

1.1 Adverse Opinion

The audit of the financial statements of the Ceylon Ceramics Corporation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, because of the significance of the matters described in the basis for adverse opinion of my report, the financial statements do not give a true and fair view of the financial position of the Corporation as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matters

In addition to my opinion, I draw attention to Note 22 to the financial statements on going concern assumption in the preparation of the financial statements. As stated in the above note, the Chairman and the Board of Directors including each representative from Ministry of Industries and the Treasury were appointed for smooth operation of Ceylon Ceramics Corporation from January 2020. Frequent board meetings were held and operation of Ceylon Ceramics Corporation were monitored very closely. Sales activities have been improved, non-moving products stock has reduced and cash position has improved. The production capacity of the factory of Ampara has been enhanced by 50 percent within this year and the samples of roofing tiles of the factory of Ampara have already been submitted to the Institute of Industrial Technology to obtain the Sri Lanka Standards Quality Certificate.

Further, The factory of Mahiyanganaya which had been closed down for more than two and half years, resumed operations in the month of July 2020 and continues to operate. New products such as pottery and Sinhala tiles will be added to the factory of Mahiyanganaya from November 2020. The reopening and operation of the factory of Oddusudan. using the funds of the Corporation has been approved by Cabinet Memorandum No. 20/0989/224 / 002-1 dated 09 July 2020. More than 70 percent of repair and renovation work of the factory of Oddusudan has already been completed and production will resume by the end of November 2020 . Hence, the Corporation has not resolved to liquidate the Corporation in the foreseeable future. Therefore, the financial statements has been prepared on the going concern basis.

1.2 Basis for Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 1.5 of this report, the financial statements do not give a true and fair view of the financial position.

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

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

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

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

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

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

1.4 Scope of Audit

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation.
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Accounting Standards

Non-Compliance with reference to particular Standard	Management Comment	Recommendation
<p>(a) Although allocations made during the year under review should be adjusted to the cash flow from operations in terms of Section 20 (b) of the Sri Lanka Accounting Standards No. 07, allocations of Rs. 1,898,473 made for bonuses and audit fees during the year under review had not been adjusted to the cash flow.</p>	The audit observation is accepted.	Cash flow statements should be prepared in accordance with the standard.
<p>(b) Although cash flow from investments should be shown separately in the cash flow statement in terms of Section 16 (b) of Sri Lanka Accounting Standards No. 07, Rs. 2,476,000 received from the sale of the assets of the Corporation had been recorded in the cash flow from operations. Investments totaling Rs. 2,500,000 made during the year under review had not been recorded as a cash flow from investing activities.</p>	The audit observation is accepted.	Cash flow statements should be prepared in accordance with the standard.
<p>(c) The Information which should be disclosed in terms of Section 79 (b) of the Sri Lanka Accounting Standards No. 16 related to fully depreciated assets currently used by the Corporation totalling Rs. 19,801,521 had not been disclosed in the financial statements.</p>	It will be rectified in the future.	The action should be taken in terms of the Standard.
<p>(d) Although information related to employee benefit expenditure are required to be disclosed in financial statements in accordance with Section 104 of</p>	It will be presented from the next year.	The action should be taken in terms of the Standard.

Sri Lanka Accounting Standard No. 01 and Section 25 of Standard No. 19, information related to the employee benefits totalling Rs. 4,261,383 as at 31 December 2019 had not been disclosed in the financial statements.

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| <p>(e) The stock adjustments totalling Rs.389,871 had not been disclosed in the financial statements for the year under review in terms of Sections 36 (c) and (d) of Sri Lanka Accounting Standard No. 02.</p> | <p>It will be corrected in the future.</p> | <p>The action should be taken in terms of the Standard.</p> |
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1.5.3 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) The total value of the land of Bangadeniya belonging to the Corporation and the lands, buildings and machinery belonging to the factory of Weuda had been recorded in the financial statements for the year under review as Rs. 2,895,948. These buildings and machinery had been fully depreciated by the year under review. Although according to the valuation report of the Valuation Department dated 25 July 2019, the property was valued at a total of Rs. 173,882,500, the non-current assets and the revaluation reserve had been undervalued in the financial statements as the assessed value was not accounted in the financial statements for the year 2019.</p>	<p>It will be corrected in the future.</p>	<p>Action should be taken to account assessed fixed assets in the financial statements.</p>

- (b) The gross profit of the Corporation as at 31 December 2019 had been overstated by Rs. 1,798,550 as a result of recording the production cost of the year under review totalling Rs. 1,798,550 of the Yatiyana and Eragama factories as institutional and administrative expenses in the financial statements
- The audit observation is accepted
- The cost classification should be accurately made in the financial statements.
- (c) In case of preparing financial statements as at 31 December 2019, a credit balance of the suspense account amounting to Rs. 61,505 had been recorded for the Eragama factory under accrued expenses. According to the board of physical survey reports of Eragama factory, Rs. 61,505 had been debited to the firewood stock account and credited to the suspense account in order to balance the firewood stock of Rs. 1,305,335 with the firewood stock account and the financial statements had been prepared without correcting these ledger accounts.
- The audit observation is accepted.
- Action should be taken to correct stock accounts as per the stock survey report.
- (d) The value of vehicle repair and maintenance account had been understated by Rs. 150,000 and the value of vehicle rent account had been overstated by Rs. 150,000 as the cancellation of a cheque of Rs. 150,000 paid for vehicle rental in the year under review was recorded in the vehicle repair and maintenance account. The balance of building insurance account had been overstated by Rs. 150,000 and the value of the vehicle rental account had been understated by Rs. 150,000 as Rs. 150,000 paid for vehicle rental during the year was recorded in the building insurance account.
- The audit observation is accepted
- Expenditure related to the payment should be accounted for in the correct account.

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| <p>(e) In case of preparing the cash flow statement for the year under review, a cash inflow of advance deposits and prepaid accounts totalling Rs.987,315 had been recorded as a cash outflow. A cash outflow of accrued expenditure accounts during the year totalling Rs. 548,317 had been recorded as cash inflows in the cash flow statement.</p> | <p>The audit observation is accepted.</p> | <p>In case of preparing cash flow statement, correct cash flows should be identified according to the standard and the cash flow statement should be prepared according to the standard.</p> |
| <p>(f) In case of adjusting working capital change to cash flow statement, decrease in trade and other receivables during the year under review had been adjusted less by Rs. 45,250. Further, although there was an increase of Rs. 422,296 of the trade and other payable accounts during the year under review, that value had been recorded as a decrease.</p> | <p>The audit observation is accepted.</p> | <p>In case of preparing cash flow statement, correct cash flows should be identified according to the standard and the cash flow statement should be prepared according to the standard.</p> |
| <p>(g) In terms of Sri Lanka Accounting Standards No. 01, although the previous year adjustment should be adjusted to the opening balance of the retained earnings account in the statement of change in equity, profit for the year under review had been understated and the opening balance of the retained earnings account had been overstated as the provision for audit fee of the previous year totalling Rs. 532,970 had been written off from the profit for the year under review.</p> | <p>The reply has not been given.</p> | <p>Actions should be taken in terms of the standard.</p> |
| <p>(h) The total value of audit fees payable to the National Audit Office for the period from the year 2004 to year 2019 was Rs. 3,415,526. However, as the</p> | <p>It will be corrected in the preparation of financial statements for the year 2020.</p> | <p>The actions should be taken according to the reply.</p> |

total amount of provision made for the audit fees payable in the financial statements of the year under review was Rs. 2,497,766, a sum of Rs. 917,760 had been provided less as audit fees.

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| <p>(i) Although the stock difference of Rs. 43,061 identified in calculating the stock value to the cost to correct the stock value calculated at the sale price in the year 2018 should be adjusted to the retained profit for the previous year, that value had been accounted for as production cost in the year under review. Accordingly, the profit for the year under review had been understated by Rs. 43,061 and the opening balance of the retained earnings account had been overstated.</p> | <p>The audit observation is accepted.</p> | <p>This value should be adjusted to the retained profit in the previous year and the production cost in the year under review should be corrected.</p> |
| <p>(j) Manufacturing activities of Elayapattu, Weuda, Bangadeniya and Oddusudan factories had not been carried out during the year under review. However, non-manufacturing administrative expenses totalling Rs. 1,631,075 incurred on the factories had been deducted by the head office of the Corporation in calculating the gross profit of the factories during the year under review as the cost of goods sold. Accordingly, the cost of goods as at 31 December 2019 had been overstated and the institutional and administrative expenses had been understated in the financial statements .</p> | <p>The audit observation is accepted.</p> | <p>Non-manufacturing administrative expenses of factories should have been noted as institutional and administrative expenses in the income statement.</p> |

(k) The total expenditure totalling Rs.540,760 which should be payable as at 31 December 2019 and paid during the first quarter of 2020 had not been accounted for as expenditure payable in the financial statements. Employee Trust Funds payable as at 31 December 2019 had been overstated by Rs. 15,792 in the financial statements.

The audit observation is accepted. Expenditure payable for the year should be accurately identified and recorded in the financial statements.

1.5.4 Un-reconciled Control Accounts or Records

Subject	Item as per Financial Statements	As per Corresponding Record	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
Stock for sale	7,843,027	8,005,465	162,438	A difference indicates due to errors in factory storage records.	Stock records should be kept accurately.

1.5.5 Unavailability of Written Evidence for Audit

Subject	Amount	Evidence not presented	Management Comment	Recommendation
	Rs.			
(a) Tax payable	175,156,656	Sufficient evidence to prove tax files and value	Audit observation is accepted	Sufficient written evidence to check tax value should be submitted to the audit.
(b) Trade and other creditors	50,208,755	Balance confirmation letters and loan files	Audit observation is accepted	Action should be taken to settle the loan balances and to identify the non-payable values and correct the accounts.

(c) Lands, buildings and vehicles	38,884,096	Asset Register and Board of Survey Reports	The asset register has not been updated. Computerized documents are submitted.	Arrangements should be made to keep the asset register according to the circulars and to submit reports by conducting annual surveys .
(d) Lands and buildings	23,755,784	Title deeds or other legal documents	Action will be taken to take over under Section 44 (1).	It is appropriate to take actions according to the reply.
(e) Factory maintenance expenses	716,595	Details of factory maintenance expenses	Details are attached with the payment voucher.	Supporting evidences had not been attached to the journal entries and those should be presented.
(f) Balances due from Janatha Estate Development Board	5,000,000	Balance confirmation evidence	Relevant letters are sent herewith.	A letter signed in 2012 has been sent as reply. A balance confirmation letter of the year 2019 should be sent.
(g) Vehicles available at the Oddusudan factory	638,425	Board of Physical Survey Reports	These vehicles have been destroyed during the war atmosphere.	Action should be taken to correct financial statements and documents.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 8 (1) of the Finance Act No. 38 of 1971	A budget for 2019 had not been prepared.	Action will be taken to prepare in the year 2020.	According to the reply, the budget should be prepared.
(b) Public Enterprise Circular No. PED 12 of 02 June 2003			
(i) Section 9. 10	The competent authority had recruited	Action will be taken in accordance with government	Action should be taken in accordance

	35 employees without obtaining the approval of the Secretary to the Treasury according to this section and 16 of them had been recruited in the year 2019.	circulars in the future.	with the section of this circular.
(ii) Section 4. 2. 6	Although performance reports should be prepared in accordance with this Section and submitted to the Department of Public Enterprises and the General Treasury, the Corporation had not complied with.	It will be prepared and presented in the future.	Action should be taken in accordance with the section of this circular.
(iii) Section 9.2 (a), 9.2 (b) and (d)	Functions such as identification of the cadre requirements, approving the cadre and preparation of an organizational plan had not been carried out in terms of this circular since 01 July 2010 to year under review.	Actions are being taken to get the cadre approved.	Action should be taken in accordance with the section of this circular.
(c) Section 3.3 of the Public Enterprise Circular No. PED 03/2017 dated 11 December 2017	According to this circular, a total of Rs.499,500 had been paid during the year under review as bonus for the year 2017 without submitting the annual financial statements for the year 2017 to the audit.	Payments have been made with the approval of the competent authority.	Action should be taken in accordance with the section of this circular.
(d) Public Enterprise Circular No. PED 01/2018 dated 18 September 2018	Contrary to this circular, a total of Rs. 1,800,000 had been paid during the year for providing a motor car to the competent	Audit observation is accepted.	Actions should be taken as per this circular.

authority of the Corporation on a rental basis at a monthly rate of Rs.150,000.

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| (e) | Section 02 of the Public Finance Circular No. 02/2015 dated 10 July 2015 | According to Section 02 of this circular, action had not been taken to dispose of 18 vehicles which are parked at 06 factories without running. | Approval has not been received although it was submitted to the Ministry for approval. | Action should be taken in accordance with the section of this circular. |
| (f) | Sections 5 (1) and 5.2 of the Public Finance Circular No. 01/2014 dated 17 February 2014 | According to this circular, a Corporate Plan and an Action Plan for the Corporation had not been prepared. since year 2012 to year 2019. | This will be corrected in the future. | A Corporate Plan and an Action Plan should be prepared. according to the circular. |
| (g) | Financial Regulations in the Democratic Socialist Republic of Sri Lanka | | | |
| (i) | Financial Regulations 257 | A total of Rs.57,822,791 had been paid using 610 uncertified vouchers including 601 vouchers related to the period from January to September and 09 vouchers for the month of December of the year under review. | Audit observation is accepted. This has already been corrected l. | Action should be taken in terms of this Financial Regulation. |
| (ii) | Financial Regulations No. 835 | Contrary to this financial regulation, the Corporation had rented a building in Thalawathugoda for a period of one year and Rs. 360,000 had been paid at a monthly rate | The approval will be taken in the future. | Action should be taken in terms of this Financial Regulation. |

of Rs. 30,000 for that during the year 2019. Although the contract period of one year expired, the building had been used by the Corporation by August 2020 without paying attention on expiration of the contract period.

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| (h) | Section 3.2 of the Public Enterprise Circular No. 1/2015 dated 25 May 2015 | A sum of Rs. 338,089 had been paid for additional fuel for the official vehicle of the competent authority of the Corporation during the period from January to September 2019 without obtaining the prior approval of the Secretary to the Ministry. | It will be corrected in the future. | Action should be taken in terms of this section of the Circular. |
| (i) | Article 6 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Promotions were given to 07 officers in the year 2019 by the former competent authority of the Corporation without fulfilling the preconditions required for appointments or promotions according to the Establishments Code. | It will be corrected in the future | Action should be taken in accordance with the Establishments Code. |
| (j) | Section II of the Management Circular No. 03/2018 dated 18th July 2018 | The competent authority of the Corporation had recruited and employed 35 employees contrary to this circular and a sum of Rs. 3,407,134 had been paid as salaries and wages to those employees during the year under review. | It is expected to correct in the future. | Action should be taken in terms of this section of the Circular. |

2. Financial Review

2.1 Financial Results

The operating result for the year under review resulted in a loss of Rs 5,122,202 and as against the corresponding loss in the preceding year amounted to Rs. 39,051,649. Accordingly, the financial result during the year under review had minimized the loss by Rs. 33,929,447. Despite a gross loss of Rs. 1,289,122 had incurred in the year 2018, incurring a total gross profit of Rs. 33,032,559 for the year 2019 and increase of other income by Rs. 4,978,328 were the main reasons for minimization of the loss.

3. Operational Review

3.1 Uneconomic Transactions

	Audit Issue	Management Comment	Recommendation
(a)	39,200 first grade flat tiles supplied to the Chavakachcheri Divisional Secretariat by Uswewa factory of the Corporation had been rejected. The Corporation had to incur a total loss of Rs. 2,142,468 during the year under review to carry the rejected tiles and to resupply 39,200 tiles in good condition from the Eragama factory.	According to the complaint of the Human Rights Commission, the competent authority had agreed to return the tiles for the rejected tiles. Actions has been taken accordingly.	Tiles stocks should be issued only after testing of manufactured tiles properly to ensure that they are of proper quality before sale and categorization of tiles.
(b)	The Corporation had paid Rs. 57,500 to the Valuation Department on 01 February 2019 to obtain an assessment report on the Oddusudan factory., it was observed that the payment is an uneconomic expense as non-receipt of the relevant report despite 01 year and 09 months have elapsed since this payment was made.	It will be corrected in the future.	Action should be taken to obtain the relevant assessment reports and take them into accounts.

3.2 Management Inefficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) According to the age analysis of sundry debtors submitted for audit, it was observed that there is a debt balance totaling Rs. 2,730,019 unsettled for more than 03 years as at 31 December 2019 and the management had not taken action to recover the outstanding balances.</p>	<p>Action will be taken to refer to the Board of Directors in the future and to find a solution.</p>	<p>Action should be taken to recover old debt balances and correct accounts.</p>
<p>(b) It was observed that there was an amount of deposits and prepayments totalling Rs. 3,010,675 in the financial statements of the Corporation as at 31 December 2019 and the management had not taken actions to find and settle this balance which is being existed since more than 03 years.</p>	<p>Action will be taken to refer to the Board of Directors in the future and to find a solution.</p>	<p>Action should be taken to look for and settle these old balances.</p>
<p>(c) 09 factories of the Corporation had owned lands with a total extent of 492 acres, 03 roods and 01 perch vested through various gazette notifications. However, out of those factories, only 326 acres, 03 roods and 26 perches belonging to the Eragama and Mahiyanganaya factories had been legally taken over by the Corporation and the management had not taken action to take over the remaining lands.</p>	<p>Action will be taken to refer to the Board of Directors in the future and to find a solution.</p>	<p>Action should be taken to take over the lands in writing</p>

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| <p>(d) Ownership of the lands with a total extent of 53 acres and 16 perches belonging to the two factories of Elayapattuwa and Uswewa had not been recorded and assessed value of lands had not been accounted in the financial statements for the year under review presented by the Corporation .</p> | <p>Reply had not been given.</p> | <p>Action should be taken to record those and correct the financial statements.</p> |
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3.3 Operating Inefficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) The total production capacity of the five functioning factories of the Corporation during the year under review was 4,354,000 units and the total actual production of these factories according to the financial statements as at 31 December 2019 was 1,719,786 units. Accordingly, the actual production during the year had decreased by 2,634,214 units or 60 percent. Accordingly, 1,658,683 units or 96 percent out of the total production during the year under review had been produced by Eragama factory.</p>	<p>Audit observation is accepted.</p>	<p>It is appropriate to take actions to produce adequately for sales requirement considering the stockpile of products of the factories</p>
<p>(b) Out of the 09 factories owned to the Corporation, 04 factories had been closed on several occasions due to various reasons and out of the remaining 05 factories, only Eragama factory which was engaged in the production in the year under</p>	<p>Production is currently carried out only in the Eragama factory.</p>	<p>As the Corporation is able to focus on clay-based products according to its goals and objectives, it is appropriate to take action to cover the factory costs through product diversification.</p>

review had made a total profit of Rs.21,486,471 during the year under review. This is an increase of 57 percent compared to the previous year, while the other 04 factories in Mahiyanganaya, Bingiriya, Uswewa and Yatiyana had suffered losses during the year under review.

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| (c) | All factories except the Eragama tile factory had stopped the production of tiles since the year 2018 due to the sharp decline of tile sales. It was observed that, a stock of products of 07 manufacturing plants amounting to Rs.30,162,941 remained unsold as a result of government policies for the year 2018 and year 2019 and entering competitive product for tiles to the market | Lifting the ban on Asbestos by the government and entering roofing substitutes to the market were the reasons for this. | Action should be taken to sell the stocks produced and to manufacture the products based on the market requirements. |
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3.4 Transactions in Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>The Bollegala Wijaya tile factory had been taken over to the Board by the Gazette Notification No. 151/71 dated 21st February 1975. Although this factory had been vested to a person in the Kelaniya area without a written agreement according to a Cabinet decision dated 30 April 1986, due to non-payment of Rs. 3,885,000 as agreed by him it was stated that "all movable and immovable property should be returned to the Board within 07 days" on the instructions of the Attorney General dated 19 July</p>	<p>The facts stated are accepted.</p>	<p>This Wijaya tile factory should be looked for and action should be taken in accordance with Cabinet decisions and government instructions.</p>

1995. Actions had not been taken to take over these properties and account for and record in the financial statements until audited August 2020 . The former competent authority had obtained Rs. 2,476,000 in cash as the rent in arrears for this property on 16 May 2019 .

3.5 Procurement Management

	Audit Issue	Management Comment	Recommendation
(a)	Although a total cost estimate has to be prepared for the procurement activities as per Section 4.3 of the Government Procurement Guidelines No. 08 of 25 January 2006, total of Rs. 668,195 had been paid using 02 vouchers in the year 2019 without preparation of total cost estimate for repair of roof and gutters of Eragama factory.	Committees have been appointed for this purpose and corrective actions will be taken in the future.	Actions should be taken in accordance with procurement guidelines.
(b)	A procurement plan for the year 2019 had not been prepared by the Corporation in accordance with paragraph 4.2 of the Government Procurement Guidelines No. 08 of 25 January 2006 of the National Procurement Agency.	It will be prepared since the year 2020.	Procurement plans should be prepared in accordance with this circular.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

	Audit Issue	Management Comment	Recommendation
	Although the draft annual report and financial statements should be submitted to the Auditor General within 60 days from the end of the	Approval and submission of account were delayed for three months due to the Covid epidemic.	Accounts should be submitted according to this circular.

financial year in terms of Section 16 (2) of Part III of the National Audit Act No. 19 of 2018 and the provision of paragraph 6.5.1 of the Guidelines for Good Governance in Public Enterprises issued along with Public Enterprise Circular No. 12 dated 02 June 2003, the financial statements of the Corporation for the year 2019 has been submitted to the Auditor General on 22 July 2020 with a delay of nearly 5 months .

4.2 Internal Audit

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
An internal audit plan had been prepared for the year under review covering 08 areas. In examining its progress, two field audits had not been covered. The competent authority had not taken any action on the six internal audit queries issued based on the covered areas.	There were obstacles for the internal audit division to function independently during the year 2019.	Action should be taken to maintain the internal audit division without any obstacle.

4.3 Audit Committees

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Although audit and management committee meetings should be held once in every three months in terms of Public Enterprise Circular PED 12 dated 02 June 2003, only one committee meeting had been held for the year under review.	Committees have not been held on the failure to give a decision as instructed to the competent authority.	Actions should be taken in accordance with this circular.

4.4 Annual Reports

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Although the Annual Report should be tabled in the Parliament within 150 days from the end of the financial year in terms of the Section 6.5.3 of Public Enterprise	These reports have been prepared in the year 2019 and submitted to the Ministry.	Reports should be tabled in the Parliament according to this circular.

Circular on Good Governance No. PED 12 of 02 June 2003, the Annual Reports from the year 2010 to year 2018 had not been tabled in the Parliament until July 2019.