946,311.73 payable to our institution by the National Film Corporation, be paid to our company. | The issue relating to the receivable and payable balance between the institutions, has not been settled thus far. |
|-----|--|--------------|--|---|---|

January 2019.

However, even after expiration of the lease, the institution was maintained at the same premises for over 03 years up to March 2022 without entering into a formal agreement again. Following the Letter No. NFC/103/04/01 dated 25 May 2022 sent to the Chairman of Selacine Media Solutions Pvt Ltd by the General Manager of National Film Corporation with emphasis on the duration in which the institution had been maintained without entering into an agreement, the Department of Government

Valuation issued a report on monthly lease rent for the building thus informing that a lease rent of Rs. 12,111,000 be paid as at 31 December 2022. However, only a sum of Rs.4,725,000 had been recognized in the financial statements of the institution as being the due amount in

terms of the old agreement. Action had not been taken even in the year under review to solve this issue.

- | | | | | | |
|-----|--|------|---|---|---|
| (c) | <p>Action had not been taken even up to the date of this report to obtain approval on a post of Internal Auditor in terms of Section 40(1) and Sub-section 2(1) of the National Audit Act, No. 19 of 2018. An Internal Auditor had not been appointed up to the date of this report.</p> | 2023 | <p>An Internal Auditor should be appointed in terms of provisions of the Act.</p> | <p>The proposed staff of the institution had been forwarded to the Department of Public Enterprises through the Department of Management Services in the year 2024 seeking approval. It has been informed that, when approving the staff, action will be taken to include a post of Internal Auditor to the staff.</p> | <p>Letters had not been exchanged in view of approving the proposed staff of the Company, and the issues is being discussed. An Internal Auditor has not been appointed thus far.</p> |
| (d) | <p>Contrary to Management Services Circular No. 02/2016 dated 25 April 2016 and Section 05 of Chapter VII of the Establishments Code an overpayment of Rs. 1,519,236 had been made to 04 officers of the institution as salaries as at 30 September 2023.</p> | 2023 | <p>Provisions of Circulars should be followed.</p> | <p>Payment of 05 salary increments after being added to the basic salary, had been suspended for 05 years in terms of the decision taken on 27 October 2022 by the Board of Directors. Furthermore it has also been informed that there existed an issue for recovery of overpaid salaries as per the decision of the Board of Directors dated 05 January 2024.</p> | <p>Action had not been taken to recover the overpaid salaries.</p> |

3.80 Associated Newspapers of Ceylon Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	3,429,440,000	1,594,195,000	1,835,245,000	332,012,000	Qualified
2022	3,330,284,000	1,571,420,000	1,758,864,000	(191,937,000)	Qualified
2023	3,195,071,000	1,404,351,000	1,790,720,000	22,775,000	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Action had not been taken to recover the balance of Rs. 6,359,729 remained due over 01-25 years from 17 officers deceased or retired, or whose services had been terminated by the end of the year under review.	2023	Action should be taken for the prompt recover of dues.	Forwarded to the Legal Division to recover the balance by legal means.	Only a sum of Rs. 622,685.28 had been recovered as at 31 July 2024 out of that balance.
(b)	A sum of Rs. 1,200,000 had been expended by the Company in December 2008 to purchase 1,200 shares of the Lanka Puwath Limited. Nevertheless, no	2023	Investment should be made in a manner that benefits can be reaped.	The Lanka Puwath Limited, maintained under the Ministry of Mass media, has not been functioning since 2024.	As the Lanka Puwath Limited, maintained under the Ministry of Mass media, has not been functioning since 2024, benefits have not been

benefit whatsoever
had been received
even by 31 December
2023.

received.

(c) The Company had 2023

published
advertisements worth
Rs. 21,357,080
during the year under
review without
countertrade
agreements with 03
institutions. Out of
the 02 institutions
that presented the
agreements, the
agreement for
publishing
countertrade
advertisements
during the year under
review, had been
entered into with Sri
Lanka Rupavahini
Corporation prior to
03 days of the expiry
of the agreement.
Furthermore,
advertisements worth
Rs. 1,815,925 had
been published in
excess of the value of
countertrade
agreement entered
into with another
private media
institution; and,
without a
countertrade
agreement, the
Company had
published

The Management
should take action
to properly
maintain the
countertrade
agreement.

Instructions have
been issued to the
relevant officer for
the proper
management of
countertrade
agreements in the
future.

Instructions have
been issued to
the relevant
officer for the
proper
management of
countertrade
agreements in
the future.

advertisements with the Independent Television Network to the value of Rs. 18,595,910 during the years 2021 and 2022. The Audit had not been provided with particulars of the values of advertisements published on the other media institutions under countertrade agreements in the year under review.

- | | | | | | |
|-----|---|------|---|---|--|
| (d) | The land of 08 acres in Hokandara, purchased in the year 1985 for construction of a housing scheme, had been reassessed to the value of Rs. 733,000,000 in the year 2021, remained unused since the date of purchase. | 2023 | Investments should be made productively in accordance with objectives of the institution. | After calling for tenders on 11 September 2024, proposals had been made by 02 institutions for a housing scheme and a sports complex project, and discussions are held in this regard. | After calling for tenders on 11 September 2024, proposals had been made by 02 institutions for a housing scheme and a sports complex project, and discussions are held in this regard. |
| (e) | The Corporate Plan of the institution, strategic plan, Action Plan, organizational structure, Departmental structure, and particulars on retained posts and cadre information that should have been presented to the | 2023 | The conditions agreed upon by the management, should be adhered to. | The Action Plan, organizational structure, Departmental structure, and the number of posts retained and cadre information, have been presented to the Ministry of Mass Media. The draft Corporate Plan of | A copy of the Corporate Plan had been sent to the Ministry on 18 June 2024. |

Ministry of Mass Media as at 31 December 2023 in terms of the agreement entered into with the Ministry on 23 June 2023 for obtaining a Government grant of Rs. 300,000,000 relating to voluntary retirement scheme for employees of the Company, had not been made available. Although the conditions that had been agreed upon, were not implemented, an expenditure of Rs. 261,330,760 had been expended from the Government grant on the retirement of employees.

the institution already prepared, will be sent to the Ministry before the end of May 2024 after being approved by the Board of Directors.

3.81 Lanka Salt Ltd

	Total Assets	Total Liabilities	Equity	Tax Before Profit (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	1,631,847,913	554,711,508	1,077,136,405	39,117,032	Qualified
2022	2,717,605,128	954,286,559	1,763,318,569	915,699,382	Qualified
2023	3,848,074,337	1,244,084,900	2,603,989,437	1,756,205,318	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendatio n as on date of the Report
(a)	By February 22, 2023, 174 Stock items which costs Rs. 1,160,355, and had not been submitted for audit, also had been kept unused in the stores for a long time. Although on November 29, 2018, 06 units of spare parts belonging to 03 types were purchased for Rs.1,748,082 and while the equipment remained unused in the warehouse, 2 units of those parts were purchased again for Rs.1,163,994 on 18 June 2019. As of 22 February 2023, Without specifically	2022	The stocks must be ordered after inquiring requirements. And the losses should be recovered from responsible parties which was purchased of unnecessary stocks.	No action taken.	That the purchase requisition has been submitted by the procurement department without inquiring about the remaining stock in the stores and those items were unused in the stores since the year 2018.

identifying
requirement those 10
spare parts remained
idle in the stores due
to purchase.

- | | | | | | |
|-----|--|----------------------|---|------------------|--|
| (b) | In terms of paragraph 1.2 of the Sri Lanka Accounting Standards for Small and Medium Enterprises 01, even though Lanka Salt Limited cannot be recognized as a small and medium scale business, The Company had followed Sri Lanka Accounting Standards for Small and Medium Enterprises in the presentation of its financial statements for the year under review. | 2021
2022
2023 | Financial statements should be prepared according to Sri Lankan accounting standards. | No action taken. | In this regard, when consulting several accounting experts, they said that for the first time this policy shift should be done with the help of a consultant. For this, that the approval of the audit committee will be taken and the system will be changed. |
| (c) | An amount of Rs.7,579,030 was missing from the income received from the transportation of salt in the year 2019 and that amount was stated as transport income receivable in the financial statements and provisions for bad debt had been made for the full amount. Accordingly, the | 2021
2022
2023 | Clear and adequate disclosure should be made regarding financial fraud. | No action taken. | That agree to disclose in the year 2024. |

information regarding this financial fraud had not been disclosed in the financial statements.

- (d) PED 01/2021 Public Enterprises Circular dated 11 November 2021

- | | | | | |
|---|------|---|---|--|
| (i) Guidelines and Operations Manual for State Owned Companies. | 2023 | Actions should be taken to obtain the approval of the General Treasury. | That the arrangements are in progress for the approval. | As of 25 September 2024, approval has not been obtained. |
|---|------|---|---|--|

Paragraph 3.1

The approval of the General Treasury had not been obtained for the number of employees and remuneration of the company.

- | | | | | |
|--------------------|------|---|------------------|---|
| (ii) Paragraph 3.2 | 2023 | Actions should be taken to obtain the relevant approvals. | No action taken. | As of 25 September 2024, relevant approval has not been obtained. |
|--------------------|------|---|------------------|---|

The cadre recruitment scheme of the company had not been submitted to the Department of Public Enterprises with the recommendations of the line ministry and approved.

- | | | | | |
|---|------|--|------------------|--|
| (e) The polythene and coconut branches that covered 569.25 metric tons of salt worth Rs.27,324,000 in the super grade class completed 31 on | 2023 | The loss caused to the company should be recovered from the responsible parties. | No action taken. | That the stock is still damaging by 25 September 2024. |
|---|------|--|------------------|--|

March 2022 had decomposed and mixed with the salt and the salt had melted in the pile. As a result, the quality of the salt had deteriorated.

- | | | | | |
|---------------------|--|------|---|---|
| (f) Bundala Saltern | | | | |
| (i) | The 73.98 metric tons of salt produced in the years 2016, 2018, 2019, 2020 and 2021 with a current market value of Rs.2,342,398 had not been sold. | 2023 | Actions should be taken to sell the old stock. | No action taken. That the no action has been taken to recover the loss even by 25 September 2024. |
| (ii) | As the material required to cover the salt harvest obtained in the year under review had failed to be supplied in proper quantity at the appointed time, 1816.19 metric tons of salt worth Rs.65,425,279 had been damaged. | 2023 | The responsible officers should be identified and the losses should be recovered. | No action taken. No action has been initiated to recover the loss as of 25 September 2024. |
| (g) | The responsible officers had failed to keep the main CCTV security camera system in main warehouse up-to-date in working condition since 2019. | 2023 | CCTV security camera system should be kept up to date. | No action taken. As of September 25, 2024, the camera system remains inactive. |
| (h) | Even though a computerized stock management software | 2023 | A computerized inventory management | No action taken. As of 25 September 2024, a stock |

should be used considering the quantity, value and movement of stock in the warehouse, all stock records were maintained manually. Due to this, the accuracy of stock records was not high and the company had lost the opportunity to adopt a system of automatic notification of stock levels.

software should be used.

management system has not been introduced.

- | | | | | | |
|-----|---|----------------------|--|-------------------------|---|
| (i) | <p>The 15 wholesale items with a value of Rs.2,233,655 purchased since 2010, 22 types of motors and 05 gearboxes with a value of Rs.3,467,862 purchased since 2015 and 422 warehouse items worth Rs.2,156,526 purchased since the year 2008 were kept in idle in the warehouse without use. Accordingly, it is observed that these goods have been purchased without properly identifying the need.</p> | <p>2022
2023</p> | <p>Needs should be identified and purchases should be made accordingly and losses should be recovered from responsible officers.</p> | <p>No action taken.</p> | <p>As of 25 September 2024, the relevant stock items are in idle.</p> |
| (j) | <p>02 Pusher Plate worth Rs.2,846,010 purchased under emergency purchases</p> | <p>2023</p> | <p>Disciplinary action should be taken against the responsible</p> | <p>No action taken.</p> | <p>As of 25 September 2024, the relevant spare parts are</p> |

on the recommendation of the Chief Engineer were not suitable for plant and remained idle even by the end of the year under review. It had been taken over 17 months to complete this purchase.

officers and the loss incurred to the company should be recovered.

still in idle.

- (k) According to No.3.6 of the Government Procurement Guidelines, if the relevant procurement committee ensures that there is no objection to the re-ordering, re-ordering for the procurement of goods up to the limit of 50 percent of the original contract value may be authorized only in special cases. On the contrary, 1.5 million packs of 01kg Laklunu worth Rs.23,925,000 and 01 million packs of 400g table salt (blue) worth Rs.7,400,000 had been purchased from a private company without the approval of the procurement committee.
- 2023 Responsible officers should be identified and disciplinary action should be taken. That the A formal procurement investigation is underway for this. procedures will be followed and this. purchased.

- | | | | | |
|---|-------------|--|---|---|
| <p>(l) While 01kg Laklunu packs and 400g table salt packs are in the institution for next 68 days and 61 days respectively, apart from the procurement procedure, 01 kg Laklunu and 400g table salt packs were purchased for Rs.15.95 and Rs.7.40 each respectively on 02 November last year. Since the tender price on 17 November of last year was Rs.8.65 and Rs.4.05 respectively for these packages, the company had incurred a loss of Rs.16,230,031 due to the purchase of these reorders.</p> | <p>2023</p> | <p>The loss incurred by the company should be recovered from the responsible officers.</p> | <p>A formal investigation is underway for this.</p> | <p>As on 25 September 2024, the relevant loss has not been recovered.</p> |
| | | | | |
| <p>(m) According to Asset Management Circular No. 05/2020 and F.R. 770(4) and 770 (a), (c), although the vehicles that are not in running condition and cannot be repaired should be disposed, it had not been act accordingly for 07 vehicles owned by the company that were taken out of service.</p> | <p>2023</p> | <p>Relevant circulars should be covered.</p> | <p>No action taken.</p> | <p>As on 25 September 2024, action has not taken according to the circular.</p> |

3.82 Paranthan Chemicals Company Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	938,697,754	354,427,780	584,269,974	138,180,996	Unqualified
2022	1,230,390,183	535,346,106	695,044,077	362,358,886	Unqualified
2023	1,350,681,034	685,509,850	665,171,184	479,965,403	Unqualified

	Audit Observation	Year of the report	Auditor General's Recommendation	Preventive Measures taken by Audited Institutions	Implementation status of the recommendation as at the date of report
(a)	5,997 bags (25 Kg) of Caustic Soda worth Rs. 38,644,540 had been purchased from Bangladesh on two occasions exceeding the required quantity in the year 2022. 1,869 bags of caustic soda worth Rs. 15,022,368; that is 31 percent, from this stock had remained as at 31 December 2023.	2023	The management should take decisions so as not to make any loss to the Company	The respective company has conveyed its willingness to exchange this stock of caustic soda, and that matter has been referred to the Board of Directors.	The stock is further remaining.
(b)	A proposal had been made in the year 2016 to establish a plant for chlorine production on Paranthan land having an extent of 227 acres, and	2023	The measures required to start the Chlorine manufacturing activities should be taken.	Since the restructuring of Paranthan Chemicals Company was executed under the Ministry of Finance, further action in that	The construction activities of the plant have also not been started.

although a sum of Rs. 13,094,727 had been spent on the feasibility study, development of the Paranthan land and tree planting from 2018 to the end of 2023, the construction activities of the plant had not commenced.

connection was to be taken as per the decisions of the said Ministry.

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|---|-------------|--|---|--|
| <p>(c) When sending 3 containers carrying 42 empty chlorine cylinders to the supplier institute of Bangladesh on 07 October 2022, a late fee of Rs. 6,830,145 had to be paid by the Paranthan Chemicals Company Ltd due to the failure to send the relevant documents on time to release those containers. The actions had not been taken so far to recover the related loss from the responsible officers.</p> | <p>2023</p> | <p>The management should make sure that the proceedings are made so that the company does not incur losses.</p> | <p>A committee consisting of three officers has been appointed regarding this matter with the participation of a Director of the Ministry of Industries, and the said report has not yet been received by the Company. After the receipt of the report, the actions are to be taken according to its recommendations.</p> | <p>The report has not yet been received. The loss has not been recovered from the responsible parties.</p> |
| <p>(d) Although a sum of Rs. 35,353,000 had been provided on 31 December 2020 to carry out a feasibility study on the possibility of manufacturing Urea fertilizer in Sri Lanka</p> | <p>2023</p> | <p>The feasibility study should be conducted and the proceedings should be made to start the Urea fertilizer production immediately.</p> | <p>Since the works of SLINTEC regarding this project is continuously delayed, a letter has been sent to the Ministry of Finance on 22 July 2024 requesting advice on</p> | <p>The project has not been started even as at the year 2024.</p> |

by the Sri Lanka
Institute of
Nanotechnology
(Pvt) Ltd, the said
projects had not been
initiated even by the
end of 2023.

the future works of
this project. Once
those instructions
are received, further
actions are to be
taken based on those
instructions.

3.83 BCC Company

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	8,673,617,368	282,862,817	8,390,754,551	124,752,053	Unqualified
2022	12,183,399,654	304,967,074	11,878,432,580	149,169,834	Qualified
2023	4,941,340,321	146,415,953	4,794,924,368	155,729,211	Qualified

	Audit Observation	Year of the report	Auditor General's Recommendation	Preventive Measures taken by Audited Institutions	Implementation status of the recommendation as at the date of report
(a)	Even if the soap production plant that was in the B.C.C head office had been moved to and installed in the site of the Board of Investment with an extent of 03 acres in Wathupitiwala in the year 2012, it remained idle even by the end of the year 2023 from the date of installation.	2022/2023	An appropriate action should be taken for the unusable machines.	The Soap Noodles Manufacturing Machine that had been installed in Wathupitiwala Plant remains inactive from a long time. The machineries that had been installed in the said building are also being removed by the workers. A decision regarding the use of the said machine will be taken by the management in future.	The machineries installed in Wathupitiwala Plant are not used and those are being removed by the employees.
(b)	As per the Management Service Circular No. 30 dated	2022/2023	A Scheme of recruitment should be prepared and the	Since this is an institution that has been placed under	The approval of the Department of Management

22 September 2006, the salaries had been paid by placing on each salary step as per the circular at the time of restructuring the company in the year 2006. However, the approval from the Department of Management Services had not been taken for the respective recruitment procedure. 42 officers on permanent basis and 6 officers on contract basis were in the service as at 31 March 2023, and 20 to 30 officers had been attached for the duties of the Company by the man power supply and a sum of Rs. 8,518,702 had been paid for that in the year under review.

approval from the the Ministry of Services has not Department of Finance and referred been obtained Management for a restructuring even by now. Services should be process, the approval from the Department of Management Services has not yet been received for this.

3.84 Sri Lanka Institute of Biotechnology

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	64,293,150	1,015,921	63,277,229	(50,222,771)	Unqualified
2022	156,665,962	2,088,784	154,577,178	(144,338,432)	Qualified
2023	386,334,570	206,627,226	179,707,344	(196,064,835)	Qualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a) Even if the first stage of establishing the Bio-technology Park should be completed by December 2020 with the intention of giving opportunity for the investors to start their operation activities immediately for the project of starting Bio-technology Innovation Park, the said task had not been fulfilled though a period over two years had passed since the start of the company.	2022	The adequate steps should be taken to fulfill the objectives efficiently.	As per the discussions held with the Urban Development Authority and the Ministry of Education regarding the amount to be paid to the Urban Development Authority for the acquisition of the land according to the approval of the Cabinet of Ministers, a sum of Rs. 185.67 million was requested from the Ministry of Finance to swiftly pay the remaining amount and transfer the	The money for the land has been given by the Ministry of Finance and the payment has been delayed as the Urban Development Authority has failed to provide the necessary legal documents. The procurement process for the architectural design for the Bio-technology Innovation Park is in progress.

				ownership of the land to SLIBTEC.	
(b)	Although the objective of establishing the company was to acquire the technology for the local manufacturing of 10 biological items including insulin and growth hormones from the International Center for Genetic Engineering and Biotechnology (ICGEB) and thereby reduce the cost of importing those, a suitable background had not been formed to achieve the said objective.	2022	The adequate steps should be taken to fulfill the objectives efficiently.	As the occurrence of these things has been an essential matter, the proceedings are being done with the relevant institutions to solve the issues quickly.	With the start of works of the Innovation Park, the investors will be able to start their investments and the activities of producing these products locally will begin simultaneously. The arrangements have been made to present the Expressions of Interest for the investors in the middle of next year
(c)	Although the consumable items and chemicals worth Rs. 10,983,725 had been purchased during the year under review, only a very little quantity; such as 1.2 percent of those, had been used.	2022 2023	The purchases should be done considering about the stock levels when the stock items are purchased.	The purchasing of consumables has been limited this year and the chemicals are purchased only according to the requirements.	The relevant materials are used for the planned researches as well as for the services provided with external parties.
(d)	Out of 14 items of consumables (research) purchased in the year 2022, the materials worth Rs.	2023	The stocks should not be collected unnecessarily, the purchases should be done by identifying	The consumables used for the laboratory activities have been purchased by the institution in	The relevant materials are used for the planned researches as

3,551,668 remained unused and underutilized as of 31 December 2023.

the requirements specifically, and the fact that whether the researches can be done should be identified before purchasing materials for researches. the year 2022 at a cost of Rs. 9,033,432 and those items do not expire. However, the purchasing of consumables has been limited this year and the chemicals are purchased only according to the requirements. well as for the services provided with external parties.

3.85 Sri Lanka Institute of Nanotechnology

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	4,387,167,225	4,398,287,099	(11,119,874)	(4,875,832)	Unqualified
2022	4,147,682,688	4,207,485,158	(59,802,470)	(22,431,598)	Qualified
2023	3,977,908,023	4,041,549,818	(63,641,795)	10,253,101	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	The company has continuously experienced net losses and there are total liabilities that exceeded the total assets of the company.	2021/2022 2 2022/2023 3 2023/2024 4	The firm attention should be given on the going concern of the company.	The attention has been given to this at the Special General Meeting.	The losses have been increased annually.
(b)	A stock of ready-made fertilizer worth Rs. 1,412,601 has remained unsold in the warehouse as at the end date of the accounting year.	2022/2023 3 2023/2024 4	The steps required to create a suitable market for the new productions should be taken.	A measure has not been taken.	The fertilizer stock remains as it is.
(c)	Sri Lanka Institute of Nanotechnology (Pvt) Ltd has entered into an agreement	2021/2022 2 2022/2023	The receivable income should be collected.	A measure has not been taken.	The receivable amounts have not been recovered.

with an Indian Company on 15 March 2012 to give the Nano-fertilizer Development Technology. As per the agreement, the total value was 2,250,000 American Dollars and is scheduled to be recovered in four installments.

However, only a sum of 1,000,000 American Dollars has been settled within the due timeframe as per the agreement, and even if an invoice had been issued on 30 June 2023 for an amount of 750,000 American Dollars, the said amount had not been recovered even as at the end of the year under review.

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|-----|--|-----------|-----------------------------------|---|---|
| (d) | Although a greenhouse had been constructed at a cost of Rs.33,373,109 in the year 2017, it had not been used for the intended task even by September 2023. | 2022/2023 | The usable assets should be used. | It has been given for the use of several consumers from time to time. | This project has been abandoned in the year 2024. |
| (e) | The Laboratory equipment and furniture purchased at a cost of | 2022/2023 | The usable assets should be used. | A measure has not been taken. | This project has been abandoned in the year 2024. |

Rs.88,770,040 in the year 2017 for the Pilot plant strategic project for Active Pharmaceutical Ingredients had not been used for the said tasks even by the end of March 2023.

3.86 SLINTEC Academy

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	4,639,251	13,281,631	(8,642,380)	(316,483)	Qualified
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	As the total liabilities of the company have exceeded the total assets, it was observed that there is a risk about the going concern of the company.	2021/2022	A firm attention should be given on the going concern of the company.	The preventive measures have not been taken.	The operation activities are not in progress at present and the accounts of previous two years have not been presented.

3.87 National School of Business Management (NSBM)

	Total Assets	Total Liabilities	Equity	Surplus/(Deficit)	Opinion
	Rs	Rs	Rs	Rs	
2021	11,079,758,348	9479,867,446	1599,890,902	677,822,872	Unqualified
2022	14,280,597,314	10,533,971,780	3,746,625,535	190,744,927	Unqualified
2023	14,647,301,904	10,419,020,155	4,228,281,749	720,432,350	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	<p>The National Institute of Business Management (NIBM) invested a total of Rs.800,000,010 in the National school of Business Management (NSBM) since 2017, no return was given to the National Institute of Business Management from the year 2020 to the 2022 financial year.</p> <p>Also, regarding the National Business Management Institute, this matter was discussed in the Committee on Public Enterprises held in Parliament on December 02, 2021, and the committee</p>	2022	<p>The Chief Accounting Officer should arrange to appoint an expert panel to monitor the conduct and structure of the two institutions as per the recommendation of the Committee on Public Enterprises to give a fair return on the money invested.</p>	<p>Accordingly, the solvency test for the respective years from 2020 to 2022 has not been satisfied for dividend distribution. The circumstances have been discussed at the Annual General Meeting and the decision of not declaring dividends was unanimously agreed by the Board of Directors at the meeting where the Chairman and the representatives from NIBM presented.</p>	<p>According to the cabinet Decision No 24/0958/607/058 -1 and dated 04 June 2024, The National School of Business Management had converted into a company limited by guarantee under section 32 of the Companies Act No.07 of 2007 with effect from 15 July 2024, upon agreement to pay a total of Rs. 1,881,434,234 for the invested amount of</p>

gave an order to the Chief Accounting Officer to reach a final decision in this regard and to appoint an expert panel to monitor the conduct and structure of these two institutions.

Rs.800,000,010 and interest thereon of Rs.1,081,434,224.

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| (b) | In accordance with paragraph 3.2v of the operational manual included in the Circular No. 01/2021 on Public Enterprises dated November 16, 2021, performance-based payment criteria should always be prepared for the incentive schemes of public enterprises. Although the incentive schemes should be implemented only with the approval of the Director General of State Business, the National School of Business Management had not obtained the approval of the Director General until the date of audit of 12 August 2024. | 2023 | Treasury circulars related to subsidiary companies should be followed. | The Board of Directors has all necessary powers to manage, direct, and supervise the business affairs of the company and that all necessary approvals for incentives have been obtained from the Board of Directors. | National Institute of Business Management Limited (NSBM) is a company limited by guarantee under section 32 of the Companies Act No. 07 of 2007 and out of the ownership and control of the Government from 15 July 2024 by the decision of the Cabinet No. 24/0958/607/058 -1 and dated 04 June 2024. Government Circulars will not be applicable from 15th July 2024 due to conversion to company limited by guarantee. |
| (c) | Although income tax had to be calculated according to the | 2023 | Income tax (APIT) should be calculated as per | That the VC house is not assigned to anyone and official | The Vice-Chancellor's house is reserved |

Circular No. the circulars. vehicles are not for the Vice-
 SEC/2023/E/01 of SEC/2023/E/01 reserved. Chancellor and
 Commissioner and circular dated till now APIT
 General of Inland 29.03.2023, calculation is not
 Revenue dated SEC/2023/E/02 and done correctly.
 29.03.2023, and
 SEC/2023/E/02 and
 circular dated
 06.04.2023, When
 calculating Advance
 Personal Income Tax
 (APIT) non-financial
 benefits such as
 quarters, vehicles and
 fuel provided by the
 National School of
 Business had not been
 considered.

- (d) National Planning 2023 The actual course The economic The course fees
 Department had cost and social crisis, COVID, were not
 approved the Phase II justice should be and rising loan increased in the
 project of the National considered while interest rates year 2024.
 School of Business increasing the forced fees to be
 Management subject course fees. raised, and no fee
 to the increase of the increases have
 course fees only once been made since
 in three years. 2023.
 However, the National
 School of Business
 Management has
 increased the course
 fees one time in the
 years 2020 and 2021
 for 12 courses two
 times in the years
 2022 and 2023 for 17
 courses ranging to 17
 percent to 75 percent.

3.88 Skills Development Fund Limited

	Total Assets	Total Liabilities	Equity	Surplus/(Deficit)	Opinion
	Rs	Rs	Rs	Rs	
2021	192,241,111	13,651,920	178,589,191	(7,162,850)	Unqualified
2022	222,009,826	12,796,939	209,212,887	31,699,608	Unqualified
2023	286,383,784	33,401,425	252,982,359	63,113,433	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Section 14(1) of the Tertiary and Vocational Education Act No. 20 of 1990 of the Parliament of the Democratic Socialist Republic of Sri Lanka Though the courses and examinations conducted by the company should be registered with the Tertiary and Vocational Education Commission (TVEC), it was not done until 31 March 2024. Although the company should have entered into the agreements with third	2021 2023	Necessary activities should be done to achieve the objectives of the company.	Private public partnership entities contracted under the Skills Development Fund Ltd. have been informed to register with TVEC. Accordingly, registration of unregistered institutions is expected to be cancelled.	5 Contacted institution were not registered as accordingly.

parties to conduct examinations and courses only with institutions registered with TVEC, contrary to that the company had entered in to agreements with 5 third party institutions.

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| <p>(b) As per paragraph 5.3 of Public Enterprises circular No. 01/2021 dated 16 November 2021 though it is expected to distribute at least 30 percent of the profit after tax to the consolidated fund/ shareholders, after having satisfied the solvency test as stipulated in the companies Act No 07 of 2007, the company had not complied with.</p> | <p>Action should be taken to comply with the circular requirement.</p> | <p>Inconsistencies were occurred during updating the shareholder register. It affected the timely execution of profit distribution.</p> | <p>It had not been complied with the circular requirement.</p> |
| <p>(c) The sum of Rs.600,000 had been paid as incentives during the year under review without approvals of the Department of the Public Enterprises.</p> | <p>2021
2023</p> <p>Action should be taken to get approval from Department of the Public Enterprises.</p> | <p>The payment of staff incentives were approved by the Board of Directors and necessary approval were requested from the Department of Management Services.</p> | <p>The approval of the Department of Public Enterprises had not been taken.</p> |

3.89 Sri Lanka Foreign Employment Agency Company Limited

	Total Assets	Total Liabilities	Equity	Surplus/(Deficit)	Opinion
	Rs	Rs	Rs	Rs	
2021	199,418,190	64,860,997	134,557,194	(15,326,918)	Qualified
2022	265,195,751	93,278,250	171,917,501	45,392,378	Qualified
2023	517,741,932	194,982,606	322,759,326	218,261,498	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Invoice receivable balance was Rs 6,453,985 from the foreign companies that send workers abroad and that included the outstanding balance of Rs. 3,770,670 existed for more than 05 year, although no proper action had been taken.	2022 2023	Proper and prompt action should be taken to recover those cash amounts.	Steps were being taken to forward the letters as per the instructions of the Board of Directors.	Proper action had not been taken to recover the cash.
(b)	Sum of Rs. 15,265,000 of security deposit on refundable basis had been charged from emigrant workers who departed to south Korea in year 2006,	2022 2023	Refund entitled parties should be recognized and payment should be made.	The Board of Directors had instructed to resend the letters to the relevant institutions and individuals and publish newspaper advertisements and	Steps had not been taken to settle the security deposit.

though 15 years had been spent and settlement had not been done. Rs. 4,707,263 shown in the financial statements contain the Rs. 618,372 of balance which existed more than 10 years and Rs. 4,088,891 amount of balance existed between 5 and 10 years.

make payments

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| <p>(c) Company had not complied with the procurement procedure due to price quotation and invoices had been received to the personal name of the chairman to purchase of 05 stalls and name board to the mobile job fair which held on 15 and 16 of July 2023 at the Muttravali Stadium in Jaffna. Two cheques amounting Rs. 2,180,000 had been issued for the name of the relevant program which was "Glocal Fair", instead of the purchase supplied institute name.</p> | <p>2023</p> | <p>Proper investigation should be conducted regarding this transaction and reasons should be examined the reason to issue the cheque in name that other than the institution name.</p> | <p>The audit query had not been answered yet.</p> | <p>Proper investigation had not been conducted.</p> |
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3.90 Lanka Sugar Company (Private) Ltd

	Total Assets	Total liabilities	Equity	Tax Before Profit (Loss)	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	10,237,238,024	4,026,865,299	6,210,372,725	1,250,587,281	Disclaimer
2022	15,765,076,190	4,517,018,766	11,248,057,424	6,045,575,871	Disclaimer
2023	-	-	-	-	-

- The financial statements for the year 2023 were received on 22 May 2024, and the draft report for the same was issued on 05 July 2024. The company again taken over the financial statements for the year 2023 as per the request made by the chairman of the company by the letter dated September 12, 2024, and the financial statements were not submitted to the Auditor General until October 31, 2024.

Audit Observation No.	Audit Observation of report	Year of receipt	Auditor's recommendation	Preventive measures taken by the entity	Preventive measures taken by the entity at the date of the report	Implementation status of the recommendation at the date of the report
(a) Non-compliance with Sri Lanka Accounting Standards	2021 Since only the total of each asset class of fixed assets worth Rs.760,763,818 which was under the established Distillery Department of Pelwatta Division in the financial statements of the year under review has been included in the fixed	Assets should be correctly identified and related depreciation expenses and provisions of depreciation should be correctly accounted.	No action taken.	Depreciation expenses are not properly accounted.		

assets register, the accuracy of the depreciation expense and provisions of depreciation for the year was not confirmed by the audit.

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|-----|--|------|--|------------------|---|
| (b) | Although Rs.9,475,416 and Rs.4,904,160 stocks in transits in the Sevanagala and Pelwatta Division respectively which have been carried forward for more than 08 years in the financial statements was pointed out in the previous years' audit report, those balances had not been settled. | 2021 | It should be check whether these goods have been received and take necessary action. | No action taken. | It had not been corrected. |
| (c) | Although Rs.9,251,437 had been deducted from the other stock balance as the Provision for obsolete stocks in the financial statements of the Pelwatta division from the year 2011 when Lanka Sugar Company Limited was handed over to the government to 31 December of the year under review, information regarding that stock was not submitted to the audit. | 2021 | Obsolete stock should be identified precisely by a Board of Survey | No action taken. | Obsolete stocks were not specifically identified. |

(d) **Non-compliance with laws, rules, regulations and management decisions etc.**

Establishment Code of the Democratic Socialist Republic of Sri Lanka

(i) **Paragraph 5.2 of Chapter XIX**

Rs.20 to Rs.85 monthly house rents that has being charged before the Sevanagala Division was taken over by the government were being charged for over 11 years.

2021
2022

The house rent should be revised to suit the present.

That the work required to carry out house assessment is currently being carried out.

The recommendation was not implemented.

(ii) **Paragraph 5.3 of Chapter XIX**

Although the water bills and electricity bills have to be paid by the officer, the company had adopted a method of bearing the cost by the company through charges are collected from the officer only when the water consumption in Sevanagala Division is used more than 60 units and recovering the remaining electricity bill from the salary after giving a Rs.250 concession monthly for electricity

2021
2022

Charges for electricity and water should be borne by the officer. Action should be taken to recover the fee paid by the company.

No action taken.

The recommendation was not implemented.

consumption.

Accordingly, the company had spent Rs.1,544,798 as electricity charges for the officers' houses in the year under review.

(e) **Public Enterprises Circular No. PED09/2022 dated 21 December 2022**

(i) Paragraph 1.1 According to the reference paragraph, although the bonus to be paid for the Sevanagala Division and head office for the year under review was Rs.28,600,000, the bonus and incentives amounted to Rs.228,703,125 and more than Rs.200,103,125 were paid.	2022	Action should be taken in accordance with the prescribed provisions.	No action taken.	The recommendation was not implemented.
(ii) Paragraph 1.2 According to the reference paragraph, although the incentive to be paid for the year under review for the Pelwatta Division was Rs.88,460,000, the incentive was Rs.508,017,000 and more than Rs.419,557,000 was paid.	2022	Action should be taken in accordance with the prescribed provisions.	No action taken.	The recommendation was not implemented.

(f) A total of 4558 stock items worth Rs.106,651,370 were kept in the store idle for 05 years as the stock items were purchased without properly identifying the requirements.	2021 2022	Action should be taken to dispose or sell.	No action taken.	The recommendation was not implemented.
(g) Pelwatta Division had spent Rs.120,750,000 to purchase a crane machine worth Rs.128,910,000 under lease facility in 2013 and Rs.2,254,850 to provide the required electricity. However, due to non-installation of the machine in the factory as agreed by the supplier, the machine which cost Rs.123,004,850 remained idle from the date of purchase.	2021 2022	Officers responsible for this undue cost should be identified and disciplinary action should be taken against them.	In the year 2023, an agreement has been reached with the relevant supplier, but the relevant supplier has failed to fulfill it, so the company has decided to file a case against the said company.	The recommendation was not implemented.
(h) The necessary actions had not been taken to recover the loan balances of 229 farmers amounting to Rs.12,171,641 due to the fact that the farmers who took loans for sugarcane cultivation from the Sevanagala Division have turned away from sugarcane cultivation and resorted to other unauthorized crops	2021 2022	Outstanding loan balances should be recovered and farmers should be directed to sugarcane cultivation.	Before recovering the debt from the farmers who have left the sugarcane cultivation, those farmers should be directed to sugarcane cultivation again and the agriculture department of the institute is using various tactics for that.	The recommendation was not implemented.

and to return the farmers to sugarcane cultivation. Out of these loans, Rs.9,212,580 remained unpaid for more than 05 years and Rs.804,080 remained unpaid for between 03 and 05 years.

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|-----|--|------|---|--|---|
| (i) | A total of 1017 spare parts worth Rs.6,890,375 which was removed from use in Pelwatta division and 3602 materials and equipment worth Rs.106,251,731 which were kept in the warehouse without taking in to use for more than 05 years had been kept in the warehouse without taking any action to be sold or disposed. | 2022 | Obsolete stocks should be disposed of in a way that benefits the company. | The company's engineers has classified regarding the stock re-use. Accordingly, that after receiving the details from the disposal committee of the institution, they will proceed to obtain a board of directors' approval to dispose of unusable stock. | The recommendation was not implemented. |
| (j) | The balance due from farm loans of farmers who had taken loans from the Pelwatta Division for sugarcane cultivation was Rs.1,539,296,739 as on 31 December of the year and out of these loans, Rs.508,989,845 remained unpaid for more than 05 years and Rs.58,269,202 remained unpaid for 03 to 05 years. | 2022 | Action should be taken to recover the loan due to the company. | That by a decision of the Board of Directors in January 2021, it was decided to temporarily suspend the collection of Rs.464,023,067 loans taken by the farmers before December 31, 2015 and that the remaining amount of farmer loans is being collected. | The recommendation was not implemented. |

- (k) The Sevanagala 2021 Customs duty That the The
Division had imported 2022 should be investigations are recommendation
an Evaporator recovered. being carried out was not
machine worth
Rs.9,564,866 from
India in the year 2018
and paid customs fees
of Rs.3,924,394. The
accessories for that
purpose (SS Tube)
were sent back due to
non-agreement with
the specifications and,
due to the customs fee
of Rs.4,830,446 paid
in re import in the year
2019 was not collected
from the supplier, that
amount was loss to the
Company and the
value was also
accounted for as
Foreign Order
Advance due to non-
availability of
documents related
with the Custom fee.

3.91 Lanka Coal Company (Pvt) Ltd

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	10,684,313,739	106,969,282	10,791,283,021	10,791,283,021	Qualified
2022	18,210,629,468	119,504,879	18,330,134,347	18,330,134,347	Qualified
2023	42,478,725,442	119,504,879	42,598,230,321	42,598,230,321	Qualified

	Audit Observation	Year of the Report	Recommendation of the Auditor General	Preventive actions taken by the Auditee Institute	Implementation status of the recommendation as at the reporting date
(a)	The Company had unable to recover the long outstanding receivable balances of Rs.589.97 million and Rs. 244.83 million due for more than two years from Ceylon Shipping Corporation Ltd (CSCL) and Liberty Commodities Ltd respectively even as at the end of the year under review and no provision had been made for impairment. Further, since CSCL & Liberty Commodities Ltd had not confirmed the said due balances, the audit was unable to	2021, 2022, 2023	Action should be taken to recover the long outstanding dues.	Liberty Commodities Ltd LCC Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant (Lanka Coal Company) US \$ 1,575,141.86 with 3% annual interest plus the Arbitration cost of 10 million rupees. A letter was sent to the Sri Lankan High Commissioner in the UK through Line Ministry, requesting asset	No recovery of due balances has taken place so far.

ascertain the accuracy and the existence of such balances.

details for Liberty Commodities.

Ceylon Shipping Corporation Ltd

The settlement proposal has been submitted to the cabinet for consideration. The Cabinet has advised that the committee's recommendations be submitted to the Cabinet via the Ministry of Ports and Shipping. According ly, CSC has communicated to the Sri Lankan High commission in India and waiting for their response.

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| <p>(b) The Company had 2021, paid a sum of 2022, Rs.136.24 million in 2023 2016 as Custom VAT for the Shipment No.123. However, according to the Cusdec, the actual VAT amount was only a sum of Rs.106.97 million. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29.27 million and the action had not been taken by the Company to recover the said balance even as at the end of the year under</p> | <p>Action should be taken to recover overpaid VAT amount.</p> | <p>LCC found that Overpayment has not been recovered yet. IRD has recorded this overpayment VAT Rs.29,266,965.00 & it will take the appropriate formalities to set off this overpaid VAT against LCC's outstanding Customs due balances.</p> |
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review.

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| <p>(c) The Company had failed to make the advance payment to the supplier as agreed in the contract agreement. As a result a sum of Rs. 137.88 million had been paid by the Company as load port demurrage for three shipments during the year under review.</p> | <p>2023</p> <p>Action should be taken to settle the advance payments in due dates and minimize the demurrage.</p> | <p>Supplier agreed to supply the balance quantity of coal 1.125 million +/- 10% under advance payment method of 30% prior to the vessel nomination, approximately 15 days before the first date of loading port before unloading. also supplier added a condition in the effect of any payment delays occurred will be on buyer's accounts with the approval cabinet of ministers Accordingly, we were unable to make the advance payment to the supplier as agreed in accordance with the new terms of the contract a sum of Rs.137,883,574 had been paid as per lord port demurrage.</p> | <p>This was totally loss to the Company.</p> |
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3.92 Jaya Container Terminals Company Limited

	Total assets	Total liabilities	Equity	Profit (Loss)	Opinion
	Rs.	Rs.	Rs.	before tax	
				Rs.	
2021	607,615,693	144,559,773	463,055,920	79,967,074	Qualified
2022	954,149,940	272,361,953	681,787,987	325,127,474	Qualified
2023	1,162,770,135	263,872,024	898,898,111	352,194,009	Qualified

Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
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1.1. Non-compliance with Laws, Rules, Regulations and Management Decisions, etc.

(a)	If an organization deploys employees on a shift basis, the work hours should be limited to a maximum of 8 hours per day and 45 hours per week according to Section 3 of Part I of the Shop and Office Employees Act No. 19 dated 9 August 1954, in contrary to that, the Company had employed 40 operational staff in the	2021 2022 2023	Working hours of employees should be implemented as specified in the Act.	It was decided at the audit meeting dated 06/08/2024 to implement an accurate shift system after obtaining instructions from the Sri Lanka Ports Authority in this regard.	The violations of the Act as stated in the query have not been corrected even up to now.
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year 2023, working 24-hour shifts. Although it is against the law to work 24 hours a day, they had been employed so and the service had been obtained only 2 days per week.

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| <p>(b) Exceeding the monthly fuel limit for vehicles assigned to 03 categories of officials who can avail transportation facilities in Corporations, Boards and Government-owned Companies according to the Treasury Secretary's Public Enterprises Circular No. 01/2015 (ii) dated 14 January 2022, fuel was supplied in quantities of 90 liters, 85 liters and 40 liters among those 03 categories, in contrary to the circular and thus the increase was 62 per cent, 59 per cent and 30 per cent an overpayment of Rs. 621,581 (1670 liters) had been made for the 7 months from June to December 2023.</p> | <p>2023</p> | <p>The fuel limit specified in the circular should not be exceeded.</p> | <p>The Ministry of Finance has informed the parent institution, the Sri Lanka Ports Authority, to obtain proper approval regarding the increase in fuel allowance. Accordingly, steps have been taken to increase the fuel allowance as per the approval obtained.</p> | <p>As stated in the query, fuel has been obtained by increasing the fuel limit in violation of the Treasury circular.</p> |
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1.2. Non-compliance**with Tax Regulations**

Even though it has been stated in the letter of the Commissioner

General of Inland Revenue dated 24th October 2023 and No. FPFS/CONF/2023/25 that oil pumping charges cannot be considered as a tax-exempt service under Item 04 of Part II of the First Schedule to the Social Security Contribution Tax Act, actions had not been taken to recover and remit to the Inland Revenue Department Rs.2,960,568 and Rs.10,772,738 of the Social Security Tax to be levied on the oil pumping fee of Rs.115,462,139 and Rs.420,136,784 from October to December 2022 and from January to December 2023 respectively.

2022
2023

The relevant taxes should be collected according to tax laws introduced by the government and remitted to the government.

It has been asked from a tax consultancy whether social security tax is applicable to oil pumping charges, and they told it was a tax-free service. An inquiry has been sent to the Inland Revenue Department on 02 September 2024 to get a clear definition of this.

The audit query was issued as per the clearance obtained from the Inland Revenue Department and steps have not been taken to charge the tax as stated in the audit query.

2. Operational Review**2.1. Idle or Underutilized Property, Plant and Equipment**

A weight of 275 metric tons of 380

2021

Actions should be taken to manage oil

Out of 40.26 Mt. of 380 (HSFO) stored

Due to the

<p>(HSFO) had been stored as at 31 December 2023, in oil tank number 102, which has a capacity of 1000 metric tons. It is consisted of 40.26 metric tons belonging to two companies, 72 metric tons belonging to the Sri Lanka Ports Authority, and 162.257 metric tons of oil confiscated by Sri Lanka Customs. Since this oil tank has been sealed by Customs for legal purposes, it had remained in idle since 2020 being unable to use for operational purposes.</p>	<p>2022 2023</p>	<p>tank space in in tank 102 the sealing of these consultation with storage fees paid for oil tanks by relevant parties. the 38 Mt. are Customs it has collected from the been impossible relevant companies to use for and the balance is business the total of less purposes for than one Mt. owned many years. by several other companies.</p>
		<p>Sri Lanka Customs has inquired from our organization regarding the ownership of the oil for the tender and sale of 72 Mt. and we have forwarded it for approval to the Sri Lanka Ports Authority with the approval of the Board of Directors.</p>

2.2. Procurement Management

<p>Since human resources activities and payroll related tasks are done manually, a strategy is needed to perform the work efficiently and effectively since the HR & Payroll system, which was acquired at a cost of Rs.976,000 since 2021, has not been operational yet and the final result that</p>	<p>2023</p>	<p>It should comply with the provisions of the Procurement Guidelines.</p>	<p>The CEO of Antler IT Solutions, which develops the HR & Payroll computer software system, was called and discussed the current issues. Accordingly, he has reported on the improvements made so far in the letter dated 2024/09/19.</p>	<p>It has been impossible to complete the work and meet the requirements within the dates given for setting up the system.</p>
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should be obtained through the HR & Payroll system, namely salary slips, has not been printed correctly, it had been impossible to obtain maximum benefit from the expenditure incurred.

3.93 Sri Lanka Port Management Consultancy Service (Private) Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss)	Opinion
	Rs.	Rs.	Rs.	before Tax	
				Rs.	
2021	296,763,738	126,938,054	169,825,684	4,758,337	Qualified
2022	262,670,344	86,453,641	176,216,703	8,637,217	Qualified
2023	318,853,542	153,482,247	165,371,415	3,976,218	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
1.	Audit Observations on the preparation of Financial Statements.				
1.1	Accounts Receivable and Payable				
(a)	Although it had been entered into an agreement to operate a restaurant with a third party in the Mc Callum Lock Gate premises owned by the Sri Lanka Ports Authority for a period of 5 years from 01 February 2018 to 31 January 2023, the outstanding amount of Rs.4,477,679 that	2021 2022 2023	The Company should take actions to recover the relevant amount promptly.	Although SLP MCS had entered into an agreement with a third party without signing the initial agreement with the Ports Authority, the said agreement has no legality and is an inactive agreement. Therefore, the Company has not collected any	Since the signing of the agreement between the Ports Authority and SLP MCS had not been implemented until now, it has been impossible to take further actions.

should be paid by the said party to the Company from August to April 2020 had not been recovered even by 31 December of the year under review. Also, an agreement had been entered into on 01 March 2023 to sub-lease this premises to another third party without being duly taken over the relevant property from the Ports Authority through a lease agreement and therefore, the Company had lost an income that can be earned during the year under review due to the illegality of the agreements.

revenue from the canceled contract. Discussions have been held with the Ports Authority on several occasions regarding the signing of the initial agreement and written requests also have been forwarded and after entering into the initial agreement between the Ports Authority and SLMPCS, the approval has been received by the Memorandum of Board of Directors No.

SLMPCS/27/2024 dated 09 September 2024 to enter into a formal and legal agreement with the third party with effective from that date and the actions have also been taken to communicate the decisions of the Company to the Ports Authority.

2. Operational Review

2.1 Operating Inefficiencies

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| (b) | Although the Company had leased out a property with an area of 22,456 square feet owned by the Sri Lanka Ports Authority to the same person since 2014 for the amount of Rs.459,857 annually without carrying out a procurement process and an assessment, the relevant activities had not been done to enter into a contract in that regard. | 2022
2023 | The Company expects to inform the Ports Authority about this premises and enter into an agreement between the two parties and accordingly, to enter into an agreement with a selected lessee according to a formal system. | A contract has not been entered even as at the date of reporting. |
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2.2 Human Resource Management

The approval of the Department of Public Enterprises of the General Treasury had not been obtained for the approved cadre of the Company and the preparation of a proper Scheme of Recruitment for the staff of the Company and the approval of the Line Ministry and Department of Management Services thereon had	2022 2023	The Management should take actions to prepare proper Scheme of Recruitment in accordance with relevant circulars and to obtain approval of the Line Ministry.	The initiation of this has been taken placed within the year 2024 and the Board of Directors approval for the Organizational Structure and Positions of the Company is to be obtained and discussions are being carried out to seek expertise to prepare the	The approval of the Department of Public Enterprises of the General Treasury had not been obtained for the approved cadre of the Company as at the date of reporting.
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not been obtained as per the Paragraph 3.1 (i) and 3.2 of Operational Manual of Public Enterprises Circular No. 01/2021 of the Ministry of Finance dated 16 November 2021.

Schemes of Recruitment (SOR).

3. Accountability and Good Governance

3.1 Annual Action Plan

Although the Action Plan and finalized Strategic Plan together with the Annual Budget should be submitted to the Director General, Department of Public Enterprises through Secretary to the relevant Line Ministry in terms of Paragraph 2.3 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Company had not prepared and submitted the Action Plan pertaining to the year 2023.

2022
2023

The Management should take actions to submit the Action Plan and finalized Strategic Plan together with the Annual Budget to the Director General, Department of Public Enterprises through Secretary to the relevant Line Ministry as per the relevant Circular.

A Budget has been presented by the Company for the year 2024 and approval has been obtained by the Memorandum of Board of Directors No. SLMPCS/22/2024 dated 10 June 2024 and the formulation of the Action Plan and Strategic Plan has been initiated in the year 2024 and instructions had been given to prepare the five-year Action Plan and Strategic Plan and send it to the Board of Directors in the Meeting of Board of Directors held on 09 September 2024.

A Strategic Plan had not been completed by the Company and submitted for the approval even by now.

3.2 Internal Audit

Although an Internal Audit that reports only to the Board of Directors through the Audit Committee should be available in all State Owned Entities in terms of Paragraph 4.2 and Paragraph 4.4 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Company had not planned the Internal Audit accordingly and therefore, it had not been possible to identify the weaknesses of the internal control.

2021
2022

The Management should make arrangements to plan Internal Audit in accordance with the relevant Circular.

Arrangements are being made to take the service through an external audit firm for an internal audit and actions had been taken to get the proposal and prices for this from the Amarasekara Audit Firm. Similarly, instructions had been given to submit the prices and proposals of two other Audit Firms to the Board of Directors by the Memorandum of Board of Directors No SLMPCS/22/2024 on 10 June 2024.

It was observed that there is no further action has been taken in this regard and only proposals and prices had been obtained from the external audit institutions.

3.94 Gal Oya Plantation (PVT) Ltd

	Total Assets	Total Liabilities	Equity	Opinion
	Rs.	Rs.	Rs.	
2021/2022	5,332,800,000	10,168,162,000	(4,835,362,000)	Qualified
2022/2023	14,873,905,000	8,726,181,000	6,147,724,000	Unqualified
2023/2024	28,753,590,000	21,584,255,000	7,169,335,000	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendations	Preventive Actions Taken by Audited Institutions	Implementation Status of the Recommendation as of the Date of the Report
(a)	Paragraph 5.1 of Public Enterprises Circular No. 01/2021 of 16 November 2021 for Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs) Although the payment of bonus or profit based incentives should not be made to the employees of the Company without declaring interim and final levies / dividends, the Company had paid Rs. 59,441,160 as	2021	Need to adhere with the provisions of the Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs).	According to the point no. 7.4.2 and 7.4.3 of management agreement, the management has provision to hire, dismiss, promote, supervise, direct and train all GOPL employees and to fix their compensation, incentives, salaries, wages and reward policies. The Ex Gratia payment released based on the above clauses. The Board of	The board of directors given their consent to declare dividends in both year 2021-22 and 2022-23. But due to insolvency of the company, dividend was not proceeded. However, company is supposed to present audited financials for the year 2023-24 in upcoming Audit committee

	bonus for its employees in the year 2021/2022 without being declared interim and final levies / dividends based on the profit for the financial year 2021/2022.		Directors given their consent on declaration of dividends, but due to insolvency of the company, dividends was not finalized.	meeting/ Board meeting accordingly.	
(b)	Paragraph 5.3 of Public Enterprises Circular No. 01/2021 of 16 November 2021 for Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs) It is expected that at least 30 percent of the profit after tax is distributed to the Consolidated fund / Shareholders, having satisfied the solvency test as stipulated in the company Act No 07 of 2007. However, the Company had not paid any dividend to Consolidated Fund / Shareholders even up to the date of this report.	2021	Need to comply with the provisions of the Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs)	Due to insolvency of the company, dividend was not finalized. The board of directors given their consent to declare dividends in both year 2021-22 and 2022-23. But due to insolvency of the company, dividend was not proceeded. However, company is supposed to present audited financials for the year 2023-24 in upcoming Audit committee meeting/ Board meeting accordingly.	
(c)	The management had not been able to pay or write-off of Rs 35,191,312 outstanding for more than 5 years with	2022	Action needs to be taken to pay or write – off the outstanding balances applying due process.	The company was not received proper invoices to settle these dues. However, suppliers were	However, the company settled Rs.1Mn against due balance as of date 30 th

regard to 06 contractors and suppliers. And also, the reasons for delay of payment had not been submitted to audit by the Management.

confirmed their dues recently and yet to be paid to them. But currently the company face some cash tide due to factory expansion project and once the cash flow improve, supplier bills will be paid accordingly.

November 2024

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| <p>(d) According to the information provided by the company, the Company had paid a sum of Rs. 456,740 as assessment tax to a Damana Pradeshaya Sabha from 2022 to 2024. However, it was observed that out of 233 official quarters that can be provided for the employees of the company there are 211 official residences which are occupied by unauthorized families. Action had not been taken by the company to remove them.</p> | <p>2023</p> | <p>Necessary action needs to be done to take over the houses, signing of land lease agreement and, once signed will take legal action for these quarters by the company.</p> | <p>This land has already included in the government equity, we have to pay all taxes to the government. Therefore, we have to paid all assessment tax to the local authority. Finalizing land lease agreement has expedited with the assistance of Ministry of Finance, Land Commissioner General Department and District Secretary of Ampara. Once the agreement signed, company can take suitable actions.</p> | <p>Finalization of Land Lease Agreement in stage wise is in progress by the Ministry of Finance, Planning and Economic Development (Treasury), Land Commissioner Generals Department and District Secretariat. Once the agreement signed, company can take suitable actions.</p> |
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(e)	According to the Cabinet Minutes dated March 6, 2009, the company was granted a 30 year lease for 207.3584 hectares of land in the Damana Divisional Secretary's Division for sugarcane cultivation. Although over 13 years of the lease period has elapsed, the company management has clarified the ownership status but has not yet taken action to secure the lease ownership. While a lease plan for 170.7345 hectares has been prepared and the necessary documents submitted to the Survey Office in Ampara, the company has not progressed toward obtaining ownership of this land. Additionally, for the remaining 36.6239 hectares, a lease plan has yet to be prepared and submitted to the Survey Office in Ampara as of the audit date.	2023	The Company management has clarified and action should be taken to secure the lease ownership.	The management right of the sugarcane cultivation lands has been provided for 5 years period by the Land Commissioner General's Department on 15.02.2021, that have been gazette in 1975 & 1989. Regarding the lands of 277.7539 ha and their 30 years Net Present Value of lease rentals have included in to the government equity. Finalizing land lease agreement has expedited with the assistance of Ministry of Finance, Land Commissioner General Department and District Secretary of Ampara. We have sent all the necessary documents and related reports to the Land commissioner general on time. All necessary follow-ups are done on time, but	Preparation of "L" diagrams of the remaining lands 36.6239 ha has to be done by the relevant Divisional Secretariat. The company is waiting for a positive response from Government side to sign the land Lease Agreement.
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as explained under above No (d), due to the unauthorized persons residing the houses, lands etc. of these lands, government couldn't finalize the signing of land lease agreement from government side. After continuous follow-ups and supports from said officials, agreed to issue this long-term lease in to two stages. According to that, the "L" diagrams required to provide long term leased under the first phase for the plots of lands that have no problematic conditions have already been forwarded the Land Commissioner General by the Survey Department to the direct request of relevant Divisional Secretariat.

(f)	According to the financial position as at 31 March 2024, the balance due from the farmers was Rs. 2,043,877,258 of which Rs. 48,861,623 and Rs.46,977,986 were outstanding for more than 03 years and 05 years respectively..	2023	Prompt action needs to be taken to recover the outstanding loan balances from farmers.	The company was able to recover Rs.574 Mn out of 2,044 Mn dues as of 31st July 2024. Further the company is continuously monitoring the long dues and unsettle balances on regular basis.	The company had been recovered Rs.1,131Mn out of 2,044 Mn dues as of 30 th November 2024. Further, Rs. 11Mn and Rs.9Mn were recovered more than 03 years and 05 years dues respectively.
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3.95 NSB Fund Management Company (Pvt) Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	27,751,006,297	24,310,554,828	3,440,451,469	6,049,077	Unqualified
2022	15,062,468,867	11,347,260,393	3,715,208,473	(2,025,825,745)	Unqualified
2023	26,648,096,696	21,146,789,243	5,501,307,453	2,579,034,679	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Out of the total receivable balance of Rs.246,939,587 which is receivable from General Treasury in relation to the appointment of the Company as the lead manager for the reorientation of Sri Lanka Airlines Project in year 2016, an amount of Rs.88,939,587 which is equivalent to 36 percent of the total receivable balance, is remained outstanding since 2016	2021	It is recommended for the Company to take necessary steps to recover the due amount without further delay.	As per the Company, they have taken every possible action to recover the balance. The latest request letter with all the supporting documents were sent to the Ministry of Finance on 22 November 2023.	Rs. 88,939,587 is still remaining as unrecovered. Several reminders have been sent to the Ministry of Finance.
(b)	An amount of Rs.67,401,151 of income tax receivable has been prevailed	2023	It is recommended for the Company to take immediate actions to recover	Previously the Inland Revenue Department (IRD) did not	The company has set off it against the 4 th installment of

	since year 2014 due to income tax overpayment.		income receivable without further delay.	tax allow over against tax liabilities prior to finalizing IRD audit. Now, IRD has allowed it to set off against income tax liabilities and we have set off it against the 4th installment of 2023/24 tax payable.	2023/24 tax payable.
(c)	The company had to pay a penalty of Rs.20,991 to CBSL due to non-allocation of securities as entering incorrect SWIFT messages and owner code on 15 May 2023. However, similar incident of non-allocation of securities on repurchase transaction had been occurred with having charge of Rs.259.957 Mn to CBSL in the previous year.	2023	The company should comply with the directions accordingly.	The Board of Directors of the Company recommended to get disciplinary actions against the responsible officers by way of giving warning letters, suspending increments, and recovering the loss and the actions were taken accordingly and recovered the loss from relevant officers.	The company has established the safeguards to overcome these types of non-compliances in future.
(d)	As the existing Treasury Management System of the Company has not been connected to the own server or NSB Server, the Company has to	2023	It is recommended to automate the backup procedure of the Company in order to ensure data accuracy and validity.	The existing Treasury Management System (TMS) is installed on the NSB FMC Server, located	The company has not yet completed the upgrade to the TMS.

perform its backup procedure manually. Thus, there may be high probability of having human errors and recovery issues resulting high risk of data accuracy.

within the NSB FMC premises. It is not connected to the NSB Servers. Backups are taken at approximately 12:00 noon and 5:00 p.m., with copies stored at both the Disaster Recovery (DR) site in Maharagama and a shared folder at the NSB Head Office.

NSB FMC has signed an agreement to upgrade the existing TMS to a new version, which will include an automatic backup facility. This automatic backup feature will become operational once the new upgraded version goes live.

(e) As the Efixin System 2023 of the Company has not been connected with the SWIFT System, there is a high possibility of entering erroneous messages in to the SWIFT system.

The Company should implement a fully automated process to prevent the risk of having errors.

The fully automation process will be finalized with the upgrade of the existing system. However, the following automation

The company has not yet fully upgraded the existing system.

process has already been established.

The text file of the sales messages generated from the current system (e FixIn) and directly upload to the SWIFT SERVER for verification and authorization process.

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| <p>(f) The company had to incur a net loss of Rs.782,815 due to non-submission of 03-months treasury bill bids at the auction conducted on 29 August 2023.</p> | <p>The Company should implement strong internal controls and follow up the continuation of those controls.</p> | <p>The Company has already taken actions against the relevant Officer by way of issuing a warning letter, holding annual increment and transferring to another department with the recommendation of the Board after conducting an investigation by the Internal Audit of the Bank. Further an Officer assigned for Bids authorization who seconded to the Back Office from Sri Lanka Savings Bank.</p> <p>Instruction guidelines have</p> | <p>Relevant instructions have been delivered through Circulars to prevent occurrence of this type of errors in the future.</p> |
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been issued with the circulars to strengthen the internal controls.

- (g) The Company had entered in to an agreement with Credence Analytics Company in India to establish new Treasury Management System by end of March 2020. The Company has already paid USD 267,131 which is equivalent to Rs.53,833,248 and this was 67.5 per cent of the total project cost of USD 395,706.25 with an annual maintenance fee of USD 51,000. However, the Company was unable to obtain the service from the respective supplier on timely manner and later, with the negotiations had between two parties, that company agreed to hand over the system on or before 31 December 2022. Although it has been lapsed nearly 04 years from the agreed date of completion, still the Company could not establish the primary dealing system.
- 2022/2023
- The Company should speed up the process of implementing new Treasury Management System to smooth the key operations of the Company.
- Considering the progress and the time frame of the Credence System, the Board of NSB FMC, advised to seek the advice of the Legal Division of NSB and to write the vendor demanding back the payment paid up to now, since it is very unlikely that they will be able to rectify the issues within the time period which was already lapsed.
- NSB FMC has already written to the Legal division of NSB to seek their advice.
- The company has not yet implemented the Treasury Management System and has not taken the legal action to recover the payments already made to the vendor.

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| (h) | Though the Company has planned to introduce a Mobile App for customer convenience in the year 2019, the Company was unable to introduce a Mobile App up to the date of audit on 31 March 2024. | 2022/2023 | The proposed programs should be implemented in timely manner. | It is planned to introduce a Mobile App after completion of the second phase of the Customer Management System (CMS) system. | The company has not yet completed the second phase of the CMS system. |
| (i) | Although it is required to conduct Audit Committee meeting at least quarterly basis as per Primary Dealer Operational Manual, the Company had failed to comply with the stipulated requirement. Only two Audit committee meetings were held during the year under review. | 2022/2023 | Board Audit Committee should be conducted in compliance with the Audit Committee Charter. | Sub Committees were appointed on 12 June 2023 due to unavailability of Board. After that, conducted 02 Board Audit Committees for last 02 quarters. | The company conducted the board audit committee meeting on a quarterly basis for the financial year 2024. |

3.96 Sri Lanka Insurance Corporation Limited

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	325,874,190	220,510,591	105,363,599	6,580,963	Qualified
2022	340,544,104	225,249,363	115,294,741	12,584,033	Qualified
2023	389,370,570	135,940,968	253,429,603	13,755,176	Qualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	1.5 Audit Observations on the preparation of Financial Statements 1.5.1 Accounting Deficiencies According to the judgment delivered by Supreme Court of Sri Lanka on 04 June 2009, the legal ownership of the majority of shares of the Company was vested with the Secretary to the Treasury to be held on behalf of the Government of Sri Lanka. Further, according to the said	2021, 2022	It is recommended to adhere to the Supreme Court Decision.	The Supreme Court directed Secretary to the Treasury to compute and pay the profits attributable to the previous parent be settled. Hence the Company does not have any direct involvement to compute the profit.	No adjustments have been made in the Financial Statements pending determination of the attributable profits.

judgment, the Secretary to the Treasury was directed to cause profits of the Company during the period Distilleries Company of Sri Lanka PLC was the parent of the Company, be computed and the profits attributable to the previous owner be settled. However, the President's Counsel of the Sri Lanka Insurance Corporation Limited (SLIC) is of the opinion as stated in their legal representation letter dated 09 March 2022 that as per District Court of Colombo case No DMR/02394/19, no relief is claimable from the Company by the plaintiffs of the District Court case to discharge obligation of the Secretary to the Treasury out of the proceedings in the above stated Supreme Court applications (Sc FR No 117/2007 and SC/ FR No 158/2007). Further as per the discussion had with Ministry of Finance on 18

January 2023, the ministry was of the view that SLIC is not a party to the above case on the face of the record. Hence, the Company is in the process of obtaining a legal confirmation from the Attorney General to support the said position. However, a judgement by the District Court of Colombo in the above case No DMR/02394/19 has not been pronounced as at the reporting period and was unable to obtain appropriate audit evidence related to the settlement of liability from the above mentioned cases from the discussion had with the ministry of finance. Further, the said confirmation from Attorney General related to the SLIC's position was also pending as at the reporting period. Hence, considering the initial decision made by the Supreme Court and the subsequent discussion and

current developments, the Company has not made any adjustment in the Financial Statements pending determination of the aforesaid attributable profits.

(b) **1.6 Going Concern** 2022

As per the Note 49 to the financial statements which describe that the directors have made an assessment of the Group's ability to continue as a going concern related to Canwill Holdings (Pvt) Ltd and its subsidiaries of Helanco Hotel and Spa (Pvt) Ltd and Sinolanka Hotel and Spa (Pvt) Ltd being satisfied that it has the resources to continue in businesses for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be

The management should obtain necessary instructions from the respective authorities and act accordingly.

The management of the Company seeks necessary directives from the line Ministry on way forward

Divestiture programme has been initiated according to the cabinet decision no MF/018/2023/05
5. Process of calling expression of interest has already been completed

prepared on the going concern basis. However, it was noted that the Board of Directors of Helanco Hotels and Spa (Pvt) Ltd has resolved to discontinue the project in order to construct the Hotel in Hambanthota in the year 2015 and the management of the Company seeks necessary directives from the line Ministry on way forward. Also, Sinolanka Hotel and Spa (Pvt) Ltd has not recommenced constructive activities in Grand Hyatt Colombo project as of the reporting period even though the Cabinet Minister granted their approval by cabinet paper 20/1042/204/050 dated 10 July 2020. Furthermore, the Cabinet of Minister has granted the approval to transfer the shares held by Sri Lanka Insurance Corporation Ltd and shares held by Litro Gas Lanka Limited in Canwill Holdings (Pvt) Ltd to the

General Treasury as
per the Cabinet
decision

No.23/0431/604/046

dated 14 March 2023.

(c) **1.10 IT General Controls** 2022

It was noted that the Life Insurance System and the General Insurance System are not properly integrated with SAP ERP which utilizes as the backend. Currently data from Life & General systems are transferred to SAP through a file which is generated by IT Data Center & uploaded by the respective Finance team members.

The entity should consider automation (integration) of the above key modules with the GL (SAP) to improve efficiency and effectiveness of the data transferred between application systems. It is recommend that management should consider migrating to a different package with more secure technology, Advanced functionalities, facility to integrate with available systems. Further, it is highly recommended to consider the facility to automate manual processes when acquiring the new system.

Currently the data exchange between Core insurance systems and SAP ERP is perform as day end manual batch process upload. During this process Core insurance system generated transactional info such as Claims, Receipting, and Commissioning are uploaded to SAP ERP (Financial system) as a day end process. The necessary integration to automate the current manual data upload process is currently developed and in testing stage with stakeholders of ICT, Finance with the presence of Internal audit.

System Implementation still in progress.

3.97 Youth Services (Private) Ltd

Year	Total Assets (Rs.)	Total Liabilities (Rs.)	Total Equity (Rs.)	Profit/Loss After Tax (Rs.)	Opinion
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Implementation status of recommendation as on date of the Report
(a)	Youth Services (Private) Limited had not submitted its financial statements for the years 2021, 2022 and 2023 up to the date of this report.	2021 2022 2023	Accounts must be submitted on the due date as per the circular.	I hereby inform you that the relevant accounts will be submitted.	Action had not been taken as per the recommendations.
(b)	Although audit and management committees should be established under section 41(2) (g) of the National Audit Act No. 19 of 2018 for a company registered or deemed to be registered under the Companies Act No. 07 of 2007 and in which fifty per cent or more of its shares are held by the	2021 2022 2023	Action should be taken as per the circular instructions.	Instructions were given to establish audit and management committees in the future and carry out future activities.	Action had not been taken as per the recommendations.

Government or a State Corporation or a Local Government Institution, the company had not taken action accordingly.

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| (c) | Although the Board of Directors was required to meet monthly to evaluate the performance of the Board and establish necessary controls as per paragraph 4.2.2 of the Operations Manual introduced by Public Enterprises Circular No. 1/2021 dated 16 November 2021, only five meetings were held during the year under review. | 2021 | Action should be taken as per the circular instructions. | Since it was not possible to hold board meetings due to the Covid situation, instructions were given to conduct them properly in the future. | Action had not been taken as per the recommendation s. |
| (d) | As per Section 2.3 of the Operations Manual introduced by Public Enterprises Circular No. 1/2021 dated 16 November 2021, an annual budget estimate and a corporate plan for management with a short-term and long-term vision and an annual action plan including the activities expected to be implemented in the coming financial | 2021
2022
2023 | Action should be taken as per the circular instructions. | Instructions have been given to the Accounts Division to prepare the budget estimate. | Action had not been taken as per the recommendation s. |

year had not been prepared.

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| (e) | The Company had not prepared and tabled annual reports in Parliament in accordance with the Operations Manual introduced by State Enterprise Circular No. 1/2021 dated 16 November 2021. | 2021
2022
2023 | Action should be taken in accordance with the circular instructions. | Annual reports are currently being prepared. | Recommendations had not been Implemented. |
| (f) | Although According to the section 6.7 of the Operations Manual introduced by State Enterprise Circular No. 1/2021 dated November 16, 2021, an annual board of survey should be conducted to verify fixed assets and warehouses, the Company had not conducted a board of survey after 2016. | 2021
2022
2023 | Action should be taken as per the circular instructions. | A goods survey board has been appointed and relevant work is being carried out. | Action had not been taken as per the recommendations. |
| (g) | Although, in accordance with Sub-section 2 of Section 10 of the Employees' Provident Fund Act, No. 15 of 1958, the Employees' Provident Fund contributions for each month should be paid to the Employees' Provident Fund before the last day of the following | 2021
2022
2023 | Action should be taken as per the circular. | Due to the bad situation of the company's operations and financial situation due to the Covid situation, and the failure to receive the receivables on time, I would like to inform you that we will make the relevant payments | Action had not been taken as per the recommendations. |

month, contributions totalling of Rs. 3,408,357 had been paid with a delay of between 01 and 03 months on four occasions.

once the financial situation improves.

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| (h) | A surcharge of Rs.209,130 had been paid in respect of an employee for the years 2021-2023 due to non-payment of contributions by the employer on the due date in accordance with Section 16 of the Employees' Provident Fund Act, No. 15 of 1958. | 2021
2022
2023 | Action should be taken as per the circular. | Instructions were given to take steps to prevent such incidents from happening in the future. | Action had not been taken as per the recommendation s. |
| (i) | The appointment of an accountant for Sri Lanka Youth Services Private Limited has not been made since 2013, and the position of Assistant Accountant has also been vacant since 03 June 2019. This situation led to the final financial statements not being presented to the audit on time. | 2021
2022
2023 | Steps should be taken to fill vacancies according to the recruitment procedure. | Recruitment is underway for the position of the Accountant. I would like to inform you that an acting Accountant has been appointed until the recruitment process is completed. | Action had not been taken as per the recommendation s. |
| (j) | The annual income of the company's printing press, which was Rs.17 million in 2018, had decreased | 2021
2022 | A formal program should be implemented to promote income. | Since it is difficult to generate the targeted income from the current | Action had not been taken as per the recommendation s. |

to Rs.2.6 million by 2022/2023. This is a decrease of 15.2 per cent as a percentage and the management had not taken any action to increase the income of the company's printing press.

printing machine, it is expected to purchase a modern printing machine, and plans are being made to increase the printing press's income through this.

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| (k) | The relevant supporting documents and approval for the expenditure had not been submitted to the audit for an allowance of Rs.100,000 paid to the Managing Director for the construction of a fence on a part of the Matale Youth Centre land of the Youth Services Council, which does not belong to the company, and for an inspection tour of the company's security service providers on 01 April 2021. | 2022 | The relevant amount should be settled without delay. | The Managing Director has obtained this money On the instructions of the then Chairman, and the settlement has not been made to date. Necessary instructions have been given to recover the said amount. | Action had not been taken as per the recommendations. |
| (l) | Only staff officers can be given an ad-hoc advance of up to a maximum of Rs.100,000 at a time for a specific task and the advance should be settled | 2022 | Ad-hoc advances should be issued subject to the relevant limits, and the settlement should be made as soon as the work is completed. | While the relevant advance money was received and instructions were given to issue food through other officers | Action had not been taken as per the recommendations. |

immediately after the completion of the task. However, contrary to this, the company had given an advance of Rs. 1.6 million in 2022 and Rs. 1.3 million in 2023.

according to the program and all employees of the restaurant had not been reported to work.

3.98 Sri Lankan Catering Limited

	Total Assets	Total Liabilities	Equity	Profit (Loss) Before Tax	Opinion
	Rs.	Rs.	Rs.	Rs.	
2021	13,495,559,618	2,840,427,414	10,655,132,204	2,802,700,908	Unqualified
2022	19,536,985,832	4,750,011,531	14,786,974,302	4,697,214,496	Unqualified
2023	22,832,051,346	3,978,826,389	18,853,224,957	4,054,238,126	Unqualified

	Audit Observation	Year of the Report	Auditor General's Recommendation	Preventive action taken by Audited Institute	Current Progress
(a)	The company has a significant receivable balance of Rs. 15.3 billion from the Sri Lankan Airlines (SLA), representing a 98% increase and 63% of this balance is overdue for more than a year.	2023	Company should build up the customer base of the Company mainly considering sales from other airlines and ancillary services (transit hotel, laundry, Vanilla Pod etc.) than depending on one customer and recoverability plans should be made for the long outstanding receivable balance from SLA.	The outstanding balance from SLA has increased during the last two financial years, mainly due to non-declaration and payment of the dividends from SLC out of profits earned from FY 2022/23 and 2023/24. As per the practice, SLA provides the required funding when needed for SLC to manage its cash flows which is evident from no credit facilities utilized by SLC. Liquidity	The trade receivable balance was increased up to Rs.16.4 Billion as at 31 December 2024

management is viewed at a group level.

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| (b) | A long term outstanding payment amounting Rs.6,200,000 to be paid for the hiring of snorkel lift for Mihin Lanka Private Limited for the period of 01 August 2010 to 31 May 2015. | 2021 | Provision should not be reversed. | Mihin Lanka Private Limited is no longer in existence and this provision will be reversed after discussing with legal department. | It was not taken a final decision in this regard. |
| (c) | The audit identified a significant lapse in contractual compliance regarding inflight meal services. Out of sixteen airlines, agreements with three airlines for inflight meal-related services and handling charges had expired, yet the services continued without formal contractual arrangements. | 2023 | Management take immediate steps to address the significant lapse in contractual compliance regarding inflight meal services. A comprehensive review of all existing contracts and a robust system for contract management should be implemented to prevent similar occurrences in the future. | The agreement with Turkish Airlines expired on 30 th June 2024 and the contract will be finalized before 15 Dec 24 upon receiving consent from the carrier for the pricing. There was no requirement for a new agreement with Cathay Pacific Airline, as the carrier stopped its operations to Colombo after Covid19 Pandemic. Even though the carrier resumed its operations in February 2024, SLC is not | The contract agreements had not been finalized yet. |

uplifting meals for them currently. SLC provides only the laundry services. However, a new agreement will be signed before 15 Dec24.

The agreement with Gulf air is under review process and will be finalized before 31 Dec 24. There is no uplift for China Southern Airline, hence no requirement of an agreement.

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| <p>(d) Further, Inflight meal services for eight companies including Sri Lankan Airlines Ltd. was provided under open-ended agreements. However, as per the information received to Audit, the agreement signed between Sri Lankan Airlines and Sri Lankan Catering to provide inflight meals, related services and handling charges had expired on 30 April 2021 and no new</p> | <p>2023</p> | <p>Management take immediate steps to address the significant lapse in contractual compliance regarding inflight meal services provided to Sri Lankan Airlines Ltd. and other companies under open-ended agreements. A comprehensive review of all existing agreements and a robust system for contract management should be implemented to</p> | <p>In the airline inflight catering industry, open ended agreements with customer airlines are common and beneficial for the service provider. Under open ended agreements, rates are renewed periodically. Since both entities (SLA and SLC) are within the same group, parties will enter into a service level agreement and the same is</p> | <p>The contract agreements had not been finalized yet.</p> |
|--|--------------------|---|--|--|

	agreement had been signed with effect from that date.		prevent similar occurrences in the future.		under negotiations currently.
(e)	As per the objectives and values of the company, it was expected to exploit opportunities to cater other airlines which are not catered by SLC from the year 2020. However, only one airline had been acquired as a new customer in the last five years and it was observed that attracting new customers for business expansion is at a poor level accordingly.	2023	Management take immediate steps to enhance the company's business development efforts and attract new airline customers. A comprehensive review of the current business development strategy and the implementation of targeted initiatives should be undertaken to achieve the company's growth objectives.	SLC has managed to secure business with new airlines during the last 05 years including Singapore Airlines, Maldivian Air, Air Astana, Fits air, Red Wings Airlines, Sky Up Airlines, Iran Air and Air Seychelles, Lot Polish and Fly Dubai. After the COVID-19 pandemic, most of the airlines that operated to Colombo have stopped their operations to the country. For E.g., Korean Air, China Southern Airlines and Chongqing Airlines. Nevertheless, SLC is currently in negotiations with previous airlines customers who operate to Colombo at present to resume catering services	SLC had not achieved its objectives and goals properly.

from SLC.

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|-----|--|------|--|---|--|
| (f) | A review of the company's segmental performance highlighted that the UL canteen, CIAR, and frozen meals unit incurred losses during the year. Further, the UL canteen has been incurring losses since its inception in 2022, while CIAR had also been consistently reporting losses. Furthermore, the frozen meals project, launched during the COVID-19 period, had also reported losses in both 2021/22 and 2023/24. | 2023 | Management conduct a comprehensive review of the performance of the loss-making segments (UL canteen, CIAR, and frozen meals unit) to identify the root causes of the losses and implement corrective measures to improve their profitability. | SLC will review the prices in order to absorb any losses identified. Nevertheless, the Frozen meal category has recorded a profit for the month of September 2024. | The root causes of the losses had not been identified yet. |
| (g) | The audit identified six vehicles registered in the name of the company that were not physically present at the Sri Lanka Catering Limited (SLCL) premises. | 2023 | A comprehensive vehicle management system should be established to track and monitor the utilization of company vehicles. | Comments on the six vehicles are given below. Please revalidate the details of the last four vehicles as such vehicles are not relevant to SLC as per available information | Actions had not been taken to inform to the RMV |

Vehicle No.	Vehicle Type	Current Status
GI 2059	Maruti Van	Disposed in 2017
GL 1836	Water Bowser	Disposed in 2021
13 3653	-	Not a SLC Vehicle
ND 9199	-	Not a SLC Vehicle
47 0508	-	Not a SLC Vehicle
47 0509	-	Not a SLC Vehicle

- (h) It was observed that there is a bank account that shows the same balance of Rs.97,750 in the previous year and in the year under review. Maintaining and monitoring inactive accounts uses resources that could be better used elsewhere and may present an opportunity for the account to be used for inappropriate or fraudulent purposes.
- 2021** A review of open bank accounts should be carried out periodically to identify dormant accounts. Any accounts that are no longer required should be closed.
- This account has been opened solely for the purpose of making executive payments such as compensation and reimbursement expenses with high confidentiality. However, no such payments were made during the last few years.
- The management has decided to close down this account. It is still processing.
- (i) The audit revealed that ten CCTV cameras, installed on five HI-loader trucks at a cost of Rs. 1,781,500 in the previous year, were not operational. Company had
- 2022,2023** Management conducts a thorough review of the CCTV camera project to identify the reasons for its failure and implement measures to prevent
- Even though live footage is not viewable remotely due to disturbances to signal created by the control tower in the apron area, 30 days
- CCTV cameras are not working due to disturbances to signal created by the control tower in the upon area.

purchased these cameras without budgeting and following the Government Procurement Guidelines. As the company failed to achieve the objectives of this project, the expenditure incurred on the CCTV cameras was considered a loss.

similar occurrences in the future.

recordings are available with the DVR which can be used for any investigation. The company effectively uses these cameras to monitor abnormal movements and malpractice.

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| (j) | Even though a sum of Rs.61.1 million had been incurred for acquisition of the capital assets, a Master Procurement Plan and detailed procurement plan had not been prepared for the year 2022/23 as per the Government Procurement Guidelines 4.2.1 (b) and (c) respectively. | 2022 | Actions should be taken to avoid these practices in the future. | It is not practical to prepare a procurement plan for three years as the visibility of the number of customer airlines that would cater from the Sri Lankan Catering Limited for the next three years is not possible. However, as highlighted, actions will be taken to prepare three year Master Procurement Plan in future. | The preparation of three-year master procurement plan is currently in progress. |
| (k) | The Company had procured new CCTV cameras for office area amounting to Rs.1.56 million during the year | 2022 | Actions should be taken to avoid these practices in future and should take necessary actions against the | The company has requested price quote from the service provider for CCTV cameras at Flight | Actions had not been taken against the responsible officers. |

under review without following the Government Procurement Guidelines 7.12.1 and 7.12.2 (a), 8.9 and 8.12.2.

responsible officers.

kitchen since 2016 and the contract was awarded to this service provider. A formal agreement will be signed after the expiry of the warranty period.

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| <p>(l) As per the section 2.14 of the Government Procurement Guidelines amended by Supplement 35 and the Provision of the Secretary General's of National Procurement Commission letter No.NPC/PP/01/97 dated 29 October 2020, the maximum approval limit of the CEO of the company in respect of goods contract was Rs.500,000. However, in the sample audit, it was revealed that the Chief Executive Officer of the Company had procured goods amounting to Rs.28 million violating the above provisions.</p> | <p>2022</p> | <p>Actions should be taken to avoid these practices in future and should take necessary actions against the responsible officers.</p> | <p>As the authority limits of the procurement guidelines 2006 were not practical, in consultation with NPC, the company attempted to obtain the approval for the proposed an entity specific procurement manual since 2019. SLC having obtained the approval of the Board for the proposed manual on 21 November 2020, requested the Ministry to approve the current procurement authority limits which is still pending. Nevertheless, the Board granted</p> | <p>Proper approvals from the procurement commission had not been taken.</p> |
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approval to continue with the Board approved procurement authority limits until the approval of the CAO is obtained to avoid possible disruptions to the operations. The relevant procurements highlighted were carried out according to the Board of Directors approved procurement limits granted to the CEO as per Board approval dated 20th January 2010 and 21st November 2020.

(m) The audit revealed that sundry purchases amounting to Rs. 12,825,409 were made in 1,098 instances during the year under review without adhering to the procurement process outlined in the Procurement Guideline 2006.	2023	Management should take immediate steps to ensure strict adherence to the Procurement Guideline 2006 for all sundry purchases, irrespective of the amount.	Sundry purchases (low value procurements) are required to be made owing to the nature of in-flight catering business operations. Sundry purchases or otherwise are made as per government procurement guidelines and the	Prevention activities had not been taken by the company.
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procedures laid down in the Finance Policies and Procedures Manual.

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| <p>(n) The Company had purchased two ovens amounting to Rs.19.44 million during the year under review exceeding the budget allocation of Rs.6.5 million and without following the Government Procurement Guidelines provisions 2.5.1, 6.3.6, 6.3.2, 7.12.1, 7.12.2 (a), 8.10.1 and 8.12.3.</p> | <p>2022</p> | <p>Actions should be taken to avoid these practices in future and should take necessary actions against the responsible officers.</p> | <p>Additional amount was funded from owned funds without obtaining any loan. However, before the contract is awarded, SLC has obtained Board approval due to government regulations on capital expenditure and the value of the assets is above the budget value. Please note that government procurement guidelines have been followed in this regard.</p> | <p>Prevention activities had not been taken.</p> |
| <p>(o) The budgeted provision for the renovation of the UL canteen was Rs.58.5 million and Bid had been called for renovation as a whole. However, subsequently estimated cost had been reduced to Rs.20 million and</p> | <p>2022</p> | <p>Actions should be taken to avoid these practices in future and should take necessary actions against the responsible officers.</p> | <p>As per the decision of the management of both companies, SLC budgeted Rs.58.5 million as an estimated cost in the budget 2022/23. As per the decision of the Board of Directors,</p> | <p>Prevention activities had not been taken.</p> |

whole project had been divided into slices and awarded contracts to 30 suppliers. These small contracts had been procured without following the Government Procurement Guidelines 2.7, 2.8, 2.6.1, 4.3.1, 5.4.4, 6.3.2, 6.3.6, 7.2, 7.9.7 and 8.12.3. Due to delay in project planning, the Company had incurred additional amount of Rs.2.19 million on temporary location and actual total cost was Rs.23.29 million.

estimated renovation cost was Rs.20 million. The renovation plan takes time, main canteen was located in a temporary location until constructions are completed. There is no requirement to appoint a bid opening committee for each and every procurements under Rs.5 million. Bill of Quantity was prepared by the Maintenance Manager and he is the standard evaluation authority of the SLC without TEC for the procurements below Rs.5 million value and the Procurement committee approval can be granted by the CEO. We have not entered into an agreement with the AASL as AASL staff is not entitled to concessionary

prices.

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| (p) | The Company had used multiple non-integrated accounting systems (Oracle and Inflight) to manage its financial data and management has posted year-end journal entries manually. | 2023 | Company should transit to a fully integrated accounting software solution that allows for real-time updates across all financial processes. | Except AP module, other modules are not integrated due to restrictions of the current inflight catering system which was purchased in 2005. The company has been using the system with numerous customizations and the vendor is unable to make certain changes. SLC has already initiated a preliminary study on a fully integrated system and necessary actions will be taken to implement the same after following the due process. | Fully integrated system for SLC is not yet used. |
| (q) | The Company's systems, specifically Inflight and Oracle EBS, had not been integrated with Active Directory AD. | 2023 | Company should integrate Inflight and Oracle EBS with AD to centralize user authentication and access management, enhancing the security and simplifying the | Oracle EBS is not currently integrated with Active Directory (AD). To address this limitation, robust password policies with complex configurations | Fully integrated system for SLC is not yet used. |

administrative processes.

have been implemented.

Integration with AD is scheduled as part of the planned Oracle EBS upgrade in 2025/26.

Similarly, Inflightnet lacks AD integration capabilities. To mitigate this, it also employs stringent password configurations.

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| <p>(r) According to the 3.2 of the Sri Lankan Airlines - Corporate Information Security and Privacy Management Manual, all Third Parties providing services are required to enter into service agreements including the 'Right to Audit' and 'Right to Monitor' clauses. Any exception to these clauses is justified and reviewed during the agreement review process. However, upon reviewing the Service Level Agreements (SLAs), it was found that these clauses had not</p> | <p>2023</p> | <p>Company should review and amend all current SLAs to include the 'Right to Audit' and 'Right to Monitor' clauses. Furthermore, a rigorous review process should be established to ensure that these clauses are consistently included in all future service agreements, with exceptions thoroughly justified and documented.</p> | <p>All existing agreements due for renewal in this financial year will be revised to include both 'Right to Audit' and 'Right to Monitor' clauses. All other agreements will be revised with an addendum to include Right to Audit' and 'Right to Monitor' clauses. Deadline – 31st March 2025.</p> | <p>Revisions had not been done.</p> |
|---|--------------------|--|---|-------------------------------------|

been included.

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| (s) | The Company did not have a comprehensive Business Continuity Management (BCM) procedure in place. | 2023 | Company should have the development and implementation of robust risk assessment, BIA, BCP awareness and testing procedures. | All Business Continuity Plans have been reviewed and updated. An impact assessment is planned during Jan 2025 and completed by 31st Jan 2025. | An impact assessment is not completed yet. |
| (t) | Data fields such as Creation Date, Last Login Date, Deactivation Date, Inactive Users were not captured in the system generated user list of Inflight system. Due to the absence of deactivation date, management may not be able to verify the timely deactivation of the user accounts. Without the last login date, in case of a discrepancy, management may not be able to verify the login date to the system by users. Further, without the user status, it is hard to verify the current user account status of users in the system. | 2022 | It is essential to maintain the user creation date in the system generated user lists. | A Change Request has already been raised to the vendor on 25 April 2023 to see the capabilities to enhance the report format with the missing fields. | Required Change Request was delayed due to new system implementation. |

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|-----|--|-------------|---|---|--|
| (u) | The company has not adequately configured the password security parameter in the Inflair Inflight system. The combination of these parameters should be set so as to prevent user from utilizing the same password configurations to mitigate the risk of unauthorized access. | 2022 | It is an important aspect of the security of information systems to enforce adequate password configurations to mitigate the risk of unauthorized access. | Change Request has been raised to the vendor on 25 April 2023 to change the password settings. | A change Management System is not yet completed. |
| (v) | The existing “Corporate Information Security Privacy Management” manual document of Sri Lankan Airlines Limited, which governs Sri Lankan Catering Limited, does not consist of clauses over current practice of manual access management and change management procedures of Sri Lankan Catering Limited. Management should set a clear policy direction in line with business objectives/ requirements and demonstrate support for, and commitment to, user access | 2022 | It is critical that management understand the importance and define clauses over access management and change management aspects in the existing policy document which governs Sri Lankan Catering Limited to ensure that user access management and change management processes are adequately and appropriately executed. | The current practice of user access and change management is through manual forms. This will be changed to a Change Management system by Q2 of 2024. A new system is being evaluated at Sri Lankan Airlines and Sri Lankan Catering intends to adhere to the same system. | A change Management System is not yet completed. |

management and change management through the maintenance of a comprehensive user access management and change management procedure across the organization, as inadequacies exist over user access management and change management procedures in the existing policy of the company could lead to inappropriate actions being performed in the IT environment, which may exist without detection and also could result in fraudulent activities.