

Specified Business Enterprises (SBE)

Specified Business Enterprises (SBE) includes companies engaged in the business of banking, insurance, leasing, factoring, financial services, fund management and stock broking, all companies listed under the Colombo Stock Exchange and companies with a turnover in excess of Rs.500 million, companies having shareholders' equity in excess of Rs. 100 million, companies having gross assets in excess of Rs. 300 million, companies with liabilities in excess of Rs. 100 million to banks and other financial institutions, companies employing in excess of 1,000 employees, and public corporations engaged in the sale of goods or the provision of services. Every Specified Business Enterprise (SBE) is required to prepare its financial statements in accordance with Sri Lankan Accounting Standards and the accounts of every Specified Business Enterprise (SBE) are audited by professionally qualified auditors who are members of the Institute and hold a certificate issued by the Institute to practice the profession.

According to information from the Sri Lanka Accounting Standards and Monitoring Board, 1681 entities are listed as Specified Business Enterprises (SBE) and according to the National Audit Act, 45 Specified Business Enterprises (SBE) are come under the purview of the Auditor General at the end of 2021. It includes 7 state banks including 2 large commercial banks and 5 specialized banks. The performance of these banks has been stated in details under the banking sector of the triennial report.

Apart from banks, the Specified Business Enterprises (SBE) under the purview of the Auditor General include large commercial entities such as the Ceylon Electricity Board, the Ceylon Petroleum Corporation, the National Water Supply and Drainage Board, the State Pharmaceuticals Corporation. These Specified Business Enterprises (SBE) also include a number of industries that play a critical role in the national economy. Except for four entities, all other Specified Business Enterprise (SBE) apply Sri Lanka Accounting Standards for financial reporting purposes. Sri Lanka Institute of Sri Lanka Textile and apparel, Sri Jayawardenepura General Hospital Board, Tea Small Holdings Development Authority and Sri Lanka Vocational Training Authority apply Public Sector Accounting standards.

As per the National Audit Act, while examining the true and fair view of the financial statements in accordance with the Sri Lankan Accounting Standards, the Auditor General examines whether the resources of the auditee entities have been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws. Although some Specified Business Enterprises (SBE) report negative financial results, those entities play a key role in the national economy in accordance with government orders to contribute socially and economically to society to achieve national goals. Therefore, the National Audit Office reviews the financial reporting as well as the operational performance of these entities to ensure that these Specified Business Enterprises (SBE) operate to achieve the given objectives and social well-being as well as financial performance.

According to the information received, the details of the audit opinions issued by the Auditor General on the financial statements for the years 2018, 2019 and 2020 of the 38 entities (excluding banks) under Specified Business Enterprises are as follows.

Year	2018	2019	2020
Unmodified Opinion	3	3	5
Qualified Opinion	24	21	19
Adverse Opinion	2	2	1
Disclaimer of Opinion	4	4	2

Also, 3, 5 and 7 Specified Business Enterprises respectively for the years 2018, 2019 and 2020 had not submitted their financial statements for audit by 01 September 2022.

According to the information received, the financial profit / loss details of major Specified Business Enterprises for the years 2018, 2019 and 2020 are as follows.

Name of the Entity	Profit before tax for the year 2018	Profit before tax for the year 2019	Profit before tax for the year 2020
	Rs.	Rs.	Rs.
State Pharmaceuticals Corporation	1,684,750,291	2,176,094,213	2,545,624,468
State Pharmaceuticals Manufacturing Corporation	359,680,673	592,057,058	1,160,997,739
Sri Lanka Land Development Corporation	1,620,291,000	823,619,000	2,500,789,000
Sri Lanka Ports Authority	8,696,106,374	16,155,365,468	20,327,138,415
Fishermen's Pension and Social Security Benefit Scheme	2,006,395.65	(16,328,928.59)	(40,984,137.28)
State Development and Construction Corporation	18,523,726	(843,901,384)	(257,420,711)
Sri Lanka Transport Board	69,903,402	416,537,116	(3,232,362,133)
Sri Lanka Broadcasting Corporation	(383,318,108)	(394,370,449)	(454,126,752)
Sri Lanka Rupavahini Corporation	190,605,217	(467,539,830)	(236,774,998)
Ceylon Electricity Board	(30,344,487,000)	(97,319,155,000)	(60,433,489,000)
Ceylon Petroleum Corporation	(106,140.404)	(11,835.600)	2,370.955
Paddy Marketing Board	(1,241,427,452)	(884,782,517)	
The Co-operative Wholesale Establishment	(2,236,445,017)	(1,003,047,978)	
National Water Supply and Drainage Board	(517,037,963)	(1,111,094,592)	662,862,732

According to the information received, considering the net assets at the end of the year 2021 related to Specific Business Enterprises, mainly, the net assets of the National Water Supply and Drainage Board, Sri Lanka Port Authority, Ceylon Electricity Board, National Insurance Trust Fund and the State Pharmaceuticals Corporation were Rs. 497.7 billion, Rs. 370.1 billion, Rs. 264.8 billion, Rs.16.8 billion and Rs.14.7 billion respectively. Also, the net assets of certain entities had taken a negative value, the details of which are given below.

Entity	Negative balance of the Net Assets
	(Rs. million)
Ceylon Petroleum Corporation	357,504
Sri Lanka Transport Board	9,790
Local Loans and Development Fund	37.3
Ceylon Ceramics Corporation	346.3

Considering the net assets according to the sectors to which Specified Business belong, mainly, the total net assets of the Water Supply and Drainage sector, Insurance sector, Port sector and the Health sector were Rs. 497.7 billion, Rs. 105.9 billion, Rs. 370.1 billion and Rs. 21.6 billion respectively. There were negative net assets of Rs. 92.7 billion and Rs. 9.7 billion in the Energy sector and Public Transport sector respectively.

01. Sri Lanka Ayurvedic Drugs Corporation

1. Name of the Entity :- Sri Lanka Ayurvedic Drugs Corporation

2. Audit Opinion on Financial Statements :-

2018	Qualified Opinion
2019	Disclaimer of Opinion
2020	Qualified Opinion

3. Audit observations

Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
(a) In terms of paragraph 25 of Sri Lanka Accounting Standard 2, It had been disclosed in the financial statements that the cost of remaining stocks had been computed and brought to account by using weighted average cost formula. However, in terms of paragraph 27 of the Standard, stock ledgers had not been maintained for the calculation of the weighted average on a periodic basis or as each additional shipment is	In terms of the Standard, stocks issued continuously by adopting the method of FIFO or under the weighted average cost formula, should be valued and the balance of the stock ledger at the end of the year should be brought to account as the remaining stock. Stock ledgers should be maintained manually in divisions which are not	The stock of finished goods owned by the Corporation is not maintained on the FIFO basis and sales centers are not equipped with adequate computer facilities for recording stocks, only stocks of raw materials are maintained on FIFO basis, action will be taken to calculate	As of 31 January 2022, the recommended measures had not been established.

	<p>received and instead of that, the stock ledger had been computerized and maintained for calculating the cost of stocks based on FIFO. The cost of herbal raw materials, finished drugs and packing materials remained as at 31 December 2020 had been calculated as Rs.70,360,760, Rs.96,833,832 and Rs.21,824,951 respectively based on the average of cost in the months of January and December 2020, and the cost of stationery remained as at 31 December 2020 had been calculated as Rs.3,431,500 based on the final purchased price of the year and brought to account instead of the weighted average cost formula.</p>	<p>equipped with computer facilities.</p>	<p>stocks on the FIFO basis and action will be taken to install a computer system relating to the maintenance of finished goods and raw materials.</p>	
(b)	<p>Even though the provision for stock damage as at 31 December 2020, should be Rs.8,373,176, according to the statement of financial position, the said provision had been Rs.11,179,466, thus</p>	<p>Error should be rectified and relevant information and journal entries should be made available to Audit.</p>	<p>As the difference of Rs. 2,806,290 should be adjusted to the accumulated profit of the statement of changes in equity, it</p>	<p>As of 31 January 2022, reasons for the changes, sufficient schedules to ascertain the balances and</p>

<p>observing a difference of Rs.2,806,290. Moreover, according to letters of confirmation of balances of the People's Bank, the balance in two savings accounts as at 31 December 2020, had been Rs.5,574,664. However, according to the statement of financial position, it had been Rs.4,210,243, thus observing a difference of Rs.1,364,421. Further, according to the financial statements of the preceding year, a difference of Rs.5,458,141 was observed between the balance of General Expenditure Advance Account as at 31 December 2019 and the balance of the Ledger Account as at 01 January 2020 and adequate schedules had not been prepared for the confirmation of the balance amounting to Rs.9,927,344 indicated in the financial statements as at 31 December 2020. Moreover, a sum of Rs.6,047,654 out of Rs.8,906,193 indicated as</p>		<p>will be rectified and the difference of Rs.1,364,421 resulted due to unidentified deposits will be rectified after identification, and schedules relating to the balance of Rs.9,927,344 in the General Expenditure Advance Account as at 31 December 2020 and information relating to adjustments of the preceding year amounting to Rs.6,047,654 indicated in the statement of changes in equity are being prepared by now and action will be taken to provide that information.</p>	<p>relevant journal entries were not submitted.</p>
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	prior year adjustments in the statement of changes in equity, had not been confirmed through journal entries.			
(c)	Stock shortages in 20 herbal raw materials costing Rs.842,292 and 12 finished drugs costing Rs.387,590 and stock surpluses in 20 herbal raw materials costing Rs.11.734,245 and 31 finished drugs costing Rs.290,222 were revealed at the audit test checks carried out only relating to 03 stores out of 08 stores maintained as at 31 December 2020. However, the said stock shortages and surpluses had not been brought to account and steps as well had not been taken thereon in terms of Financial Regulations 103,104 and 105.	Stock shortages and surpluses revealed at the physical verification should be brought to account and further action should be taken in terms of Financial Regulations.	Action in terms of Financial Regulations has been taken in respect of stock shortages and surpluses in the year 2019 and taking action in terms of Financial Regulations in respect of stock shortages and surpluses in the year 2020 was delayed due to Corona pandemic and action will be taken thereon in future.	As of 31 January 2022, action had not been taken in terms of Financial Regulations.
(d)	Steps had not been taken to write off the cost of damaged and expired stocks contained in the remaining finished stocks of drugs costing	The completeness of the stock valuation should be taken care of and these mistakes	Expired stocks in stores had been destroyed during the year 2021, adjustments will be	As of 31 January 2022, action had not been taken in terms of Financial

	Rs.7,301,072 as at 31 December 2020 against the profit and to take action in terms of Financial Regulations 103, 104 and 105 thereon. Further, the cost of damaged and expired 19,516 units of finished drugs, 671 units of stationery and 177 kg of herbal raw materials which were revealed at the Annual Boards of Survey as at 31 December 2020, had not been calculated and brought to account and the damaged and expired stock contained in stocks of packing materials had not been even calculated.	should be corrected.	made in financial statements prepared for the year 2021 and as prices for old raw materials, packing materials (Labels), and stationery that remained in stores for many years, are not mentioned in the computer system, rectifications will be made after recognizing the cost thereof.	Regulations.
(e)	It was observed during the physical stock verification carried out that stocks had not been systematically kept in stores and maximum, minimum and re-order stock levels had not been maintained and that despite failure in using sales promotion techniques for identification and sale of slow moving stocks existed and	Control of stores should be regularized.	Arrangements have been made to modify the shelf system so as to make optimal use of the limited space in stores of finished drugs, a separate part has been constructed to increase the space in store, expired	As of 31 January 2022, control of stores had not been regularized.

	<p>that types of drugs withdrawn from sales due to reasons such as increase in price of drugs, blotches on labels and packing had been stored together with expired drugs and had been left to expire without taking necessary measures to sell those stocks by relabeling, drugs expired and cannot be used remaining in sales centers and stores had been computed as normal stocks for a long period without eliminating from stock books and that a large space was underutilized in sales centers.</p>		<p>drugs have been disposed by proper identification on the approval of the Board of Directors and despite plans made for commencement of medical clinics in sales centers where it is underutilized, the said activity was crippled due to Covid 19 global pandemic.</p>	
(f)	<p>As action had not been taken to introduce and maintain a management accounting system to control production cost and secure information, the Corporation had failed to properly carry out control over the production activities and the cost. Likely, proper methodologies on the production process and stores control had not been</p>	<p>The progress of the production plan should be prepared according to the work sheets to be available in the production division. The relevant internal control system should be properly established. Action should be taken to conduct a formal inspection regarding</p>	<p>The fact that the Planning Division uses information contained in the computer data base in the preparation of production plans, actual production reports, performance reports and progress reports and the documents,</p>	<p>As of 31 January 2022, no steps had been taken to introduce a management accounting system, to overcome the deficiencies identified in stock control, and to deal with the identified stock</p>

	introduced and therefore, matters such as stock shortages and significant variations of the stock levels of the stores could be observed in audit. The market value of the stock shortages identified at an audit test check carried out in the year 2019 was Rs.2.60 million.	this shortcoming according to the Establishments Code and Financial Regulations and thereby, loss incurred by the Corporation should be recovered.	this information considered accurate since activities of the divisions are carried out based on such information. and all activities related to the production process are carried out through the computer data base.	shortages in accordance with the provisions of the Financial Regulations and the Establishments Code.
(g)	Sales income for the year 2020 amounting to Rs.676,304,359 comprised Rs.504,447,317 received from the public sector representing 75 per cent while only Rs.171,857,042 representing 25 per cent was received from the private sector. The inclination towards spontaneous demand of the public sector, failure in properly identifying market requirements, non-use of new sales techniques and inadequate advertising had attributed to the decrease in sales income of the private	Action should be taken to improve the sales income of the private sector.	The entire operating system was crippled due to the Covid pandemic in 2020, sales of the private sector could be improved by 25 per cent in the year 2020 as compared with the year 2019, advertisements of the Sri Lanka Ayurvedic Drugs Corporation were published in the tabloid of the Arogya monthly magazine	Aiming to increase sales in the private sector in a planned manner, it had not been able to introduce new marketing strategies and introduce adequate advertising methods.

	sector.		“Ginihalgeya”at the end of the year, a ceremony was held to launch a range of new products from the Corporation for the Corona virus.	
(h)	The income deprived of to the Corporation due to inability of meeting the demand relating to 134 types of products to the public sector during the year 2020 amounted to Rs.79,614,405 while the income so deprived in the year 2019 amounted to Rs.78,372,900. There was a risk of losing the specific market share through inability of meeting the public sector demand without sales promotion efforts.	Necessary action should be taken to meet the demand of the public sector at optimum level.	Maximum effort will be made to minimize the sales income deprived of from the public sector, the Production Plan will be prepared so as to reach targets by considering the demand of previous years and the domination of the new market.	As of 31 January 2022, significant progress had not been achieved.
(i)	Performance indicators had not been established for evaluating activities of various Divisions of the Corporation which perform activities according to the Production Plan and Sales Plan prepared by the	Performance indicators should be determined for evaluating the performance of processes of each Division of the Corporation and the performance thereof	According to the production plan and the marketing plan, the performance targets of the production and marketing divisions have been	As of 31 January 2022, performance indicators for evaluating the performance of the processes in each division of the corporation had

	Corporation and the performance of those functions was not reviewed.	should be reviewed.	introduced with revisions for many years, action is being taken to introduce performance indicators for other divisions and for that, action is being taken liaising with the Secretariat of Productivity.	not been established.
(j)	The Corporation had not carried out a timely market survey for deciding its market share and moreover, knowledge whether there is an increase or decrease in the market share of the Corporation among competitive institutions, had been lacking.	A survey should be carried out for identifying market trends so as to satisfy new consumer needs for improving the market share of the Corporation.	A market survey is due soon after the Covid pandemic ends and basic matters such as survey sheets required therefor have been already prepared.	As on 31 January 2022, a market survey had not been conducted.
(k)	In terms of the notification mentioned in the Gazette Extraordinary No.14,853/3 dated 11 May 1969, out of the 07 objectives of the Corporation, action had not been taken for achievement of objectives such as	Action should be taken to achieve the objectives of the Corporation or to revise objectives to adapt to practical situations.	It was not possible to achieve these objectives due to the lack of adequate land and suitable food under suitable climatic conditions for cattle herd	As of 31 January 2022, action had not been taken to achieve these objectives or revise the objectives.

	<p>maintaining dairies for obtaining pure cows' milk for producing pure ghee required for producing Ayurvedic drugs, bee keeping for producing bees honey required for producing drugs and developing bee keeping as a cottage industry.</p>		<p>management, lack of workers, lack of cold storage facilities, and currently preparing feasibility studies and project reports for bee control, arrangements are being made to obtain the boxes for bees and other necessary instructions from the Department of Agriculture and it is expected to carry out the same under the supervision of the Agriculture Officer.</p>	
(1)	<p>Contrary to provisions of the Circular No. 95 of 14 June 1994 of the Department of Public Enterprises, in the year 2020 and in the last 6 years, the total amount of incentives paid without the approval of the Treasury was Rs. 474,979,883. Although the</p>	<p>Incentives should be paid only after preparing the incentives scheme in such a way as to increase the performance level of the officers in all sectors and obtaining</p>	<p>Incentive had been paid with the approval of the Board of Directors and a new incentive scheme has already been prepared and forwarded for the approval of the</p>	<p>As of 31 January 2022, the treasury approval had not been received.</p>

	<p>Committee on Public Enterprises held on November 09, 2007 had stipulated that the approval of the Treasury should be obtained for the incentives scheme that had been implemented since 1997. As of December 31, 2020, the approval had not been obtained.</p>	<p>formal approval for the same.</p>	<p>Treasury with the approval of the Board of Directors and the recommendation of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospital Development and Community Health.</p>	
(m)	<p>A sum of Rs.1,808,795 had been spent for development of the herbal garden located in Anuradhapura and for construction of the boundary fence thereof. However, the said land had not been properly vested in the Corporation.</p>	<p>Action should be taken to vest the land properly in the Corporation.</p>	<p>Even though the Divisional Secretary, Medawachchiya has decided to provide the land to the Corporation, it has not been properly vested so far and that the expenditure incurred will be amortized in the ensuing period of accounts.</p>	<p>As on 31 January 2022, the land had not been properly vested.</p>
(n)	<p>A revised Scheme of Recruitment for the</p>	<p>Action should be taken to hold Efficiency Bar</p>	<p>From the inception of this Corporation,</p>	<p>As of 31 January 2022,</p>

	Corporation had been approved by the Department of Management Services in the year 2018 under 09 service categories. However, all officers recruited under the said service categories had been made permanent without holding an Efficiency Bar Examination as mentioned in the Scheme of Recruitment.	Examinations properly according to relevant Schemes of Recruitment.	permanency in the service had been made without holding relevant Efficiency Bar Examinations, steps will be taken to carry out performance evaluations for all staffs before the end of the year 2022.	performance evaluations for staff had not been conducted.
(o)	Paragraph 3.5 of Public Enterprises Circular No.02/2013 of 11 September 2013, an amount equivalent to the gratuity fund computed annually had not been invested to make relevant payments promptly to an employee when he becomes eligible.	Action should be taken to invest an amount equivalent to the gratuity fund.	It is agreed with the observation and action will be taken to make a proper investment in the future.	As on 31 January 2022, the gratuity funds had not been invested.
(p)	All Government institutions should act in terms of the “2030 Agenda” of the United Nations on sustainable development. However, the Corporation had not acted with adequate knowledge on	Action should be taken to identify targets and indicators and measure the progress, in the achievement of sustainable	It is agreed with the observation and action will be taken with a special attention on sustainable development goals,	As on 31 January 2022, action had not been taken to identify targets and indicators and measure the progress, in the

	<p>the manner of implementing functions coming under its scope relating to the year 2020. As such, action had not been taken in terms of the “2030 Agenda” of the United Nations relating to sustainable development goals, targets and the focal points in achieving those targets and to identify the indicators for measuring the achievement of those targets.</p>	<p>development goals.</p>	<p>targets and on the achievement of those targets.</p>	<p>achievement of sustainable development goals.</p>
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02. Central Engineering Consultancy Bureau

(1) Name of the Entity - Central Engineering Consultancy Bureau

(2) Audit Opinion -

Year -----	Audit Opinion -----
2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

(3) Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1.	Non-Compliance with Sri Lanka Accounting Standards			
1.1	SLFRS 15 – Revenue from Contracts with Customers - Even after fully identified the revenue from Construction Contracts, sums aggregating Rs. 297,528,112 and Rs. 359,002,617 have been still shown as due from customers and due to customers respectively in the financial statements as at 31	Effective and proper work plan should be introduced without further delay to clear the long outstanding balances with regard to completed projects and to make proper	Necessary adjustments will be made in the accounts in the year 2021.	Steps are being taken to make adjustments.

	December 2020. Out of those, amounting to Rs. 195,696,219 and Rs. 145,816,913 respectively had remained from the accounts for over 05 years as at 31 December 2020.	adjustments in the accounts by preparing an age analysis.		
1.2	<p>LKAS 16 – Property, Plant and Equipment -</p> <p>Action had not been taken to reassess the useful economic life of the fully depreciated assets costing Rs. 269.24 million which are continuously used by the Bureau.</p> <p>Further, as per the accounting policy of the Bureau, estimation errors of the useful life of depreciable assets had not been corrected and related adjustments had not been made in the financial statements.</p>	Action to be taken to reassess the useful economic life of the fully depreciated assets and, rectify the estimation error and make adjustments in the financial statements accordingly.	<p>A committee has been appointed to reassess the property , plant and equipment.</p> <p>However, we need more time to complete this assignment.</p>	So far no significant progress had been made.
1.3	The Bureau had not properly coded its fixed assets costing Rs. 3,700,591,042 and those codes were not included to	Necessary action should be taken to coding the entire fixed assets of the	Coding of Fixed Assets have been already commenced	Action is being taken in this regard.

	the fixed asset registers. Therefore, it was unable to identify those assets in the annual asset verification since the existences of those assets were doubtful.	Bureau.		
1.4	The Bureau had computed the depreciation based on the values shown in the general ledgers without being considered the actual existence of those assets as per the assets verified and the Bureau had not maintained a centralized assets register. Hence, the accuracy of the cost of such assets to the value of Rs. 646,315,029 shown in the financial statements and depreciation made thereon Rs. 58,383,489 for the year 2020 could not be reliably ascertained in audit.	The Depreciation should be computed by ensuring the physical existence of fixed assets which shown in the general ledger. Further, an updated centralized fixed assets register should be maintained as enable to conduct Annual Boards of Survey.	The process of verifying the physical existence of fixed assets is ongoing.	The process of verifying the physical existence of fixed assets is ongoing.
2	Unreconciled Control Accounts and Records			
	A difference of Rs. 29,028,235 was observed in 19 instances between the value added tax control	Attention to be paid to reconcile the ledgers balances with schedules	These will be cleared in the year 2021.	The reasons for the differences had not been identified until

	account balances included in the financial statements and the schedules prepared by those base offices and Divisions as at that date. Out of the above differences only Rs.8,927,514 or 23 per cent had been removed from the accounts even up to 30 September 2021.	before preparing the financial statements.		now.
3	Receivables			
a	The trade debtor balance was Rs. 5,977,305,595 and out of which Rs. 2,674,662,841 and Rs. 1,449,987,960 were remained unrecovered for over 3 years and 5 years respectively. Although immediate action should have been taken to ascertain whether these balances were recoverable or not, effective steps had not been taken to do so.	Outstanding balances should be recovered without any delay.	We have engaged in continuous efforts to check and recover trade debtor balances.	Action is being taken to recover debtor balances.

b	The retention money with regard to completed or suspended construction projects was Rs. 894,598,087 and Rs. 543,001,855 which were remained unrecovered for more than 03 years and 05 years respectively as at 31st December 2020 and out of the above balances only Rs. 15,498,200 had been recovered during the period of 01 January to 30 November 2021.	A proper mechanism should be introduced to recover the retention receivables relating to projects which completed long ago without further delay.	As the client has not released the retention, a provision of 44 percent has been made for those long outstanding retention receivables.	No effective action had been taken to recover outstanding balances.
4	Payables			
4.1	The income tax balance payable by the Bureau was Rs. 897,795,802. Out of which Rs. 152,446,819 and Rs.700,484,023 were the balances remained unsettled for over 05 years and 03 years respectively. No action has been taken so far to remit this balance to the Commissioner General of Inland Revenue or to take appropriate action in consultation with the Commissioner General of	The Bureau should comply with the provisions in the Inland Revenue Act and immediate action to be taken to remit the income tax which payable to the Commissioner General of Inland Revenue in order to avoid the	In the year 2020, Rs. 69 million of the total income tax liability has been settled and the remaining amount is being settled.	The arrears had not been settled up to date.

	Inland Revenue.	surcharges on delayed payments.		
4.2	Mobilization advances amounting to Rs. 32,942,162 received with regard to 13 constructions projects which were 90 per cent completed or fully completed had remained in the accounts without being settled.	Action to be taken to settle the all possible long outstanding mobilization advances without delay and to treat others as income.	If the said mobilization advances are recovered by the clients, the Bureau will settle the money.	A director board paper has been submitted for taking this amount as revenue.
4.3	The creditors amounting to Rs.218,474,698 and Rs. 647,016,183, retention payables amounting to Rs.521,142,737 and Rs. 403,493,350 had remained unsettled between 3 to 5 years and over five years respectively as at 31 December 2020. Further, accrued expenses amounting to Rs.11,881,461 had also reminded for over one year without being settled as at that date.	Creditors should be settled within the stipulated time period and action should be taken to release the amounts which can be released and others to treat as income	A considerable time is required to settle these balances.	These balances had not been settled up to date.
5	Advances			
	Advances given for various purposes aggregating Rs.	Action should be taken to get settle	Some of these balances for write-	These balances had not been dealt

	4,178,158 and 1,463,688 had remained without being recovered for over 03 years and 05 years respectively.	the advances immediately after the completion of the purposes for which it is granted.	off have been submitted for the approval of the Board of Directors and some balances are unrecognizable.	with so far.
6	Non-compliance with Laws, Rules, Regulations and Management Decisions etc.			
6.1	Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.			
6.1. (a)	(i) Paragraph 9.3.1 Although there should have an approved Scheme of Recruitments and Promotions in the Bureau, such scheme had not prepared and approved for the post in middle and top-level management.	An approved Scheme of Recruitments and Promotions for all level of the cadre should be made available at the Bureau.	A separate committee has been appointed to prepare SOR for all level to get the approval from the Board of Directors and Management Services Department (MSD).	A recruitment and promotion scheme had not been prepared and approved.
6.1 (b)	Paragraph 9.14			

	Even though there should be a Manual of Procedure providing rules and regulations on all matters relating to management of human resources, the Bureau did not have such approved manual.	A manual for the areas of HR and Finance should be prepared and approval for the same should be obtained by the bureau.	The Manual of Procedure providing regulations relating to HR & Admin functions has been submitted to the Board of directors.	Approval for the Human resource and administrative functions manual had not been obtained.
7	Cash Management			
	Although the bank balances amounting to Rs. 3,310,974 was allowed to be idled in 11 bank current accounts for the period ranging 1 to 2 years, the attention of the management had not paid to closed down these dormant bank accounts.	Necessary action should be taken to closed down dormant bank accounts which are operated by the Bureau.	Two bank accounts are maintained continuously on the basis of necessity and action is being taken to close the remaining accounts.	All these current accounts are still inactive.

8	Operational Review			
8.1	Management Inefficiencies			
	The Bureau had failed to take fruitful action to recover the course fees amounting to Rs.7,157,098 from 9 officers who breached the bond agreements entered into with the Bureau and those have gone abroad on no-pay leave during the period of 2007 to 2018.	The Bureau should take legal action against the officers who breached the bond agreements.	Personal files of 7 officers have been handed over to the Legal Unit for Legal action and reminders were sent to other officers.	This money had not been recovered up to date and no proper action had been taken.
8.2	Operational Inefficiencies			
8.2 (a)	The Bureau had invested Rs.3,254.13 million, Rs.3,173.68 million and Rs.3,419.65 million in short-term and long-term investments in 2018, 2019 and 2020 respectively. A net interest income of Rs. 290.82 million, Rs. 310.24 million and Rs. 258.35 million was earned on those investments in the years 2018, 2019 and 2020 respectively and these net interest incomes had represented 55 percent, 91 percent and 99 percent of the	The management of the bureau should focus on increasing the operational income of the bureau rather than increasing the financial income.	Action will be taken to increase our operating income and profit.	A plan has been prepared to increase the operating profit.

	pre-tax profit for those years.			
8.2. (b)	Nine (09) Base Offices of the Bureau in the EPC Division had sustained the operating loss of Rs.93,092,128 in the year 2020 and out of those Base Offices, 05 Base Offices had reported the operating losses since the year 2018 and 03 Base Offices had reported the operating losses since the year 2017. In addition to that, 13 Consulting Divisions of the Bureau had sustained the operating loss of Rs.351,934,685 in the year 2020 and out of those Consultancy Divisions, 03 Divisions had reported the operating losses since the year 2018.	The Bureau should pay its attention to minimize these losses by identifying the various business diversification fields related to construction industry and making maximum use of its existing human and physical resources.	The Management has already taken steps to seek possible new business avenues within Bureau's scope to maximize utilization of human and physical assets of Bureau.	A plan has been prepared to increase the operating profit.
8.2 (c)	Out of the completed construction projects of the Bureau's Construction Division, 10 construction works were sustained the gross loss of Rs. 134,509,922 by the end of the year 2020. Also, 31 construction	Effective action should be taken by the Bureau to mitigate these losses in the future.	The bureau has established a separate unit (Project Monitoring Unit) to minimize losses from upcoming construction	No effective action had been taken to mitigate the loss.

	<p>projects were completed with a total loss of Rs.197,137,979 in the year 2019 and out of that 14 projects which were sub contracted to the Subsidiary of the Bureau had been completed with a loss of Rs. 52,278,277.</p>		<p>projects.</p>	
8.2 (d)	<p>Due to the subcontracting of all construction projects to its subsidiary company, the Bureau is currently only engaged in consulting work. As a result, income earned per Engineer and per other employee also had been significantly decreased from Rs. 23.58 million and Rs. 8.97 million respectively in the year 2012 to Rs. 7.72 million and Rs. 2.72 million in the year 2020. Hence, the deployment of approximately 1141 employees including 402 engineers to earn only the consultancy income was questionable in the Audit.</p>	<p>The Bureau should reconsider the necessity for deployment of 1141 employees including 402 engineers to earn the consultancy income of approximately Rs. 2,000 million.</p>	<p>During the period from 2012 to 2018, the Bureau has gradually transferred its construction services business to the subsidiary company. Hence, the Bureau is not currently directly engaged in any new construction work.</p>	<p>Action had not been taken to maximize the utilization of human resources.</p>
9	<p>Transactions of Contentious Nature</p>			

9.1	<p>Due to the utilization of the resources of the Bureau by its Subsidiary, a sum of Rs.1,652,545,484 had to be recovered from the Subsidiary as at 31 December 2020 and it was stated as dues from related party in the Bureau's Financial Statements. This amount is increasing exponentially from year to year and it was Rs.1,147,466,029 as at 31 December 2015. It was further observed that the management had not taken any effective action to clear this balance from the accounts after considering the available alternatives.</p>	<p>A settlement procedure should be introduced by the management.</p>	<p>Currently both Bureau and Subsidiary are working to check the balances and intend to submit a report to the Board of Directors.</p>	<p>These balances had not been cleared.</p>
9.2	<p>Three official residences located at Sarana Mawatha had been provided to three Members of Parliament since the year 2004. Another two official residences had been provided to then Secretary to the Ministry of Megapolis & Western Development</p>	<p>The provisions in Chapter X of the Administrative Codes of the Bureau should be strictly followed in this connection.</p>	<p>Action is being taken in this regard.</p>	<p>There was no proper collection of rent and utility bills.</p>

	<p>(Retired on 09 June 2019) for period from August 2015 to November 2019 and then Secretary to the Ministry of Mahaweli Development and Environment for period from January 2015 to May 2019 respectively. In addition, another one official residence had been allocated to the Director Generals appointed to the Mahaweli Authority since the year 2004 under the name of Mahaweli Authority. However, no agreement had been entered into between the Bureau and respective parties in this connection and no rental had been recovered from Secretary to the Ministry of Megapolis & Western Development, the Director Generals of the Mahaweli Authority and the Secretary to the Ministry of Mahaweli Development and Environment. Further, according to the information made available for audit only Rs. 741,154 was recovered</p>			
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	from 03 Members of Parliament as rental.			
9.3	The Board of Directors had granted the approval on 21 October 2019 to pay the funeral expenses amounting to Rs.613,360 of late working director of the Bureau. Out of the above, a cheque worth Rs. 138,360 was written to the name of the Bureau and the check for the remaining amount was written to the name of the funeral organization. Although this expenditure is not a legitimate cost relating to the activities of the Bureau, this was shown under the administrative expenses.	The Bureau should comply with prevailing rules and regulations in order to avoid in involving of these types of irregular transections.	Payment was made with the approval of the Board of Directors and action will be taken to comply with the provisions of the Circular in the future.	Action had not been taken in this regard.
10	Defects in projects Administration			
10.1	The Board had taken a decision on 23 June 2020, to implement an Agriculture Engineering Sector Investment Project at Rambankanoya in Ampara District. Accordingly, a sum			

	of Rs. 70 million had been allocated from the Bureau's fund in order to implement this project. The following observations are made in this connection.			
10.1 (a)	It was decided to obtain a land with an extent of 150 Acres from the Mahawali Authority of Sri Lanka (MASL) on 30 years lease basis to carry out this project. However, no such lease agreement had not been entered into until the date of issue of this report.	The legal ownership of the land should be obtained before implementation of the project.	At this meeting DG -MASL informed that the cabinet approval has been already obtained to lease these lands for commercial agriculture projects.	No lease agreement had been entered into so far.
10.1 (b)	The audit could not rule out the possibility of further escalation of the human-elephant conflict situation, which has now become a serious problem in the country, as the physical audit found that this area was inhabited by elephants.	Before implementation of the project, the social and environmental viability of the project should be considered.	Addressing human – elephant conflict matter would have been addressed at the stage of project identification by MASL.	This issue has not been resolved yet.
10.1 (c)	According to the Bureau's officials, approximately 60 acres of maize and 15 acres of black gram were	A proper mechanism should be introduced to ascertain the actual	At present, Bureau has conducted a detailed	No specific confirmation had been given to the

	<p>cultivated in the above land area. However, any confirmation was not provided to the audit to confirm the actual extent of the above cultivated area. Hence, there is a possibility for being carried out the cultivation in a larger area than reported.</p>	<p>extent of the cultivated areas.</p>	<p>engineering survey to identify the extent of cultivated land based on various methods and standards.</p>	<p>audit.</p>
<p>10.1 (d)</p>	<p>There was no suitable building facility for storage of harvested maize in the field or in the Ampara work site belonging to the Bureau. It was further observed that the harvested maize was stored in a building under construction and the Bureau had not taken steps to store it so that it could be safely preserved and sold at a higher price.</p>	<p>Proper storage facilities should be provided for the project site without any delay.</p>	<p>Bureau has initiated Constructing a store building at the farm and the same was 90 percent completed.</p>	<p>Adequate storage facilities had not been provided.</p>
<p>10.1 (e)</p>	<p>The people of the area have staged protests and agitations on several occasions regarding the cultivation in this area and have also resorted to legal action. Therefore, it is observed that</p>	<p>Before implementation of the project, the social and environmental viability of the project should be</p>	<p>We were instructed not to commence any permanent investments during next 4 months till the</p>	<p>The issues are being resolved.</p>

	there is uncertainty regarding this project.	considered.	legal matters are cleared.	
11	Human Resources Management			
	In contrary to paragraph 9.2 (e) and (f) of the Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance, 25 officers had been recruited during the year under review by creating 03 new post. Further, 182 officers had been recruited for 09 post by exceeding the approved cadre.	Since Bureau is currently only engaged in providing advisory services, the current approved cadre should be re-reviewed, approval for appropriate number of human resources should be obtained and employees should not be recruited by exceeding the approved cadre.	The Bureau recruits the staff outside the approved cadre mostly on contract basis to service future project work requirements.	The revised cadre had not been submitted to the Department of Management Services for approval.
12	Management of Vehicle fleet			
12.1	Out of 331 vehicles belongs to the Bureau, 48 vehicles had not been utilized for any purpose. In addition to that, two of them are being repaired for more than a year and the ownership of one	Attention to be paid to obtain the maximum benefits from the physical resources of the Bureau.	Necessary action is being taken in this regard.	These issues have not been resolved.

	vehicle had not been confirmed.			
12.2	<p>Most of the vehicles had met with accidents in 60 instances during the period from 01 January 2019 to 31 July 2021 and insurance claims with regard to only 57 vehicle accidents have been forwarded to the respective insurance company. However, the details such as number of vehicles met with accidents, value of insurance claims recovered, cost of repairs etc. had not been provided for audit, while no inquiries had been instituted to ascertain causes for losses and against the persons responsible for these losses. Further, preliminary reports and final reports with regard to investigation of vehicle accidents had not been submitted to Auditor General.</p>	<p>The preliminary report should be sent immediately if a delay of more than 7 days is envisaged for making a full report and after inquiry, the full report should be submitted within 3 months from the date of loss.</p>	<p>Officers have been instructed to investigate and report to the Auditor General regarding future vehicle accidents.</p>	<p>Proper action had not been taken in this regard.</p>

03. Farmers' Pension and Social Security Benefit Scheme

01. Name of the Entity : Farmers' Pension and Social Security Benefit Scheme

02. Audit Opinion on Financial Statements

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

No.	Major deficiency included in the Audit Report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
Year 2018				
1	In the annual action plan prepared for the year 2018, it was not possible to carry out the following activities.			
(i)	Since the year 1981, there are a large number of files related to the Farmers' Pension Scheme, many of which have decayed, so the farmers' pension management system (document management system) should be secured.	Action plan should be followed.	The process has been stopped midway.	This project has been currently stopped.
(ii)	Enrollment of farmers to the Farmer's Pension Scheme.	- do -	A new scheme is being discussed.	No new enrollments are made.

Year 2019				
2	As of the end of the year 2012, there had been 959,254 active contributors to the scheme. Following the year 2012 however, information relating to those who left the scheme, became disabled, deceased, and removal due to defaulting on the installments, had not been maintained in an up-to-date manner. As such, it was not possible for the scheme to identify the number of active members at the end of the year 2019, the contribution being added annually, and the accurate amount of pensions to be paid.	Action should be taken to maintain the information system up-to-date.	Action has not been taken to update the bio data of farmers.	No updated information.
3	The committee of experts assembled on 01 July 2019 with a view to introducing a new pension scheme replacing the existing scheme. It was decided to prepare the computational reports relating to the 04 alternative proposals presented to the Committee by the farmers' pension scheme, to resubmit the information	A new pension scheme for farmers should be formulated with immediate effect in accordance with the Government policies and arrangements should be made to recruit contributors.	A new scheme is being discussed.	No new system has been introduced so far.

	relating to the implementation of the scheme selected out of the said 04 schemes to the committee of experts, to prepare the study reports on those schemes and furnish to the Department of Treasury in the month of August thus obtaining approval thereon, and coordination. However, it was not implemented even up to the end of the year 2019.			
Year 2020				
4	In terms of paragraph 59 of the Sri Lanka Accounting Standard 37, the liability for the pension of the active contributors and farmer pensioners should be computed based on the actuarial assessment carried out in a timely manner. However, after the year 2007, it had been computed without carrying out such an actuarial assessment and the liability for the pension as at 31 December 2020 was Rs.74,155,908,494. Further, adequate investments had not been made for settlement of those obligations.	The liability for pension should be computed on actuarial assessment carried out in a timely manner and sufficient investment should be kept to meet the obligations.	No action taken.	The liability for pension had not been computed on actuarial assessment carried out in a timely manner and sufficient investment had not been made to meet the obligations.

5	Only the revenue amounting to Rs.96,476,139 received from contributors for the year under review had been shown in financial statements on cash basis instead of accounting contributions on accrued basis due to failure in maintaining the register in an updated manner including the date of enrollment into the Scheme and date of entitlement by contributors and value of contribution of active members and the register of contributors with the invalidate certificate of deed.	Particulars on contributors should be maintained in an updated manner and contributions should be brought to account on accrued basis.	No action taken.	The register of contributors with the invalidate certificate of deed had not been updated and maintained.
6	The net assets of the Scheme amounted to a negative balance of Rs. 78,198,513,683 as at the end of the year 2020 and the current liabilities over the current assets had been Rs. 5,028,075,667. Even though pension had been paid since 01 January 2014 in accordance with directives published in the Gazette Extraordinary, No. 1853/49, dated 14 March 2014 relating to the Farmers' Pension and Social Security Benefit	Action should be taken to activate the Scheme.	A new scheme is being discussed to remedy the existing problems.	The scheme is not in a position to run without contribution from the the Treasury.

	<p>Scheme, recovery of contributions had been made according to the procedure published in the Gazette No. 452/12, dated 07 May 1987. Accordingly, the contribution of farmers for the years 2019 and 2020 had been Rs.21,495,773 and Rs.19,316,409 respectively whereas the payment of pension had been Rs.3,217,332,522 and Rs.4,502,560,108 respectively. Moreover, sums of Rs.3,065,000,000 and Rs.4,450,949,000 had been received from the Treasury in the years 2019 and 2020 respectively due to increase in the payment of pension. As such, it appears that the Scheme cannot be maintained without contributions from the Treasury.</p>			
7	Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987			
(i)	<p>Section 04 This Scheme had been commenced with the objective of making a payment for the</p>	Action should be taken to activate the Scheme.	A new scheme is being discussed to remedy these problems.	Members are not recruited to the Scheme.

	<p>farmers who has the prescribed qualifications to join the Scheme, in case of a partial or permanent disablement, as a financial assistance for their livelihood, paying a death gratuity, and paying a periodical pension after reaching the age of 60 years. However, no member had been enrolled into the Scheme during the period of 2012- 2020.</p>			
(ii)	<p>Section 6 (1) A contributor shall be entitled to a pension on reaching the age of sixty years. However, payments had been made from the date of preparation of pension instead of making payments from the date payable. Even though provision had been made for arrears in pension payable during the said period as well, action had not been taken to pay arrears in pension totaling Rs.3,745,948,105 provided for 125,828 farmers relating to 8 years from the year 2012 to the year 2020.</p>	<p>Farmers' pensions should be paid from the date of reaching the age of sixty years.</p>	<p>No action taken.</p>	<p>The arrears of pension are not paid to the farmers and the pension is paid from the date of preparation of pension.</p>

(iii)	<p>Sections 15(2) and (3)</p> <p>Where any contributor has forfeited the benefits on failure to pay the installments, a notice to that effect shall be issued to such contributor for making an appeal. However, on failure to issue the said notice, applications had been submitted by 1,451 persons implying that they are entitled to pension received after reaching the age of sixty years.</p>	<p>In the instance of forfeit of benefits on failure in due payment of instalments, the contributor should be notified thereof.</p>	<p>No action taken.</p>	<p>Contributors are deprived of the opportunity to appeal because they are not informed of the forfeit of benefits.</p>
(iv)	<p>Section 20</p> <p>In the exercise of powers, the Advisory Committee established, should be met to exercise those powers. However, the Committee had not met after November 2016 up to now.</p>	<p>The Advisory Committee should assemble in terms of the Act.</p>	<p>No action taken.</p>	<p>The committee had not met after 2016.</p>
8	<p>In comparison of the new scheme commenced in the year 2014 with the old scheme, the benefits received by farmers from the new scheme was at a very low level. As such, plans had been made to update the new scheme and to introduce new social security schemes in the Corporate Plan 2016-2020.</p>	<p>Action should be taken according to plans.</p>	<p>No action taken.</p>	<p>This purpose had not been achieved even by the end of the year 2020.</p>

	However, this purpose had not been achieved even by the end of the year 2020.			
9	A sum of approximately Rs.3,809,491,790 had been issued to 14 District Accounts Offices of the Agricultural and Agrarian Insurance Board for 161,000 farmer pensioners from January to October 2020 and unpaid pension amounting to Rs.76,019,485 had been returned to the Board by the time of audit. The Board had not taken action to look into the reasons for failure in obtaining pension and to strike off names from the Pensions Register if not living, by calling for information on pensioners who are not entitled.	The Pensions Register should be maintained in an updated manner.	No action taken.	The Pensions Register had not been maintained in an updated manner.
10	A number of 117 deposited but unrealized cheques valued at Rs.1,179,624 brought forward during a period from 1992-2002 relating to 3 bank accounts could not be settled even by the end of the year under review.	Unrealized cheques should be settled, after looking into matters.	No action taken.	A number of 117 unrealized cheques could not be settled even by the end of the year under review.

11	<p>Only 08 Districts had been subjected to survey activities by spending a sum of Rs.1,726,875 with the motive of entering and updating bio data of farmer contributors included in the new pension scheme implemented from January 2014. Moreover, the Board had not taken action to carry out survey activities in the other Districts and to update the data base. As such, the expenditure incurred therefor had become fruitless and entering bio data of farmer contributors included in the new pension scheme had been discontinued towards the end of the year 2020.</p>	<p>The system should be updated by entering bio data of farmer contributors included in the new pension scheme.</p>	<p>No action taken.</p>	<p>There is no updated data system.</p>
12	<p>A number of 7,402 applications had been submitted for process of pensions by the end of the year under review and providing benefits had been failed relating to 1,837 applications out of them.</p>	<p>Benefits should be speedily provided to the farmer community.</p>	<p>No action taken.</p>	<p>Providing benefits for 1,837 applications had been failed.</p>

04. Fishermen's Pension and Social Security Benefit Scheme

01. Name of the Entity - Fishermen's Pension and Social Security Benefit Scheme

02. Auditor General's Opinion on Financial Statements

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

No.	Major deficiency included in the Audit Report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
Year 2019				
01	Even though the total contribution of the Scheme for the year 2019 was Rs. 340,189, a sum of Rs.64,668,352 had been paid from the Scheme exceeding the contribution received since the total pension payments were Rs. 63,346,699 and net instalment payments were Rs. 1,293,842 and death and disabilities benefit payments were Rs. 368,000.	Action should be taken to promote new enrollments by preparing a new scheme with financial feasibility.	No action taken.	Even though total contribution to the scheme for the year 2020 was Rs. 90,148, a sum of Rs. 112,993,411 had been paid from the Scheme exceeding the contribution received since the total pension payments were

				Rs. 112,037,370 and net instalment payments were Rs. 724,189 and death and disabilities benefit payments were Rs. 322,000.
Year 2020				
02	In terms of paragraph 59 of the Sri Lanka Accounting Standard 37, the Liability for the pension of the active contributors and fishermen pensioners should be computed based on the actuarial assessment carried out in a timely manner. However, after the year 2007, the liability for the pension had been shown in financial statements without carrying out such an actuarial assessment. The said balance as at 31 December 2020 had been Rs.4,261,454,710.	The liability for pension should be computed on actuarial assessment carried out in a timely manner.	The liability for pension has been brought to account based on the actuarial assessment carried out in the year 2007.	After the year 2007, no actuarial assessment had been carried out.
03	The liability for pension of the Scheme as at the end of the year under review had been Rs.4,261,454,710 and it was an increase of 8.83 per cent than the	Action should be taken to activate the Scheme.	No action taken.	Action had not been taken to restructure the Scheme and to implement it

	<p>preceding year. Moreover, the position of net assets of the Accumulated Fund had become a negative value of Rs.3,675,902,450, that is, it had increased by 11.76 per cent than that of the preceding year. As such, the said increase as well had adversely affected the going concern of the Scheme. As the said situation may further worsen in ensuing years, the Scheme has not taken action so far to restructure the Scheme and to implement it with financial feasibility.</p>			with financial feasibility.
04	<p>Loans totaling Rs.518,000,000 has been granted in several instances by the Fishermen's Pension and Social Security Benefit Scheme to the Farmers' Pension and Social Security Benefit Scheme since the year 2010 and the total loan amount and total interest thereon recoverable as at the end of the year 2020 were Rs.338,949,572.</p>	<p>Action should be taken to recover the loan amount and interest thereon.</p>	<p>No action taken.</p>	<p>The total loan amount and total interest thereon recoverable as at the end of the year 2020 were Rs.338,949,572.</p>
05	<p>Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990</p>			

(a)	<p>Sections 5 and 6</p> <p>This Scheme has been established with the motive of providing fishermen who are not less than eighteen years of age and not more than fifty-nine years of age as eligible for being provided with an allowance as financial assistance in case of permanent partial disablement or permanent total disablement, preventing engaging in their occupation, a death gratuity in case of death and a periodical pension on reaching 60 years of age. However, no member had been enrolled into the Scheme after the year 2018.</p>	Action should be taken to activate the Scheme.	No action taken.	New members are not recruited to the scheme.
(b)	<p>Section 7</p> <p>A contributor shall be entitled to a pension on reaching the age of sixty years. However, payments had been made by the Scheme from the date of preparation of pension and arrears in pension had not been paid. As such, action had not been taken to pay arrears in pension amounting to Rs.4,828,177 for which provision was made for, to 176 fishermen who had applied for</p>	Payments should be made from the date of entitlement to pension.	No action taken.	Arrears in pension amounting to Rs.4,828,177 for which provision was made for, to 176 fishermen by the end of 2020 had not been paid and payments are made from the date of

	pensions relating to the period from January 2009 to December 2016.			preparation of pension.
(c)	<p>Section 16</p> <p>Where any contributor has forfeited the benefits on the failure to pay ten consecutive premiums, such contributor shall be issued a notice to that effect. However, on failure to issue the said notice, applications had been submitted by 58 persons implying that they are entitled to pension received after reaching the age of sixty years.</p>	Where any contributor has forfeited the benefits on the failure to pay ten consecutive premiums, such contributor shall be issued a notice to that effect	The contributor is not informed in advance and the contributions of the contributors whose contribution has been cancelled, will be refunded with interest after reaching the age of 60 years.	The contributor is not informed in advance and the contributions of the contributors whose contribution has been cancelled, will be refunded with interest after reaching the age of 60 years.
(d)	<p>Section 20</p> <p>The Advisory Committee which has been established, may exercise powers conferred by Section 22 of the Act for the implementation of the Scheme and should be met therefor. However, the Committee had not met after November 2016 up to now.</p>	The Advisory Committee should meet in terms of the Act.	No action taken.	The Committee had not met after November 2016 up to now.
06	As per the implemented plan of the Fishermen's Pension and Social Security Benefit Scheme	Action should be taken in terms of	No action taken.	Document Management System is not

	relating to the year 2020, it had been planned to categorize fishery pension cards according to Districts for the safety of pension cards, scanning of cards as well as storing them and protecting the data of fishery pensioners' through "Document Management System". However, that plan had not been implemented.	plans.		implemented.
07	In the Corporate Plan 2016 – 2020, it had been planned to update the existing social security schemes and to introduce new social security schemes for providing stability to the local agriculturist. However, revision of the existing Fishermen's Pension Scheme according to current requirements and introducing a new Fishermen's Pension Scheme or enrollment of contributors to the existing Fishermen's Pension Scheme was not evident during the past few years.	Action should be taken in terms of plans.	No action taken.	There is no introduction of a new Fishermen's Pension Scheme or enrollment of contributors to the existing Fishermen's Pension Scheme.

05. Local Loans and Development Fund

1. Name of the Entity - Local Loans and Development Fund

2. Audit Opinion

2018	Unmodified Opinion
2019	Unmodified Opinion
2020	Unmodified Opinion

3. Major deficiency included in the Audit Report

	Major deficiency included in the Audit Report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1	An Officer employed in the Accountants' Service had been appointed for acting/ for the execution of duties in the post of the Director of the Institution, by the then Secretary to the relevant Ministry without a proper approval of the Board of Commissioners, contrary to the Section 03 of the Local Loans and Development Ordinance No.22 of 1916, as amended by the Local Loans and Development (Amendment) Act No.24 of 1993. Moreover, a	Action should be taken to recover the work acting salaries, transport allowance and fuel allowance paid contrary to the rules.	In this regard, the institution has taken all possible measures and discussed it in the audit and management committee of the institution and the ministry and in the Board of Commissioners. Finally, reminder letters have also been sent to recover the respective amounts. However, at the	The Public Service Commission was informed.

	<p>total sum of Rs.1,244,905 had been paid for that Officer in the years 2015 and 2016 as a sum of Rs.382,056 as acting salaries contrary to the Section 12:5:4 and Section 12:8 of Chapter VII of the Establishment Code of the Democratic Socialist Republic, a sum of Rs.522,000 as transport allowances and a sum of Rs.340,849 as fuel allowances contrary to the paragraph 5 of Public Enterprises Circular No. PED/50 dated July 28, 2008 and paragraph 3.7 of Public Enterprises Circular No. PED 1/2015 dated May 25, 2015.</p>		<p>Board of Commissioners held on February 25, 2021, it was decided to notify the Secretary of the Public Service Commission, the relevant disciplinary authority, in order to conduct a formal disciplinary inquiry against the concerned officer. The Public Service Commission was informed in writing of the necessary information on April 8, 2021.</p>	
2 a	<p>Management Inefficiencies</p> <p>As per the letter No. PL / 4/11/1/2/7 dated 14 July 2019 of the Secretary to the Ministry of Home Affairs and Provincial Councils and Local Government, the Director (Planning) of the Provincial Councils and Local Government Division of the Ministry had been appointed in the</p>	<p>Vacancies should be filled as long-term attachment to acting positions will adversely affect the performance of the organization.</p>	<p>The Board of Commissioners has been informed about this and a paper has been submitted to the Board of Commissioners to be held on June 30,</p>	<p>Necessary amendments had not been made.</p>

	<p>Chief Executive post of the Fund on acting basis and the Director (Planning) was already working as the Project Director of the Regional Development Project, a development project funded by the World Bank. Although a person with the required qualifications should be recruited as the Director of the Fund as per the recruitment procedure approved by the Department of Management Services on 08 April 2010, a permanent officer had not been appointed to this post. The performance of the institution was adversely affected due to the continuation of the acting basis for the post as the procedure for recruitment of a director on a secondary basis has not been amended. Accordingly, the officer who had been appointed to the acting post had worked in 3 positions at one time and obtained the related remunerations.</p>		2021.	
3.	<p>Contrary to the PED Circular No.1/2015 dated 25 December 2015, two Deputy Directors working in positions not entitled</p>	<p>Circular instructions must be followed. Allowances paid without entitlement</p>	<p>Payments have been stopped at this time.</p>	<p>Payments have been stopped.</p>

	to transport allowances had been paid a sum of Rs.700,000 as transport allowance as Rs.17,500 per month from November 2017 to June 2019 without formal approval.	should be refunded.		
4	As at 31 December 2020, 18 loan projects with a total value of Rs. 419,177,427 were listed as non-performing loans and the nonpayment period ranged from 2½ years to 21 years. Further, since loans amounting to Rs.260,624,776 had been restructured, loans amounting to Rs. 158,552,651 had not been recovered.	Loan recovery procedures should be carried out efficiently.	The fund tried its best to recover the debt and recovery from 6 projects has been difficult.	Remained the same.

06. National Film Corporation of Sri Lanka

1. Name of the Entity - National Film Corporation of Sri Lanka
2. Opinion for the year 2018, 2019 and 2020.

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

3.. Audit observations

1. Accounting Deficiencies

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	Although the Corporation maintained a fixed assets register, 06 vehicles received from the Presidential Secretariat to the Corporation had not assessed and recorded in assets register and also not accounted. (2020)	Vehicles that have not been assessed should be assessed and updated the assets register.	Although registered in the name of the Corporation, due to the value has not been assessed, it will be assessed and recorded in future.	It has been informed that these vehicles have been assessed and after receiving the assessment reports, the assets will be recorded.

b	<p>Even though the financial statements revealed that the policy for accounting of property has been made at cost or assessed value, action had not been taken to assess the land with assessment No. 224 at Bauddhaloka Mawatha and the land of Kelaniya Studio owned by the Corporation and account for the fair value.</p> <p>(2018 , 2019)</p>	<p>All the lands and buildings of the Corporation should be accounted for by obtaining new valuation reports.</p>	<p>Requests have been made to obtain new assessment reports. As soon as receiving aforesaid reports, it will be entered to the accounts.</p>	<p>It has been informed that requests have been made to obtain new assessment reports and as soon as receiving aforesaid reports, it will be entered to the accounts.</p>
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2. Unreconciled Control Accounts or Records

	<p>According to the detailed schedule of film rental debtors as at 31 December 2020 submitted for audit, the debtor balance was Rs.381,558,535, but as per the film rental debtor control account in the general ledger, the balance was Rs.362,737,356, accordingly, a difference of Rs.18,821,178 was observed.</p>	<p>The answer should be corrected accordingly .</p>	<p>The observation is correct. The reasons for the difference will be looked into in the future and corrected.</p>	<p>It has been informed to the " Committee for the Recovery of Debts and Arrears of the National Film Corporation " to find out the reasons for this difference and report it immediately, and in this regard, a committee consisting officers of the Corporation was</p>
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	(2020)			appointed and assigned the responsibility of this work and currently the said committee is working on it.
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3. Going Concern of the Organization

<p>The General Treasury had made provisions for the salaries and capital expenditure of the Corporation since the year 2011 due to insufficient revenue and expenditure of the Corporation. It was observed that the Corporation has been positioning continuous operating losses prior to receiving Treasury grants during the year under review and last 05 years. It was observed that at present there is uncertainty as to the continuation of the Corporation without the financial assistance from the Government or the realization of the legal process of obtaining film</p>	<p>Action should be taken to improve the revenue of the corporation, to build stability in the existence of the Corporation and to carry out its functions in accordance with the Act.</p>	<p>The Corporation has had to obtain funding from the Treasury since the year 2001 to cover the Corporation's expenses due to the loss of the distribution commission, which is the Corporation's main source of income after the year 1999.</p>	<p>The General Treasury had made provisions for the salaries and capital expenditure since 2001 due to the loss of the distribution commission, which is the Corporation's main source of income since 2001.</p> <p>As per the Cabinet decision No. 20/0581/205/019 dated 18 March 2020, the Nilaweera report and the related previous Cabinet decision for distribution have been canceled and as notified by the Cabinet decision, a new</p>
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	distribution and field regulatory powers to the Corporation. (2020)			distribution system has been prepared and submitted to the minister in charge through the line ministry for gazetting. After issuing the gazette notification, it has been informed that the income status of the corporation will increase according to the receipt of distribution powers to the corporation.
4. Non-compliance with Laws, Rules, Regulations and Management Decisions etc.				
a	As per the Financial Regulations 103 (b) and 104 (1) (a), it was not maintained the register of losses in respect of emergency accidents which were subject to these financial regulations and no complaints were noted in the police regarding motor accidents and no investigations were carried out in accordance with the Financial Regulations. The motor accident files were	Should be complied with this Financial Regulation.	Action has been taken to record the losses to the register of losses regarding the motor accidents. Steps will be taken to inform the insurance company regarding minor accidents and seek compensations. Action will be taken to conduct institutional	Steps have been taken to act according to the Financial Regulation and it has been informed that register of losses is maintained more formally.

	also not maintained in systematically. (2020)		investigations regarding the motor accidents.	
b	As per the paragraph 11 of the Public Finance Circular No. 01/2020 dated 28 August 2020, the report of the board of Survey for the year 2020 with respect to the total fixed assets of Rs. 619,640,309 according to the statement of financial position of the Corporation was not submitted to the audit till October 2021 (2020)	The board of survey reports for the year 2020 have not been submitted for audit till 10 November 2021 and action should be taken to complete the survey and submit those reports to the Auditor General.	The board of survey have been appointed for the year 2020 on 06 January 2020. This process was delayed due to changes in the management.	Goods survey for 2020 has been completed and the report has been given by the board of survey and it has been informed that it will be submitted for audit.
c	Salaries and allowances amounting to Rs. 3,098,046 had been paid to the officers holding 03 senior managerial level posts in the Corporation without the use of fingerprint machines on arrival and departure in accordance with the Public Administration Circulars No. 09/2009 dated 16 April 2009 and 09/2009 (i) dated 17	It is suitable to look into these payments and not using finger print machine when reporting to work and take appropriate and suitable action based on the answers.	The 1199th Board of Directors meeting on 20 April 2021 decided to conduct an inquiry about the appointment of acting and performing duty basis. This observation is correct and a request has been made to the Secretary to the	Since these officers are included in the Combined Service, the current workplaces where they are currently working, have been informed about this matter and it has been informed that further decisions will be taken based on the responses received in

	June 2009. (2020)		Ministry to look into this matter.	this regard.
d	Although the corporate plan and budget had to be periodically reviewed with the actual performance data in accordance with Section 4.2.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, it had not been complied with. (2020)	It should be act in accordance with Section 4.2.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.	Progress is asked and reviewed at each Board of Directors meeting. However, the Board of Directors is yet to be informed of this matter.	It has been informed that the recommended matters will be implemented .

5. Information Technology (IT) General Controls

	The Corporation had purchased the “Quick Book” software system without a formal procurement method for computerized accounting in the year 2019. The institute does not have an IT division and trained staff and has not introduced formal internal control system strategies. Manual writing of ledger books was discontinued from 2020 onwards in line with the	When using the “Quick Book” programme used to keep accounts in the institution, the observations made in the relevant audit query should be corrected and used along with training and internal control strategies.	The observations are correct and it will be taken the necessary action to correct them, implement the necessary system control strategies, train staff officers and purchase security equipment in future.	In this regard, an internal auditor has also been requested to conduct an inspection and give recommendations, and in contact with the company that purchased the relevant software, action is being made to correct the existing deficiencies in the system and to
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<p>computerized accounting system and there were problems with the reliability of the data and information obtained due to its unique ability to enter and remove statistics for the 2019 financial year till October 2021. Furthermore, the computerized accounting system was at risk due to not securing backups of data, not being able to restore them when needed, not having efficient hardware for the system and having limited access to the system by both internal and external auditors.</p> <p>(2020)</p>			<p>implement training and internal control measures.</p>
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6. Uneconomic Transactions

<p>Due to the calculation and payment of Employees Provident and Employees Trust Funds irrespective of the cost of living allowance during the period from January 2006 to December 2015, Rs. 20,352,762 and Rs.</p>	<p>EPF and ETF premiums should be properly calculated and sent reports and payments should be made on time to avoid surcharges.</p>	<p>These surcharges have to be paid due to the calculation of EPF and ETF and payment of premiums irrespective of the cost of living</p>	<p>It has been informed that EPF and ETF premiums are properly calculated and sent reports and payments are made accurately since 2016.</p>
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	<p>2,763,752 less contributions were made to those funds respectively. In order to repay the arrears, surcharges had to be paid and agreed for arrears payment at the 1193rd Director Board meeting held on 21 October 2021. Accordingly, the total amount of Rs. 34,674,771 for the surcharge and contributions had been paid by 28 June 2021 and accordingly, the Corporation had to bear an uneconomic expense of total of Rs. 11,558,257 as a surcharge.</p> <p>(2020)</p>		<p>allowance. Payment of these arrears have been initiated on 11 February 2019 and all arrears have been paid on 27 June 2021.</p>	
<p>7. Identified Losses</p>				
<p>a</p>	<p>The Corporation had 14 vehicles including 09 cars, 02 double cabs, 02 vans and a lorry during the year under review. 07 of those vehicles had been taken out of running by the first quarter of 2020 and the lorry had been out of running since 1998. All these vehicles</p>	<p>Action should be taken to dispose of unused and non-repairable vehicles, while repairable vehicles should be repaired and used for running.</p>	<p>It will be given the attention for this, a detailed report will be obtained on all vehicles owned by the Corporation in future and action will be taken accordingly.</p>	<p>As per the decision of the Board of Directors No. 2021/09/Nov./1204.3.1.1 (6712) dated 14.12.2021, the vehicles will be repaired, and according to the financial condition of the corporation, the</p>

	<p>which were parked unsafely in the Corporation premises were being decomposed in various places within the Corporation until October 2021 due to failure to use after repairing or dispose according to the circulars.</p> <p>(2020)</p>			<p>relevant works will be carried out according to the priority of the vehicles to be repaired.</p>
b	<p>The total stock amounting to Rs. 870,659 of gross photographs and chemicals as at 31 December 2020 has been unusable since the year 2014 due to expiration and non-usage in present and although it was pointed out in the Auditor General's Report in the previous year, no action had been taken in this regard.</p> <p>(2020)</p>	<p>Correct information on these unusable items should be identified in the board of survey and removed in accordance with the decisions of the Board of Survey Committee and existing regulations.</p>	<p>No answers.</p>	<p>It has been informed that action is to be taken by a disposal board in this regard.</p>
c	<p>7,917 Movie magazines over 05 years in the Corporation's main warehouse were decaying due to failure to remove them without sale. Further, about 450 items of expired and unused in</p>	<p>Correct information on these unusable items should be identified in the board of survey and removed in accordance with the decisions of the Board of Survey</p>	<p>No answers.</p>	<p>It has been informed that action is to be taken by a disposal board in this regard.</p>

	<p>currently were stored in the warehouse. In addition, the cost or present value of the stock was not recorded in the documents of the Corporation. No action had been taken to resolve this issue as pointed out in the previous year's report.</p> <p>(2020)</p>	<p>Committee and existing regulations.</p>		
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8. Management Inefficiencies

a	<p>The Internal Audit Division of the Corporation had issued 28 internal audit queries in the years 2019 and 2020 and only one audit query had been answered till 31 October 2021, so it was observed that the corporation's top management was not using internal auditing effectively for the administration and management of the institution.</p> <p>(2020)</p>	<p>Steps should be taken to answer internal audit queries and to correct any observations made thereby.</p>	<p>The observation is accepted.</p>	<p>Recommendations are being implemented .</p>
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b	<p>The Corporation had maintained 08 current</p>	<p>Management should take action to effectively</p>	<p>The observation is correct.</p>	<p>It has been informed that in the year 2021,</p>
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	<p>accounts as at 31 December 2020 and the total favorable bank balance was Rs. 23,030,540 according to the cash book of those current accounts as at that date. Accordingly, it was observed that the inactive retention of cash of the Corporation amounting to Rs. 23 million was an inefficiency of financial management.</p> <p>(2020)</p>	<p>invest the favorable balance of the current account in short term or not to maintain a long term high favorable balance in the current account.</p>		<p>arrangements have been made to effectively invest the favorable balances in the current accounts in the short term.</p>
c	<p>The single-story building at No. 224 belonging to the Corporation has been leased out to the public performance board since 2007. The lease agreement No. 4711 which was signed at last time between the two parties on 23 January 2017 had expired on 31 December 2018. The public performance board had demolished the building in violation of the terms of the lease agreement and constructed a new two storey building of 2576 square feet.</p>	<p>Management should pay attention to this observation and take appropriate action on the parties responsible for it, expeditiously enter into a formal written agreement, recover the arrears and protect all assets of the Corporation.</p>	<p>There is no legal officer in the Corporation and will pay more attention to this matter and reply in future. Due to the inability to obtain the actual cost of construction, a formal agreement has yet not been reached.</p>	<p>Since 2019, the management has periodically taken steps to formally take legal action in this regard, but due to the non-completion of the work on the new office building and the cinema by the public performance board, the Government Valuation Department has not issued the monthly building tax rent assessment report. Therefore, it was not</p>

	<p>Basic work on new building began on 17 May 2016, but it has not yet been completed. It was observed that the electricity and water bills for this new building which was constructed by the public performance board without a formal written agreement were being used the building by themselves with paying in their own name. Although 02 years and 10 months have elapsed since the termination of the agreement, the Corporation had not obtained a government valuation report for the new building, assessed the new rental, entered into a formal lease agreement and recovered the arrears.</p> <p>(2020)</p>			<p>possible to enter into an agreement within the time period.</p> <p>However, on 04 May 2021 and 10 November 2021, the Government Valuation Department has been informed to issue the monthly rent assessment report on the work that has been completed, paying attention on the public performance board is using the said building. At present, the necessary activities to issue the assessment report are being carried out by the relevant institution. It has been informed that water bills are issued in the name of National Film Corporation.</p>
d	As per the lease agreement No. 4660 of the first floor of the two storied building	In accordance with the decisions of the present Board of Directors of	No answers.	According to a decision taken by the current board of

	<p>located in the premises No. 224 belonging to the corporation, the Corporation had rented out the building to the Selacine Rupavahini Corporation for a monthly rent of Rs. 315,000 up to 14 January 2019. According to the Director Board decision No. 1195 dated 21 December 2021, it had decided to issue a letter of demand to remove the Selacine institution from the building for the purpose of setting up a film school. The total arrears for rent, water and electricity bills up to now to be recovered from the Selacine institute was Rs. 4,111,810. The building proposed to start a film school had not been handed over to the Corporation till the date of this report.</p> <p>(2020)</p>	<p>the Corporation, action should be taken to remove or retain the relevant lessee, to make the building available for use in accordance with the written agreement until removal, to recover the arrears expeditiously prior to the removal of the lessee and to execute the agreement by the top management of the Corporation as a signatory party to the agreement.</p>		<p>directors, the letter of demand has been sent to remove the lessee from the said leased property and in a letter dated 18 January 2022, it was informed that the said leased property would be handed over to the National Film Corporation and notified to accept. Necessary arrangements have been made.</p> <p>It has been informed that prior to taking legal action to recover outstanding water, electricity bills and monthly building rents, written notice has been given.</p>
e	<p>The total uncollected arrears paid by the Corporation for film production and cinema modernization were Rs. 85,174,055 according to the</p>	<p>The process of lending, maintenance of loan files, loan agreements and loan installments and interest collection</p>	<p>The only source of recovering film production loan is the income of film shows. Movies have</p>	<p>The debt and arrears recovery committee that has been appointed is working</p>

	<p>outstanding loan balance report as at 31 December 2020. A total value of Rs. 23,983,079 given for the unreleased films was included in that value. Accordingly, it was observed that the total value of Rs. 72,712,671 or 85.4 percent of unrecoverable loans and interests from the total value of Rs. 85,174,055 which was given for the film production, cinema modernization and unsorted production debtors and it had not been able to recover that money from a long time. (2020)</p>	<p>should be implemented systematically and efficiently by the top management and top management should take steps to recover and settle the outstanding old balances, adopt strict control strategies and recover the outstanding debts on the money and services provided in the future without being a bad debt except old balances.</p>	<p>not been shown in cinema halls in most of 2020.</p>	<p>in this regard.</p>
f	<p>Out of the arrears receivable to the Corporation from the cinema halls, the expected total value that cannot be recovered by 31 December 2020 is Rs. 284,502,137 according to the debt balance report submitted to the Committee on Public Enterprises (COPE) and it was 73 percent out of the</p>	<p>The process of lending, maintenance of loan files, loan agreements and loan installments and interest collection should be implemented systematically and efficiently by the top management and top management should take steps to recover and</p>	<p>The money could not be recovered as the cinema halls were closed during the Covid 19 epidemic and this money will be recovered when they are operational in normal condition.</p>	<p>The debt and arrears recovery committee that has been appointed is working in this regard.</p>

	<p>total arrears of from cinema halls. Further, it was observed that the expected recoverable arrears amounted to Rs. 102,839,035 and this figure was 27 percent from the total arrears. Top management also had failed to recover this money.</p> <p>(2020)</p>	<p>settle the outstanding old balances, adopt strict control strategies and recover the outstanding debts on the money and services provided in the future without being a bad debt except old balances.</p>		
g	<p>The total arrears of Rs. 7,659,366 by 31 December 2020 which were more than 19 years old from the 137 cinema halls that were closed down in 2001 without being applied to any board. Further, the total amount due for the cinema halls which were closed till 31 December 2020 was Rs. 138,022,871 after dividing into boards and accordingly, the total arrears amount was Rs. 145,802,930 without recovering from the closed cinema halls.</p> <p>(2020)</p>	<p>The outstanding balance of these closed cinema halls for a long time is a bad debt and those balances should be further investigated and cleared.</p>	<p>The observation is correct.</p>	<p>The debt and arrears recovery committee that has been appointed is working in this regard.</p>

h	<p>The total amount of loans and interest due from all cinema halls operating in all cinema boards was Rs. 241,538,242 as at 31 December 2020. Out of that amount, the total interest amount is Rs. 136,881,529 and the total arrears were Rs. 104,656,713. It was observed that there was an unrecoverable arrears and interest amounting to Rs. 142,046,109 or 58 percent from the total amount of Rs. 241,538,242 according to the debt report.</p> <p>(2020)</p>	<p>The process of lending, maintenance of loan files, loan agreements and loan installments and interest collection should be implemented systematically and efficiently by the top management and top management should take steps to recover and settle the outstanding old balances, adopt strict control strategies and recover the outstanding debts on the money and services provided in the future without being a bad debt except old balances.</p>	<p>The observation is correct.</p>	<p>The debt and arrears recovery committee that has been appointed is working in this regard.</p>
i	<p>The outstanding loan advance balance as at 31 December 2020 was Rs. 539,222 due to deficiencies in the system of payment and recovery of employee loan advances. Further, the management had not taken action to recover the unrecovered loan advance of</p>	<p>Action should be taken to recover this debt according to the stated answer.</p>	<p>The observation is correct.</p>	<p>Action is being made to recover the uncollected loan amount and it has been informed that the internal audit division has been directed to carry out a formal investigation regarding the</p>

	Rs. 531,420 for more than 05 years. (2020)			unrecognized loan amount.
j	The total amount of unpaid wages in the unpaid salary in the unpaid salary account was Rs. 1,331,443 for more than 05 years including unpaid salary amounting to Rs. 387,231 prior to the year 2001 and no action had been taken to identify unpaid salary and to pay back to the relevant persons or to re-add to the income. (2020)	Action should be taken to identify unpaid salary and take action to repay or to re-add to the income.	The observation is correct.	According to Board of Directors Decision No. 1127.3.1.6(5849) it has been informed that it will be removed in the year 2021.
k	The Corporation had delegated the monopolized power of distribution of films to 04 private distribution boards according to the No. DMS/360/NFC/P dated 17 June 1999, “National Film Policy and Guidelines” (Nilaweera Report) issued by the Secretary, of the Ministry of Finance and planning. The approval had been given	It is appropriate for the top management to implement the Cabinet Decision given by the Cabinet of Ministers on 14 June 2021 and issue the gazette notification thereon for the development of the Corporation.	No answers.	By the Cabinet decision No. 20/0581/205/019 dated 18 March 2020, the Nilaweera report and the related previous Cabinet decision on distribution have been canceled and it has been informed that as notified by the Cabinet decision, a new

<p>abolish the “Nilaweera Report” by the Cabinet decision No. 20/0581/205/019 dated 18 March 2020 due to those boards did not do the film distribution in properly. Due to the legal action taken by the private boards on that decision, the “Film Distribution and Exhibition Methodology” prepared by the corporation had been formally referred to the Cabinet for approval and approval was given by the Cabinet Decision No. 21/1024/305/022 dated 14 June 2021 to implement the methodology related to the distribution and exhibition. It had a detrimental effect on the functioning of the Corporation and the development of the film industry due to that no action has been taken to publish the contents by the gazette in accordance with the aforesaid approval. (2020)</p>			<p>distribution method has been prepared and submitted to the Honorable Minister of the Line Ministry for gazetting.</p>
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l	<p>The governing body had initiated disciplinary inquiries and judicial proceedings against several officers including two officers and employees of the corporation during the year under review. There were some instances where there were no permanent officers in the managerial posts of the corporation due to non-completion of these investigations expeditiously in accordance with the existing rules, circulars and Establishment Code and it had adversely affected the functioning of the corporation.</p> <p>(2020)</p>	<p>This investigation should be completed expeditiously and action should be taken to minimize employee problems as per the directions of the Committee on Public Enterprises held on 19 July 2021.</p>	<p>The agency has given a long answer giving reasons for the delay. Further, various reasons have been given for the delay in investigation. It has been also stated that the investigations will be completed immediately.</p>	<p>After the initiation of the disciplinary investigation, as it is an independent matter, the National Film Corporation has no right to influence it, but the disciplinary investigation officers had been informed in writing to increase the number of sessions and make every possible effort to complete the investigation promptly and report.</p>
m	<p>The COPE Committee had given 14 Committee orders to the Corporation on 05 August 2021 with the letter No. COPE/9/1/2020 in accordance with the minute of the Committee on Public Enterprises committee meeting held on 19 July</p>	<p>The top management should act in accordance with the Committee directives given in the letter dated 05 August 2021 according to the minute of the COPE Committee meeting held</p>	<p>No answers.</p>	<p>02 matters out of the recommended matters in accordance with "COPE" committee directions have been implemented and the Secretary of the COPE Committee has been informed about it. It</p>

	<p>2021. 10 tasks assigned in accordance with the directives specified in the timeline had had not been completed up to date of this report and action had not been taken to report to the COPE Committee and the Auditor General in accordance with the given instructions.</p> <p>(2020)</p>	<p>on 19 July 2021.</p>		<p>has been informed that the recommended matters are being implemented regarding the remaining tasks.</p>
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9. Operational Inefficiencies

<p>a</p>	<p>The institution had not been prepared an action plan for the year 2020, including the activities and the tasks expected to be performed. Accordingly, the financial and physical progress of the performance of the tasks included in the 2020 performance report submitted to the audit could not be observed during the audit.</p> <p>(2020)</p>	<p>Management should prepare action plans, implement the activities of the organization in accordance with the plan and to improve performance.</p>	<p>It was difficult to comply with the action plan due to the Covid situation in 2020.</p>	<p>The action plan had been prepared in relation to the allocations received from the treasury during the year 2020.</p> <p>Due to the ongoing covid pandemic situation throughout the year, it was not possible to prepare the action plan of the entity involving all divisions and resource persons.</p>
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				Despite the facts, it has been informed that the annual action plan has been prepared as specified and the corresponding performance has been raised.
b	Launched a one year “Diploma Course in Cinematography” based on the academic, conceptual and technological foundation needed to create a superior Sri Lankan film culture. It is planned to enroll 50 students in the year 2020 for this course which will be implemented in two stages, but the students have not been enrolled. The number of applicants for the course had declined due to the use of outdated equipment, inadequate technical equipment and lack of modern auditorium facilities and although 94 students were enrolled in the 05 years from 2016 to December	The corporation should take action to increase the number of students who complete it and produce quality and talented diploma holders.	Only 50 percent of the students enrolled in this course complete it and the course requested equipment, but that was unable to provide. Necessary equipment has been requested.	A camera has been purchased for practical exercises from the course of 2021. Practical exercises were included in the syllabus from the first stage. It has been informed that it is expected to run a cinema school under new facilities at a place in the 224 building.

	2020, 22 students or 23 percent had completed the course by the end of the year under review. (2020)			
c	The corporation had not taken to conduct market research on films in Sri Lanka and outside Sri Lanka in terms of section 4(h) of the National Film Corporation Act No. 47 of 1971. (2020)	It should be complied with section 4(h) of the National Film Corporation Act No. 17 of 1971.	Market research on Sri Lankan cinema will be expected to do in the year 2022.	It has been informed that market research on Sri Lankan cinema will be done in the year 2022.
10. Procurement Management				
a	The corporation had awarded a building construction contract valued at Rs. 99,965,061 to the State Engineering Corporation on 05 April 2019 without following the procurement process in accordance with the Government Procurement Guidelines, NPA circular No. 08 dated on 25 January 2006. Based on the bilateral agreement	Procedures should be followed in accordance with the Procurement Guidelines.	Observations 05 and 07 of the audit query are correct. This construction was carried out by the State Engineering Corporation. As an internal investigation into this irregularity has been initiated, further action will be taken under a specific procurement	It has been informed that after the internal investigation, it will be done according to the Procurement Guidelines.

	<p>signed between the two parties, a total of Rs. 3,134,107 had been paid on 28 August 2020 to a public corporation which was the contractor selected contrary to the procurement process and the construction had been halted up to now.</p> <p>(2020)</p>		<p>process in accordance with its decisions.</p>	
b	<p>A 4K projector total amounting to Rs. 11,460,155 was purchased for the “Tharangani” cinema hall owned by the corporation. The files related to this purchase were not maintained in a proper and transparent manner and the procurement process had not been followed in accordance with the Government Procurement Guidelines, NPA circular No. 08 dated on 25 January 2006. This projector which had been installed for use in the “Tharangani” cinema hall owned by the corporation had become inoperable on</p>	<p>Procurement should be done in accordance with the Procurement Guidelines.</p>	<p>No answers.</p>	<p>At present, all purchases are made following the procurement guidelines and orders have been issued to purchase the necessary spare parts from the relevant agency to activate the projector belonging to Tarangani Cinemas. Due to the current import problems in the market, there has been some delay from the supplier, but once the market recovers, it has been informed that the relevant spare parts</p>

	<p>several occasions after installation by the year 2020/2021 and it is not in working condition now.</p> <p>(2020)</p>			<p>will be procured and the machine will be repaired.</p>
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11. Human Resources Management

a	<p>The approved number of employees of the corporation was 186 and out of those approved posts, employees were recruited and attached for 129 posts. Out of the approved posts as at 31 December 2020, there were 57 vacant posts and out of these vacancies, officers currently holding a permanent post in the corporation has been appointed to 12 posts on the basis of acting, performing duties and cover-up duties. There were 03 senior level posts in the corporation and out of those 03 main posts, officers were appointed and employed for 02 posts on non-permanent secondary and acting basis. These</p>	<p>Action should be taken to recruit and employ officers on a permanent basis for essential posts to enhance the efficiency of the organization and according to the answers, it is appropriate to identify the staff and solve the problems based on the current need.</p>	<p>Agreed with the observation. A committee has been appointed on 10 August 2020 to conduct a manpower assessment of the corporation and revise the organizational structure and recruitment procedures. That work is in progress.</p>	<p>Activities of the committee appointed on 10 August 2020 to conduct a manpower assessment of the corporation and revise the organizational structure and recruitment procedures are in final stage, Hence, it has been informed that further steps will be taken according to the recommendations given by the committee.</p>
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	vacancies and non-recruitment on permanent basis had adversely affected the performance and efficiency of the corporation. (2020)			
b	The recruitment procedure of the corporation was approved by the Department of Management Services on 14 September 2012. Although it has been a long time since its approval, recruitment problems had arisen due to that the qualification and recruitment procedures had not been amended on the current needs and the common amendments of the Department of Management Services had not been incorporated and the approval had not been obtained from that department and it was adversely affected to the longevity and management of the institution.	Action should be taken to revise the recruitment procedure based on current needs and get the approval of the department of Management Services.	Agreed with the observation.	As per the decision of the Cabinet of Ministers, No. 21/1596/304/134 dated 31 August 2021, it has been informed that there is currently no possibility to fill vacancies for permanent positions.

	(2020)			
12 Tabling of Annual report in Parliament				
	<p>The Annual Reports for the period from 2015 to 2019 had not been tabled in Parliament until October 2021.</p> <p>(2020)</p>	<p>The Annual Reports from 2015 to 2019 should be tabled in Parliament without delay.</p>	<p>The Annual Reports for the years of 2015, 2016 and 2017 were prepared and submitted to the previous Line Ministry. These reports have not been tabled in Parliament due to changes of the Ministries from time to time and it will look into the matter and table the reports for those years and the annual reports for the years of 2018 and 2019.</p>	<p>Steps have been taken to table the annual reports for the years 2015, 2016 and 2017 through the line ministry, and it was informed that the drafting of the annual reports for the years 2018, 2019 and 2020 has been completed.</p>
9.13 Corporate Plan				
	<p>Although the Corporate Plan should be submitted to the Auditor General in terms of section 5.1.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the strategic plan for the</p>	<p>Corporate plans should be prepared in accordance with the Public Enterprises Circular No. PED/12 dated 02 June 2003 and approved and acted</p>	<p>Accepted the audit observation.</p>	<p>Although the three-year corporate plan has been prepared on several occasions on the advice of the audit and management committee, due to the</p>

<p>period from 2020-2025 had not yet been approved by the Board of Directors as at 19 July 2021 and it was later decided to prepare a strategic plan for the next 03 years from 2021, but that plan had not been prepared and approved until October 2021.</p> <p>(2020)</p>	<p>accordingly.</p>		<p>covid pandemic situation, those dates had to be canceled, so it has been informed that steps will be taken to quickly prepare the corporate plan and send it for approval.</p>
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14 . Annual action Plan

<p>It was estimated that Rs. 460,000,000 for the development of film industry, Rs. 250,000,000 for the establishment of cinema university, Rs. 50,000,000 for the electronic ticketing and Rs. 90,000,000 for the cinema museum under the budget prepared by the corporation for the year under review. These targets could not be implemented and completed during the year under review due to the inability to provide provisions on the accurate plans and collapse of income</p>	<p>Action plans should be prepared annually and acted upon accordingly.</p>	<p>The correct plans will be prepared for the year 2021.</p>	<p>The annual action plan for 2021 has been prepared and the approval of the board of directors and the ministry secretary has been obtained and the projects have been implemented accordingly.</p> <p>Due to the nationwide covid pandemic situation in 2021 and the restrictions on imported materials as well as the restrictions in the Ministry of Finance in providing</p>
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	streams on the spread of the Covid 19 epidemic in the country. (2020)			the imprest, there was some delay, but it has been Informed that the necessary purchases and services have been made for the development of the National Film Corporation as well as the cinema industry.
15 Internal Audit				
	The Committees on Public Enterprises held on 24 March 2016 and 19 July 2021 had also instructed to strengthen the Internal Audit Division of the corporation. The former Internal Auditor of the corporation had retired in the year 2020 and a permanent officer had not been recruited for the post till October 2021. Although the corporation had internal audit division, the management had not taken steps to strengthen the internal audit on the basis of the employment of one	An Internal Auditor should be recruited for the Internal Audit Division and since there is currently only one officer in the division, action should be taken to employ at least one more employee.	Internal Auditor retired on 09 September 2020. Action is being taken to recruit a new officer to fill the vacancy.	During the year under review, it has been arranged to provide the services of two officers and it has been informed that attention will be paid to the employment of officers.

	employee in that division. (2020)			
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07. National Institute of Business Management

01. Name of the Entity : National Institute of Business Management

02. Audit Opinion

2018	Unmodified Opinion
2019	Unmodified Opinion
2020	Unmodified Opinion

03. Audit observations

Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
<p>The legal ownership of the plot of about 45 perches owned by the Hector Kobbekaduwa Agricultural Research and Training Institute for the construction of a new building complex, and the legal ownership the land where the educational center is located in the city of Galle consisting of 0.345 hectares which was approved to be handed over in the Cabinet meetings held in 2007 and 2013, and the legal ownership of the land where the head office and the Colombo Education Center is located, had not been taken</p>	<p>According to the recommendations of the COPE Committee dated 02 December 2021, action should be taken to acquire those lands expeditiously.</p>	<p>Hector Kobbekaduwa Agricultural Research and Training Institute did not arrange to provide the plot and the title certificate was not issued for the land where the head office is located. Also, ownership of the Galle land could not be confirmed. Therefore, the freehold right of those lands did not</p>	<p>As of 31 December 2021, the respective lands had not been taken over.</p>

over to the institute even by 31 October 2021.		receive to the institute.	
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08. State Development and Construction Corporation

1. Name of the Entity - State Development and Construction Corporation

2. Audit Opinion on Financial Statements

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

3. Audit observations

Audit observations		Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	Fully depreciated computer accessories and software, Office Furniture, Machinery and Equipment, Motor Vehicle, and other Assets costing to Rs.7,665,759, Rs.11,838,574, Rs.122,478,704, Rs.180,936,809 and Rs.63,041,070 respectively are being continuously used by the Cooperation without reassessing the useful	The Corporation should ensure that the entity is adherent with Sri Lanka Accounting Standards.	Revaluation of assets has been initiated.	The asset revaluation has been initiated but it has not been completed up to now.

	economic lifetime of those assets and accounted them accordingly as per the provisions in Section 51 of LKAS 16 – Property, Plant and Equipment.			
b	Devcoshowa (Pvt) Ltd, the fully own subsidiary of the Corporation had been inactive for a long time and the board had taken a decision to wind up the company in the year 2006. The winding up process was not get completed and the consolidated financial statements were not prepared by the corporation.	The Corporation should ensure that the entity is adherent with Sri Lanka Accounting Standards.	The liquidation process of the company is in progress.	The current situation remains unchanged.
c	According to section 02 of the Economic Service Charges Amendment Act No.13 of 2015, Economic Service Charges (ESC) and surcharges thereon amounting to Rs. 64,158,593 and Rs.13,654,032	In order to avoid possible material misstatements, due attention should be paid to bring all the balances to the financial statements, and should be done in accordance with the Economic Service Charges Amendment Act	Not corrected.	The current situation remains unchanged.

	respectively had not been paid up to now and it had not been brought to the financial statements.	No. 13 of 2015.		
d	Debtor balances of Rs.609,829,608 had remained over 03 years without being recovered. Effective action had not been taken to recover those debtors.	The outstanding balances should be recovered without any delay and proper steps should be taken to ensure the credibility of the outstanding balances.	Provisions for Doubtful debt have been made. Action is being taken to recover.	The current situation remains unchanged.
e	An overdraft of Rs.10,831,519 had been obtained from the bank as at 31 December 2020 exceeding the approved credit limit.	Action should be taken as per approved limit.	No action was taken.	The current situation remains unchanged.
f	The bank loan outstanding as at 31 December 2020 was of Rs.1,420 million and the interest expense for those loans was Rs.164,565,105. This interest expense represents 78 percent of the total finance expenses of the year.	Action should be taken to minimize interest expenses by using suitable strategies.	It has been stated that the corporation had to obtain huge amount of loans in the last years due to the working capital requirements.	The current situation remains unchanged.
g	Three bridge construction projects amounting to Rs.	The project should be completed according to	It has been informed that the	The current situation remains

	270.07 million and 4 building construction projects worth Rs. 349.47 million were expected to be completed during the year under review, but they have not been completed so far. Their actual progress was less than 50 percent.	the expected plans.	prevailing Covid 19 situation in the country, high operational cost, delay in advance of commencement of work, financial difficulties faced by the Corporation, lack of funding and environmental issues have led to change in the expected level of progress of the projects.	unchanged.
h	Contracts for the construction of 16 bridge projects worth Rs. 1572.65 million had been received from the National Housing Development Authority and they were scheduled to be completed in 2018 and 2019, but they were not completed by 31 December 2020. It was observed that the physical progress of 07 projects	The project should be completed according to the expected plans.	It has been informed that the prevailing Covid 19 situation in the country, high operational cost, delay in advance of commencement of work, financial difficulties faced by the Corporation, lack of funding and environmental issues have led to	The current situation remains unchanged.

	was less than 50 percent.		change in the expected level of progress of the projects.	
i	A total loss amounting to Rs.186,279,697 had been identified from 17 projects as at 31 December 2020.	Action should be taken to minimize the expense.	Other projects made losses due to the financial difficulties faced by the corporation, delay in projects, lack of funds and high operating cost.	The current situation remains unchanged.
j	It was observed that there is an unusable motor vehicle, machinery, and equipment valued at Rs.67,133,489 remained the Head office premises in Rathmalana.	Action should be taken to ensure that assets are properly utilized.	It has been informed that the relevant assets will be repaired.	The current situation remains unchanged.

09. State Pharmaceuticals Corporation

1. Name of the Entity :- State Pharmaceuticals Corporation

2. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

3. Audit observations

No.	Audit observations	Recommendation	Preventive measures taken by the entity	Present position
a	According to the information made available to the Audit, 98 items of medical supplies had been purchased from the local market due to delay in issuing the main order to the suppliers on behalf of the Medical Supplies Division during 2016 – 2020, thus incurring an additional cost of Rs. 565.40 million. Only a sum of Rs. 103.09 million therefrom had been recovered from the suppliers and brought to accounts on cash basis as at 07 October 2021, but action had not been taken either to recover from the relevant parties,	The process of recovering the sum from the responsible parties should be expedited.	The responsible officers have been instructed to expedite the recovery.	By 31 January 2022, out of Rs. 462.30 million, only Rs. 27.14 million had been recovered from suppliers. but the balance Rs. 435.16 million had failed to be recovered.

	account, or disclose the balance of Rs.462.30 million.			
b	Rs. 2,239.86 million worth debit notes had been issued as at 31 December 2020 in order to recover the costs, administrative charges, and expenses for disposal from the suppliers who had provided the Medical Supplies Division with quality failed drugs along with undersupplies. However, the Corporation had failed to recover a sum of Rs.807.48 million therefrom even up to 30 September 2021. A sum of Rs. 680.60 million included therein and remained unrecovered even as at 30 September 2021, pertained to suppliers who had been blacklisted; and hence, the recovery remained doubtful. Moreover, 14 items of medical supplies costing Rs.95.54 million and included therein had been purchased on behalf of the Medical Supplies Division for the year 2020.	The recovery of cost from the suppliers relating to quality failed, damaged and shortage of drugs should be expedited.	Necessary legal action will be taken to recover these receivables from the suppliers.	By 31 January 2022, out of 95.54 million, only Rs. 1.73 million had been recovered.
c	According to the financial statements presented, the value	The value of quality failed drugs should	Not commented.	As of 31 January 2022, sufficient

	<p>of drugs purchased to be sold by the Corporation that had later been found quality failed, expired, or damaged as at 01 January 2020 amounted to Rs. 116.86 million whilst the total cost of drugs that had become quality failed, expired or damaged during the year under review amounted to Rs. 103.65 million. Out of the cost totaling Rs. 33.43 million being the value of drugs that had become quality failed in the preceding year and the year under review, a sum of Rs. 16.16 million had not been recovered even by 02 November 2021. Furthermore, the loss sustained by the Corporation totaled Rs.121.89 million due to the drugs becoming expired or damaged in the preceding year and the year under review. Also, as at December 31, 2020, Rs. 92.03 million due from suppliers had not been accounted for or disclosed.</p>	<p>be recovered from the suppliers. Reasons for drugs to become expired should be looked into thus taking remedial action, and losses should be recovered from the parties responsible for those reasons.</p>		<p>efforts had not been made to recover the cost and service charges of the quality failed drugs. Also, action had not been taken to find out and remedy the reasons for the expiration of the drugs or to identify the parties responsible for those reasons and to recover damages.</p>
d	<p>Action had not been taken in terms of Financial Regulations</p>	<p>The Financial Regulations should</p>	<p>Not commented.</p>	<p>As of 31 January 2022, the Financial</p>

	103, 104, and 105 relating to stocks costing Rs. 121.89 million as at 31 December 2020 that had expired in the preceding year and the year under review, and the stocks costing Rs.33.43 million as at that date which had failed in quality in the preceding year and the year under review.	be followed.		Regulations had not been complied with.
e	There was an unreconciled difference of Rs. 20.23 million between the value according to the financial statements and the value according to the corresponding reports relating to the cost of the medical supplies that had failed in quality as at 31 December 2020 out of the medical supplies purchased during 1996- 2020 for sale through Osu Sala outlets.	Reasons attributable to the difference should be identified. The necessary adjustments should be made. And the relevant Financial Regulations should be followed.	The Corporation will conduct an investigation to ascertain the reasons for this difference.	As of 31 January 2022, the investigation had not been completed.
f	There was an unreconciled difference of Rs. 404 million between the value according to the financial statements and the value according to the corresponding reports relating to the balance receivable from	Reconciliation statements should be prepared with the Medical Supplies Division thus identifying the reasons attributable to	The Medical Supply Division will get the details of the confirmed balance and compare the	As on 31 January 2022, balance reconciliations had not been completed.

	the Medical Supplies Division.	the difference and taking corrective measures.	reasons for the difference.	
g	Out of the sum amounting to Rs.34,424.92 million receivable from the Medical Supplies Division as at 31 December 2020, a sum of Rs.211.59 million could not be settled over a period ranging from 11 to 22 years.	Action should be taken either to settle or write off the old balances under a proper approval.	Old loan balances are being written off with the approval of the Treasury.	As of 31 January 2022, these loan balances had not been recovered or written off.
h	The balance in the container deposit account amounted to Rs. 16.48 million as at 31 December 2020 whereas only a sum of Rs. 4.04 million therefrom had been recovered after the date of the balance sheet. The balance which could not be settled over a period of 02-14 years amounted to Rs. 6.77 million whereas only a sum of Rs.178,984 had been recovered therefrom after the date of the balance sheet. No amount whatsoever could be recovered during the year under review out of Rs. 5.45 million relating to the period 2007-	Recovery of container deposits should be expedited.	The naval institutions including the Ceylon Shipping Corporation, had given priority only for clearance activities due to the unfavorable situation prevailed in the country. As such, a delay had occurred in recovering the container deposit balance, but action will be taken in due	As on 31 January 2022, these container deposits had not been recovered.

	2014.		course to expedite the process.	
i	<p>According to the policy adopted by the Corporation, funds should be recovered from trade debtors within a period of 30-45 days since the date of sale. However, a sum of Rs. 13.05 million receivable from private, Government and semi Government institutions that had been included in the debtor balance of Rs.1,426.07 million as at 31 December 2020, remained outstanding over a period of 05 years, whereas a sum of Rs. 39.57 million included in the said debtor balance remained outstanding over a period of 01-05 years, and only a sum of Rs. 6.23 million out of that balance had been recovered after the date of the balance sheet. Legal action had been taken only for the recovery of debtor balances totaling Rs.10.44 million included therein which had continued to exist over a period of 05 years.</p>	<p>Recovery of dues should be expedited in terms of the agreement and within the specified period in accordance with the policy adopted by the Corporation.</p>	<p>Negotiations were held with the relevant parties to recover outstanding loan balances and as the recovery remained questionable, provision for bad and doubtful debts was made for that purpose.</p>	<p>So far, these outstanding loan balances had not been recovered. Out of these outstanding loans, the amount due from private and semi-government institutions between 1 and 5 years had been reduced to Rs. 28.07 million and remaining outstanding loans had not been recovered.</p>

j	As per the section 10 (5) of the Finance Act, No. 38 of 1971, the remaining net surplus revenue out of the surplus revenue of a public corporation in any year after the appropriations specified in the act shall be paid to the Consolidated Fund. However, the Corporation had not done so.	Action should be taken in accordance with the Finance Act.	No request has been made by the Treasury.	Only for the year 2021 as treasury contribution Rs. 128 million was paid on 26 January 2022.
k	A number of 7,000 units of the vaccine, Epoetin Injection 1,000IU/Vial pre-filled syringes (Recombinant Human Erythropoietin BP) were purchased by the Medical Supplies Division incurring of Rs. 44,640,705. The contract value relating to this procurement amounted to Rs. 43.46 million, but due to the procurement process taking 02 years for completion, value of a Dollar per Rupee had changed; and hence, a sum of Rs. 1.18 million had been paid additionally. The cost estimated for one unit of that vaccine amounted to Rs.350. However,	A formal independent inquiry into this procurement should be conducted and further action should be taken.	If this drug, which is an essential drug, is not purchased at that price, the shortage of that drug will be unavoidable. This dose was purchased for the first time in this procurement. After the date of issue of the first order, time has elapsed for intermediate steps to be taken to	As of 31 January 2022, no formal independent investigation had been conducted into this procurement.

<p>without drawing attention on the difference of 1674 per cent between the estimated cost and the order cost, units of the vaccine were purchased at Rs.6,208.72 each.</p> <p>As required by the Medical Supplies Division for the years 2018 and 2019, vaccines of the dosage 2,000 IU had been purchased at US \$ 0.9 each whilst vaccines of the dosage 10,000 IU had been purchased each costing US \$ 5.5. A comparison of the unit cost at which the said vaccines had been purchased, revealed that the unit cost of US \$ 34.79 at which the Corporation had purchased Epoetin Injection 1,000IU, was an unusual price.</p> <p>Action had not been taken in terms of Section 10 of the Contract Agreement either to cash out the performance bond before being expired, or recover penalties for delay amounting to 1.56 million in regard of the 42-days delay in the supply of</p>		<p>ensure supply.</p> <p>Stock control and distribution is not a function of the Corporation but a function of the Medical Supplies Division.</p> <p>A Letter of waiver of registration (WOR) has been requested as per the instructions and request received from the Medical Supply Division.</p>	
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<p>drugs.</p> <p>The supplier had been informed to supply 7,000 units of vaccine to the Medical Supplies Division as soon as possible. but, at least one unit of that vaccine had not been obtained by those hospitals that estimates for 3,000 units of vaccine had been presented. 1,388 units had been distributed to 10 hospitals for which estimates had not been presented, but a stock of 5,612 units of vaccine had remained by the date of audit on 16 July 2020. Hence, it could not be verified that there was an urgent requirement for this drug.</p> <p>According to Section 109 of the National Medicines Regulatory Authority Act, No. 05 of 2015, the Authority may grant permission in special circumstances such as to save a life, to control an outbreak of an infection or an epidemic or any other national emergency or for national security to import and supply a particular medicine in</p>			
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	<p>specified quantities. As the supplier to whom the order for supplying Epoetin Injection 1,000IU/Vial prefilled syringe was awarded as per requirements of the year 2018, had not been registered with the National Medicines Regulatory Authority, the Authority was requested by the Corporation on 21 June 2019 that a waiver of registration – WOR be issued to that supplier enabling him to import and supply those drugs. Nevertheless, the emergency, necessity, or national requirement for which the vaccines had to be imported, was not disclosed.</p>			
1	<p>It had been purchased of 8,945 Trastuzumab injection 440mg with solvent in 20ml vials in 14 instances in the years 2018 and 2019 for the Medical Supplies Division by incurring a sum of Rs.891.18 million from a local supplier under the trade name Horticad. Although a Technical evaluation Committee consisted with 05 members including 02</p>	<p>Procurement should be managed according to the Government Procurement Guideline and the updated amendments thereof from time to time. Losses and damages occurred as a result of negligence</p>	<p>The chairman has given approval to get recommendations from only one consultant for technical evaluation due to the need to deliver the drug to the patient very</p>	<p>As of 31 January 2022, action had not been taken to identify the officers responsible for the loss.</p>

<p>consultants, should be appointed by the Ministry of Health for technical evaluation, because the Procurement value had been exceeded Rs.50 million in 13 instances out of the 14 procurements, the corporation had appointed a Technical Evaluation Committee consisted with 3 members for the said procurement. Any consultant had not been appointed for the said committee as well. Only one consultant had been nominated for the technical assistance by the Chairmen of the Corporation who the Chairman of the Department procurement Committee as well. According to the provisions of the procurement Guidelines, it was not allowed to reject bids due to unavailability of prior experience of a specific pharmaceutical. However, the lowest bids relating to the 14 procurements had been rejected by the Procurement Committee based on the recommendation</p>	<p>of such provisions should be surcharged to the officers who responsible for the matter.</p>	<p>quickly, there was no transparent system to nominate consultants for technical evaluation committees, side effects and other harmful results of these cancer drugs are abundant, as such, the Technical Evaluation Committee had no other option but to proceed based on the consultant's recommendations .</p>	
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	<p>given by the Consultant that the productions of the lowest bidder had not been used. An additional cost of Rs.230.86 million had to be incurred by the Corporation due to rejection of lowest bids.</p>			
m	<p>The main purchase order had been issued in the year 2018 for purchasing 2 million vials of Cefuroxime for Injection USP 750 mg at the total cost of Rs.58.93 million consisted with unit cost of Rs.29.46. The supplier had supplied 2 million vials of the said drug on 18 July 2018 and an invoice of Rs.58.52 million had been sent only for 1,914,500 vials. The quantity exceeding the quantity mentioned in the invoice of 85,500 vials had not been received by the Medical Supplies Division and the said stock had not been taken back by the supplier. Hence it had been retained in a private store and the stock of 85,500 vials at the cost of Rs.2.51 million had become unusable. Distribution</p>	<p>Further action should be taken after carrying out a proper investigation in this regard.</p>	<p>This situation was occurred due to rejection of 85,500 vials which had been supplied exceeding the quantity mentioned in the invoice by the Medical Supplies Division. Although 1,914,500 vials were supplied on 18 July 2018, distribution was suspended on 5 April 2019. Recoveries will be done as per the procedure followed at</p>	<p>As of 31 January 2022, no investigation had been conducted in this regard and no recoveries had been made for quality failed drugs.</p>

	<p>of 100,000 vials out of the 1,914,500 vials supplied had been suspended because those were not confirmed the United State Pharmacopeia standard. A sum of Rs.2.94 million which should be recovered from the supplier in this regard had not been recovered. In order to avoid the shortage of stock which had been occurred due to not being taken over the 85,500 vials but not included in the invoice, 100,000 vials being failed the quality, and delays of the procurement, an additional cost of Rs.37.49 million had been incurred due to purchasing of 352,000 vials for Rs.125.50 per unit from the local agent of the supplier who had supplied the main order and purchasing of remaining 23,000 Vials for Rs.190 per unit from another supplier.</p>		<p>present for quality failed drugs in connection with 100,000 vials of which the distribution was suspended due to non-compliance to USP standard.</p>	
n	<p>Two orders had been issued during the year 2019 for purchasing of 2,127 vials of Bevacizumab Injection 100 mg at the order cost of Rs.70.98 million. Although a Technical</p>	<p>Procurement should be managed according to the Government Procurement Guideline. Losses</p>	<p>Purchasing has to be made from the bidder who had submitted the second lowest price for</p>	<p>As of 31 January 2022, the loss had not been recovered from the responsible officers.</p>

<p>Evaluation Committee consisted with 5 members including 2 consultants should be appointed by the Ministry of Health for technical evaluation because the procurement value had been exceeded Rs.50 million, a technical Evaluation Committee consisted with 3 members had been appointed by the Corporation for this procurement. Any consultant had not been appointed for this Technical Evaluation Committee as well. Assistance of only one consultant who was nominated by the General Manager of the Corporation had been obtained. According to the provisions of the procurement Guidelines, it was not allowed to reject bids due to unavailability of prior experience of a specific pharmaceutical. However, purchasing of 532 vials from the first lowest bidder and 1,595 vials from the second lowest bidder had been recommended by the Procurement Committee based on the recommendation</p>	<p>and damages occurred as a result of negligence of such provisions should be surcharged to the officers who responsible for the matter.</p>	<p>emergency supplies in order to confirm the safe guard of the patients.</p>	
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	<p>given by the Consultant that the productions of the lowest bidder has not been used. Therefore, an additional cost of Rs.10.36 million had to be incurred by the Corporation for purchasing of 1,595 units as Rs.6,500 per unit.</p>			
o	<p>According to the agreement entered into with the relevant contractor on 19 December 2016 in order to establish an Enterprise Resource Plan for the Corporation, the value of the contract was Rs.49.3 million and the contract should be completed by 19 February 2018. The performance of the project was continuously at a very low level and the period of the contract had been extended over a period more than 3 years since the date of the agreement. After 3 years, the agreement had been terminated on 20 February 2020. Out of 9 items of computer and accessories purchased by incurring a sum of Rs.32.36 million in the years 2018 and 2019 for implementation of the project,</p>	<p>Contract administration should be carried out properly according to the Government procurement Guideline. Action should be taken to complete the project. Action should be taken to use the relevant items effectively as soon as possible. Action should be taken to obtain the 4 server computers as soon as possible. Action should be taken to make the project success.</p>	<p>Action had already been taken to terminate the agreement. Quotations were called again in this regard and necessary initial steps were already taken to complete the project as soon as possible. Action will be taken to use the relevant items effectively as per the requirement. Action will be taken to obtain server computers as soon as possible. Action</p>	<p>As of 31 January 2022, a new contractor had not been selected. 134 units of unused computer equipment were still kept in storage and 04 Server Computers were not re-supplied from the supplier.</p>

	<p>497 units had not been used for the project activities. Further, out of the above said computer and accessories 266 units of 07 items at the cost of Rs.15.56 million had been issued for the use of other purposes of the Corporation. Out of the remaining cost of Rs.16.79 million of 7 items of computer and accessories, 231 units had been remained idle in the stores even up to 30 June 2020. Although the contractor had agreed to supply 4 computer servers due to deficiencies of the 4 computer servers remained in the stores, the Corporation had failed to obtained said equipment again even up to 30 June 2020. The failure of the project after a period more than 3 years had been affected directly to the data system which was connected to all activities of the Corporation including operation of pharmacies.</p>		<p>will be taken to introduce a new project as soon as possible to avoid the said situation.</p>	
p	<p>A sum of Rs.1,000,000 had been sent to the Director</p>	<p>Funds should not be incurred for the</p>	<p>It has been obtained a</p>	<p>As of 31 January 2022, no action had</p>

	General of Health Services during the year under review for a function which had been held to celebrate the appointment of the Minister of Health Nutrition and Indigenous Medicine to the position of Deputy Chairman of the 143 Executive Committee of the World Health Organization.	objectives extraneous from the objectives of the Corporation.	promotional advantage to the Corporation through awareness among the participants by sponsoring the event.	been taken against the responsible officers.
q	During the year 2018, 720 vials of 100mg in 10 ml of Rituximab Injection and 920 vials of 500 mg in 50 ml had been purchased incurring a sum of Rs.57,675,670 from the international market following the limited competitive bidding process. Even though authority for rejection of bids due to the bidders not being pre-suppliers is not vested by the Technical Evaluation Committee, the lowest bid had been rejected on the said reason. Approval had been granted by the Procurement Committee for the recommendation of the Technical Evaluation Committee to award the order	Disciplinary action should be taken by the Disciplinary Authority in respect of the officers who were responsible for deviating the requirements of the Government Procurement Guideline as per the Section 8.1 and 8.2 of the Chapter XLVII of the Establishment Code.	The tender was awarded to the recommended lowest price.	As of 31 January 2022, the responsible officers had not been dealt with as per the provisions of the Establishment Code.

	<p>per 50 per cent to the second and third lowest bidders. However, the third bidder was also not a pre - supplier. An additional cost of Rs.5,421,827 had to be incurred by the Corporation due to the contract not being awarded to the lowest bidder.</p>			
r	<p>540 vials of 100mg in 10 ml of Rituximab Injection and 690 vials of 500 mg in 50 ml had been purchased incurring a sum of Rs.67,768,500 from the local market. The additional cost incurred than imported price was Rs.21,606,922. Although two consultants should be appointed to the Technical Evaluation Committee, only one consultant had been appointed. Even though authority for rejection of bids due to the bidders not being pre-suppliers is not vested by the Technical Evaluation Committee, the lowest bid and the second lowest bid had been rejected on the said reason. The additional cost incurred due to the order</p>	<p>Disciplinary action should be taken by the Disciplinary Authority in respect of the officers who were responsible for deviating the requirements of the Government Procurement Guideline as per the Section 8.1 and 8.2 of the Chapter XLVII of the Establishment Code.</p>	<p>It is not better to act against to the opinion or recommendation of the consultant who does the technical evaluation.</p>	<p>As of 31 January 2022, the responsible officers had not been dealt with as per the provisions of the Establishment Code.</p>

	had been awarded to the bidder who had submitted the fourth lowest bid was Rs.44,545,500.			
s	<p>A sum of Rs.6,824,841 had been paid to the contractor of the contract valued to Rs.106,305,300 for the construction of new building for the Rajya Osusala Colombo 7, for the additional work which had been fulfilled without a proper approval. The Corporation had failed to get completed the contract even up to 10 May 2019 according to the contract agreement and liquidated damages had not been recovered for the period exceeding 4 years since then. The performance bond had expired as at 24 February 2016. However, the period of validity had not got extended even up to 18 March 2019. An electric lift at a cost of Rs.4,010,742 which was not comply with the specifications and with examination certificates of quality failed had been fixed. Although a sum of</p>	Further action should be taken after conducting a proper investigation.	The contract variations will be dealt with in accordance with the procurement guidelines and the construction work will be completed following the instructions given by the Ministry Procurement Committee.	Action had not been taken to obtain approval for additional work, charge late fees and carry out a formal investigation regarding the lift, which was installed out of the specifications.

	Rs.5,732,000 had been paid in the year 2016 for 24 air-conditioned machines which had been fixed, those had not been used until the warranty period was expired.			
t	Performance indicators of the activities included in the corporate plan which had been prepared by the Corporation for the period of the year 2016 to the year 2018 had not been mentioned in the level of which can be specifically and adequately measured. As a result, progress of achievements of 6 activities included in the action plan for the year 2018 could not be evaluated specifically. Six activities included in the corporate plan prepared for the period of 2016 -2018 and which could not be fulfilled during the years 2016 and 2017 had not been included in to the action plan for the year 2018. The Corporation had failed to fulfilled the activities which had been included into the action plan since the year	Performance indicators should be mentioned as to be measured the progress of the activities which expected to be achieved specifically and adequately. Action plan should be prepared properly.	Action to be taken to correct the situation in future.	Cumulative corporate plan including the years 2019 and 2020 and action plans for those 02 years were not prepared.

	2015 i.e. Enterprise Resources Plan and coordination of it with external parties, improving the Business Continuity Plan, revision of Scheme of Recruitment, preparing Succession Plan for the management posts and action for grading promotions.			
u	According to the paragraph 4.2 of the Government Procurement Guideline, a master procurement plan and a detailed procurement time table had not been prepared for the medical supplies purchased for the sale of the Corporation.	Action should be taken as per the Government Procurement Guideline.	It could not be taken action practically as mentioned as per the nature of the procurement.	As of 31 January 2022, a master procurement plan and a procurement time schedule had not been prepared.
v	Due to the fact that the Corporation had not aware with the Circular issued by the Secretary to the Ministry of National policy and Economic Affairs No. NP/SP/SDG/17 dated 14 August 2017 and the 2030 Agenda for Sustainable Development adopted by the United Nations, action had not been taken to identify sustainable development goals and targets under their purview	Action should be taken as per the Circular issued by the Secretary to the Ministry of National policy and Economic Affairs and 2030 Agenda for Sustainable Development Goals.	It was not aware properly in connection with the 2030 Agenda of the Sustainable Development Goals and necessary action will be taken in future in this regard.	As of 31 January 2022, this had not been dealt with.

	and milestones to achieve the targets and indicators for measuring achievements on those targets.			
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10. State Pharmaceutical Manufacturing Corporation

01. Name of the Entity: State Pharmaceutical Manufacturing Corporation of Sri Lanka

02. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Unmodified Opinion

03. Major Audit observations

	Audit observations	Recommendation	Preventive measures taken by the entity	Present position
a	In terms of Public Enterprises Circular PED12 dated 02 June 2003, the Action Plan should be prepared including the Key Performance Indicators to evaluate the performance of the activities to be carried out within the prescribed timeframe. Nevertheless, the Action Plan prepared by the Corporation for the year 2020 had not included the Performance Indicators specifically and adequately in a measurable level. As a result, the progress of the accomplishment of activities included in the Action Plan	Action should be taken in accordance with the Public Enterprises Circular PED12 dated 02 June 2003.	The Action Plan has been prepared according to the format given by the Ministry of Health.	Performance criteria were not included in the action plan prepared for the year 2021.

	<p>for the year 2020 could not be precisely evaluated. Out of 91 activities costing Rs. 875.8 million included in the Action Plan, 51 activities valued at Rs. 735.9 million had not been even started during the year 2020 and 14 activities initiated during the year 2020 had not been completed. The physical progress achieved relating to any activities of three departments had not been disclosed.</p>			
b	<p>An annual production plan had not been prepared for the year 2020 and instead monthly production plans had been prepared. Although the total production requirement identified according to the sales plan was 2,077 million units for 28 types of drugs, the actual production was only 1,535 million units for 24 types of drugs.</p>	<p>An annual production plan should be prepared. Realistic production and marketing plans should be prepared for maximum production efficiency and effectiveness</p>	<p>An annual production plan will be prepared from the year 2022 and the production of certain items decreases due to insufficient production facilities, shortage of raw materials and technological issues.</p>	<p>It was observed that even as of 31 January 2022, an annual production plan for the year 2022 had not been prepared and Realistic production and sales plans had not been prepared for the year 2021.</p>
c	<p>Due to increase in the possibility to break up the tablets manufactured during</p>	<p>Action should be taken to improve the quality of drugs and minimize</p>	<p>These situations are practical issues that arise in</p>	<p>As of 31 January 2022, action had not been taken to mitigate this</p>

	<p>the year 2020 into small pieces, variations in the weight of the pills, bad looks and difficulty in breaking the pill, the production had to be halted and the additional cost that had to be incurred to resume the production was Rs. 2,563,069. Measures had not been taken to minimize these adverse effects on the production process experienced every year.</p>	<p>production issues.</p>	<p>pharmaceutical manufacturing.</p>	<p>situation.</p>
d	<p>Due to various reasons such as lack of raw material, insufficient machinery capacity, existing technical defects in the manufacturing process etc., the Corporation had failed to supply 570.78 million units of 26 types of drugs with sales value of Rs. 1,003 million out of the drugs ordered by the Medical Supplies Division for the year 2020. Out of that the Corporation had failed to meet the entire requirement of 30 million units of the Theophy.ER Tab 125mg drug</p>	<p>The market share of the medical supplies sector should be protected by making maximum effort to complete orders of the Medical Supplies Division and action should be taken to achieve the targets of the annual marketing plan.</p>	<p>Due to the Covid-19 epidemic situation, the need for some drugs was not in the expected level and the demand for some products had decreased and the sales targets could not be met due to the delay in the supply of raw materials at the right time and technical issues.</p>	<p>It was observed that this situation remains unchanged even on 31 January 2022.</p>

	with a sales value of Rs. 44.10 million. Further, the local market sales target of 549 million units of 28 drugs with sales value of Rs. 616 million could not be met during the year 2020. Out of that, any quantity of 02 items of drugs with a sales target of 5.21 million units with a sales value of Rs.3.92 million could not be sold.			
e	Under the proposal to initiate joint ventures between the State Pharmaceutical Manufacturing Corporation and the appropriate private investors to expand the local pharmaceutical manufacturing process, the Corporation had entered into agreements with 15 potential investors in 2018 and 2019. as per the recommendation of the official committee appointed by the Cabinet of Ministers to set up joint ventures, the Corporation should have entered into an agreement with the Drug Producer to	Action should be taken as recommended by the official committee appointed by the Cabinet of Ministers and constant follow up should be carried out on the status of other contracted investors.	Only two investors had fulfilled manufacturing facilities and qualifications required to the Medical Supplies Division and the tripartite agreement signed with the intermediate supplier has been cancelled.	As of 31 January 2022, drugs had been purchased from only five potential investors and during the year 2021, supplies had been procured from the intermediate supplier and supplied to the Medical Supplies Division.

	<p>supply the drugs. Nevertheless, the Corporation had entered into an agreement with an investor who was only an intermediate supplier and not a manufacturer and received the supplies.</p>			
f	<p>According to the joint venture agreement, the investor should determine the selling price by adding a profit margin of 20 per cent to the production cost of the drugs and surgical consumables produced. The total production cost of 06 pharmaceutical items procured from one such investor and sold to the Medical Supplies Division during the year under review was Rs.823,010,169. Adding a profit of Rs.129,898,488, they had provided to the Corporation at an invoice value of Rs.952,908,657. The Corporation had added another service charge of Rs.66,692,327 to that invoice value and sold them to the</p>	-Do-	<p>As a government entity, the tender process should be followed when purchasing raw materials, but private investors have the ability to purchase raw materials in a way that reduces their unit cost, so the Corporation's service charges are high.</p>	<p>In the year 2021 as well, the selling price had been decided keeping a profit margin of more than 20 percent on the cost of production.</p>

	<p>Medical Supplies Division for Rs. 1,019,600,983. The investor had earned a profit margin of 16 per cent of the total cost of the above 06 drugs and the Corporation had earned a service charge of 7 per cent of the invoice price. Accordingly, the selling price had been determined by adding 23 per cent of the total production cost as profit and service charge.</p>			
g	<p>A cost control unit had not been established in the Corporation even though almost 2000 million units of 45 pharmaceutical items are being manufactured in the Corporation and even a post of cost accountant had not been got approved. As a result, cost relating to products manufactured by the Corporation and purchased from local manufacturers as per the agreements of joint ventures could not be controlled.</p>	<p>The approval for an appropriate post for operations and control of the cost relating to the productions of the Corporation should be obtained and should be recruited.</p>	<p>Action will be taken to recruit an officer in this regard in future.</p>	<p>As of 31 January 2022, action had not been taken to establish a cost control unit or get approved a post of cost accountant.</p>

h	The Corporation had failed to determine the items which can be supplied to the Medical Supplies Division at a low cost and more beneficial to the Corporation and the product mix among potential investors after having a cost benefit analysis.	Items which can be supplied to the Medical Supplies Division at a low cost and more beneficial to the Corporation and the product mix should be determined after having a cost benefit analysis.	Comments were not submitted.	As of 31 January 2022, a cost benefit analysis had not been conducted and the favorable product mix had not been determined.
i	A building which had been purchased and renovated at a total cost of Rs. 133,767,599 with a view to establishing a general testing laboratory and a training school was closed from 20 August 2019 to 31 October 2021 and this situation had arisen due to the lack any prior plan or preparation for any other requirements to be met for setting up a laboratory and a training school.	Steps should be taken according to a specific plan to utilize the building.	Action is being taken to lease or sale the building to an outside party.	As of 31 January 2022, the building remains unutilized and even the compliance certificate for the building had not been received.
j	Having commenced construction on 06 August 2017, the Cephalixin manufactory was modernized at a cost of Rs.89,898,864 and completed by 09 August 2019. But no action had been	Plans should be made to meet other relevant requirements to gain the maximum benefits from the investments.	The permission of the National Medicines Regulatory Authority has been sought for the manufacture of	As of 31 January 2022, no commercial production was done in this manufactory.

	<p>taken to obtain the necessary approvals or purchase of the necessary machinery for the manufacture of the Cephalexin drug. Thereafter, plans had been drawn to start production of Levothyroxine tablets IP 50mg therein and a sum of Rs. 3,798,296 had been spent for the opening ceremony of the manufactory premises 23 on December 2020. But no pharmaceuticals whatsoever had been manufactured commercially in this manufactory even as of 31 October 2021.</p>		<p>Levothyroxine tablets IP 50mg.</p>	
k	<p>Although the total contract value for the construction of Zone G, converting the Penicillin Zone warehouse into Cephalosporin Production Division was Rs.80,510,608, works had been carried out in excess of the total contract value by Rs.11,918,835 without obtaining the approval of the Departmental Procurement Committee as of 19 February</p>	<p>Formal approval should be obtained for work done in excess of the contract value.</p>	<p>The bill for the additional works has been submitted to the Technical Evaluation Committee of the Department to obtain the approval of the Departmental Procurement Committee for the construction work</p>	<p>As of 31 January 2022, the procurement committee approval had not been obtained for the work completed in excess of the total contract value.</p>

	2020.		which has been done exceeding the contract value.	
l	Although Rs. 6,016,902 had been spent as at 18 February 2021 for the construction of proposed flyover to connect two buildings, the governing authority had decided to stop the relevant construction. Accordingly, the cost incurred thereon had become a fruitless expenditure.	Necessary steps should be taken to identify the parties that should be held responsible for contributing to launch this project without proper feasibility study and to recover the money.	This project has been forwarded for approval of the Board of Directors for further work.	As of 31 January 2022, action had not been taken as per the recommendations.
m	Although piling work for the construction of four-storied administration building had been completed at a cost of Rs. 28,952,527 by 07 March 2018, no constructions of the building had been commenced even as at 31 July 2021.	Construction administration should be duly carried out in accordance with the Government Procurement Guidelines and action should be taken to ensure proper management and supervision on those activities.	The management has decided to replanning the construction as per the requirement of entity.	As of 31 January 2022, construction works had not begun.
n	As per the provisions of the Public Enterprise Circular No. PED 03/2020 dated 18 December 2020, Rs. 13,500 only can be paid as bonus per	Bonus should be paid as per the circular provisions.	No formal approval has been obtained for payment of bonus in excess of the	As of 31 January 2022, this situation had not been rectified.

	<p>employee annually, but, in addition, the Corporation had paid one employee's monthly salary as a special bonus for the year under review and a Chairman's bonus of Rs. 5,000 or Rs. 10,000 per employee. Accordingly, an additional amount of Rs. 16,577,284 had been paid as bonus without the formal approval during the year under review exceeding the limit approved by the Circular.</p>		<p>circular provisions.</p>	
o	<p>As per the provisions of the Letter of the Department of Management Services addressed to the Secretary, Ministry of Health, Nutrition and Indigenous Medicine, No. DMS / E4 / 10/4/090/2 dated 09 March 2009, a sum of Rs. 4,000 only could be paid to the staff members as a monthly production incentive, contrary to that, the total amount overpaid as Product Incentives was Rs.121,234,241 during the</p>	<p>Before implementing the decisions of the Board of Directors, approval of the Department of Management Services should be obtained in the relevant instances. Action should be taken to obtain covering approval for allowances so far paid.</p>	<p>A covering approval for allowances so far paid has not been obtained yet.</p>	<p>- Do-</p>

<p>period from 01 July 2011 to 31 December 2020. Also, although approval had been received to pay only Rs. 2,000 per employee as attendance incentive, it had been increased to Rs. 3,500 and paid. If Attendance incentives are paid, payment cannot be made for the unused leave at the end of the year, whereas employees who had paid the attendance incentive were paid Rs. 12,475,703 for the remaining leave at the end of the year under review. Although an employee can be given only the gift vouchers worth Rs. 6,000 once a year for New Year and Christmas, gift vouchers worth Rs. 25,000 each for permanent employees and Rs. 12,500 each for trainees with a total value of Rs. 7,325,000 and in addition, Rs. 12,500 per permanent employee and Rs. 6,250 per other employee with a total value of Rs.4,712,500 to purchase school books and equipment</p>			
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	<p>had been paid during the year 2020. A monthly allowance of Rs. 1,000 can be paid only if an employee attends all the scheduled shifts, contrary to that, the overpayment of service shift allowance paid during the year 2020 was Rs. 3,549,100. Although transport allowances are payable to the executive and nonexecutive officers of the Corporation, depending on the distance, a transport allowance of Rs. 4,700 and Rs. 3,000 monthly had been paid since 2009 irrespective of the distance. That monthly allowance had been increased to Rs. 8,000 and Rs. 6,000 respectively as per a decision of the Board of Directors from the year 2019.</p>			
p	<p>As per the Public Administration Circular No. 30/2008 dated 31 December 2008, the maximum amount of distress loan that could be paid to one officer should be limited to Rs.250,000. But a total of Rs.12,429,500 had</p>	<p>The Establishments Code of the Democratic Socialist Republic of Sri Lanka and the Public Administration Circulars should be applied until the Establishment Code for the Corporation itself</p>	<p>A proper approval has not been obtained for payments in excess of the circular provisions.</p>	<p>- Do-</p>

	been paid to 101 officers as distress loans exceeding that limit during the year under review.	is prepared and approved by the Treasury.		
q	As per the Public Finance Circular No.438 dated 13 November 2009, no action had been taken to dispose of stock of unusable raw material worth Rs. 5,959,483 as of 31 December 2020, unfinished material worth Rs. 6,030,600, finished material costing Rs. 3,383 and 346 units of fixed assets costing Rs. 59,259,389 and determine the responsible persons after conducting inquiries according to the Financial Regulations 103,104 and 105 on unusable stocks and to recover the loss as applicably.	Action should be taken to dispose of assets in accordance with the circular provisions and Action should be taken conduct inquiries in accordance with the financial regulations regarding unusable stocks and to determine those responsible and accordingly, the loss should be recovered.	The appointed Board of Survey has identified the unusable stocks and assets and with the approval of the Board of Directors, action is being taken to dispose of them.	As of 31 January 2022, only Rs.5,124,650 of unusable raw material stock cost had been recovered from the suppliers and action is being taken to dispose of the stock and fixed assets, but regarding the rest of the unusable stock, investigations had not been conducted as per the Financial Regulations 103, 104 and 105 and no action was taken to identify those responsible and recover the loss accordingly.
r	As per the Section 06(2)(a) of the Payment of Gratuity Act No.12 of 1983, the employee gratuity should be allocated based on the employee's half a month's, wage or salary for each year of completed	The allocation and payment of gratuity should be made according to the provisions of the Act.	The gratuity allowance is paid with the approval of the Board of Directors and action will be taken to obtain	As of 31 January 2022, the approval of the Department of Management Services had not been obtained.

	<p>service, instead, employee gratuity allocations had been made based on the employee's full month's salary. Hence, a sum of Rs. 2.46 million had been overpaid as gratuity allowances to 05 officers who had retired during the year under review.</p>		<p>permission from the Department of Management Services.</p>	
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11. Sri Lanka Broadcasting Corporation

01. Name of the Entity - **Sri Lanka Broadcasting Corporation**

02. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	As per the Paragraph 31.11.1 of the Chapter XLVIII of the Establishment Code, in an instance that there was a law suit in court in connection with a criminal offence, any salary should not be paid for the period interdicted. However, a sum of Rs. 954,664 had been paid as half pays to an interdicted officer for the period from October 2011 to August 2016.	Action should be taken to recover the relevant money.	A board paper has been submitted to take decisions in this regard. Further action will be taken according to its decision.	The relevant payments have not been rectified.
b	According to the paragraph 15 of the Employees	Remittance should be made on the	24 installments have been paid from	No action has been taken so far to recover

	<p>Provident Fund Act No. 15 of 1958, contribution to the Employees Provident Fund should be remitted to the Fund before the last date of the following month of the month which the contribution had been deducted. However, a loss of Rs. 15,051,384 had occurred due to the fact that remittance of Employees Provident Fund for the years 2007 and 2008 had been delayed by the Sri Lanka Broad casting Corporation and thus surcharges had to be paid for the period of April 2007 to December 2009.</p>	<p>date mentioned in the Employees provident Fund Act. The loss occurred should be recovered from the responsible party if there was any.</p>	<p>07.11.2018 to 18.01.2022. Approval has been received to pay in 60 installments from 07.11.2018.</p>	<p>the related loss from the responsible officers.</p>
c	<p>According to the section 5.1 of the Gratuity Act No. 12 of 1983, gratuity should be paid within 30 days of the service terminated. However, a loss of Rs. 253,884 had occurred due to enactment of surcharge by the Commissioner of Labor for the delay of 8 months</p>	<p>Gratuity should be paid on the due date as per the Gratuity Act. The loss occurred should be recovered from the responsible party if there was any.</p>	<p>The situation has happened due to the fact that the initial investigation conducted at the institutional level has not been completed.</p>	<p>No action has been taken to recover the related loss from the responsible officers.</p>

	relating to the payment of gratuity to 2 officers of the Corporation.			
d	Action had not been taken by the management to recover the reinstatement value of Rs. 305,900 relating to 12 musical instruments which had been misplaced in the Ruhunu Sevaya in the year 2016 from the responsible officer even up to 31 July 2019 the date of audit.	The relevant loss should be recovered from the responsible parties.	A decision is to be taken after making an inquiry with the Ministry of Mass Media regarding the further action to be taken in this regard.	No action has been taken so far to recover the related loss from the responsible officers.
e	As per the Paragraph No. 3.3 of Public Enterprise Circular No. PED 1/2015 dated 25 May 2015 and Paragraph No. 02 of Public Administration Circular No. 05/2016 dated 09 March 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. Despite that, Chairman had	Either fuel allowance or assigned vehicle should be provided as per the Circular.	It has been informed that this vehicle has been used for activities of the chairman's office.	No action has been taken to rectify this situation.

	been provided a transport allowance of Rs. 200,000 and fuel allowance of Rs. 93,160 from April to July 2020 while an official vehicle had been assigned to him since February 2020.			
f	A sum of Rs. 3,244,526 belongs to the Corporation had been kept idle in a current account of a private bank during the year 2019 so that, an interest income which can be received by depositing above sum in an interest receivable account had been lost.	This amount should be deposited in a bank account which provides an interest income.	Funds will be transferred to the main bank account based on financial need.	Not yet rectified.
g	The Korean server which was received under the Korean grant had been used for audio resources digital archiving process of the Corporation since 2017, and in the server, only the conserved 'songs' had been stored but 'programmes' could not be stored. As a result, the expected objectives of the Corporation could not be	Necessary action should be taken to update the server in order to conserve the 'programmes'.	The officer, who worked as a trained officer for digital preservation, has worked only for preservation of songs and has retired in March 2021. Instead, another officer has been appointed from the year 2022 and the password required to enter the SERVER	Not yet rectified.

	<p>achieved and the server had not been updated by connecting with the relevant Korean Institute through an online command since October of the year 2017.</p>		<p>system has not yet been given by the organization that acquired the automation system, even if this work is delayed, it is possible to continue the work as soon as it is given. The main reason is the lack of human resources, so it has been decided to take immediate action for it. But since 2017, there is evidence that other programs have been preserved.</p>	
h	<p>Unutilized floor space of Corporation buildings was 1126.45 square meters and it was observed that these buildings are being deteriorated without having a proper maintenance while these buildings can be developed and utilized for an effective purpose.</p>	<p>Relevant buildings should be utilized immediately.</p>	<p>Considering the financial situation of the entity and on the approval of the board of the corporation, action is being taken to lease a part of the new building, so the new theatre proposed to be constructed has been established within the space of the</p>	<p>Not yet rectified.</p>

			new building.	
i	The total lease rent payable for the year 1995 to 2017 for 0.3194 hectares belonging to the State Plantation Corporation, which was acquired on the basis of lease to run broadcasting stations, and for the year 2017 for 119.5309 hectares belonging to Kuchchaveli Divisional Secretariat division was Rs. 127,149,208 and it had not been taken into accounts up to 31 December 2020.	Expenses related to the year should be properly accounted for.	Action will be taken on the decision of the Cabinet of Ministers, No. CMP /22/0012/316/001 dated 25.01.2022. A Cabinet decision has been received to acquire this land for the Broadcasting Corporation and write off the above mentioned lease amount.	In the related decision of the Cabinet of Ministers, it is not mentioned regarding the writing off the lease rent charged so far.
j	A balance of Rs. 6,774,855 which had been brought forward within a period from 2 to 20 years had been included in the balance of sundry debtors amounting to Rs. 20,508,760 shown in the financial statements. An unreimbursed amount of Rs. 2,117,912 paid to the employees of the Corporation who had been released to external	Action should be taken to recover the receivable balances.	In the year 2021, the advances paid to the suppliers has been settled.	Not yet rectified.

	institutions was also included in this balance.			
k	Action had not been taken to settle the total sum of Rs. 149,420,035 shown in the financial statements as at 31 December of the year under review which should be paid to the Telecommunication regulatory Commission over a period of 39 years from the year 1981 to 2016 even during the year under review.	Reasons for long term accrued expenditure should be identified and rectified.	Negotiations are underway with the General Treasury for the removal of levy.	Action has not been taken to clear yet.
l	Action had not been taken even up to December 2021 to settle the payable lease rent of Rs. 31,905,000 which had been taken in to accounts in the years 2018, 2019 and 2020 for the lands conducted transmission stations in Hunnasgiriya and Trincomalee.	Action should be taken to settle the payable balances of expenditure.	Action will be taken on the decision of the Cabinet of Ministers, No. CMP /22/0012/316/001 dated 25.01.2022.	In the related decision of the Cabinet of Ministers, it is not mentioned regarding the writing off the lease rent charged so far.
m	As per the Public Enterprises Circular No. PED 01/2015 (i) dated 27	Action should be taken as per the provisions of the	The transport department informed that this vehicle was	No steps have been taken to recover this amount from the

	<p>October 2015, the official vehicle or a transport allowance of Rs. 50,000 and the monthly fuel allowance entitled to the relevant post can be obtained to an officer who is entitled to an official vehicle. However, a sum of Rs. 659,610 had been paid to the former Chairman as monthly transport and fuel allowance from the month of April to December 2020 in a ground of reserving a vehicle for the former chairman since 30 January 2020.</p>	<p>Circular.</p>	<p>used for the affairs of the office of the Chairman and only on occasions when the Chairman went on provincial channel observation visits.</p>	<p>former chairman.</p>
n	<p>As per the Section 6.2 of the part II of the Public Finance Circular No. 01/2020 dated 28 August 2020, when obtaining services on assignment basis, payments should be made on the personal approval of the Secretary to the line Ministry once the relevant service obtained. However, a sum of Rs. 3,519,117 had been paid during the year</p>	<p>Action should be taken as per the provisions of the Circular.</p>	<p>A paper has been submitted to the Board of the Corporation to take a decision in this regard and once the decision is made, it is expected to act accordingly.</p>	<p>Not yet rectified.</p>

	2020 for 7 recipients before the assignment completes without obtaining the approval.			
o	As per the Paragraph 3.2.1 of the Public Enterprises Circular No. PED 01/2015 dated 25 May 2015 and the paragraph 1.2 of the Public Enterprises Circular No. PED 01/2020 dated 27 January 2020, If the monthly allowance of fuel is not sufficient, approval of the Secretary to the line Ministry with the recommendation of the board of Directors should be obtained and the Secretary to the General Treasury should be informed. However, 1011 liters of fuel had been issued to the former Chairman during the year under review without obtaining the approval.	Action should be taken as per the provisions of the Circular.	In this regard, the Chairman has not obtained written approval from the Secretary of the Mass Media.	Not yet rectified.
p	A sum of Rs. 1,000,000 had been invested by the Corporation in the year	Action should be taken to look into investments and to	An amount that has been invested.	Dividends had not been received so far.

	1993 on the request made by the Ministry of Mass Media for purchasing shares of the Lanka Puwath. However any income of dividend had not been received up to the year 2020.	obtain benefits.		
q	The approval of the procurement committee had been granted on 6 November 2019 for repairing transmission tower and the microwave tower located in the head office which should be repaired immediately for Rs. 4,605,256. However, the relevant work had not been commenced even up to February 2021.	Action should be taken to safeguard the assets of the institute.	Currently this file has been referred for procurement process (for calling tender).	Not yet repaired.
r	According to the approved cadre of the Corporation, there were 371 vacancies in 35 posts and a surplus of 364 in 42 posts. Recruitments had been made for 102 posts which are not included in the approved cadre and the	Recruitments should be made only for the approved posts.	A board paper has been submitted to take a decision in this regard.	Not yet rectified.

	number of surplus of employees recruited in 6 instances exceeding the approved number of posts was 35.			
s	The Rajarata Sevaya is being conducted since the year 1981 in the land located in No. 513, Step 1 New Town Anuradhapura of Nuwaragam palatha east Divisional Secretariat Division Anuradhapura district. Although the legal right of the said land was not belonged to the Corporation, action had not been taken to settle its right up to date of Audit.	Ownership of the land should be settled.	Action is being taken to settle the right.	Not yet settled.
t	Two cases had been filed in the Colombo District Court and Colombo Provincial High court in the year 2015 in order to recover a sum of Rs. 4,716,813 and Rs. 7,551,750 relating to the fraud made by a marketing executive in 2 instances. The above-mentioned cases could not be proceeded and	The case should get active providing information relating to the current residence through the vote register of the Department of Election to the	A police complaint will be filed against the accused and It will be looked into.	This case has not yet been made active.

	<p>had been laid down over a period of 4 years because the dependent had given up the place he resided. The Corporation had failed to get the case active providing the information relating to the current residence of the defendant.</p>	<p>Court.</p>		
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12. Sri Lanka Bureau of Foreign Employment

01. Name of the Entity - Sri Lanka Bureau of Foreign Employment

02. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

2018	No
2019	No

Audit observations	Recommendation	Management comments	Present position of action taken to implement recommendations
<p>Out of the fee charged from the workers migrated for employment, the balance of Rs.2,615,836 remained after buying air tickets in respect of relevant workers, had been brought to the income of Bureau instead of showing as payables to the relevant workers.</p>	<p>The remaining amount from the fees charged for the services provided to the migrant workers should be refunded to those workers.</p>	<p>As the Bureau incurs an overhead expenditure therefor, this income can be considered as a reimbursement of the said expenditure incurred.</p>	<p>Up to 31 December 2021, the amount had not been paid to the respective owners.</p>

<p>As of 31 December 2020, Sum of Rs. 668,986,984 refundable which was retained from Migrant Workers with various reasons, Rs. 51,239,587 received as insurance compensation of migrant workers, sum of Rs. 281,344,569 which should settle for employment agencies had been retained in the bureau for a long time without being paid on various reasons.</p>	<p>Necessary action should be taken to make the payments quickly, including insurance premiums that have not yet been paid.</p>	<p>Considerable numbers of applications have so far not been submitted to the Finance Division for payment due to lack of source documents or any other deficiencies. It will be arranged to make the payment when the relevant requests are properly forwarded.</p>	<p>There was no formal arrangement for settlement of these amounts. It was also informed that if the requests are not made within the specified period, these amounts will be taken into the income.</p>
<p>As per the Section 52(1) of the Sri Lanka Bureau of Foreign Employment Act, No. 21 of 1985, a cess calculated at the rate of five per centum of every commission received by a licensee shall be charged and levied. However, a cess of Rs.5,000 had been charged in respect of a migrant housemaid disregarding the commission received from the foreign employers to the housemaids migrated without a formal</p>	<p>The Bureau cannot determine a charge at various rates without a formal approval and contrary to the provision in the Act of Bureau. Further, attention is needed in respect of the failure in collecting the revenue receivable thereby to the Government</p>	<p>Even though this levy is being charged in terms of provisions in the Act of Bureau, these commissions are not revealed by the foreign employment agencies in most occasions and there was no method of detailed examination in this connection. As such, the said amount is being charged on the basis of receiving a commission of Rs.100,000 to the female</p>	<p>A system to accurately report the amount of commission received by foreign employment agencies on behalf of the migrant workers and a system to recover the</p>

approval.	properly.	workers in domestic service.	full amount owed to the government was not implemented until December 31, 2021.
As per the Subsection 3 of Section 17 of Part II of the Sri Lanka Bureau of Foreign Employment Act, No. 21 of 1985, contrary to the objectives for which funds of the Bureau could be spent and without formal approval, an insurance scheme had been established for the staff of the Bureau from the year 1995 to reimburse the medical bills and granting compensation for accidents. A sum totalling Rs. 44,287,888 had been spent from the revenue of the Bureau in the year under review for the reimbursement of medical bills under this insurance scheme.	The provisions set out in the Act should be adhered to. A formal approval should be sought prior to implementation of welfare schemes.	Action is being to obtain approval in this connection.	It was informed that preliminary works are being done regarding the introduction of a medical insurance scheme for the bureau employees.
Twenty-Six (26) vehicles owned by the Bureau had to face accidents in 43 occasions	Necessary action should be taken in relation to vehicle	Audit observations are accurate and action will be taken in the future to rectify	However, the incidents reported in the

<p>for the period of 19 months during January 2017 up to 31 July 2018 and investigations in terms of financial regulations had not been carried out in this regard. As disclosed from the audit test checks carried out on 20 files for requesting insurance claims, drivers had not informed the institution in writing regarding 14 accidents out of 34 accidents occurred during the aforementioned period and 27 accidents had not been reported to the Police.</p>	<p>accidents in terms of the Financial Regulations. Attention should also be paid on the Loss of no-claims bonus and damage occurred to the useful life of the vehicle, due to vehicle accidents.</p>	<p>the shortcomings.</p>	<p>audit recommendations had not been dealt with according to the financial regulations, but at present, the management has informed that the vehicle accidents are being dealt with according to the financial regulations.</p>
<p>The Bureau had paid distress loans exceeding the limit stipulated in the Public Administration Circular No. 30/2008 dated 31 December 2008. The total of the loan balances as at 31 December 2018 was Rs. 325,149,295. One hundred thirty-seven (137) distress loan balances more than 500,000 and four (04) loan balances exceeding 1,000,000</p>	<p>Action should be taken in relation to the loans of the employees in compliance with the provisions of the Circulars.</p>	<p>Letters have been sent to the Department of Public Enterprises through the Secretary of the Ministry by requesting the approval for this. The letter of reply bearing No.PE/NEB/SLBFE/GEN/2018 dated 15 October 2018 had been received in relation to that letter.</p>	<p>Although a letter has been sent to the Department of Public Enterprises requesting the approval to continue the same method that is currently being</p>

<p>has been included to the aforementioned balance.</p>			<p>implemented based on the approval of the Board of Directors, answers for the letter have not been received up to 31 December 2021.</p>
<p>As per the Section 42(2) of the Sri Lanka Bureau of Foreign Employment Act, according to the financial statements for 2019, salaries and allowances of the staff of the Bureau and other overhead expenses of Rs. 1,050,341,472 had been incurred utilizing the funds of the Labor Welfare Fund which are not directly related to its objectives and goals which was established for the welfare of Sri Lankans working outside Sri Lanka. It was 72 percent of the total expenditure of the welfare fund.</p>	<p>The Labour Welfare Fund should be utilized to achieve the objectives and goals of its establishment.</p>	<p>Relevant expenses were borne by the Labor Welfare Fund as per the Cabinet Order No. 1998/783/32/017 dated 03 June 1998 and ACCOUNTINGECIR NO 01 OF 1999 issued by the Ministry of Foreign Affairs.</p>	<p>According to the Sri Lanka Bureau of Foreign Employment Act, the payment of salaries and allowances of the staff of the bureau going to foreign missions should be done using the funds of the bureau of foreign employment,</p>

			but this was not done.
In computing Employees Provident Fund in relation to the period of the year 2006 up to January 2016, the Cost of living allowance had not been taken into consideration. As a result, The Bureau itself had to pay contributions of both the employers and employees as per the instructions of the Labour Commissioner. Accordingly, a loss totaling to Rs. 47,912,231 had been incurred to the Bureau.	This loss had been incurred to the Bureau due to the negligence of the officers and necessary action should be taken to recover the loss by identifying the officers responsible for this.	The cost of living had been omitted in the computation of the Employees Provident Funds as there was no clear mentioning that the cost of living should be taken in to consideration in the computation of Employees Provident Fund.	Audit recommendations had not been implemented.
Due to non-reinvestment of 6 matured Treasury Bonds valued for Rs. 3,611,950,163 on the same day during the year 2019, the Bureau had lost Rs. 5,466,192 in revenue.	Management should focus on identifying the officials responsible for the lost revenue and necessary action should be taken.	The relevant investment has not been made on the due date as it has taken a considerable time to obtain the approval of the Chairman. Accordingly, the fact stated in the audit inquiry is correct.	Audit recommendations had not been implemented.

<p>One hundred and thirty-five officers (135) had been employed in the service as at 31 December 2018 in the 16 Workers Welfare Divisions of the Foreign Missions operated under the Bureau without an approved cadre or a scheme of recruitment. A total of Rs. 663,811,831 had been incurred for the payment of salaries, allowances and the other facilities of those officers. Only a sum of Rs. 80,771,306 had been incurred on the provision of the other infrastructure facilities and direct expenditure of the detainees. Accordingly, 89 per cent out of the total expenditure of the Foreign Missions had been incurred on the expenditure of the staff.</p>	<p>According to the Act of the Bureau, overhead costs, salaries and allowances of employees should be incurred by using the funds of the Bureau and a formal approval should be obtained to incur the expenses from the Labor Welfare Funds. Likely, arrangements should be taken to accomplish the objective of initiating the Labor Welfare Fund.</p>	<p>Action has been taken to submit the new scheme of recruitment prepared in relation to the appointment of diplomats of the foreign missions for the approval of the Department of Management Services.</p>	<p>It was informed that these expenses have been incurred on the direct requests received from the migrant workers and necessary arrangements are being made to approve the recruitment procedure.</p>
<p>The Balance as at 31 December 2018 in the Fund Account related to the compensations received from the United Nations Compensation Commission for paying compensations for the Sri Lankans who had been</p>	<p>Necessary action should be taken to settle the funds by confirming that there are no more claimants for compensation.</p>	<p>Interests, earned by temporarily depositing the amount received from the United Nations Compensation Commission until the payment activities of the amount is started, had been credited to the</p>	<p>It was informed that if the claimants for compensation submit compensation claims, this</p>

<p>employed in the Gulf Region due to the Gulf War in 1990/1991 was Rs. 3,184,109,533 and the amount to be paid to the claimants of compensations was Rs. 251,453,848. Arrangements had been made by the Bureau to earn income by investing the compensation amounts without taking action to identify the beneficiaries and to pay them the compensation even though a period of 20 years has already lapsed after receiving the amount to the Bureau. Likely, the Management had not taken any decision on the surpluses of Funds.</p>		<p>Relevant fund. The amount is further kept for paying if claims for compensation are submitted by the rest of the persons who should be paid compensations.</p>	<p>amount has been kept further and a pension scheme for the migrant workers using Rs. 2000 million from the Kuwait fund is being proposed and a bill is being drafted in relation to it.</p>
<p>Under the Housing Loan Scheme operated for the migrated workers in collaboration with the Sri Lanka Samurdhi Authority, Loan amount of Rs. 3,557 million had been provided by the Samurdhi Bank for 12,078 migrants. Repayment of loans amounting to Rs.360.27 million provided to 1,573 migrants in</p>	<p>The programmes have to be designed after considering the possibility of implementing those Programmes. Immediate steps should be taken to settle these amounts.</p>	<p>The Department of Samurdhi Development had been informed in writing to obtain the amount of Rs.100 million deposited in the Bank of Ceylon and the interest related to it. Likely, an approval had been granted to recover, the loan balances of persons who</p>	<p>These amounts had not been recovered or settled up to 31 December 2021.</p>

<p>contrary to the Conditions of providing loans and without securing any bond had been defaulted. The Loan Scheme has already been inoperative the Bureau had deposited Rs. 100 million in favour of Samurdhi Authority of the Bank of Ceylon instead of depositing Rs. 100 million in favour of the Bureau. Therefore, the Bureau had not received the interest related to that from the year 2014.</p>		<p>had obtained Rataviru loans and later deceased and had become totally disabled and from whom loans cannot be recovered, from the interest paid to the aforesaid amount. Necessary action is being taken to recover the remaining balance.</p>	
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<p>An officer who were appointed as a Director of the Bureau from January 2020 had been appointed as the Acting Director of the Bureau contradicting to the Presidential Circular No. PS / SP / circular / 02/2020 and dated 13th January 2020 with effect from that date and also re-appointed as the Deputy Chairman of the Bureau in contradicting to the Sections 11 (1) and 14 (3) of the Bureau Act from 2 March 2020 and from November 2020 re-appointed as the Director (Administration) on full time by the Minister in charge of the subject and was being worked until 17 December 2021 of the audited date.</p> <p>The Secretary to the President had informed to take action to cancel those appointments immediately as those are not legal. A sum of Rs. 450,197 spent for official foreign tour and salaries and allowances of Rs. 1,208,545 as well as transport facilities were provided for this officer from Bureau Fund.</p>	<p>Action should be taken to recruit qualified officers as per the scheme of Recruitment according to a formal procedure only for approved and vacant posts for the Bureau.</p>	<p>This Officer had been appointed in accordance with the powers vested to the Minister in charge of the subject as per the Sections 11 (1) and 14 (3) of the Act on the approval of the Board of Directors, to assist the Chairman in carrying out the administration of the Bureau efficiently. This officer has gone abroad on the request of the marketing division to sign agreements with the Government of Israel. However, as this appointment has been done by the Minister, cancellation also should be decided by the Minister.</p>	<p>Letters dated 17.11.2020 and 23.11.2021 have been forwarded to the Treasury to obtain the approval of the Treasury for the providing the allowances and other facilities approved by the Board of Directors, but no reply has been received up to 31 December 2021.</p>
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<p>An officer who employed as a General Assistant had been interdicted due to a financial irregularity of purchase of air tickets for Korean employees on 10 January 2019. The relevant disciplinary inquiry had not been completed within the stipulated time as per Section 13.2 of part 11 of the Establishments Code and without any investigation and disciplinary action, the relevant officer restored in service from 16 July 2020. However, management had taken action to close the air ticket purchasing unit after this incident.</p>	<p>The disciplinary inquiries into this incident should be completed quickly and the necessary disciplinary action should be taken. Also, immediate action should be taken to streamline the disciplinary action process of the Bureau.</p>	<p>The internal audit investigation has been completed in this regard. Action has been taken to issue charge sheets to the accused officers based on the investigation report and action has been taken to call explanations from the other officers.</p>	<p>It was informed that the related formal disciplinary investigation has been completed and the investigation report is to be received by the Bureau.</p>
<p>According to the facts which have been disclosed while checking the on current situations with regarding the sample audit test and other investigations were carried out in connection with 20 cases of misconduct which have been recorded as involved by the officers of the Bureau, no disciplinary action could be taken against the accused officers due to delay in disciplinary proceedings in 7 cases and those responsible for</p>	<p>Necessary action should be taken to maintain proper financial and administrative discipline in the institution by streamlining the disciplinary process of the Bureau.</p>	<p>An updated summary report including the action taken on all the incidents mentioned in the Auditor General's Department Report on Financial Irregularities in the Sri Lanka Bureau of Foreign Employment during the period 2012 and 2014 has been submitted for audit.</p>	<p>It was informed that disciplinary measures have been taken in relation to the cases in which the disciplinary investigations have been completed and disciplinary measures are being taken on</p>

<p>the six incidents could not be identified. Although the officers who received the charge sheets in connection with other six cases have been acquitted in the formal inquiries, the real culprits had not been identified. An officer who was found guilty during the formal disciplinary inquiry in one case was acquitted and released and also the total amount of money reported to have been misused in relation to the above 12 cases was Rs. 61,130,337 and those responsible had not been identified.</p>			<p>the other cases and follow-up measures are being carried out in relation to the cases referred to the Financial Crimes Investigation Division.</p>
<p>The land which had been taken on lease for 50 years at a value of Rs. 52 million and another Rs. 1,146,095 had been spent was idle for six years without being used for any useful purpose and also it did not have a written agreement.</p>	<p>A proper programme should be implemented to utilize this property efficiently.</p>	<p>The Urban Development Authority has been informed in writing to prepare the lease agreement and forward it for further action. Since the government has informed to write off the non-essential expenditure and less priority expenditure, necessary action is being taken to obtain an approval for construct a</p>	<p>It was informed that on 27.06.2020, the board of directors has approved the construction of a pre-set building on the said land, and accordingly, the necessary activities are being carried</p>

		pre-set building in this land.	out.
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13. Sri Lanka Rupawahini Corporation

01. Name of the Entity - **Sri Lanka Rupawahini Corporation**

02. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

	Major deficiency included in the Audit Report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1.	The computer information system had not been maintained by the Corporation as to be obtained information relating to agency commission separately through the computer system. As a result, an age analysis relating to the payable balance of agency commission amounting to Rs. 87,282,685 as at the end of the year 2020 could not be presented.	Adequate information should be maintained and an accurate age analysis should be presented.	The age analysis will be generated soon by making related upgrades to this computer system.	This situation has not been rectified.

	Therefore, the current position of the said balances could not be checked.			
2.	The net assets of the Corporation for the year 2015 amounting to Rs. 1,219,290,585 had decreased up to Rs. 190,563,478 in the year 2018. Even though profits had been earned during the year 2018 as a result of the government grant, the Corporation had incurred losses continuously over the period of 5 previous years. Further, the bank overdraft as at the end of the year 2015 was Rs. 244,648,000 and it had been Rs. 258,728,044 as at the end of the year 2020. This continuous loss had affected to the net assets and the equity of the Corporation and it	Good financial management should be implemented and necessary action should be taken to avoid losses.	Action have been taken to reduce costs by controlling overtime and other expenses.	Not yet reached profitability.

	was observed that, the going concern of the Corporation without the financial assistance of the Government is uncertain.			
3.	Although a sum of Rs. 1,104,000 had been invested by the Corporation for purchasing shares from the Lanka Puwath in the years 1985 and 1992, any dividend had not been received up to the year under review.	Documentary evidence should be presented to confirm the investments.	As a reply for the request made in the year 2014, the Lanka Puwath had informed that copies of share certificates had misplaced as a result of the changes of the location of the institute time to time.	This institution is not currently in operation.
4.	The balance of the total debtors of the Corporation as at the end of the year 2020 was Rs. 507,789,779 and out of that a sum of Rs. 229,200,950 had been consisted with the values more than 5 million represented 10 debtors including a government institution. The recovery of Rs. 10	Action should be taken to recover debtor balances without delay.	For this, the sales division, the recovery unit and the legal unit have worked together. Discussions are underway to expand and strengthen the recovery unit to speed up debt recovery.	It could not be recovered up to now.

	<p>million receivable was uncertain due to unavailability of a formal agreement entered into with the National Saving Bank included in it. Further, out of the debtor balance of Rs. 97,117,914 more than 5 years consisted with the balances of 170 debtors including 32 government institutions, legal action had not been taken against 153 debtors represented a sum of Rs. 78,480,159.</p>			
5.	<p>Although the maximum limit of ad hoc imprest which can be given in one instance is Rs. 100,000, a sum of Rs. 40,406,563 had been given in 46 instances exceeding the limit for programmes, accommodations and purchasing.</p>	<p>Action should be taken according to the provisions of the Circular.</p>	<p>In case of non-payment on the due date, steps will be taken to levy fines and withhold salaries until the relevant amount is paid.</p>	<p>Action has not been taken to rectify so far.</p>

6.	In addition to the allowance which should be paid to the Chairman of the Corporation according to the circular a sum of Rs. 548,388 had been paid as special allowances and other allowances during the year 2020.	Action should be taken according to the provisions of the Circular.	The said additional allowance was referred to the Ministry of Finance and Mass Media then line ministry for approval on 08.07.2018.	Action has not been taken to rectify so far.
7.	A sum of Rs. 8,203,940 had been paid as transport and fuel allowance during the year 2020 to 99 officers who had not entitled for the transport and fuel allowance.	Action should be taken according to the provisions of the Circular.	Since it is a privilege granted since the inception of the corporation, the payments have been made continuously.	Action has not been taken to rectify so far.
08.	The approved overdraft limit for two bank current accounts maintained by the Corporation had been exceeded by the Corporation in every month except only one month in the year 2020 and a sum of Rs. 29,085,302 had	Bank over draft should be maintained as not to be exceeded the relevant limit.	In order to reduce the interest expense for bank overdraft, the current bank overdraft or a part of it will be settled in the year 2022.	Action has not been taken to rectify so far.

	been paid as Bank overdraft interests.			
09.	The Cabinet approval had been received in December 2014 to maintain a television channel through satellite technology in a studio established in Italy or Europe in order to introduce the Sri Lankan identification to the world and to improve the knowledge and enjoyment of Sri Lankans who lived in abroad and to obtain the necessary equipment on temporary lease base subject to the approval of the Ministry of Finance. Accordingly, a sum of Rs. 3,454,279 had been paid to a private Company on 02 January 2015 as an advance without obtaining the approval of the Ministry of	It should be entered into agreements in the instances where necessary and action should be taken to recover the advances paid.	The relevant trial has ended and the verdict has been announced. In the future, it will be presented to the Corporation Board and necessary steps will be taken.	Not yet recovered.

	Finance. However, the said task had been completely abandoned after the year 2015 and action had not been taken to recover the said advance.			
10	An air time revenue of Rs. 30,250,006 had missed to the Corporation for 119 air time hours and 37 minutes in connection with 80 programmes which had been telecasted during the year 2020 without recovering the charges even though it should be charged.	Action should be taken to avoid losses.	At present, steps are being taken to get money as much as possible to telecast such programmes.	Not yet rectified.
11	There were vacancies in 182 permanent posts and 28 acting posts and 27 permanent employees for 14 posts which was not included in the approved Cadre and 12 employees on contract basis and 2 employees on assignment basis had	Action should be taken to recruit the approved cadre.	Since the Secretary of the Ministry of Mass Media has given instructions not to make recruitments except for essential vacancies, action has not been taken to fill the vacancies at present.	Vacancies, acting and non-approved staff recruitments have not been yet rectified.

	been recruited.			
12.	Air time revenue of Rs. 103,550,000 which should be recovered for the advertisement programme of Gam Udawa Model villages to be vested in people organized by the Ministry of Housing, Construction and Cultural Affairs had not been recovered even up to June 2020.	Immediate action should be taken to recover the charges relating to advertising programs.	Answers not given.	Not yet recovered.
13	As per the Section 31 of the Sri Lanka Rupavahini Corporation Act No. 06 of 1982, according to the powers vested to the Minister, the necessary regulations for the regulation of television channels should be prepared, but that requirement had not been completed by June 2020.	Necessary regulations should be prepared for the regulation of television channels.	Answers not given.	Necessary regulations had not been prepared yet.

14. State Printing Corporation

01. Name of the Entity - State Printing Corporation

02. Audit Opinion

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
(1)	Sum of Rs 9,753,427 was to be received from the National Paper Company and sum of Rs 7,460,675 was to be paid to the Paper company at the 31 December 2020. Further outstanding loan balances of Rs 7,989,976 and Rs 5,578,142 respectively exceeding 5 years were included in the above-mentioned loan balances. However, no action had been taken to settle those loan balances. Uncertainty about the settlement of these balances is observed due to the cessation of business of the paper company.	Action should be taken to settle these balances promptly.	Currently, no action has been taken to settle the balances.	This balance remains in the books of accounts of the corporation.
(2)	As per the agreement made	Action should be	No specific	There are delays

	with the Lottery Board, due to not printing the lotteries and delivering them on the scheduled date, a sum of Rs. 21,386,760 out of the amount payable by the Lottery Board in the years 2018 and 2020 had been deducted as fine.	taken to procure raw materials on time and deliver orders on agreed dates.	action has been taken.	in printing even now.
(3)	As per the agreement made with the Department of Education Publications for the printing and delivery of school text books for the academic years 2019, 2020 and 2021, due to delivery of printed school text books with a time delay of 01 days to 20 days, a sum of Rs.122,498,305 out of the amount payable by the Department of Education Publications had been charged as late charges.	School text book printing income is a major source of income for the corporation. Therefore, the necessary raw materials should be stocked. And the printing order should be fulfilled and delivered on time.	No specific action has been taken.	Late fees are charged like this even now.
(4)	The 1,125,000 tickets in the Mahajana Sampatha Lottery No. 3665, which was to be drawn in 2018, had to be removed because the year was marked as “2008” instead of “2018”. Sum of Rs.	Recover the loss from those responsible. Make necessary arrangements so as not to cause such	Currently, a lottery checking system has been established in the machinery division and the packaging	The loss had not been recovered from those responsible. Currently, a lottery checking system has been

	354,477 incurred to print the lottery No. 3665 had become an uneconomic expense.	errors in future.	division.	established in the machinery division and the packaging division.
(5)	The State Printing Corporation, operating in a competitive market, had not conducted any market survey in the year under review or in the previous years to understand its market share in relation to the production of exercise books, publication of publications and other commercial printing.	When working in a competitive market, it is appropriate to conduct a market survey and understand its market share.	No specific action has been taken.	A survey to find out the market share for its products had not been done even up to now.
(6)	In 2019, a total of Rs.1,248,179,339 income had received from the Department of Education Publications and the National Lottery Board for Rs.979,237,857 and Rs.268,941,482 respectively for printing school textbooks and lottery. As it was 78 percent of the total income of Rs.1,593,815,189 that year, the corporation had not diversified its sources of income and had worked based	Provisions have been provided in the State Printing Corporation Act for diversification of sources of income, so it should be done accordingly.	No specific action has been taken to diversify business activities.	This situation remains the same even now.

	on only two sources of income.			
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15. Development Lotteries Board

Description	2018	2019	2020
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01. Audit Opinion	Qualified Opinion	Qualified Opinion	Qualified Opinion

02. Major Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01	Although requests had been made by a number of audit queries and information request letters from the year 2016 to submit the board papers and the decisions of the Board of Directors pertaining to the year under review immediately after their proper completion to the Audit, the Management had failed to submit relevant information to the Audit expeditiously after their proper completion. Similarly, it had been	Board papers and decisions should be properly completed and furnish to the Audit without delay.	The Board Papers and the decisions of the Board of Directors will be furnished after passing them at the next Board of Directors meeting and action has been taken to furnish Board Papers and decisions relating to the marketing, only after their implementation.	Even now, board papers and decisions are submitted for audit with delays.

	<p>agreed even at the Audit Committees conducted during the above period that this situation would be corrected. Nevertheless, a procedure relating to the submission of those reports had been adopted after a delay of 02 months to 04 months of completion of the transactions. Therefore, it cannot be ruled out in audit the doubt that the Board had been deprived of the opportunity to minimize certain losses and risks pointed out in this report.</p>			
02.	<p>While one vehicle had been involved in accidents on 3 occasions, the Board had repaired the above vehicle by spending Rs.129,200 without being taken steps properly against the persons who should be responsible for the said accidents as per the section 103 and 103(1) of the Financial</p>	<p>Action should be taken in accordance with the Financial Regulations.</p>	<p>Action has been taken to recover the damages from the parties who should be directly responsible for the accidents and action will be taken to initiate disciplinary action.</p>	<p>As of 28 February 2022, Action had not been taken in accordance with the Financial Regulations.</p>

	Regulations.			
03	As per the Financial Regulation 757(2), although a Board of Survey had been conducted, a report of the Board of Survey had not been furnished to the Auditor General.	A formal Board of Survey Report should be presented and action should be taken in terms of the Financial Regulations. Assets should be properly managed.	The Board of Survey Report on fixed assets has been handed over to the Government Audit Branch on 30 May 2019.	The annual Board of Survey reports for the year 2020 had been submitted to the audit on 14 July 2021 after a delay. The Board of Survey reports for the year 2021 had not been submitted to the audit by 28 February 2022.
04	As per the Paragraph 02 of the Circular No. PED/57 dated 11 February 2011 of the Ministry of Finance, annual Promotional Program had not been prepared in accordance with the Annual Action Plan and approval had not been obtained from the Public Enterprises Department.	Approval should be obtained in terms of provisions in circulars.	Annual Programs have been referred to the Public Enterprises Department for approval from the year 2019.	The annual Promotional Program related to the year 2022 had not been prepared according to the annual action plan and approval of the Public Enterprises Department had not been obtained.
05	As per the Paragraph 2 (i) of the Public Administration Circular No. 03/2018 of 20 February 2018 and the Decision of the Board of	Action should be taken in accordance with the circular provisions.	Although Cabinet approval was sought, it has not been received as yet. A service extension has not been granted	By 28 February 2022, the approval of the Cabinet of Ministers had not been received and the amount paid without approval had not been recovered.

	<p>Directors bearing No. 2017/10/1184 of 09 October 2017, a Pensioner over 60 years had been employed as a consultant on contract basis with effect from 09 October 2017 up to 14 April 2019 without obtaining the approval of the Cabinet and he had been paid an amount of Rs. 2,151,054 for the period from 09 October 2017 up to 31 March 2019 including a monthly allowance of Rs. 100,000 and medical assistance and transport allowances.</p>		<p>and his service has been terminated at present.</p>	
06	<p>Contrary to the Paragraph (ii) of the Management Services Circular No. 03/2018 of 18 July 2018, a seventy-year-old Officer had been recruited to the Post of Project Coordinating Officer of the Board with effect from 01 February 2019 on the basis of paying a monthly</p>	<p>Action should be taken in accordance with the circular provisions.</p>	<p>Since the Department of Management services has approved this post, the relevant recruitment has been made.</p>	<p>The amount paid without complying with the circular provisions and without approval had not been recovered even up to 28 February 2022.</p>

	allowance of Rs. 50,000 and a fuel allowance of Rs. 35,000.			
07	The computer software service that is being currently used by the Board for the lottery draws had been irregularly obtained from a Private Company. Further, it could not be observed that the Management had paid their due attention to the repercussions that might be created through completely assigning the access for data on the lottery draw to the relevant company. A sum of Rs. 117,410,057 had been paid to that Company from 2009 up to 31 December 2018 including Rs. 11,995,200 paid during the year under review for the maintenance of these computers and software and activities related thereto.	A lottery drawing system and accounting system should be established.	Action will be taken to enter into an agreement for the protection of the Information Technology System of the Development Lottery Board and the confidentiality of the data contained therein. Action has been taken to refer a Board paper to take over that system to the Board in future.	As of 28 February 2022, the board was not in possession of this system.
08	Two (02) motor vehicles worth Rs. 4,035,160 and a	Action should be taken to recover the	Action will be taken to prevent from	As of 28 February 2022, the loss had not been

<p>motor bicycle worth Rs. 219,500 purchased with a view to awarding as prizes for the winners of lotteries were provided for display as per the request made by sales agents and the two motor vehicles and the motor bicycle had met with accident. A loss of Rs.228,855 had caused due to accidents of 02 motor vehicles and the damage of the motor bicycle had not been assessed even by 15 May 2019, the date of audit. The Sales Agents should inform the Board and the insurance company regarding such accidents caused during the period of exhibition and the Sales Agents should hold the responsibility thereon. Nevertheless, the Board had incurred this loss without being recovered the same from the responsible parties or the insurance company by conducting a formal</p>	<p>loss from the responsible parties.</p>	<p>occurring these incidents in future.</p>	<p>recovered from the responsible parties.</p>
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	inquiry in this connection.			
09	It was observed in audit that the project of the construction of 25 Modern Lottery Shops scheduled to be implemented by allocating Rs.25 million through the budget, 2018 had been abandoned.	Budget should be prepared including achievable targets.	The proposed places were not owned by the sales agents and the benefits were not at the expected level.	According to the budget estimate in the year 2021, an expenditure of Rs.1,875,000 was estimated for the construction of Modern Lottery Shops, but by the end of the year under review, Rs.68,140 had been spent. The Modern Lottery Shops had not been completed by 31 December 2021. Accordingly, the budget had not been prepared including the targets that can be achieved even now.
10.	Even though vehicles which have not been registered as exhibition vehicles should be exhibited for the exhibition vehicles as the prizes of the Kotipathi Shanida New year Special Lottery, 15 vehicles obtained on rent had been used for that purpose and sums totaling	Interval control systems should be established relating to the prizes.	Since the supply company lacked stocks of additional vehicles to exhibit, registered Wagon R vehicles were used for that purpose.	From the year 2022, the awarding was done only in cash.

	Rs.645,900 had be paid for the use of those vehicles as exhibition vehicles under various rentals as Rs.1,500, Rs.2,000, Rs.2,200 and Rs.2,500 per day from 20 March to 10 April 2018 without obtaining proper approval. The use of old vehicles for exhibition so as to mislead the prize winners was a transaction of contentious nature.			
11	In the preparation of Procurement Plan according to Guideline 4 of the Government Procurement Guidelines, procurement requirements should be recognized. Nevertheless, 14 procurements, that is, procurements of approximately Rs.166.9 million included in the Procurement Plan of the year 2018 had not been implemented during the year 2018 and procurements extraneous to	Action should be taken in accordance with the Procurement Guidelines.	Approval of the Board of Directors has been obtained for the procurements not included in the Procurement Plan. For the purpose of retaining in the market and as a result of promotional programs of other competitive institutions, above steps have been taken.	In the year 2021 too, plans had been prepared without identifying the needs.

	<p>the Procurement Plan had been implemented. Accordingly, the management of the Board had failed to taking into account the instructions and objectives strategically and to recognize the procurement requirements properly.</p>			
12	<p>According to options I or II of section 5.3.13 (a) of the Procurement Guidelines, the value of bid security should be determined as a percentage of the estimated contract value of Rs. 196,776,045. Accordingly, the amount to be determine was Rs. 1,697,760, whereas Rs. 4,378,000 had been recovered. As such, Rs. 2,680,240 had been excessively recovered from the relevant institutions. The procurement entity appointed by the Ministry of Finance too had not paid attention thereon. The criteria specified in the</p>	<p>Action should be taken in accordance with provisions in the Procurement Guidelines and the members of the Departmental procurement committee should take decisions in terms of provisions in the procurement Guidelines.</p>	<p>Action will be taken in accordance with the Procurement Guideline and the condition of 03 years' experience had to be altered as one year experience owing to the decision taken by the Department Procurement Committee that obtaining contribution of creative institutions with newest ideas was suitable in this regard.</p>	<p>Even up to now, the procurements have not been done by the Cabinet appointed Procurement Committee.</p>

	<p>selection of advertising agencies in the years 2016 /2017 that the relevant agencies should have 3 years' experience in the field had been reduced up to 1 year experience relating to the years 2017/2018 and this procurement which should have been carried out by the Procurement Committee appointed by the Cabinet of Ministers had been carried out by the Departmental Procurement Committee. Accordingly, it was observed that the procurement relating to the selection of advertising agencies had not been properly carried out.</p>			
13	<p>It had been decided to provide 05 Wagon R (Brand New) as prizes for "Kotipathi Shanida" Lottery and quotations should be invited and purchases should be made only from the Agent under</p>	<p>Action should be taken in accordance with the provisions of procurement Guidelines.</p>	<p>The Toyota Lanka Ltd. does not import that brand and AMW stated that stocks were not available. Accordingly, quotations have been</p>	<p>The board has decided to make the lottery prizes in cash only.</p>

	<p>the direct contracting method in terms of Paragraph 3.5 of the Procurement Guidelines. Nevertheless, quotations had been called from Car Sales and purchased 05 reconditioned vehicles amounting to Rs. 17.5 million. Further, an amount of Rs. 18,000 had been paid to the relevant Committee members even though the members of Procurement Committees and Technical Evaluation Committees cannot be paid for purchases made under the direct contracting method as per Paragraph 2.9.1 of the Procurement Guidelines.</p>		<p>called for from the Local importers. Payments have been made to the said members based on the contract value.</p>	
14	<p>Action had been taken to purchase 35,000 umbrellas in three occasions and as per Condition 17 stipulated in the bidding document, goods have to be delivered within the due period from the date of awarding the</p>	<p>Action should be taken in accordance with the provisions of procurement Guidelines.</p>	<p>Agreed. It has been informed that fines will be charged.</p>	<p>The provisions of the Government Procurement Guidelines are not followed.</p>

	<p>contract and it has been further mentioned that a late fee would be charged if goods were not delivered in the due time period. Accordingly, even though a fine of Rs. 418,260 should be charged owing to non-receipt of items on due date, action had not been taken accordingly.</p>			
15	<p>Further, even though the quantity of umbrellas required for the period of 01 October 2018 to 31 December 2018 was 7500, a number of 20,000 umbrellas had been ordered and only 11,900 umbrellas had been received by 31 December 2018. The rest of 8100 umbrellas had not been received to the Board even by 11 April 2019. Further, 6718 umbrellas worth Rs. 2,541,151 were remained at the Stores even by 31 December.</p>	<p>Purchases should be made by making plans in keeping with the requirements.</p>	<p>Sale of lottery tickets relating to one lottery draw had slowly taken place and accordingly, it was not possible to issue all the umbrellas to the market as at 31 December 2018. Since the instant lotteries are conducted through strategically method, this stock will be issued to the market as appropriate to the circumstances.</p>	<p>The rest of the umbrellas were remained at the Stores.</p>

16	<p>Any Division or main Stores or Sub-Stores of the Board had not informed the requirement of a Fork Lift to be used to increase the distribution efficiency as indicated in the Corporate Plan. Further, this purchase had not been approved according to the Procurement Plan, whereas it had been purchased from the Toyota Lanka Ltd. on 02 July 2018, by spending Rs. 4,500,000. Moreover, this purchase had been made deviating from the procurement process and therein, defects such as specifications being different, carrying out technical evaluation without recommendations of the technical consultant and without a Technical Evaluation Committee member appointed by the Ministry of Finance, not recommending values suitable to make purchase, obtaining consultancy</p>	<ul style="list-style-type: none"> - Action should be taken in accordance with the provisions of the Procurement Guidelines. - The members of Technical Evaluation Committee who have been appointed by the Ministry of Finance should be involved in. - After recognizing the requirement from the Divisions, Board papers should be referred and a formal approval should be obtained as decisions of the Board of Directors. 	<ul style="list-style-type: none"> - Since this value had been budgeted and approved through the Corporate Plan, 2018, it is not correct to state that the above machine had not been requested by any Divisions. - Since the Toyota Lanka Ltd is a Local agency, this purchase has been made on the approval of the procurement committee. - Since the officer appointed by the Motor Traffic could not be involved, service of another consultant was obtained. - The Report of the Technical Consultant has been received and 	<p>From the year 2018 to 28 February 2022, the machine had been used for only 35 hours.</p>
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	<p>service by spending Rs. 25,000 without proper approval had taken place. Similarity, it was revealed at the examination carried out by the Audit that there were no adequate space facilities within the Stores and the premises of the Board to use such machine.</p>		<p>the approval of the management had been subsequently granted for the Rs.25,000 requested by the Consultant.</p>	
17	<p>A person who was 64 years of age had been recruited to the post of Sales and Marketing Consultant which was not included in the approved cadre of the Board as at 31 December 2018 and a person older than 70 years of age who was not a staff member had been recruited to the post of Project Coordinator on contract basis by 30 April 2019 for a period of 6 months along with another 4 persons. The approval of the Cabinet of Ministers had not been obtained for the recruitment of above persons who had exceeded</p>	<p>In terms of circulars, recruitments should be made after obtaining relevant approvals.</p>	<p>Although a Cabinet paper was forwarded to the Ministry only for the post of Consultant, approval had not been granted.</p>	<p>The amount paid without approvals had not been recovered by 28 February 2022.</p>

	60 years of age.			
18	Having conducted interviews for the recruitment of drivers in two instances from 14 June 2018 to 19 October 2018, eight drivers had been recruited. It was observed that the interview Board had given marks for educational qualifications and professional qualifications in different manner in the above two instances. The certificate issued by the examination commissioner to verify the educational qualification of 6 drivers so recruited was not given and the board had not verified its correctness.	Specific criteria should be established and it should not be depended on a person.	Since two representatives of the Ministry had participated in two occasions of the interview, the criteria used in giving marks had changed.	Drivers had not been recruited in the year 2021.
19	The Action Plan for the year 2018 had not been prepared in detail so as to include targets expected to be achieved in the year 2018 and the steps to be taken therefor, estimated amounts and costs, relevant	An appropriate methodology should be introduced to timely evaluate the progress of the Action Plan.	This will be implemented in the year 2019.	In the year 2022 also, the plan had not been prepared in detail.

	time frame and the budgetary provisions. Further, an appropriate methodology had not been introduced to timely evaluate the progress of the Action Plan.			
20	The Corporate Plan, Action Plan, Procurement Plan and the annual budget had not been prepared so as to be in consistent with each other.	Those plans should be prepared so as to be in consistent with each other.	Action had been taken to include in the Corporate Plan and the Procurement Plan.	In the year 2022 also, the related plans had not been prepared simultaneously.
21	In order to establish an accounting system in the year 2017 and 2018, provisions of Rs.30 million had been made each year. Nevertheless, the Board had failed to establish an accounting system up to date.	Necessary steps should be taken to establish an accounting system.	A Board paper has been forwarded to establish a consolidated accounting system.	As of 28 February 2022, an accounting system had not been established.
22	Since budgetary provisions had been made without recognizing the needs, 60 per cent of the total provisions made for the purchase of fixed assets had remained	A realistic budget should be prepared.	This will be corrected in the year 2019.	An expenditure of Rs.257 million was estimated for capital expenditure in the year 2021, but only Rs. 8.8 million had been spent by the end of the year. Accordingly, 96.57

	underutilized.			percent of the provision was underutilized.
23	A motor bicycle and 02 motor vehicles worth Rs.4,254,660 that had been used by the Board and repaired after causing damages had been awarded as prizes of the Ada kotipathi, Dasa lakshapathi and Super Balls Lotteries.	The prize awarding system should be streamlined. The parties responsible for the damages should be recognized by way of conducting a formal investigation.	Action will be taken to prevent these incidents in future.	The board has decided to award only cash prizes for lottery tickets.
24	Five decisions taken at the Audit and Management Committee meeting, had not been implemented.	Implementation of 5 decisions taken at the Audit and Management Committee meeting.	It is mentioned in the Audit and Management Committee report.	Even of 28 February 2022, the 5 decisions taken in the Audit and Management Committee meeting had not been implemented.
25	As per the Paragraph 4.1 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, even though the Field Officers are not entitled to get overtime payment, overtime amounting to Rs. 1,122,318 had been paid in the year under review for	Action should be taken in terms of provisions.	Overtime payments are made for holidays for motivation of Field Officers to perform their duties on holidays and as their service on public holidays will be necessary in future, that problem has	By 28 February 2022, the approval of the Ministry of Finance had not been received.

	the Field Officers of the Board.		been referred to the Ministry of Finance on 01.11.2019. However, approval therefor has not been received so far.	
26	As per the provisions of the Establishments Code, staff officers should compulsorily perform duties for 08 hours per day for getting 1/20 allowance for staff officers. Nevertheless, The Board had paid overtime allowance for staff officers served in holidays for the number of hours they had worked in the ratio of one and half hours overtime pay per one hour of work without taking these provisions in to consideration. Further, staff officers had participated in the lottery draws on those days and had also obtained the allowance paid for taking part in the lottery draw.	Action should be taken in accordance with the Establishments Code.	This has been done because it is not economically effective for the Board to retain and pay for 08 hours of service when there is a requirement of 04 hours of service.	Payments have been made on this basis by 28 February 2022.

27	As per the Financial Regulation 371(2) (b) as revised by the Public Finance Circular No.03/2015 of 14 July 2015, sub-Imprest should be granted only for Staff Officers, but Imprest of Rs. 10,727,741 had been granted to non-Staff Officers during the year 2019.	Action should be taken in accordance with the Financial Regulations.	Practical issues may arise in the settlement of moneys by obtaining Sub-Imprests due to failure in connecting with relevant projects practically and directly.	Advances had been given to non-staff officers in the year 2021 as well.
28	The supplier relevant to Artwork and Production for the purpose of design and installation of LED notice boards in the office premises of the Board as a publicity strategy, had been paid a sum of Rs.952,000 based on estimates submitted by a private firm. However, it was observed that the said photography had not taken place as mentioned in the estimate. Moreover, it was observed that those notice boards are not visible to the public, according to the	Payments should be made by ascertaining whether action had been taken according to estimates submitted.	It has been informed that these notice boards have been used for briefing of the board's social responsibility and the brand name of the lottery and that changes have occurred in the instances of photography.	As of 28 February 2022, these notice boards have not helped to inform about the board's social responsibility and the brand name of the lottery.

	places they are installed.			
29	<p>According to the decisions taken by the top-level management of the Development Lotteries Board, credit should be settled on the following day when lottery tickets are sold on credit under the normal method. In case of a difficulty in doing so the issue of lottery tickets to the relevant sales agent is suspended. However, as for a period of 08 – 27 months since 31 December 2019, an outstanding amounting of Rs.2,660,369 was observed with respect to 05 sales agents.</p>	<p>Action should be taken for the proper implementation of decisions taken by the top-level management.</p>	<p>Agreed</p>	<p>In the year 2021 also, cases were observed where the loan amount was not settled on the following day.</p>
30	<p>For the purchase of 250 flagpoles at 10 per district to be used for programs conducted in line with sales promotional activities, the Board had incurred a sum of Rs.1,000,000 in the year 2018. The stock of</p>	<p>The requirement should be properly estimated and the related items should be procured according to the formal procedures.</p>	<p>It has been informed that a place will be allocated to store the flagpoles in safe manner, and they will be used for promotional</p>	<p>Even on 28 February 2022, the flagpoles had been stored in an unsafe manner.</p>

	flagpoles thus purchased was stored in the board in a very unsafe manner and since the date of purchase, they had not been used for any sales promotion program.		activities.	
31	Payment of an additional prize of Rs. 320,000 by the Board due to printing an erroneous prize pattern on the lottery tickets applicable to the 271 draws of the Kotipathi Shanida lottery drew on 25 March 2018, failure to recover the amount of Rs.320,000 due from the relevant printing company as per the agreement and failure to recover the amount of Rs.500,000 due for printing incorrect data.	In terms of the agreement, action should be taken to recover the due amount from the printing company.	It has been informed that the above misprints are minor errors.	The amount had not been recovered from the printing company by 28 February 2022.
32	A sum of Rs. 672,860 had been allocated for the 20 mobile phones that were to be given away as prizes in the Super Ball Special Lottery and this purchase had been made contrary to	Action should be taken in accordance with the provisions of the National Procurement Guidelines.	This purchase has been made by calling for competitive bids and according to the approval of the	The board has decided to award only cash prizes for lottery winnings by 28 February 2022.

	the procurement process.		Chairman.	
33	According to Section (b) of Paragraph 8.9.1 of the Procurement Guidelines, although a formal agreement should be reached to purchase goods in excess of Rs.500,000, no agreement had been reached in the purchase of motorcycles worth Rs.1,669,500 for the Ada Kotipathi special lottery draw.	Action should be taken in accordance with the provisions of the National Procurement Guidelines.	Relevant matters have been resolved without any problem and there is no dispute regarding it.	As above
34	Due to factors such as making repurchases regardless of the availability of sufficient stocks in the warehouse, not conducting instant lotteries according to a proper sales plan and not printing and distributing instant lotteries to the market for the promotional items purchased, 17,452 T-shirts worth Rs 9,075,040 purchased for lottery sales	In the purchase of sales promotion items, relevant purchase should be made according to a proper plan by taking into account the available stock level.	It has been informed that the printing orders are given to the printers subject to 50 per cent prize percentage limit and this situation has arisen due to the fact that tickets are ordered and brought due to market fluctuations. It has been further informed that all	As of 28 February 2022, some of the promotional items had been still retained in the store.

	promotions remained idle.		these stocks have been issued together with the instant lottery tickets.	
35	The computer software service currently being used by the Board for lottery draws had been obtained from a private company. Although there is an established Computer Division in the Board with a total of 08 officials receiving salaries and allowances of Rs.9 million, including 4 executive officers drawing a total salary and allowance of Rs.6.5 million per annum, this computer related work had not been carried out by them. During the period from the year 2009 to 31 December 2019, a sum of Rs.130,607,657 had been paid for the services obtained from this private company.	Action should be taken to install a comuterized system for lottery draws.	The procurement process is in progress.	Even up to 28 February 2022, these activities are not carried out by the officers of the Computer Division of the Board.
36	It was observed that action had not been taken for a	The outstanding amount should be	A committee was appointed by the	By 28 February 2022, the relevant amount had not

	<p>period of 15 years by the Board to recover the total sum of Rs.5,700,000 comprising the Rs.723,780 paid as a deposit and Rs.4,976,220 which is a part of the rental paid for those years, since the Board had unilaterally breached the agreement entered into for getting the building located at No. 234 on Vauxhall Street on rental basis since October 2006.</p>	<p>recovered.</p>	<p>Secretary to the Ministry of Finance to make recommendations regarding the recovery of Rs. 5,700,000 recoverable to the Board for getting the building located at No. 234 on Vauxhall Street on rental basis or regarding the writing off of the said amount. The said Committee had met 04 times and held lengthy discussions thereon and submitted the final report thereon to the Secretary to the Ministry of Finance by now. Therefore, action will be taken in accordance with instructions given by the Secretary to the Ministry of Finance</p>	<p>been recovered.</p>
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			in future.	
37	The judgment of the case filed before 23 years requesting for the recovery of a deposit of building rental amounting to Rs. 2,520,000 in terms of the lease agreement entered into in the year 1990 with a person at Ward Place, had been received on 11 January 2016. According to the said judgment, the aforesaid amount should be recovered. However, action has not been taken to recover the relevant amount despite having lapsed a period of nearly 05 years after receiving the judgment.	Action should be taken to recover the relevant amount.	Legal action has already been taken for the recovery of Rs.2,520,000 recoverable to the Board in terms of the Lease Agreement entered into in the year 1990 with a person at Ward Place. The District Court where the case was filed has informed that the progress of legal proceedings will be notified to us in future and therefore, further action will be taken as per the judgement given by the Court.	By 28 February 2022, the relevant amount had not been recovered.
38.	A total sum of Rs. 3,626,727 comprising Rs. 2,877,144 at 03 times in the year 2013 and Rs. 749,583 in the year 2014 had been paid as advances for consultancy	Action should be taken to recover the amount from the relevant institution.	An advance of Rs. 3,626,727 had been paid to the Archtype Institute in the year 2014 for preparing plans and architectural	By 28 February 2022 , the relevant amount had not been recovered.

	<p>fees to the Archtype Institute. It was observed that action had not been taken to recover the said amount retained with an external party for a period of 7-8 years.</p>		<p>activities required for modernization of buildings. However, it has been subsequently decided to discontinue the said modernization activities. The Commission to Investigate Allegations of Bribery or Corruption has obtained originals from our files to conduct an investigation in that connection and further action will be taken according to measures taken by the Commission to Investigate Allegations of Bribery or Corruption at the end of said investigation.</p>	
39	Even though a sum of	Action should be	According to the	By 28 February 2022, the

	<p>Rs.8,296,082 had been indicated in the statement of financial position as debtor distributors, no amount whatsoever of that balance had been recovered during the year under review. The said balance had included loan balances of Rs. 6,555,851 of one year old, Rs.1,469,695 of 2 years old and Rs.270,536 older than 2 years.</p>	<p>taken to recover the receivable loan balances.</p>	<p>audit query, the balance of Rs.6,555,851 indicated as sales distributors loan balances of one year old, is not a balance of one year old but the balance made due to purchase of lottery tickets during year of operations.</p> <p>Out of these arrears covered by bank guarantees, all other loan balances except for the balance of Rs.1,342,756,48 of the sales distributor, R.J.L. Gunasena have been recovered by the Board by now and further, action has been taken by the Board to recover the said balance of the sales distributor by cancelling bank guarantee.</p> <p>Moreover, legal</p>	<p>loan balance of Rs.1,342,756.48 had not been recovered.</p>
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			<p>action as well have been taken thereon.</p> <p>Moreover, loans indicated in the audit query as loan balances of 2 years old are the loan balances brought forward from the year prior to the year of preparation of financial statements while those loan balances too are covered by bank guarantees. Out of these arrears in loan amounts, all other loan balances except for the loan balance of the Sales distributor, Gunaseana Rankothge, have been already recovered by the Board. Further, the Board has taken action to recover the said arrears in</p>	
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			<p>balance by cancelling the bank guarantee of the sales agent and necessary legal action as well have been taken thereon.</p> <p>Moreover, the loan balance of Rs.270,536 older than 02 years are the loan balances belonging to three sales distributors and out of that, legal action is being taken to recover the loan balance of Rs.263,607.05 of the sales distributor, A.H. Weerakoon.</p> <p>Moreover, the sales agent, P.D.J. Perera has been informed in writing to settle the sum of Rs.825 with immediate effect, recoverable from him to Board, while action is being taken</p>	
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			to write off the sum of Rs.6,104.15 from accounts, recoverable from the sales agent, Mr. J.W. Chandana Jayalal. In case of non-receipt of moneys recoverable, mentioned therein, further action will be taken to write off them as bad debts by referring to the Board of Directors.	
40	An advance of Rs.202,800 had been paid to an institution and three persons in the year 2014 for accommodations for the Deyata Kirula Programme-2015 and it was observed that the said sum had been shown in accounts as a payment of advance without settling for 7 years.	Action should be taken to settle advances.	An advance of Rs.202,800 had been paid to an institution and three persons in the year 2015 for supplying accommodations for the Deyata Kirula Programme. Even though they had been informed in writing on several occasions for the recovery of the amount so paid,	By 28 February 2022, the advances had not been settled.

			those moneys have not been paid so far. Moreover, action is being taken to recover the said amount and in case of failure to recover, necessary action will be taken by referring that matter to the Board of Directors.	
41	As per the Section 17(5) of the Development Lotteries Board Act, the proceeds of prizes which has not been awarded to the person entitled thereto and expired the period of 06 months, shall in the first instance be credited to the Fund and subsequently to the President's Fund. However, it was observed that action had not been taken to credit the proceeds of 162 goods relating to 11 items of prizes costing Rs.1,428,172 which had expired the period of 06 months as at 12 February	Action should be taken in terms of the Section 17(5) of the Act.	Additional prizes for any promotional activity are purchased by using the Prize Reserve Account and in case prizes are not claimed by any person even after the expiration of a period of 06 months, the Attorney General' Department has informed that such prizes will be suitable for further promotional activities. As such, action has been	By 28 February 2022, action had not been taken in terms of the provisions of the Act.

	2020, to the President's Fund.		taken to use such items for further promotional activities without being sold.	
42	As per the Section 10.1 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, in the case of an officer who has extensive travelling to perform in the ordinary course of his duties, the Head of an institution has authority to approve the commuted allowance. However, instead of that, the Board had paid a sum of Rs.2,835,356 as fuel and other allowances to 9 zonal managers for a period of 07 months.	Action should be taken to make payments according to the Establishments Code.	Zonal Managers are paid an allowance of Rs.40 per 1km for fuel and the vehicle with the approval of the Board of Directors, for using their own vehicles while travelling to field duties. Moreover, the Ministry of Finance has approved a subsistence allowance for accommodation at night while reporting to field duties and the aggregation of the said allowance and the allowance paid at a rate of Rs.40 per 1km, is the total value mentioned by the	As the board has not prepared and approved a procedure related to the payment of travel expenses, until such is done, payments should be made according to the provisions of the Establishments Code.

			Auditor.	
43	As per the Section 8 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, even though only a sum of Rs.12 per 1 km can be paid for the vehicle used by officers in public institutions, who are on field duties, the Board had paid at a rate of Rs. 40 per 1 km for sales managers.	Action should be taken in accordance with the Establishments Code.	Zonal Managers are paid a sum of Rs.40 per 1 km for using their own vehicles on field duties and maintenance of vehicles and all other expenses should be incurred by Zonal Managers and as such, the said rate has been paid with the approval of the Board of Directors. In case of hired vehicles, a sum of Rs.40 had to be paid per 1 km for a vehicle obtained on hire basis at the current market and as such, the said rate had been paid to Zonal Managers for using their own vehicles.	As above
44	As per the Section (2) of Public Enterprises Circular No.02/2018 of 14	Action should be taken in terms of Public Enterprises	This account has been opened with a view to facilitating	By 28 February 2022, the money had been deposited in a private

	November 2018, outside State banks, moneys owned by the Board as at 31 December 2020 amounting to Rs.5,486,920 had been deposited in a private bank account and thereby invested in Treasury Bills.	Circular.	the daily deposits of District Sales Agents. It will be decided whether this account will be further operated by observing number of deposits made in future.	bank account and thereby invested in treasury bills.
45	As per the Provisions of the Finance Act, No.38 of 1971 and Section 03 of Public Enterprises Circular No.02/2018 of 14 November 2018, the approval granted by the Minister to invest the balance of Rs. 206,987,668 as at 31 December 2020 in bank savings account and to invest Rs. 62,184,487 in a seven-day call deposit account, had not been made available to Audit.	Investments should be made by obtaining proper approval.	The current procedure is forwarding to the Board of Directors and obtaining the approval therefor. The necessary approval therefor has already been obtained and action will be taken to forward to the Ministry of Finance and to obtain the approval thereof as pointed out by the audit query.	By 28 February 2022, formal approval had not been obtained.
46	As per the Section 5.2 III of Budget Circular No.142 of 31 December 2008 of the Ministry of Finance	Action should be taken in terms of the Circular.	Distress loans have been granted for motivation of officers from the	By 28 February 2022, distress loans had been granted in excess of the

	and Planning, it was observed that a sum of Rs. 10,011,540 had been paid to 144 officers by the Board as distress loans exceeding Rs. 250,000.		inception of the Development Lotteries Board up to now under this procedure.	circular provisions.
47	As per the Letter No. MF/06/20/Common/2017 of 03 October 2017 of the Chief Accountant of the Ministry of Finance and Mass Media, even though it had been informed that in case of purchases made deviating from the Procurement Plan, prior approval of the Secretary to the Ministry should be obtained therefor and it should be justified properly, procurements valued at Rs.15.4 million had been carried out deviating from the Procurement Plan of the year 2020 of the Board without obtaining prior approval accordingly.	Procurement activities should be carried out by obtaining the prior approval of the Treasury.	A Board Paper has been forwarded in December 2020 for revising the Procurement Plan pertaining to the said purchases not included in the Procurement Plan and it has been approved by the Board of Directors on 27.01.2021.	By 28 February 2022, the approval of the Ministry Secretary had not been obtained.
48	The Procurement	Action should be	Necessary legal	By 28 February 2022, the

	<p>Committee had granted approval on 18 April 2008 to purchase a Double Cab valued at Rs.8,095,000 from a private institution and the said vehicle had not been received to the institution. Subsequently, the Board had rejected the request for payment made by the said institution. As such, a lawsuit had been instituted against the Board in the year 2009. The judgement had been passed in favour of the private institution. The Board had incurred an expenditure of Rs.16,842,554 therefor.</p>	<p>taken to recover the relevant amount in case of failure in obtaining the vehicle.</p>	<p>action is being taken presently to recover the total value of the Cab amounting to Rs.16,842,554 from the parties who had taken away the said vehicle.</p>	<p>cost of the cab, which was Rs. 16,842,554, had not been recovered from the concerned party.</p>
49	<p>Promotional items had been purchased without proper planning. As such, promotional items valued at Rs.3,623,367 including umbrellas (male), T-shirts, solar lamps, caps, porcelain sets and water filters had been kept in the stores. It was not observed</p>	<p>Action should be taken to distribute promotional items in the year of purchase itself as planned.</p>	<p>A large quantity of the said stocks was ordered prior to the prevailing Corona pandemic and as the promotion programs, meetings of sales agents etc. were cancelled, the said items had remained</p>	<p>As of 28 February 2022, this stock still remained in the stores.</p>

	whether an adequate internal control system is maintained on the level of re-order of promotional stocks of the Board.		in the stores.	
50	The Board had decided at the meeting held on 24 October 2019 for discussions on the arrangement of prizes in tickets, to use prizes remaining in stores, lapsed for a period of 06 months which had been unclaimed for winnings, at upcoming draws. Accordingly, the Deputy General Manager (Sales) had been instructed to make necessary arrangements for providing 02 motor bicycles valued at Rs.529,850 purchased in the year 2018 and provide them as prizes at the Lagna Wasana special draw in February 2020 and as a prize for the instant lottery introduced to the market in December 2019 . However, it was observed at the	Action should be taken to include as prizes for future instant lotteries.	The said two motor bicycles had been included in the upcoming instant lotteries. However, the sale of instant lotteries was at a very low level during the recent past due to the prevailing Covid pandemic in the country. Those lotteries are to be issued to the market in future.	By 28 February 2022, it has not been used as prizes.

	physical examination that the said 02 motor bicycles had remained in the stores even by 12 February 2021 , the date of audit.			
51	It was observed that 123 gift vouchers valued at Rs.592,500 had been retained by the Board during a period of 12 years without being made use of. Seven vouchers valued at Rs.7,500 out of those, had expired as at 31 August 2019 . Moreover, there were 117 vouchers of Rs.5000 valued at Rs.585,000 on which the date of expiry was not mentioned. Moreover, as they were vouchers purchased in the year 2009 , a period of 12 years had lapsed after purchase. As such, the ability of making use of these vouchers in awarding of prizes in future was uncertain in audit.	The said amount should be obtained by the Board.	Discussions with Sathosa for updating the vouchers to the value mentioned herein were led by the Secretary to the Ministry of Trade. As relevant information was not available with Sathosa, all relevant information thereto was provided by the Development Lotteries Board. Accordingly, the Ministry of Trade had informed Sathosa in writing to take action to repay the said amount to the Development Lotteries Board. It is to be received to the Board in future.	Even by 28 February 2022, the amount had not been received to the board.

52	<p>A sum totalling Rs.1,583,594 comprising Rs.1,336,676 and Rs.246,918 had been spent respectively in the year 2018 for the lunch room and store room included in the Work-in-Progress Account. No expenditure whatsoever had been spent therefore in the years 2019 and 2020 and it was also observed that action had not been taken to account the cost of assets and to depreciate them if works are completed.</p>	<p>Action should be taken to complete the activity and to identify as an asset.</p>	<p>A sum of Rs.1,583,594 had been spent for preparation of plans for constructing the lunch room and the store room. However, the said activities had not been completed up to now. As such, the said amount has been included in the Work-In-Progress Account. After completing those purposes, action will be taken to depreciate by identifying as an asset.</p>	<p>Even by 28 February 2022, the said activities had not been completed.</p>
53	<p>The guarantee period of 08 mobile telephones and 04 tabs valued at Rs.548,224 among items of prize had lapsed two years after purchase. Moreover, it was observed at the physical examination that 02</p>	<p>Disposal should be carried out with approval.</p>	<p>Necessary action is being taken to dispose of these items under a proper disposal process.</p>	<p>Even by 28 February 2022, the disposal activities had not been completed.</p>

	<p>mountain bicycles and a wooden television stand valued at Rs.32,510 was in an unusable condition. Even though 03 telephones, 04 tabs and 02 Mountain bicycles had been identified for sale by the Board of Survey of the year 2019, it was observed that the recommendation thereon had not been implemented even by 12 February 2021, the date of audit.</p>			
54	<p>The percentage of total remaining tickets of the Board stood at 0.2, 24.01, 10.41, 7.57 and 14.1 for the years 2016, 2017, 2018, 2019 and 2020 respectively. According to these percentages, it is clear that the percentage of tickets remaining without being sold had largely increased during the past period. The expenditure on printing tickets remained during</p>	<p>Action should be taken to maintain return of tickets at a minimum level.</p>	<p>As compared with the years 2017, 2018 and 2019, a very low percentage of returns was reported in the first quarter of the year 2020 and it had been reported as 7 per cent and 4 per cent in the months of January and February respectively. Nevertheless, subsequently a high</p>	<p>Even by February 2022, the percentage of ticket returns was high.</p>

	the first 7 months of the year 2020, had been Rs.18.1 million.		percentage of returns was reported due to the Covid pandemic and as such, a high percentage of returns had been indicated in the said year.	
55.	An expenditure of Rs.41,122,828 had been incurred in the year under review on printing of 5,938,989 tickets remained in the stores and 83,323,876 tickets remained without being sold.	Orders should be placed according to a plan.	A large stock had remained due to lock down of the country and obstacles to sale as a result of the unexpected Covid pandemic prevailed in the country from March 2020. Accordingly, action has been taken this year to place orders in a well-planned manner in facing the said situation successfully.	Stocks remained in stores.
56.	The performance appraisal of the staff should be carried out annually as per Section 9.6 of Public Enterprises Circular No.PED/12 of 02 June 2003 and in Public	Action should be taken in terms of circulars.	It has been decided to formulate a proper system for performance appraisal of the staff and accordingly, KPI (Key	Even by 28 February 2022, it had not been yet started.

	Administration Circular Nos.7/98, 8/98 (I) and 8/98 (II). However, the Board had not taken action accordingly.		Performance Indicators) are being determined by now. As such, it has been planned to implement same from the year 2022.	
57.	The Development Lotteries Board had not prepared a set of Procedural Rules for administrative and operational affairs since its inception and a qualified person had been appointed in the year 2016 for that purpose. The relevant party had studied the existing rules and regulations and prepared the relevant Procedural Rules and handed over to the Development Lotteries Board on 14 October 2019 . It had been agreed to pay Rs. 4,500,000 to the relevant party for this purpose and Rs. 1,700,000 of that amount had already been paid. Although he had	Action should be taken by the Board to achieve expected objectives.	A qualified person has been appointed for preparation of a set of Procedural Rules for the Development Lotteries Board. Accordingly, he has drafted certain sections and submitted to the Board in terms of the agreement. After submission of those sections drafted by him to the Board of Directors, the opinion of the Board of Directors was that a major percentage of sections prepared by him comprised	Even by 28 February 2022, a set of Procedural Rules for the Development Lottery Board had not been prepared and approved.

<p>submitted the relevant Procedural Rules to the Board in two sections, the payment of the balance had been suspended citing the reasons that the relevant Procedural Rules had been prepared in non-compliance with the existing procedures of the Board. The Board had informed the party involved in drafting the Procedural Rules to suspend the preparation of rules for "lottery and lottery draws, internal control and auditing" contained in the agreement signed for this purpose. Accordingly, the relevant work had not been completed as yet and it was observed that the money spent thereon was an uneconomic transaction. It was also observed in audit that there was a legal risk regarding breach of terms of the agreement signed for this purpose and the</p>		<p>the Establishments Code and the Financial Regulations. As such, instructions were given to draft again in keeping with the requirements of a business institution and to submit to the Board of Directors. Therefore, the relevant resource person has discussed with the Board in this connection on several occasions and it is being drafted again at present. Future action will be taken on instructions given after referring the sections drafted again, to the Board of Directors.</p>	
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	balance payable.			
58	In instances where problems arise due to errors such as existence of tickets not delivered by the Board to the distribution sales agents by the time of draws relating to lotteries drawn daily and failure in issuing lotteries with correct bar codes according to relevant invoices by the sub stores, there were instances in which the said tickets had been entered into the computer system, considering as sales of the relevant agent. The approval of the Assistant General Manager (Finance) had been granted therefor. Moreover, the Assistant General Manager, himself (Finance) had carried out activities such as withholding prizes relating to bar codes of the said tickets, release thereof afterwards and repayment of monies to agents after	Distribution of tickets should be systematized and receipt of tickets to Sales Agents should be confirmed.	The railway and buses are used in the transport of lottery stocks to Distribution Agents. In certain instances, those lottery stocks get misplaced in trains or buses. In such instances, those lottery stocks are recorded as transactions in the names of relevant Distribution Sales Agents, considering as sold by them. The relevant monies are credited again to the accounts of Distribution Sales Agents after written confirmation on receipt of respective stocks by them. However, after having been pointed out by the Audit Unit on the above	Defects occur during delivery by a courier service.

	obtaining a written request from the relevant agent after the draw without formal approval. Moreover, 13 such instances were observed during the year 2020 and the sales value thereof amounted to Rs. 307,861 .		process, the said stocks of tickets is not brought to account as sales after confirmation from Distribution Sales Agents that the said stock of tickets had been misplaced on the day following transportation to the Distribution Sales Agents. Therefore, such a problem would not arise hereafter.	
59	The number of additional tickets ordered during the year was 31,779,000 while the number of tickets remained in stores without being issued was 1,255,570. It represented 4 per cent and in the “Ada Kotipathi” ticket, it had taken a high percentage as 6 per cent. It was observed in audit that additional orders for tickets are not placed, under proper	Confirmations should be obtained on sales when placing orders for additional tickets.	The reason for the remainder of 1,255,570 tickets as pointed out by the Auditor, was due to stocks remaining in stores as Sales Agents of areas isolated as a result of the COVID outbreak in the year 2020, could not take the tickets away.	Even by 28 February 2022, the additional ordered stocks remained in the stores.

	management.			
60	<p>The Management Assistant of the main stores had reported to the top-level management by Letter No.DLB/FIN/MStores/4-4 of 29 January 2020 that 281,000 tickets had been received to the stores relating to several draws in December 2019 and January 2020 without placing an order. Accordingly, it was observed in audit that steps such as placing orders for tickets, taking over tickets ordered to the stores and obtaining tickets through additional orders, are not taken according to a proper system. Further, 4 per cent or 1,255,570 tickets of the number of tickets ordered during the first 7 months of the year 2020, had remained due to the said reason.</p>	<p>Necessary action should be taken by making the printers aware on sending tickets without placing orders.</p>	<p>The printer of tickets had supplied an additional number of tickets exceeding the order placed by the Board. However, Goods Received Notes (GRN) had not been issued and payments as well had not been made therefor.</p>	<p>Even by 28 February 2022, unordered stocks had been received to the stores.</p>
61	<p>According to recommendations made by</p>	<p>Action should be taken in terms of the</p>	<p>Awarding of bids had not taken place</p>	<p>The board had decided to give only cash prizes by</p>

	<p>the Procurement Committee on 30 January 2020, orders for goods had been issued to the successful bidder on that day itself for supply of scooters for the Super Ball special draw. However, in terms of Guideline 8.7.1 (b) of the Procurement Guidelines, the Letter of Acceptance which should be issued within the validity period of the bid, no sooner the final determination of contract award is completed, had not been issued to the relevant supplier. Action had not been taken to submit performance bonds and enter into contract agreements in terms of Guidelines 5.4.10 and 8.9.1 of the Procurement Guidelines respectively.</p>	<p>Procurement Guidelines.</p>	<p>at once as in a normal purchase and these motor bicycles had been purchased by submitting orders for goods from time to time according to winners being present. Action has been taken thereon so as to minimize difficulties by purchasing motor bicycles at once and keeping them in stores.</p>	<p>February 28, 2022.</p>
62	<p>Seven motor bicycles costing Rs.1,352,610.58 used by Sales Promotion Officers had been parked</p>	<p>Action should be taken to dispose if not in usable condition.</p>	<p>Seven motor bicycles used by Sales Promotion Officers are parked</p>	<p>Even by 28 February 2022, the disposal had not been done.</p>

	in the car park of the office premises over a period of 02 years and 11 months without being made use of.		in the car park of the Head Office. Arrangements have been made to dispose of them as a large cost is incurred for repairing the said motor bicycles. Accordingly, action will be taken to dispose of them through a proper disposal procedure.	
63.	Printing of lotteries which is one of the main functions of the Board, had not been carried out according to a proper procurement plan from the year 2017 and the procurement process had been commenced after reaching the end of the current period of agreement. Normally, the procurement process is carried out for about 06 months and as such, the current period of agreement as well had been	Lottery procurements should be carried out according to Procurement Guidelines.	Procurement activities of printing tickets relevant to the year 2020/21 had been planned to be commenced on 15 March 2020 and those activities had been commenced from 01 June 2020. The country was locked down from 16 March to 11 May 2020 due to the COVID outbreak in the country and office duties were	From 01 August 2017 to 28 February 2022, only two printing institutions had been selected and the printing works had been done.

	<p>extended for a period between 06 and 08 months. Only two printing institutions had been selected therefor from 01 August 2017 up to now.</p>		<p>recommenced on 11 May 2020. The said procurement activities have been commenced on 01 June 2020 and it is informed that those activities have been commenced on the earliest day possible.</p>	
64	<p>In terms of Guideline 2.14 of the Procurement Guidelines, when the total value of the procurement exceeds Rs.250 million, the procurement process should be carried out by the Ministerial Procurement Committee or the Procurement Committee appointed by the Cabinet. However, it was not observed whether any attention had been paid thereon by the Board. Even though the estimated expenditure on printing for the year 2020/2021 was Rs.422 million, it had been reported that the said</p>	<p>Lottery procurements should be carried out according to Procurement Guidelines.</p>	<p>In printing 07 types of lottery tickets for draws by the Board, the selection of a supplier for printing and supplying one type of lottery ticket had been considered as a single procurement and bids had been invited therefor. Moreover, bids relating to each type of lottery are evaluated separately. In case of selecting one supplier for supplying all lotteries in the</p>	<p>As above</p>

<p>procurement can be carried out within the approved financial limit of the Departmental Procurement Committee indicating as 7 procurements relating to 7 types of lotteries. Accordingly, the Assistant General Manager (Procurements) had recommended on 29 May 2020 that this activity should be carried out by the Departmental Procurement Committee and the Technical Evaluation Committee and the approval therefor had been obtained from the Chairman and General Manager. As such, it was observed that these activities had been carried out contrary to the Procurement Guidelines.</p>		<p>invitation of bids considering as a single procurement relating to supply of all types of lotteries, the Board will have to face a printing risk as a result. The risky situation which could arise due to incidents affecting the supply of tickets due to mechanical defects of the supplier or any other situation extraneous to the supplier's party, had been given priority. As such, the printing risk of the Board is minimized by selecting several suppliers and as such, bids had been invited separately for 7 types of tickets so as to supply one type of ticket by each supplier. The said printing</p>	
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			<p>activities had been carried out in the same manner by the Ministerial Procurement Committee commencing from many years up to the final year.</p> <p>This year as well the said procurement activities have been commenced within the limit of authority of procurement committees in the same manner. Specifically, the Ministerial Procurement Committee had taken action as in previous years and according to the said practice, action was taken in the same manner.</p> <p>Moreover, it is informed that according to the</p>	
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			<p>requirement of tickets remained finally, as the estimated cost exceeds the limits of the Ministerial Procurement Committee, the said procurement activities are already initiated through the Standing Cabinet Appointed Procurement Committee.</p>	
65	<p>Despite having defined domestic ownership as having more than 51 per cent of the shares, contrary to Guidelines 7.9.5, 7.9.6 of the Procurement Guidelines and Public Finance Circulars 2013/01 and 2017/04, the condition that the suppliers should have 100 per cent domestic ownership had been included in the bidding documents of the year 2020. The General</p>	<p>Lottery procurements should be carried out according to Procurement Guidelines.</p>	<p>The said Cabinet Decision has been made relevant from the year 2017. In procurements carried out in the years 2016 and 2017, certain foreign companies submitting bids as joint ventures, involvement in printing of tickets and later operating as a nominal partnership while the</p>	<p>As above</p>

<p>Manager had mentioned that the inclusion of the said condition had been based on the Cabinet Decision No.08/2356/306/145/TBR of 2008. However, the reasons for non-inclusion of this condition when preparing procurement documents from the year 2009 to the year 2017, had not been given.</p>		<p>foreign company handled all printing activities and attempting to gain unfair cost benefits by importing raw material on BOI facilities were observed as reasons therefor. In the said situation, the joint venture is operated nominally.</p> <p>Considering the outflow of money from the country in carrying out the entire process by the foreign supplier, the Ministerial Procurement Committee had decided to include appropriate conditions therefor.</p> <p>Accordingly, the condition that the suppliers should have 100 per cent domestic ownership,</p>	
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			had been documented in bidding documents on legal advice. Thereafter the said bid conditions remained unchanged.	
66	The Board had taken action to issue lotteries through Sweep App by incurring an expenditure of Rs.3,275,246. However, Oracle International had not agreed to provide printed lottery tickets through the said facility. Moreover, despite the unavailability of additional printing machinery and continuous printing of lottery tickets with printing errors, acceptance of the said institution as a qualified institution was questionable in audit.	As there are weaknesses in the printer, best printers should be selected by calling competitive biddings.	However, as Oracle International is already a supplier of tickets of the Board and as Oracle International does not have supplying weaknesses so as not to mention as a successful supplier, the Technical Evaluation Committee has identified Oracle International as successful bidder.	Although arrangements had been made to issue lottery tickets through Sweep App, Oracle International did not agree to provide the printed lottery tickets through that facility.
67.	The approved cadre and the actual cadre of the Board as at 31 December 2020 was 342 and 316	Action should be taken to fill vacancies according to requirement of	There was total of 39 vacancies in the Board as at 31 December 2020.	By 28 February 2022, there were total of 39 vacancies in the Board.

	<p>respectively, thus observing 39 vacancies.</p>	<p>service.</p>	<p>Approval of the Board of Directors has been received to suppress certain posts out of these, after deciding there was no long-term requirement of them. Accordingly, even though the Department of Management Services has been notified thereon by a letter, no approval has been received therefor. Moreover, applications have been called or interviews held for recruitment for certain posts (Assistant General Manager – Sales, Quality Control Assistant and Field Promotion Officer) and recruitments therefor will be made in future. As such, the number of</p>	
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			vacancies will decrease accordingly.	
68	The Annual report of the year 2020 had not been tabled in Parliament.	The Annual Report should be tabled in Parliament before the due date in terms of circulars.	Agreed.	Even by 28 February 2022, the annual report of the year 2020 had not been tabled in Parliament.

16. National Lotteries Board

Description	2018	2019	2020
01. Audit Opinion	Qualified Opinion	Qualified Opinion	Qualified Opinion

02. Major Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	Since the sage ACCPAC software system introduced in the year 2003 by the board for the operation of its accounting functions had been decentralized in the year 2016, services to be obtained from this software package had been limited. The credibility by the previous centralized system in respect of transactions of the Board had	Requirement of maintaining the updated computer software system and the computer security system in a manner that fulfill the aimed functions with more credibility.	Since a balance in the creditors control account in using the centralized sage ACCPAC computer software had remained in the main journal, for the prevention of such transactions in future, the modules newly added to the system are removed from the main journal and used as two separate system. As a result, certain features in internal control are omitted and as such, certain facilities had	As per the decisions of the management, the procurement process has been initiated for the purchase of new software or the latest software of the existing software and accordingly the process of Technical Evaluation Committee has

	<p>become interrogative under this system. Since certain changes are done from time to time, taking responsibility for occurring risks due to such changes, the company by which this software was introduced had turn down. Moreover, a sum Rs.13,931,289 had been incurred for the maintenance of the software system by the board during the year under review. However, a security system for the protection of software system had also not been maintained. By the date of audit, the sage ACCPAC computer software was subjected to a break down and the activation of the accounting system of the Board became a critical condition.</p>		<p>become inactive. Being precluded from practical problems, necessary studies are carried out for the introduction of a new software package under the overall ERP system modification program by minimizing problems now. The agency by which the above-mentioned sage ACCPAC ERP system is maintained, the security system in the software is maintained by supplying with approved methodologies. Due to certain breakdowns, in the main data system, temporary failures were happened but are not related to this service agreement.</p>	<p>been started.</p>
b	In terms of paragraph 6	Requirement of	Since the software system	Sri Lanka

	<p>of the standard, property, plant and equipment are tangible assets “that are held for use in the production or supply goods or services for rental to other or for administrative purposes and are expected to be used during more than one period”. Contrary to that, computer software system valued at Rs.21,954,215 had been brought to account under property, plant and equipment instead of accounting under intangible assets.</p>	<p>accounting intangible assets in terms of the Sri Lanka Accounting Standard.</p>	<p>has got manufactured only for the Board itself, they are stated under intangible assets, it is noted that intangible assets stated now under tangible assets and all intangible assets proposed to be acquired in future are accounted under intangible assets in terms of Sri Lanka Accounting Standard 16.</p>	<p>Accounting Standard 16 has been followed in the preparation of the final accounts for the year 2021,</p>
c	<p>Contrary to the policy on making provision for bad and doubtful debts of the Board, provision for doubtful debts for the entire balance of Rs.11,948,108 included in the trade debtors, consisting of 5 sales agent debtors with judicial action and</p>	<p>Requirement of making provisions in compliance with predetermined accounting policy.</p>	<p>It is stated that sufficient disclosures will be made in future.</p>	<p>A provision for doubtful debts for the entire balance is not be made and this has been disclosed in the financial statements for 2020.</p>

	debtors arisen from sale of lottery tickets had been made and it had not been sufficiently disclosed in the financial statements.			
d	A sum of Rs.261,676,181 remained after allocation of for prizes in respect of draws held during the year under review should be debited to the retained profit and credited to the reward reserve fund. Since it was accounted as expenditure of the year, the profit of the year under review had been understated by that amount, and that value had been adjusted to the pretax profit in the preparation of cash flow statement.	Transfers for reserve funds to be debited to retained profit.	The balance money after deducting all prizes is credited to the reward reserve fund, and this fund is used only for getting funds for the payment of rewards. The value of Rs.261,676,181 is not a financial variant and credited to the unclaimed rewards reserve account in the financial statements and debited under reward expenses account. In the preparation of cash flow statement, this value had been adjusted to the pre-tax profit and the cash variant generated therefrom is stated.	Corresponding adjustments will be made while preparing the financial statements for 2021.
e	Even though sales agents had confirmed the Board that tickets	Since the receivable value of tickets that have been confirmed as	After giving the details of unsold tickets by the Government Audit	The Government Audit Division has given the relevant

	were not sold during the year under review, a sum Rs.11,429,657 including the penalties on 701,206 tickets not physically handed over to the Board and due by the end of the year under review had not been shown in the financial statements as a receivable balance.	unsold but not physically returned to the Board can be determined through the system of the Board, such value is required to account as a receivable value.	Division, necessary action will be taken to recover this money.	information so far and action is being taken in this regard.
f	The total balance of cancelled cheques account as at the closing date of the year under review was Rs.12,996,213. It includes payments made to various suppliers and creditors since 2018 by 235 cheques. Action had not been taken to remove relevant balances from the cancelled cheques account and transfer to the creditors balance even up to the end of the year under review and	Requirement of proper accounting in respect of dishonored cheques.	Action will be taken to credit the balance of more than 6 months to the revenue of the Board.	Action is taken continuously to credit the balances beyond 06 months in this balance to the revenue of the Board.

	necessary action had also not been taken to settle such balances.			
g	Despite the money had not been paid by a sales agent for lottery tickets invoiced, having being falsely entered a sum of Rs.4,687,855 to the computer during the period from September 2020 to December 2020, saying that it had deposited tickets had been fraudulently purchased from the Board. Such fraudulent money was included in the unrealized deposit account and no disclosures had been made in the financial statements.	To identify the parties related to the fraud and to disclose it in the financial statements.	A preliminary investigation had been carried out at Board level in this connection and an inquiring officer had been appointed to hold the formal disciplinary inquiry and it is being carried out now. In addition, it had been complained to the Criminal Investigation Department and such investigation is also going on. The amount that was so defrauded, is included in the unrealized deposit account as at end of the year and it is noted that this will be disclosed in the accounts in the year 2021.	A written charge sheet has been forwarded to the employee involved in the incident and he has denied the charge. Accordingly, an investigation officer and a complaint handling officer have been appointed to conduct a formal disciplinary investigation related to this incident, and the said officer panel is scheduled to start the investigation related to this incident on 15.03.2022. Complaints have also been made to the Criminal

				Investigation Department in this regard and the investigations are ongoing. And disclosures have been made about this in the 2021 financial statements.
h	It was decided that the value of lottery tickets returned by sales agents, already credited to the related collection account to be adjusted again through the People's Bank collection account. A commission of Rs.18,220,437 had been recovered by the bank as collection commissions for the period 2014 to June 2020. Even though a compromise was reached with the People's Bank to recover the said amount, the amount had not been	Take action to recover the dues, being obtained the consent and to account appropriately.	Several discussions have been held with the People's Bank in this regard and it was informed in writing that this amount would be given. An investigation is conducted by the Internal Audit Division of the People's Bank now and at the end of this investigation this money will be given to the Board. A letter has been sent by the Bank requesting a further period up to 31 August 2021 and the Bank also informed in verbally that it could not be finalized	The approval of the Board of Directors of the People's Bank has received to pay this amount to the National Lottery Board and it has been arranged to pay in February 2022.

	recovered up to now.		due to Covid-19 pandemic. Accordingly, necessary disclosures will be made in the financial statements once the consent of the People's Bank is obtained.	
i	The value of debtors receivable from sales agents to whom instant lottery tickets were given and lapsed for more than 365 days as at 31 December 2020 amounted to Rs.50,744,968 and the value of debtors with bank guarantees was only Rs.8,839,957. The attention of the Board had not been paid to recover the debtor balances exceeding the credit period of one year or to recover such dues having being encased the bank guarantees.	Requirement of the recovery of debts, lapsed for more than one year or encase the bank guarantees.	A method of payment of debts lapsed for over 6 months as at 30 November 2020, as installments has been prepared and made aware of sales agents in writing. Recovery of such debts by installments has been implemented since December 2020.	The amount due has been recovered from the debtors and legal action is being taken against the sales agents who failed to settle.
j	The receivable balance from 764 sales agents by 31 December 2020 for	Required that expedite the action as commented by the	Out of the recoverable balance, Rs.4,244,451 is expected to recover from	Only an amount of Rs. 513,957.92 remains to be

	<p>sales stalls amounted to Rs.5,612,225, of which the balance relating to more than 5 years amounted to Rs.2,454,363. The Board had not taken action to recover such balances up to now.</p>	<p>Board.</p>	<p>the outstanding incentives payable to sales agents, and it is expected that action will be taken to recover the remaining balance of Rs.1,385,643.</p>	<p>collected after recovering the due from the incentives that should be payable and receiving monies. As pointed out in the audit, there are no arrears related to the sale stalls that were more than 5 years old and given before the year 2016. Arrangements are being made to recover the remaining amount due.</p>
k	<p>An unidentified credit balance of Rs.3,585,823 brought forward prior to the year 2016, a sum of Rs.4,979,245 payable to 4 creditors remained a period more than 9 years and a sum of Rs.169,311 payable to 14 office staff had been shown in the financial statements</p>	<p>Quick action to be taken in accordance with the recommendations/approvals of the Ministry of Finance.</p>	<p>For the unidentified credit balance of Rs.3,585,823, action will be taken in accordance with the recommendations made by the Ministry of Finance. The approval of the Ministry of Finance has been received to credit the balance of Rs.4,979,245 payable to</p>	<p>The relevant corrections have now been made.</p>

	and action has not been taken to recover such balances.		creditors to the revenue of the Board. Out the balance of Rs.169,311 payable to staff, the approval of the Ministry of Finance has been received to credit the balance of Rs.35,192 to the revenue of the Board subject to certain recommendations.	
1	As per the Section 10(5) of the Finance Act No. 38 of 1971 and Section 17(2) of the Finance Act No. 11 of 1963 revised by Finance Act No. 35 of 1997 (revised), after being deducted expenses specifically stated in the Act from the lottery income, the balance should be credited to the Consolidated Fund. However, without being so credited to the Consolidated Fund, a total retained profit of Rs.2,486,581,711 by the end of the year under	Necessity to comply with the provisions of the said Acts.	The total retained profit shown at the end of the year is not totally a financial asset and that accumulated profit includes assets and liabilities of the Board. If the entire amount is credited to the Consolidated Fund, the Board may face severe financial crisis in its day-to-day operations. Therefore, it is impossible to credit the total amount to the Consolidated Fund.	A letter dated 16.11.2021 has been sent to the Ministry of Finance in this regard.

	<p>review had been retained in the Board even by 31 December 2020.</p>			
m	<p>As per Sections 14(2), 16(1) and 16(4) of the Finance Act No. 11 of 1963 revised by Act No. 35 of 1997. (revised), the Board should enter into agreements with relevant entities when lotteries are drawn on behalf of Ministries, Government Departments and statutory boards. However, agreements had not been entered into with relevant institutions in respect of Govisetha, Supiri wasana, Jathika sampatha, Neeroga and Sevana lotteries.</p> <p>Similarly, in terms of provisions in the Act, the value of unclaimed prizes lapsed for more than 6 months need to</p>	<p>Requirement of taking action in accordance with provisions stated in relevant acts.</p>	<p>Since the collections related to lottery draws held by the Board are directly credited to the Consolidated Fund without being credited to those entities, agreements had not been entered into with related entities. If the presenters do not claim prizes after 6 months, such money has been credited to the Consolidated Fund. If the special prizes given to increase reward items or sale of lotteries are not claimed after 06 months, they will be taken back to the board and arranged to be given as special prizes in the next winning seasons.</p>	<p>At present, since the related money deposits to the consolidated fund of the Government, thus entering into agreements with individual ministries or government departments and authorities may cause practical problems. Taking it into consideration, the Legal Draftsmen's Department is going to amend the relevant clauses in the draft in making the act that is special to the National Lotteries Board.</p> <p>The Finance Act</p>

	<p>be credited to the Consolidated Fund. But action in terms of provisions in the Act had not been taken in respect of unclaimed non-financial material rewards valued at Rs.7,018,415 relating to the lottery draws held during the period from 01 July 2019 to 30 June 2020. Action had also not been taken to get the approval of the General Treasury in this regard.</p>			<p>No. 11 of 1963 has not been amended after the year 1997 and 1998. In this regard, the draft related to the new Act is being prepared with the Legal Draftsmen's Department.</p> <p>It is not directly credited to the relevant funds and remittances are made to the Treasury.</p>
n	<p>Contrary to the Paragraphs 15(2) and (3) of the Public Finance Circular No. 01/2020 of 28 August 2020, being crediting a percentage of 0.005 from donations of presenters and sales income of Neeroga lottery, a fund called "Asarana sarana" had been established by the Board in the year 1998.</p>	<p>Act in accordance with the relevant Circular instructions.</p>	<p>Based on the nature of business, this fund was created under the approval of the then Board of Directors in the year 1998 for the social compassionate and requirements of sales agents and sales network. Every member of the National Lotteries Board in every stratum had not requested incentives given by all other</p>	<p>A percentage of the National Lotteries Board's lottery revenue is allocated for employee incentives. The amount allocated from the Neeroga lottery is not given to the employees and the said amount is allocated to the Asarana Sarana Fund.</p>

	<p>There was a balance of Rs.22,484,736 as at the end of the year under review. An approval had not been obtained to maintain such a special fund from the Treasury.</p>		<p>Lotteries, from this lottery. 0.5 per cent of the sales value could be allocated as employee's incentives had been contributed to the Asarana Sarana Fund.</p>	<p>Further, previously, donations from lottery prize winners also contributed to this fund, and currently there is no contribution from those prize winners.</p> <p>Thus, upon the approval of the Board of Directors, the Asarana Sarana Fund makes payments of nearly 2 million per year. Through that, we will take into account the requests received and after confirming the need, we will arrange to provide the financial contribution.</p>
o	<p>As per the Letter No. PE1/70/07/Vo11 dated 21 January 1993 of the</p>	<p>Requirement of taking action as per the instructions of the</p>	<p>By the time these instructions were given by this letter, there were</p>	<p>A detailed letter has been sent to seek the approval</p>

	<p>Deputy Secretary to the Treasury, from all lotteries income held on behalf of the government, 16.5 per cent should be remitted to the Consolidated Fund. However, since only 10 per cent value of the income from ‘Mega power’ and the ‘Dhana nidhanaya’ lotteries held during the year under review, that is less than the specific percentage had been remitted to the Consolidated Fund, the value not further remitted to the Treasury was Rs.258,274,111.</p>	<p>Treasury letter.</p>	<p>only 2 lotteries of Mahajana Sampatha and Wasana Sampatha. As a result of remitting 16.5 per cent to the Consolidated Fund mainly, both these lotteries are currently in a loss-making situation. The contribution that can be given from the income of other newly opened lotteries is only 10 per cent. If more than 10 per cent of sales income is given, all lotteries may incur losses and also, they could not be operated. All other expenses are met from the income of the Board. Being remitting 16.5 per cent from the income of Mahajana Sampatha and Wasana Sampatha lotteries, 10 per cent from the income of all other lotteries, to the General Treasury, the National Lotteries Board is operated as a profit-making entity as a result</p>	<p>of the Finance Ministry in this regard.</p>
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			of an enormous effort. Money gives to the General Treasury as a percentage of sales income could not be increased and only 10 per cent can be paid. The Ministry of Finance was made aware about this issue.	
p	Despite there is an ability to construct a temporary building in the land at Vauxhall Street for storing unsold lottery tickets discard from lottery draws of the National Lotteries Board, stores accommodation of 3,136 square feet had been obtained on rent basis since 2015 from the Building Materials Corporation Ltd. It had subsequently been extended up to 6,217 square feet and a sum Rs.12,572,495 had been paid therefor.	The need to obtain storage facilities in the Board's premises that is economically beneficial.	Of the 7 stores taken on monthly rental basis from the Building Materials Corporation Ltd., only 5 stores are used by the Board as at 01.04 2021. Being selected a disposal firm through the formal procurement process, it is the method of disposing discarded lottery tickets and other waste papers but, the selected firm through the procurement process had stopped bringing such waste papers on the way. Thereafter, the procurement process was again started but due to	The warehouse complex of Building Materials Corporation Limited has been returned as at 2021.12.31. Accordingly, this situation is over. From 12.01.2021 to 11.01.2022, a supplier has been selected and provided for the recycling of expired lottery tickets. The procurement process for the selection of a

			<p>various reasons such as not presenting bidders in several occasions and presented first but then rejected; a lot of time had taken to select a buyer through the procurement process. As a result, this stock of papers had to be stored here. However, action is being taken to give such stock a selected new buyer in the year 2020.</p>	<p>service provider for the year 2022 has been initiated and is in progress.</p>
q	<p>Even though the cabinet approval was granted in the year 2016 for the construction of business premises in the Vauxhall Street land belongs to the Board, construction works had not been carried out even by the end of the year under review.</p>	<p>The need to construct the building as per the approval of the Cabinet of Ministers.</p>	<p>According to the financial statements, a sum of Rs.27,003,862 had been spent as works in progress of the building construction works. The above payments had been made for the initial works such as the appointment of a consultancy firm for the preparation of building plan, to get that plan approved, find out the ability of supplying water and electricity, to get the approvals and</p>	<p>The Ministry of Finance stopped the related construction procurement and despite requests to restart the construction on several occasions, approval has not yet been given.</p>

			<p>documents for the standard height of the building from the Civil Aviation Authority. The approval of the Cabinet of Ministers had been obtained for the cabinet paper No. 16/2468/719/150 to put up a new building in the land at Vauxhall Lane belongs to the Board. All activities in the planning stage of the building had got done through the selected consultancy firm and the building permit had also been obtained from the Urban Development Authority to construct the building. These expenses are for the initial planning stage and the approval of the Cabinet of Ministers was received for the construction of building. All expenses were incurred on the approval of the Cabinet of Ministers received for the</p>	
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			above cabinet paper and the Board of Directors.	
r	A sum of Rs.97,429,500 as an initial deposit equal to one year rent had been paid to the building owner for the building obtained on rent basis to maintain the head office of the National Lotteries Board. According to the agreement, 35 per cent of the initial deposit should be set off against the monthly rental within the year, after reaching one year. Accordingly, at the end of the agreement period, a deposit amount of Rs.63,329,175 is remained with the building owner, and that balance money needs to be paid back to the Board by the building owner within 30 days after handing over the building. In addition to	Requirement of entering into agreements, it should be on conditions, advantageous to the Board.	The Ministry Procurement Committee with the recommendations of the Technical Evaluation Committee had approved the payment of one year advance for the building taken on rental basis by the National Lotteries Board and to recover about 35 per cent from the monthly rent since the 2 nd year of agreement.	According to the recommendations of the Technical Evaluation Committee and the approval of the Ministry Procurement Committee, the recommendation and approval had been received to pay one year's advance for the office building acquired on rental basis, and to recover 35 per cent from the monthly rent since the second year and to pay rental in monthly. Currently the contract period of the building has been extended till 30 April 2022. During the first

	<p>such deposits, another sum of Rs.24,357,375 had been paid to the building owner as a security deposit equal to 3 month rental in terms of paragraph 8(b) of the agreement in respect of unpaid building rent, telephone, water and electricity etc.</p>			<p>extension on 01.09.2020, as per the previous agreement, the remaining 65 per cent of the deposit, i.e. an amount of Rs.63,329,175, is currently in the custody of the building owner. From 01.09.2020 till now, action is taken in accordance with the agreement and the monthly installment has not been deducted from the deposit amount.</p> <p>The security deposit is currently in the custody of the building owner and its value is Rs.24,357,375.</p> <p>According to the agreement, the building owner must give the above deposit and</p>
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				the security deposit to the National Lottery Board within 30 days of handing over the building.
s	Even though the Committee on Public Enterprises had directed on 21 March 2013 that over paid gratuity of Rs.7,392,287 in previous years should be recovered back by the Board, action had not been taken to recover that money or to disclose in the financial statements as a receivable amount. The Board had only informed the pensioners to refund the overpaid gratuity to the Board in writing.	Requirement of the recovery of the relevant amount.	Advice of the Attorney General's Department had been obtained in respect of the recovery the amount of Rs.7,392,287 overpaid gratuity to pensioners. The then Board of Directors had decided that payment of gratuity to pensioners is considered to be a gift and as such, it is impossible to recover back, if they do not refund.	In this regard, a board paper was referred to the board meeting held on 29.06.2018 and the board of directors had decided to write off the relevant amount from the books of account. This will be done in the future.
t	Even though the number of sales agents registered with the Board as at 31 December 2020	Implementation of a formal methodology to get bank guarantees from the sales agents who had not given	In getting a district sales agent post of the Board, keeping one million bank guarantee is mandatory in terms of the existing rules	According to the said audit query, although the number of sales agents registered

	<p>amounted to 114, it was observed that bank guarantees had been obtained only from 43 sales agents.</p>	<p>bank guarantees.</p>	<p>and regulations but it was not an essential requirement for old district sales agents. At present, one million bank guarantee is obtained from all new applicants since the year 2018 to date as a policy of the Board. For the purpose of further implementing of this method, action has strategically been taken to get one million bank guarantees in transferring district agency post to another person, when old district agents have died. If anyone fails to keep a guarantee, such transfers are not done. It is hoped to conjoint the old district sales agents (active) who had not given bank guarantees, into this flow in future, stage by stage.</p>	<p>with the board as at 31 December 2020 was 114, only 43 of them had given bank guarantees.</p> <p>At present, according to the existing rules and regulations, a bank guarantee of one million is required for the appointment of a district sales agent, and bank guarantees had not been obtained from the old district sales agents. Old District agents have been informed about this several times and it has been quite a difficult task to get it. But in cases of death of those old district sales agents, as well as when transferring to a family member</p>
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				and giving sub-offices, bank guarantees are obtained.
u	Total debtors of the Board as at the end of the year under review amounted to Rs.137,704,393 and 22 per cent or Rs.29,771,317 of them only had been obtained bank guarantees.	Implementation of a formal methodology to get bank guarantees from sales agents who had not given bank guarantees.	Bank guarantees had not been obtained from sales agents at the beginning but currently, obtaining bank guarantees is obligatory, when sales agents are appointed. Many sales agents buy lottery tickets by cash. In order to expedite the sales targets, without considering bank guarantees lottery tickets are sold on the approval of the Board of Directors in drawing special lotteries. Arrangements will be made to recover this loan promptly.	The agency management department takes bank guarantees while appointing new sales agents and action is being taken on obtaining bank guarantees from the old sales agents.
v	Out of 10 types lottery tickets printed during the year 2020, lottery tickets ranging from 9 per cent to 18 per cent	Requirement of printing lottery tickets by making accurate forecast of sales requirement and	Main reasons affected on this include; the gradual outbreak of Covid-19 pandemic since 10 March and strict travel	Due to the impact of uncontrollable conditions caused by travel restrictions and

<p>had remained unsold during the year under review. It was observed that sales requirement is not accurately forecasted and due to distribution process followed by the Board had caused to this surplus. Of these 10 types of printed lottery tickets, a stock of 116,045,964 had remained unsold during the year and the printing cost annually incur thereon amounted to Rs.45,998,592. In addition, the number of lottery tickets not distributed to sales agents and remained in the stores by the end of the year under review amounted to 23,257,800 and their direct printing cost was Rs.8,710,976.</p>	<p>distribution process.</p>	<p>restrictions imposed during the period 20 March to 18 May. Even though travel restrictions were lifted in many places since 18 May, tickets returns and the balance stock in the stores had increased in un controllable manner on the regular fluctuations in the consumer demand and the manner in obtaining lottery tickets for sales through the market network. Moreover, the existence of massive printing problems in the State Printing Corporation and delays in receiving lottery tickets had also caused to increase the stock of tickets.</p>	<p>quarantine curfew conditions in the outbreak of Covid, it was resulted to increase the amount of lottery tickets returned and remained in stores in the period indicated in the audit in the year 2020 (unsold remaining lottery tickets as a percentage of the amount of printed lottery tickets) up to the level of 11.10 per cent. In this kind of background, as a result of increasing the sales gradually under the outbreak of Covid and travel restrictions, the remaining unsold lottery tickets in the year 2021 increased to a level of 14.39 per cent as</p>
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				<p>a percentage of the total number of printed lottery tickets compared to 2020.</p> <p>However, even today, due to the shortage of dollars in the country, the delay in printing and the restrictions imposed on the printing entities through the procurement processes, there are problems in getting lottery tickets printed without shortage. Even under such restrictions, orders are placed to maximize sales and limit returns and remaining stocks in stores. Also, fines will be collected from the respective printing entities for</p>
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				<p>printing delays. Even under such restrictions, it shows that the total amount of unsold lottery tickets has been reduced up to 14.19 per cent as a percentage of the total number of printed lottery tickets. It is hoped that this can be significantly reduced as the people of the country return to normal life.</p>
w	<p>From the buildings construction reserve fund created for the construction of head office building of the National Lotteries Board proposed to be built in the Vauxhall Street land, a sum Rs.550 million had been remitted to the General Treasury in the year 2016 and that</p>	<p>Being obtained a balance confirmation from the General Treasury, action need to be taken to account it appropriately.</p>	<p>This money had been remitted to the Consolidated Fund on the basis of returning back to the Board. It is confirmed from the letter of 19.09.2016 sent to the Deputy Secretary to the Treasury by the then Chairperson.</p>	- Do -

	<p>amount had been shown in the financial statements as a receivable amount from the Treasury to the Building Reserve Fund at the end of the year under review. Nevertheless, such a balance had not been shown in the financial statements of the Government as at 31 December 2020 as a balance payable to the National Lotteries Board.</p>			
y	<p>Even judicial action had been taken for the loan value of Rs.7,169,678 due from 5 debtors, it was observed that there is an uncertainty for the recovery of debts through judicial action, since incomplete records are maintained by the Board in respect of transactions carried out with sales agents.</p>	<p>Being obtained legal advice, the recoverability to be determined and the requirement of accounting appropriately.</p>	<p>Judicial action has been taken against those debtors, and the risk of debt recovery cannot be ascertained until the court's decision is announced.</p>	<p>A137 - Mrs. AH Weerakoon's Sevana loan balance has been reduced by Rs. 376,691.50 and AD - 06 - Mr. Edmond's loan balance has been written off.</p> <p>Action is being taken regarding</p>

				Mr. Beligolla.
z	<p>Out of the total expenditure of the year under review, 53 per cent or Rs.893,002,443 had been sales, marketing and distribution expenses, out of which about 81 per cent had been marketing and sales promotion expenses. Similarly marketing and sales promotion expenses represented 43 per cent of the overall expenses.</p>	<p>Being carried out a formal analysis on sales income and expenditure, promotion expenses need to be incurred more economical and beneficial manner.</p>	<p>The National Lotteries Board and the Development Lotteries Board are the only two Public Enterprises in operation in the market within the lotteries business in Sri Lanka. The lottery is not an essential good to the consumer. By using the publicity strategy in selling lottery tickets, the consumer must be frequently motivated by creating fortunate future prospects of the consumer. A considerable cost has to be incurred. This feature can be identified in the global lottery industry as well. In order to motivate consumers at grassroots level, consumer promotion programs need to be implemented as a market strategy and certain promotional goods</p>	<p>Subject to the marketing expenditure approved in the budget document being maintained within the approved limit and expenditure on publication of official results has been reduced in the year 2021.</p>

			<p>should be purchased therefor. Similar strategy has also to be used for the members of the sales network. In addition, considerable expenses are incurred as normal commissions and special commissions in certain occasions. All these expenses are market realities and under any market condition, these expenses are inevitable. If such expenses are cut down, profits can be increased at short term but if it happens at long run it is inevitable to collapse the market. Attention was paid to minimize the distribution cost and all island distribution system has been started through a distribution service and as a result, it is expected to minimize the distribution cost at a considerable level. The attention of the Department of Public</p>	
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			<p>Enterprises is paid in respect of the requirement of publicity and sales promotion expenses incurred by lotteries boards and approval had been granted in terms of Circular No. 57 of 11 February 2011 to incur expenditure up to 10 per cent of lottery income. Similarly, in terms of Circular No. PS/GPA/Circular/36/2020 dated 10 December 2020 of the Secretary to the President, approval had granted to spend publicity and sales promotion expenses not exceeding 10 per cent of the previous year income. This is the approval given being realized the exclusive instance on the requirement of publicity with regard to lotteries.</p> <p>However, with the objective of maximizing its profit, only about 5 per</p>	
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			cent of its income is spent effectively as annual publicity and sales promotion expenses.											
aa	It was observed that 6 vehicles, comprising motor cars, bicycles and 5 other gift items purchased by the Board for prize giving valued at Rs.8,764,996 had remained in the stores for periods ranging from 4 months to 5 years without being used for the intended purpose. The warranty period of certain gift items had also lapsed.	Requirement of utilizing idle and underutilized assets before they expire/destroy.	Gift items are purchased to give them as additional prizes at special draws on the approval of the Board of Directors. Even though the additional prize winners come into existence in certain draws, items so purchased for additional prizes are remained in the store as the winners are not claimed the prizes. In such cases, gift items are used for next draws when winners are not present. Even though the remaining gift items are repeatedly used again and again for giving as prizes, practical difficulties arise in respect of using such items for another special draw immediately after being lapsed the relevant period due to such factors	The audit had shown that 6 vehicles and 5 other gift items are still remaining due to the winners are not claimed the prizes. Out of those 11 vehicles and prize items, the following prize items have already been used as prizes in special lotteries draws and winners have emerged. <table border="0"> <thead> <tr> <th>Item</th> <th>Qty</th> </tr> </thead> <tbody> <tr> <td>Tractors</td> <td>2</td> </tr> <tr> <td>Wigo Car</td> <td>1</td> </tr> <tr> <td>TVS Bike</td> <td>1</td> </tr> <tr> <td>Hand Phone</td> <td>1</td> </tr> </tbody> </table> (Rs.108,000)	Item	Qty	Tractors	2	Wigo Car	1	TVS Bike	1	Hand Phone	1
Item	Qty													
Tractors	2													
Wigo Car	1													
TVS Bike	1													
Hand Phone	1													

			<p>as targeted consumers, period of holding lottery draws and the cost of such gift items. In that case, there is a time gap between the date exceeding the period of 6 months which has been given to the prize winners to claim the prize and the date such gift items are re-used for new special draws. Till then such gift items are remained in the stores.</p>	<p>Apple I Phone 1 (Rs.165,599)</p> <p>In addition, another Wigo car (Wigo 1000cc) has been detained in the Board due to a case pending in the court. Accordingly, among the remaining vehicles and other prize items that were shown in the audit, the only prize items that have not been used as prizes are the Discovery motorcycle and the television. It is planned to use the items as soon as possible for the upcoming special lotteries draws and it is planned to get the remaining refrigerator to the Employees Welfare</p>
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				Association.
bb	Without approval of the Department of Management Services, a marketing/promotion officer post has been created. A person holding the position of Management Assistant had been appointed from 08 August 2017 without specifying the specific qualifications for that position. Despite it was ordered to differ 3 salary increments of that officer, salaries of the new post have been paid to him until he retired in January 2020 without executing the above order.	Staff needs to be recruited in terms of Treasury Circular instructions.	For the purpose of motivating old employees who have reached to the retirement age and on the service requirement, he has been promoted, having being changed the name of the post temporarily on the approval of the Board of Directors within the approved cadre.	This employee resigned on 20.01.2020 and he is not alive at present. Accordingly, this situation has also ended.
cc	The annual report of the year 2019 had not been tabled in Parliament by the Board even up to 31 August 2021.	Action to be taken to table the annual report in Parliament on due dates.	This has been referred to the Ministry of Finance on 22.06.2021 to obtain the cabinet approval to be tabled to Parliament.	This was tabled in Parliament on 02.12.2021.

17. Paddy Marketing Board

01. Name of the Entity :- Paddy Marketing Board

Description -----	2018 -----	2019 -----	2020 -----
01. Audit Opinion	Disclaimer of Opinion	Disclaimer of Opinion	Financial statements were not received.

02. Audit Observations

	Audit Observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
	2018			
a	As per the National Budget Circular No. 1/2016/ (i) of 19 September 2016, a sum of Rs. 200,000 had been stated as the maximum monthly rental for taxis for official duties of Chairman. However, a sum of Rs. 848,800 had been paid exceeding that maximum monthly rent limit without the approval.	Action should be taken as per the National Budget Circular.	No explanations had been made.	The situation had not been resolved up to now.
b	As per the Public Enterprises Circular No. PED 1/2015	Action should be taken as per the	No explanations had been made.	The situation had not been resolved up to

	<p>dated 25 May 2015, the approval of the Secretary to the Line Ministry should be obtained with the recommendations of the Board of Directors, in case the monthly fuel allowance is not sufficient for the official vehicle of the Chairman. However, a sum of Rs. 482,285 had been paid without such approval.</p>	<p>Public Enterprises Circular.</p>		<p>now.</p>
c	<p>Even though it had been stated that a systematic stock control system needs to be established promptly as per the recommendations given by the Minister of Finance on 05 August 2019 on Memorandum of Cabinet of Ministers No. MF/PE/CM/2019/145, presented by the Minister of Agriculture, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development on 05 July 2019 in relation to the submission of the Annual Report and Accounts of the</p>	<p>Action should be taken to establish the relevant system immediately.</p>	<p>No explanations had been made.</p>	<p>The situation had not been resolved up to now.</p>

	<p>Board for the year 2015 to Parliament, activities on the stock control system, which was commenced by the Board in the year 2013, had not been completed yet. A sum of Rs. 18,328,337 for the purposes of establishing this system and also a total of Rs. 4,792,595 had been spent in the years 2016, 2017 and 2018 for the VPN (Vertical Private Network) charges needed for that by the 15 November 2019. It had been entered into an agreement to reestablish a computerized stock control system by the Board with Sri Lanka Foundation on 20 August 2019 and a sum of Rs. 360,000 had been paid as advances for that. Accordingly, it was observed that a sum of Rs. 23,120,932 paid from the year 2013 to 2018 was a futile expense.</p>			
	2019			
d	Action had not been taken to recognize and account the	It should be brought to account accurately.	No explanations had been made.	The situation had not been resolved up to

	balance of Rs.3,049,830,238 in the Suspense Account, brought forward for a long period and stocks in transit amounting to Rs.2,234,953 brought forward since the year 2018.			now.
e	Even though sums of Rs. 700,000 from Palmyrah Development Board and Rs.10,591,838 from Food Commissioner's Department and Rs. 77,526,708 from the Cooperative Wholesale Establishment had been mentioned as payables, those institutions had informed in writing that there were no such payables. However, it had been indicated as debtors in the statement of financial position.	Confirmation of balances of annual debtors should be obtained and action should be taken to make relevant rectifications by reconciling with accounts.	No explanations had been made.	The situation had not been resolved up to now.
f	In considering the value of net assets of the year under review and three preceding years, the negative value of the year 2016 which was Rs. 12,060,577,822 had increased up to the negative value of Rs.14,179,929,345	Attention should be drawn towards the going concern of the Board.	No explanations had been made.	The situation had not been resolved up to now.

	<p>in the year 2019 and the net current assets as at 31 December 2019 had been a negative value of Rs. 3,548,270,058. It had adversely affected the going concern of the Board and as such, it was observed that the Board is not financially strengthened to settle these liabilities without financial assistance of the Government.</p>			
g	<p>The debtors balance of Rs. 2,675,916,872 had included balances of Rs. 1,917,478,534 older than 05 years, Rs. 28,837,545 between 03 and 05 years and Rs. 729,600,799 between 01 and 05 years as at 31 December 2019.</p>	<p>Action should be taken to recover debtors' balances.</p>	<p>No explanations had been made.</p>	<p>The situation had not been resolved up to now.</p>
h	<p>The creditors balance of Rs. 7,091,809,148 had included balances of Rs. 6,717,087,405 older than 04 years, Rs. 6,581,534 between 03 and 04 years, Rs. 368,140,210 between 01 and 03 years and Rs. 71,092,220</p>	<p>Action should be taken to settle old balances.</p>	<p>No explanations had been made.</p>	<p>The situation had not been resolved up to now.</p>

	less than 01 year as at 31 December 2019. Moreover, these balances had included a balance of Rs. 6,684,554,538 as well payable to the Treasury and action had not been taken to settle them even up to now.			
i	As per the Public Enterprises Circular No. PED/12 of 02 June 2003, Annual Reports relating to years 2016, 2017, 2018 and 2019 had not been tabled in Parliament even by the date of audit.	Annual Reports should be tabled in Parliament within the due period.	No explanations had been made.	The last time the annual reports of 2018 had been tabled in the Parliament.
j	Recoveries should have been made from 54 officers who are responsible for stock shortages valued at Rs. 13,074,157 after writing off of 3,597,203 kg of paddy for natural damages, out of the stock shortage of 4,132,994 kg of paddy, identified at the stock verification carried out in the year 2014 by the Board. Out of the said balance, a sum of Rs.6,106,113 had been recovered by the Board and a	Expedite measures should be taken to recover relevant values from persons responsible for the stock shortage.	No explanations had been made.	The situation had not been resolved up to now.

	<p>shortage valued at Rs. 6,968,078 should have been recovered further from 17 officers even by 25 January 2021, the date of audit. Two out of those officers had been interdicted and legal action had not been taken even up to now by the Board to recover shortages totaling Rs. 4,245,954 from them.</p>			
k	<p>The shortage of paddy identified at the stock verification carried out in the year 2018, stood at 16,068,715 kg and it was revealed that there were 125 officers who had performed as the In Charge of stocks relating to the said shortage. Even though nearly 02 ½ years had lapsed after carrying out the stock verification even by the date of audit, the Board had not recovered relevant shortages.</p>	<p>Action should be taken to recover the relevant shortage expeditiously.</p>	<p>No explanations had been made.</p>	<p>The situation had not been resolved up to now.</p>

18. State Engineering Corporation of Sri Lanka

1. Name of the Entity - **State Engineering Corporation of Sri Lanka**

2. Financial Statements - The financial statements for the year 2018 were submitted on 28 July 2021. The financial statements for the years 2019, 2020 and 2021 had not been submitted so far.

3. **Audit observations**

Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position	
a	As per the Paragraph 2(c) of the office Circular, No. 121/1979 of 20 December 1979, Once the advances are given by cheques together with orders, such advances should be settled within a period of 30 days. However, advances totaling to Rs.175,470,650 related to the period of 1999 to 2019 had remained unsettled at the Corporation. Further, cheques with order advances totaling Rs.6,445,194 had remained unsettled from 2016 to 2019 at National Equipment and	Unsettled advances should be settled without any delay and the corporation should act according to circulars.	It has been agreed to proceed as per the circular and a new circular has also been issued.	The current situation remains unchanged.

	Machinery Organization (NEMO) which was operated under the Corporation as a project.			
b	As per the Paragraph 4 of the office Circular, No. 121/1979 of 20 December 1979, Once the cash advances are given for the supply of services or goods, such advances should be settled within a period of 14 days. However, cash advances of Rs.22,016,960 had remained unsettled even up to end of December 2019. Further, cash advances of Rs.9,711,161 relating to the year 2017 and 2018 had remained unsettled even up to the end of the year 2019 in respect of National Equipment and Machinery Organization (NEMO) which was Operated under the corporation as a project.	Unsettled advances should be settled without any delay and action should be taken according to circulars.	It has been agreed to proceed as per the circular and a new circular has also been issued.	The current situation remains unchanged.
c	The contract of construction of Sri Jayewardenepura Nursing Faculty Building was awarded to the Corporation at a contract sum of Rs.7,171.88 million (without VAT) with the	The contract should be completed within the specified period.	Due to delayed payments from the client's side at the start of the project, the progress was	The current situation remains unchanged.

	<p>approval of the Cabinet of Ministers in 04 October 2017. The project should have been completed on or before 22 February 2020. However, as of 31 December 2021, the progress of the contract was 8.17 per cent.</p>		slow.	
d	<p>According to the information furnished to audit, the Construction Division, Construction Component Division, Mechanical and Electrical Division and Consultancy Division had shown negative cash flow of Rs.51,243,748, Rs.25,628,858, Rs.305,927,727 and Rs.222,091,810 respectively as at 31 December 2019.</p>	<p>The Corporation should take action to maintain proper working capital management and cash flow management.</p>	<p>This has happened because the financial situation of the company is in a bad state and it will be financed by obtaining loans from the Banks</p>	<p>Currently, negative cash flows were seen in the relevant divisions.</p>
e	<p>The details in respect of Value Added Tax (VAT), Nation Building Tax (NBT), Economic Service Charge (ESC) of the National Equipment and Machinery Organization had not been submitted for audit. Hence, the payable balances of those taxes could not be satisfactorily</p>	<p>Detail schedules should be provided for audit to satisfactorily verify and accept the payable balances.</p>	<p>It has been informed that it will be provided in the future.</p>	<p>The current situation remains unchanged.</p>

	ascertained in audit.			
f	A sum of Rs.230.8 million payable to the National Housing Development Authority had not been paid since period from 2002 to 2011 by of the National Equipment and Machinery Organization.	Every long outstanding liability balance should be settled without delay.	It has been informed that payments will be made in the future.	The current situation remains unchanged.
g	Although the approved cadre for the NEMO was 344, the actual cadre as at 31 December 2019 was 591. The approval for the excess cadre of 247 had not been obtained. Further, the NEMO had created 23 new posts without the approval of the Department of the Management Services and 62 employees had been recruited for these unapproved posts.	Action should be taken to obtain approval.	A committee has been appointed to make recommendation to the management committee.	Information on the current situation had been requested and no information had been sent so far.
h	A surcharge of Rs.161,703,053 had been imposed by the Department of Inland Revenue up to year under review due to non-remittance of Income Tax, Value Added Tax, Economic Services Charge, Nation Building Tax and GST amounting to Rs.10,562,227,	Action should be taken to remittance of tax in terms of tax law.	Discussions are underway with the Department of Inland Revenue.	Only value added tax is being paid in installments.

	Rs.897,465,953, Rs.97,745,734, Rs.17,204,806 and Rs.25,683,053 respectively from 2014 to 2019.			
i	<p>Surcharges of Rs.171.22 million and Rs.20.98 million had to be paid by the Corporation to the Employees' Provident Fund and the Employees' Trust Fund respectively due to non-remittance of contributions of Rs.307.82 million and Rs.41.97 million with regard to the cost of living allowances paid to the employees which had not been taken in accounts when calculating the amounts since January 2006 to July 2015.</p>	<p>Action should be taken in terms of the Employees' Provident Fund Act, No.15 of 1958 and Employees' Trust Fund Act, No.46 of 1980.</p>	<p>Payments have not been made till now and arrangements are being made to get the money from the Treasury.</p>	<p>The current situation remains unchanged.</p>
j	<p>The land and building of the C-city project owned to the Corporation had not been utilized for the intended purpose even by the end of year under review.</p>	<p>It should be utilized for the intended purpose.</p>	<p>Land ownership has been settled. Due to lack of funds, it has not been possible to use them for the intended purposes.</p>	<p>The current situation remains unchanged.</p>

k	Although three projects with an estimated cost of Rs.703.82 million had been targeted to complete by 31 December 2019, their actual progress was less than 80 per cent even up to 31 December 2021.	The progress should be improved furthermore.	Initial and interim cash flows are not sufficient to cover site expenses for timely completion of the work.	The current situation remains unchanged.
l	Although the project No.2292 valued at Rs.743.01 million had been targeted to complete during the year 2019, the actual progress was 80 per cent even by 31 December 2021.	The progress should be improved furthermore and action should be taken to eliminate delay.	Progress has slowed due to delay in settlement of bills.	The current situation remains unchanged.
m	Thirty-one (31) employees of the Corporation had been released to the Ministry of Housing and Construction, Provincial Ministries, Building Department, Government Factory and Urban Settlement Development Authority contrary to the instructions given in Guideline 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003. Further, according to the Circular, salaries of such employees should be	Action should be taken to reimburse salaries from the respective government institutions.	Arrangements have been made to reimburse the monthly salaries.	Monthly salaries are reimbursed.

	reimbursed from relevant institutions. However, the reimbursement of salaries amounting to Rs.13,152,091, Rs.961,574 and Rs.297,570 incurred by the Corporation had not been reimbursed by the Ministry of Housing and Construction for 04 employees, the Building Department for 06 employees and by Government Factory for 02 employees respectively.			
n	The Corporation had recruited 28 officers for 05 posts in the senior management level on contract basis at higher salary scales from 2006 to 2019. Further, 15 quantity surveyors, 08 draftsmen and 26 Superintended (Civil) had also been recruited on contract basis in the years 2018 and 2019.	Action should be taken to recruit senior management level in accordance with the Scheme of Requitement (SOR).	Appointments have been awarded on contract basis to reduce fixed costs depending on the requirement of services in senior management posts.	The current situation remains unchanged.
o	According to Section 1.2 of Chapter II of the Establishments Code, an appointment should be made only for the posts in the approved cadre, Contrary to	Action should be taken to comply with establishment code.	Action had not been taken.	The current situation remains unchanged.

	that, 525 excessive employees had been appointed for 33 posts of the approved cadre as at 31 December 2019.			
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19. National Water Supply and Drainage Board

1. Name of the Entity :- National Water Supply and Drainage Board

2. Audit Opinion on Financial Statements:-

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

3. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1)	Contrary to paragraph 32 of the Sri Lanka Accounting Standard on Presentation of Financial Statements (LKAS 01), an abnormal credit balance of trade receivables amounting to Rs.8,506,031 which represent the current assets had been set off against payables and identified as non-operating liabilities in the statement of financial position at the end of the year under review. Similarly, a debit balance of retention received amounting to	Ensure that comply with Sri Lanka Accounting Standard 01 (LKAS 01) when presenting financial statements.	A special committee has been appointed with the concurrence of the Audit and Management Committee to get their recommendations on the matters highlighted.	A special committee has been appointed with the concurrence of the Audit and Management Committee to get their recommendations on the matters highlighted.

	Rs.1,078,112 which represent the current liabilities had been set off against receivables and identified as non-operating assets in the statement of financial position at the end of the year under review.			
2) ii	Contrary to paragraph 60 of the Sri Lanka Accounting Standard on Presentation of Financial Statements (LKAS 01), the board had identified non-operating assets amounting to Rs.149,681,812 which includes stocks, debtors and advances and presented it below cash and cash equivalents without considering their liquidity into account.	Ensure that comply with Sri Lanka Accounting Standard 01 (LKAS 01) when presenting financial statements.	Some of these were settled in 2020.	A special committee has been appointed with the concurrence of the Audit and Management Committee of NWSDB to get their recommendations on the matters highlighted.
3)	Contrary to paragraph 9 of the Sri Lanka Accounting Standard on Inventories (LKAS 02), stocks with an aggregate value of Rs.496,204,232 which had not moved more than three years period had been recorded at its cost without assessing	Ensure that comply with Sri Lanka Accounting Standard 02 (LKAS 02) relating to the recognition of the value of inventories.	Steps have been taken.	As per the nature of the business, a significant amount of stock is held to meet the emergency demand arising in unforeseen

	their net realizable values.			circumstances including pipeline bursts.
4) ii.	Contrary to paragraph 07 of the Sri Lanka Accounting Standard on Statement of Cash flows (LKAS 07), a deposit made in a saving account amounting to Rs.1,412,440 and a deposit made in Escrow Savings Account amounting to Rs.12,887.03 million had been categorized under financial assets and Investments instead of being shown as cash and cash equivalents.	Ensure that comply with Sri Lanka Accounting standard 07-(LKAS 07) when categorizing assets as Current and Non – Current.	This can be excluded from operating activities in cash flow.	
5)	Contrary to Paragraphs 41 and 42 of the Sri Lanka Accounting Standard on Accounting Policies, Changes in Accounting Estimates and Errors (LKAS 08), interest income on three-dollar deposits amounting to Rs.65,430,227 related to the year 2019 had been identified as income of the year under review.	Ensure that comply with Sri Lanka Accounting standard 08-(LKAS 08) when restating financial statements for errors.	Corrections were made during the year 2020.	

6) iii.	As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful lives of the assets shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets amounting to Rs.1,888,920,123 related to 17 categories of fixed assets still in use had not been reviewed and accounted accordingly.	Ensure that comply with Sri Lanka Accounting Standards 16 (LKAS 16) regarding reassessing the useful economic life time of fully depreciated assets that are already being used by the board.	It is impractical to assess the asset base of NWSDB as it has a huge asset base spread across the country.	It is difficult to get the services of a suitable valuer to reassess the useful economic life time of the asset.
7)	Air compressor equipment purchased on 17 July 2012 and remained at Ground Water Section in Vavuniya had fired on 27 September 2018. However contrary to the paragraph 7 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16) a depreciation provision of Rs.2, 221,615 had been made from 28 September 2012 to 31 October 2020. As a	Ensure that comply with Sri Lanka Accounting Standards 16 (LKAS 16) regarding recognition of fixed assets.	The effect on profit resulting from the overstatement of depreciation relating to disposal assets is offset against the gain on disposal.	

	<p>result, profit for the year under review had been understated by Rs. 888,646 and accumulated loss at the beginning of the year had been overstated by Rs.1,332,969. Further, due to disposing this asset during the year under review, an excess profit on disposal amounting to Rs.2,221,615 had been identified in the financial statements.</p>			
8) iv.	<p>As per paragraphs 66 and 144 of the Sri Lanka Accounting Standard on Employee Benefits (LKAS 19), it was revealed in audit that the board had not applied an actuarial valuation method and made any actuarial assumptions and disclose them in order to measure the present value of the post-employment benefit obligation and the related current service cost during the year under review. Further, provision for retirement benefit obligation (Gratuity provision) was not made in the financial statements for the year under review as per the requirements of the</p>	<p>Ensure that comply with Sri Lanka Accounting Standards 19 (LKAS 19) regarding recognizing employee benefit obligation and making relevant disclosures.</p>	<p>The functioning of the NWSDB is done by engaging the services of an expert every three years.</p>	<p>Due to the time and cost implications, it is not practical to carry out the relevant process every year.</p>

	<p>paragraph 58 of the standard. Instead of that an amount equivalent to Rs.485,960,193 which was paid as gratuity (excluding project staff) during the year under review had been identified as the provision of the year under review.</p>			
9) v.	<p>Contrary to the provisions in the Sri Lanka Accounting Standard on Accounting for Government Grants and Disclosure of Government Assistance (LKAS 20), foreign grant balances aggregating to Rs.13,704.8 million relating to 34 Projects which remained without being amortized over a period of 9 to 13 years had been brought to the accounts as at 31 December 2020. The impact on non-amortization to the financial statements could not be ascertained in audit as there were no details available relevant to those foreign grants.</p>	<p>Ensure that comply with Sri Lanka Accounting Standards (LKAS 20) regarding amortization of foreign grants.</p>	<p>Grants related to non-depreciated assets including lands were remained without being depreciated over the period. Also, the life period of buildings prevailed are over 50 years. The respective grants were depreciated until such period.</p>	

10)	PVC accessories valued at Rs.3,399,965 identified during the stock verification of the year under review in Galle Manager Office had been recognized as foreign capital grants without properly identifying the source as per the paragraph 03 of the Sri Lanka Accounting Standard on Accounting for Government Grants and Disclosure of Government Assistance (LKAS 20).	Ensure that comply with Sri Lanka Accounting Standards (LKAS 20) regarding recognition of the source of foreign grants.	If once finding source is confirmed, appropriate adjustments is made which might not be having any change in line items to the financial position as of 2020.	It shall be the duty of the NWSDB to record all transactions under its purview.
11)	Contrary to paragraph 23 (a) of the Sri Lanka Accounting Standard on Effects of changes in Foreign Exchange Rates (LKAS 21), the board had not translated the value of five (05) US dollar fixed deposits aggregating to US\$ 84,176,147 in to rupees using the closing rate at the end of the year under review. Hence the value of fixed deposits in the financial statements had been understated by Rs.159.09 million approximately. Further exchange difference arose on translating the monetary items had not been recognized in the	Ensure that comply with Sri Lanka Accounting Standards 21 (LKAS 21) with regard to recording of foreign currency monetary items.	Cash receipts from these escrow accounts represent temporary appropriations as non-supervisory assets and the funds contained in these accounts do not belong to NWSDB.	

	financial statements as per the paragraph 28 of the standard.		
12)	The board had failed to review the period of amortization and method of amortization for intangible assets at least each financial year as specified in section 104 Sri Lanka Accounting Standard on Intangible Assets (LKAS 38)	Should adhere to the provisions in the Sri Lanka Accounting Standards 38. (LKAS 38) in reviewing the period of amortization and method of amortization for intangible assets.	The total intangible assets comprise 0.0013% of the total Asset. Therefore, it is not necessary to review it in each and every year.
13) vii.	Contrary to the provisions in the Sri Lanka Accounting Standard on Investment Property (LKAS 40), the carrying value of Investment Property amounting to Rs.333,020,680 had been shown as Property Plant & Equipment, instead of been shown as Investment Property as at 31 December 2020. Further, as per the paragraph 75 (f) (i) and 79 of the standard, income from Investment Property had not been disclosed and the Board had not made proper disclosures with regard to methods of depreciation, useful lives or rates of	Ensure that comply with Sri Lanka Accounting Standards (LKAS 40) regarding recognition of Investment Property.	A special committee has been appointed with the concurrence of the Audit and Management Committee of NWSDB to make recommendations on the matters highlighted.

	depreciation, the gross carrying amount and the accumulated depreciation at the beginning and end of the period and amount of impairment.			
14) viii.	Contrary to section 5.5 of the Sri Lanka Accounting Standard on Financial Instruments (SLFRS 09), provision for impairment for sewerage debtors and other debtors had been done based on a fixed rate without identifying the expected credit loss.	Ensure that comply with Sri Lanka Accounting Standard – 09 (SLFRS – 09) regarding provision for impairment for debtors.	This treatment in expected credit loss method in SLFRS 9 would not make significant change to the balance.	
15)	During the board of survey of the year 2015, it was observed that fixed assets with an aggregate value of Rs.65,852,393 in relation to 16 water supply schemes in Kurunegala Regional office were not in usable condition and remaining as fixed assets for a long period. However, no proper action had been taken to remove them from books of accounts. Further as per calculations made by the audit, it was revealed that Rs.851,398 had been made for provision for	Action needs to be taken to dispose unusable assets and remove them from books of accounts.	Board approval has been obtained and the progress of removing them from books of accounts is still ongoing.	Board approval has been obtained and the value of these assets is being removed from books of accounts.

	depreciation during the year under review for the 42 depreciable items valued at Rs.40,605,148.			
16)	Economic Service Charges (ESC) paid during the year 2018 amounting to Rs.133,867,477 had been erroneously identified as income tax expense in the statement of comprehensive income of the year under review without making detailed income tax computation in order to recognize actual income tax expense for the year under review.	Ensure accuracy of Income Tax Expenses in the Statement of Comprehensive Income.	There is no income tax liability for economic service charges as there are highly deductible tax losses carried forward by the Board from previous years. Therefore, economic service fees are an expense to the Board and have been recorded accordingly in the statement of comprehensive income.	
17)	Economic Service Charge for the year of assessment 2016/2017 had been paid based on 0.25 percent even though rates had been revised to 0.5 percent with effect from 01 April 2016. As a result, an assessment had been made by the Department of Inland Revenue for Rs.128.76 million including a penalty. According to the records of the board	Action needs to be taken to make the required provision for ESC and pay.	Discussion is being taken place with the department on this matter.	No additional tax liability is likely to arise and therefore no provision is required for this balance.

	Rs.66.37 million is to be paid by the board (excluding penalty) due to rate changes. However, no any provision had been made for the balance tax payable in the books of accounts.			
18)	In relation to twelve (12) cost centers in Ampara, Jaffna, Batticloa, Sabaragamuwa and Vauniya region, fixed assets with an aggregate value of Rs.453,636,398 could not be verified and physically not existed. However, without taking action to remove them from books of accounts, a provision of Rs.17,171,243 had been made for depreciation during the year under review.	Ensure the accuracy, completeness and existence of fixed assets recorded in books accounts.	<ol style="list-style-type: none"> 1. Computerized all assets records and circular has been issued for further action. 2. Request from the respective Deputy General Manager to pass board paper to remove non-existing assets after been investigation. 	
19)	As per the physical verification report of Ampara, Jaffna and Batticaloa Regional Offices, it was observed that buildings structures, plant & equipment, mobile equipment, building freehold and bulk water meters with an aggregate value of Rs.20,829,745 in relation to	Ensure the accuracy, completeness and existence of fixed assets recorded in books of accounts.	Disposal is authorized by means of the board decision and concurrence of the treasury too which takes substantial time.	Action has been taken to seek the Board approval and necessary adjustments will be made in the books.

	<p>seven cost centers had been damaged, removed from usage and demolished. However, without taking any action to remove them from books of accounts a provision of Rs.616,308 had been made for depreciation during the year under review.</p>			
20)	<p>It was observed that 196 items of fixed assets such as land freehold, infrastructure, building free hold, structures etc. which are physically existed in Baticloa, Ampara, Vauniya and East regions had not been included in fixed asset registers and the books of accounts of the board. As per the calculations made by audit, provision for depreciation of Rs.102,843,910 had not been made for 74 items valued at Rs.4,385,262,876 out of above 196 items. Hence profit for the year under review had been overstated by similar amount. Further, the value of six (06) lands vested to Vavuniya region and ten (10) lands vested to</p>	<p>Ensure the accuracy, completeness and existence of fixed assets recorded in books accounts. Further, all lands vested to the board should be identified in the relevant fixed assets registers and accounted as fixed assets.</p>	<p>The Project Director should send the asset form to capitalize. Also, approval should be obtained for assessment and completion in different cases.</p>	<p>This will be resolved through the asset management system.</p>

	Mannar region had not been accounted in the books of accounts even though it had been recognized as assets in the fixed assets registers.			
21)	As per the financial statements of the year under review, the balance of trade debtors including new connection debtors as at 31 December 2020 were Rs.8,213,888,162. However, provision for impairment had been made only for debtors (including new connection debtors) amounting to Rs.7,978,854,614. Hence no provision had been made for these debtors aggregating to Rs.235,033,548.	Ensure accuracy of provision of impairment for debtors.	The impairment calculation was based on actual figures given by the commercial system and the debtor balance reported in the financial statement is based on estimated revenue.	Impairment has been made to the existing balance.
22)	A sum of Rs.12,430,354 paid by the board as value added tax to the contractors for the projects had been erroneously identified as working progress instead of accounted them as vat receivables even though they have been already claimed against output vat of the board. Hence, the balance of working progress had been overstated	Action should be taken to account VAT paid to suppliers accurately.	Upon receipt of those JV's, this will be corrected.	JV's have been passed in 2021.

	and vat receivables had been understated in the financial statements by similar amount.			
23)	As per the information received, the cost of forty-four (44) completed and commissioned Water Supply and Rehabilitation Projects amounting to Rs.5,246,945,547 had remained in the work-in-progress as at 31 December 2020 without being capitalized.	Action needs to be taken to capitalize the completed and commissioned water supply and rehabilitation projects.	A circular has been issued to complete within 45 days after the completion of the project.	In the year 2021, Rs. 19.4 billion has been capitalized.
24)	Out of advances received for rechargeable works, a sum of Rs.13,447,905 relating to 06 projects in Kaluthara Region, Kegalle & western central region and rechargeable ground water works of Rs. 3,997,933 relating to the regional support centre (central) had been completed at the end of the year under review. However, it had not taken to relevant income account even by 30 April 2021.	Action should be taken to credit the advances received for rechargeable works to the relevant income account once the projects are completed.	Completion certificates are sought from the concerned Deputy General Manager and Regional Managers including Kalutara, Kegalle, Western Region and Groundwater Division.	Adjustments are made later.
25)	It was observed that the Board had made prior year adjustments in the financial statements of the year 2019 and 2020 pertaining to years 2017, 2018, and 2019. As a result, the	Action needs to be taken to avoid distorting profits by making prior year adjustments as a practice.	As per the LKAS 8 it is a regulatory requirement to correct the prior period errors.	

	retained loss as at the end of year 2019 is distorted by Rs.192.12 million. Hence, the possibility for making adjustments to the profit for the year under review in the forthcoming year could not be ruled out in the audit.		
26)	In respect of seven (07) Projects, the balances aggregating to Rs.198,729,791 shown under the work-in-progress are remained unchanged over eleven years without being investigated in order to make necessary adjustments in the financial statements.	Action needs to be taken to capitalize the completed and commissioned water supply and rehabilitation projects.	The Project Director should send the asset form to capitalize. Also, at different stages valuation and approval for completion has to be obtained. The said projects are still in the above process.
27)	It was observed that a sum of Rs.8,803,047 in welfare fund had been adjusted against source of income of capital recovery charges without any reason and hence net profit for the year under review had been understated by similar amount in the statement of comprehensive income.	Ensure the accuracy of accounting adjustments made and the presentation of financial statements.	This is an accounting adjustment that has been doing consistently over the period just to disclose this transaction only. Both adjustment and reversal were processed simultaneously.

28)	<p>Long outstanding balances of assets and liabilities amounting to Rs.149,681,812 and Rs.71,927,749 respectively which includes other debtors, advances, trade creditors, unclaimed salaries, etc. had been identified as non-operating assets and non-operating liabilities without taken action to clear such balances. Further, an unidentified prior year balance of Rs.95,796,513, stock balance of Rs.22,007,307 in four regions and bank balance of Rs.5,906,882 remained in the above-mentioned balance as non-operating assets without taking action to investigate and settled.</p>	<p>Action needs to be taken to clear the non-operating assets and liabilities balances.</p>	<p>A special committee has been appointed with the concurrence of the Audit and Management Committee of NWSDB to get their recommendations on the matters highlighted.</p>
29)	<p>Stolen stocks in Kelaniya region five years back amounting to Rs.2,549,788 and stock shortage of Rs.1,211,323 in Western Central Regional Support center (Kohuwala) and Rs.1,633,256 in kilinochchi engineer office had been included in the inventory even as at 31 December 2020.</p>	<p>Action needs to be taken to remove such stock balances from books of accounts and take immediate action to recover the losses from responsible officers.</p>	<p>These stock balances were remained due to an ongoing inquiry. When the inquiry has been finalized action will be taken to write off from the books of accounts.</p> <p>Kohuwala Stock Shortage</p>

	<p>However, action had not been taken to recover such losses from respective officers.</p>		<p>The stock worth of Rs.218,857.64 was identified as book entry correction. Police enquiry for the stock worth of Rs: 270,572.40 are in progress and awaiting judgment. Balance of Rs.721,893.47 is being under further investigation.</p>
30)	<p>Due to failure of assigning of suitably qualified store keeper to Matale Regional Office under Kandy North Regional Support Centre, stock receipts and issues had not been recorded properly. As a result, a stock shortage of Rs. 41,739,680 had been recorded as at end of the year under review. Hence the accumulated loss at the beginning of the year had been understated by Rs.26,604,682 and profit for the year had been overstated by Rs.15,134,998 and closing stocks had been overstated by Rs.41,739,680. However, no</p>	<p>Immediate action should be taken to identify the reasons for the differences and to reconcile it.</p>	<p>Due to urgent issues, works are required to be cover up by someone those who may not possess the adequate required qualification. However, another storekeeper was assigned and action has been taken to identify the reasons for the differences and to reconcile it.</p>

	action had been taken to identify the reasons for stock shortages and remove them from books of accounts even as at 01 April 2021.			
31)	As per the cabinet decision taken on 02 July 2020, the interest cost on the loan of Rs. 30 billion obtained from National Savings bank is born by the General treasury and the board had incurred Rs.699,702,314 as interest on that loan during the year under review. However only Rs.659,277,279 had been identified as receivables from the treasury in the financial statements for the year under review.	Action should be taken to rectify the error on recognition of receivables from treasury.	As per the cabinet decision such cost is borne by the treasury.	The money due from the Treasury has not yet been received.
32)	As compared with the confirmation received from banks in respect of outstanding loan balance of two (02) foreign funded projects with the balances shown in financial statements, it was observed that outstanding loan balance as per financial statements had been	Action should be taken to ensure the accuracy of balances of loans at the end of the year.	The journal entries in 2021 have been passed.	

	overstated by Rs.1,723,847,989.			
33)	As compared with the confirmations received from banks in respect of accrued interest on loans of nine (09) local funded projects, it was observed an under provision of Rs.10,254,724 had been made at end of the year under review.	Ensure accuracy calculation of accrued interest on loans.	This was corrected in the year 2021.	
34)	In relation to Kotte region (Battaramulla) metered sales income for the month of December 2019 amounting to Rs. 59,129,751 had also been considered as income for the year under review erroneously and hence profit for the year under review had been overstated by a similar amount.	Ensure the accuracy of income recognized for the year.	Those regions which have reported estimated revenue for the month of December report their December revenue in January of the following year and reverse the December revenue through journal entries.	Journal entries have been passed in the following years.
35)	A sum of Rs.2,074,821 was paid during 2016 as the environmental assessment fee of Matara Stage (iv) Project and Rs. 9,590,000 paid during 2016 and 2017 as consultancy fee for the construction of salinity barrier across Nilvala River had been deducted from deferred liabilities and shown under	Ensure that expenses incurred on ongoing projects are accounted as work-in-progress.	Action have been taken to include the activity of Environmental Impact Assessment (EIA) as working progress of the project.	Environmental assessment fees and consultancy fees were corrected on 13.05.2021.

	noncurrent liabilities instead of identified as working progress of relevant projects or adjusted to the accumulated loss as recurrent expenditure.			
36)	The balance of refundable and non-refundable deposits relating to new connections amounting to Rs.81,502,527 had been transferred to the income of the year without having any board approval. Further it was observed that an amount equivalent to Rs.42,600,938 which belongs to refundable and non refundable deposits with in one year had also been included in it.	Ensure that refundable deposits are not treated as income of the year.	As per the Board practice, it is very unlikely to refund new connection deposits to the customer. Hence, it has been treated as income from the year NWSDB adhered to the first-time adoption standards in the year 2012.	
37)	Value of other stock items amounting to Rs.16,731,847 which had not been physically verified during stock verification had been identified as inventory in the financial statements.	Action should be taken to remove the stocks which cannot be physically verified from books of accounts.	After obtaining the approvals, action will be taken to discard the items from the books.	
38)	A sum of Rs.2,327,771 and Rs.99,121 charged as value added tax on supplies from customers for the year under review and for the preceding year respectively in Monaragala	Ensure the accuracy of income and vat charged on income. (Vat payable)	Corrective measures have been taken to correct it by passing the entries in the year 2021.	The correction has been made in the year 2021.

	region and head office had been erroneously accounted as income instead of shown as vat payable. Hence profit for the year under review had been overstated and the accumulated loss at the beginning of the year had been understated by similar amount.			
39)	Accuracy and completeness of three (03) items of fixed assets such as Land Free Hold, Building Free Hold and Partitions could not be ascertained in audit due to an aggregate absolute difference of Rs.105,427,971 existed in value of Property Plant and Equipment between fixed asset registers of Vavuniya, Batticaloa, Kalutara, Panadura regional offices, regional support center (Sabaragamuwa) and corresponding schedules furnished to audit.	Action should be taken to reconcile fixed asset registers and the corresponding schedules.	<p>Panadura</p> <p>After obtaining the required documents this will be taken into the asset register.</p> <p>Kaluthara</p> <p>The differences will be corrected in year 2020.</p> <p>Baticloa</p> <p>The difference of Rs.4,896,791 will be cleared in the year 2020.</p>	The difference will be eliminated by correcting schedules and documents.
40)	Differences of Rs. 131,472,986 in trade debtors and Rs.103,560,564 in new connection debtors were observed between balances	Action should be taken to reconcile trade and new connection debtors between two	We have given the instruction to our commercial staff to do the reconciliation in a systematic way and	A special committee has been appointed with the

	<p>shown in the financial statements and the balances shown in the age analysis schedules submitted by the commercial division of the Board. However, trade debtors amounting to Rs.3,149,283,146 in relation to 13 regions had only been reconciled at the end of the year under review. Out of the above-mentioned reconciliations it was observed that opening balance difference, unidentified difference aggregating Rs. 96,700,258 and Rs.39,773,142 had not been properly investigated and settled.</p>	<p>systems and ensure the accuracy of trade debtors in the financial statements.</p>	<p>arrange to solve this problem before the end of this year.</p>	<p>concurrence of the Audit and Management Committee of the Board to make recommendations on the matters highlighted.</p>
41)	<p>An un-reconciled difference of Rs.530.38 million was observed between the value of metered sales and bulk sales shown in the reports of commercial section and the financial statements. Further an un-reconciled difference of Rs.383.42 million was observed between the value of new connection income as per the financial statements and income</p>	<p>Reconcile the balances in financial statements, commercial system and income declared in VAT returns.</p>	<p>Defects have been identified and Journal Entries have been made to correct them.</p>	<p>Reconciliation of debtors in commercial sector ledger accounts has been completed for the year 2020.</p>

	declared in the annual vat returns.			
42)	A difference aggregating to Rs.19,342.19 million was observed in foreign grants of Kandy City Waste Water Management Project, Deduru Oya Water Supply Project and Dry Zone Urban Water and Sanitation Project when compared financial statements of the board with the individual financial statements of the respective projects. Out of the above difference, reconciliation had been prepared only for the difference of Rs. 10,756.71 million in Kandy City Waste Water Management Project and it was observed that transactions with a value of Rs. 97.08 million had not been recorded in the books of accounts of the board relating to that project.	Action should be taken to reconcile the differences in foreign grants in board financial statements and project financial statements and pass relevant journal entries whenever necessary.	The correction was made in the year 2021.	
43)	As per the audit test check carried out, an aggregate difference of Rs.2,346.26 million was observed between the work- in- progress balance	Action should be taken to reconcile the differences in work-in progress between board's	Reconciliations have been made.	Reconciliations have been presented.

	<p>shown in the financial statements of the Board and the corresponding balances shown in the individual financial statements of five (05) foreign funded projects. Further when analyzing the reconciliation prepared it was observed in audit that transactions with a value of Rs1,274.81 million had not been recorded in the board's financial statements in relation to Thambuththegama Water Supply Project and Greater Colombo Water & Waste Water Management Improvement Investment Program (Project iii).</p>	<p>financial statements and project financial statements accurately.</p>		
44)	<p>An unidentified debit balances and credit balances amounting to Rs.7,250,860 and Rs.33,929,517 respectively shown in the bank reconciliations from the year 2008 to 2019 in respect of twelve (12) banks accounts had not been cleared.</p>	<p>Unidentified debit and credit balances should be reconciled and cleared.</p>	<p>Action will be taken to clear the remaining balances in coordination with Bank in the year 2021.</p>	<p>Many entries were corrected in the year 2021.</p>
45)	<p>Based on the directions given by the Director General of Department of Public</p>	<p>Action should be taken to reconcile the balance</p>	<p>Several discussions were held with the Treasury and finally it</p>	

	<p>Enterprises by his letter of PE/WS/NWSDB/GEN/2015 dated 08 July 2015 and as per the Cabinet Decision taken on 04 February 2016, the outstanding loan balances amounting to Rs.88,531,428,611 had been transferred to Government Equity account with effect from year 2015. However, as per the records of the General Treasury an amount equivalent to Rs.62,415,763,525 had been identified as a capital contribution to the board. Hence, it was observed that an amount equivalent to Rs.26,115,665,086 which payable by the board as foreign loans had been transferred to Government Equity without any approval.</p>	<p>transferred as government equity with the treasury.</p>	<p>was concluded that the remaining amount should be treated as a government grant. This has been submitted to the Audit and Management Committee for recommendation.</p>
46)	<p>DI pipes and fittings valued at Rs.31.06 million had been released to the contractor of Badulla Diyathalawa Water Supply Project implemented under the Water Supply and Sanitation project during July</p>	<p>Immediate action should be taken to recover the goods or value from the relevant parties.</p>	<p>Currently, the goods have been taken to stock.</p>

<p>2019 to January 2020 by the Deputy General Manager (Uva) at the request of the Project Director currently working as Deputy General Manager (Western North) without having proper approval as per the section 806 of financial regulations of Sri Lanka. Further for the transportation of said goods Rs. 112,926 had been incurred by the board. However, no action had been taken to obtain the aforementioned goods to the board from the project or take any action against responsible officers even by 31 August 2021. Further it was revealed in the audit that the contractor is a poorly performed contractor and he had taken extensions in two times to complete the project due to financial incapability and only 30 percent physical progress was recorded even as at 31 December 2020 since 2018. Hence the recovery of the said goods from the contractor is in doubt.</p>			
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47)	Trade debtors, new connection debtors, sewerage debtors and other debtors aggregating to Rs.1,447 million had remained over two years without being recovered. Out of the above debtors, 54 per cent represents in Colombo, Kelaniya, Kotte and Dehiwala, Colombo South and Colombo North regions.	Take sufficient and necessary action to recover due amount from the debtors.	It is decided to implement a disconnection program to recover the arrears.	Disconnection programs are in progress.
48)	A sum of Rs.7,357,065 in respect of 22 water connections given to ministers' quarters had remained without being recovered as at the end of the year under review. Out of that a sum of Rs.2,823,630 had remained over two years without being recovered. Further, Rs.28,316,137 had remained outstanding as at the end of the year under review from 37 connections given to government institutions whose bill value is over Rs.100,000.	Action should be taken to expedite the recovery process for outstanding from ministers' quarters and government institutions.	The commercial division has dealt with this and is still doing so.	Due to lack of provisions, dues of government institutions could not be settled. Some arrears of the deceased ministers had to be written off.
49)	Outstanding disconnected debtors as at 31 December 2020 were Rs.1,276,725,598. Out of that debtor amounting to Rs.1,088,634,725 which equivalent to 85 percent had	Action needs to be taken to expedite the recovery process.	An action has been taken to recover outstanding disconnection debtors. Legal action has been taken to recover some	Disconnection programs were not implemented due to covid. But now the

	remained outstanding over two years without being recovered.		debtors. Visit customers and educate them about the balance and various collection strategies used to recover outstanding bills.	disconnection programs have been started again.
50)	Short term deposits aggregating to Rs.43,538,237 deposited in external institutions including Road Development Authority, Colombo Municipal Council, Provincial Road Development Authority, Rathnapura Pradeshiya Sabha and Beruwala Urban Council had remained outstanding over three years without being recovered. Further, an advance kept at line ministry amounting to Rs.4,378,828 had remained outstanding over eight years without being recovered. Due to unavailability of detailed information, it could not be verified in audit.	To review the accuracy of the existing deposit related data system and take steps to expedite the collection process.	Action has been taken to recover the deposits from the respective institutions.	A special committee has been appointed with the concurrence of the Audit and Management Committee of the Board to make recommendations on the matters highlighted.
51)	Trade creditors and other creditors amounting to Rs.141,422,678 and Rs. 65,002,525 respectively had remained over three (03) years without being settled even as at 31 December 2020.	Action needs to be taken to ensure the accuracy of the creditor's data base and settle long outstanding debts.	The Board will make these payments on the request made by the respective creditors.	
52)	Contractor's retention and	After completion,	Upon completion of the	

	refundable tender deposits amounting to Rs.1,144.86 million and Rs.2.61 million respectively had remained over three years without being released to relevant parties or treated them as income. Further, no evidences were made available for audit to verify whether the contracts related to those retentions and deposits had been completed.	the Board will release the retentions to the respective contractors.	contracts, the Board will release the retentions to the respective contractors.	
53)	An outstanding balance of vat payable amounting to Rs.1,854,980 in relating to Monaragla Region had not been investigated and settled over three years.	This was identified in the year 2021 and corrective measures have been taken to correct it by passing the entries in the year 2021.	Instructions have been issued to correct the error.	
54)	Loans and advances given to former employees amounting to Rs.18,030,810 had remained over three years without being recovered.	Action to recover the outstanding from former employees should be expedited.	This was informed to such officers. Further, action will be taken to recover such dues by legal action.	Investigation of advance recovery is in progress.
55)	No legal action had been taken to recover the advances given to contractors for the terminated projects in Regional Support Center (Central) during the year	Legal action should be taken without delay with regard to long outstanding	A letter was sent to the Legal Officer of the Board requesting the status of the legal action and the reply to be	The advance payment guarantee related to these contracts submitted by the

	<p>2003 to 2008 aggregating to Rs. 9,278,335 and advances given by the head office for the rehabilitation projects amounting to Rs.4,049,022 even by 30 April 2021. Further, it was observed that advance given to contractors by the head office on 08 July 2014 amounting to Rs.1,148,885 had not been recovered even by 30 April 2021.</p>	<p>advances.</p>	<p>received.</p>	<p>Construction Guarantee Fund and our claims against the guarantee have not been honored by the Fund.</p>
56)	<p>The Board had purchased a land to construct a wastewater treatment plant under Galle Area Wastewater Disposal Project and the Department of Valuation valued this land as Rs.71.5 million. A sum of Rs.21.25 million equivalent to 30 percent of the land value had been given on April 2014 to the landowner as an advance on the recommendation of senior legal officer of the Board. Subsequently, a court case had been filed to recover the advance paid, due to dispute regarding the ownership of the land occurred. However, the land already occupied some</p>	<p>Action should be taken against responsible officers of the board for their negligence.</p>	<p>The survey of this land was entrusted to the Senior Superintendent of Survey to check the ownership of this land.</p>	<p>Legal proceedings are ongoing.</p>

	families by the end of the year under review. The advance paid and penalty thereon had not been recovered from the landowner or the responsible officers of the Board even as at 30 April 2021.			
57)	As per the General Manager's Circular No. Admin/12/2015 of 12 August 2015, within three months after the disconnection, legal action should be taken to recover outstanding debtors. However, legal action had not been taken to recover the outstanding debtors aggregating to Rs.617,878,548 in respect of 2,713 disconnected debtors whose bill value over Rs.50,000.	Ensure strict compliance with General Manager's Circulars and update customer database in a timely manner.	Before taking legal action, two reminder letters are sent to disconnected customers. In addition, regional managers should conduct a field visit to submit the technical report for legal action. Legal action has been taken to recover the money due.	Action is being taken.
58)	As per the Section (02) of the General Manager's Circular No. Admin/09/2018 of 26 September 2018, monthly rent equivalent to the market rent and 12.5 percent of surcharge from salary shall be charged from employees who occupies quarters more than 5 years. However, penalty rent (rent	Ensure strict compliance with General Manager's Circulars.		It is expected to discuss this in the Office Quarterly Committee held with the Chairman and take a policy decision in this regard.

	including surcharge) amounting to Rs.230,010 from two employees in Regional Support Centre (Uva) from August 2019 to September 2020 and Rs.4,688,010 from 19 employees in Regional Support Centre (Central) from 2019 to March 2021 had not been recovered even as at 30 April 2021 although they have occupied quarters over 5 years.			
59)	Contrary to the Section 2.1 and 2.2 of the General Manager's Circular No. Admin/12/2019 of 02 August 2019, twelve (12) officers in Uva Regional Support Centre and 37 officers in Regional Support Centre (Central) had been employed for more than 5 years and 14-meter readers in Bandarawela region had been assigned to one site over 04 years.	Ensure strict compliance with General Manager's Circulars.	Several changes will be made to comply with the policy.	
60)	Management Services Circular No. 30 of 22 September 2006, Approval of the Department of Management Services for the Scheme of Recruitment and Promotion Procedure of the	Ensure strict compliance with Management Service Circulars.		The Scheme of Recruitment (SOR) has been submitted to the Department of Management

	Board had not been obtained.			Services.
61)	Contrary to the Section 1.2 of the Public Enterprise Department Circular No.01/2020 of 27 January 2020, two vehicles had been allocated for Chairman from February to May of the year under review.	Ensure strict compliance with Public Enterprise Department Circulars.		According to the requirement, the vehicles are allocated into the respective sections. Expenses incurred are covered through a board paper.
62)	Contrary to the Section 1.4 of the Public Enterprise Department Circular No.01/2020 of 27 January 2020, two vehicles had been allocated for Vice Chairman from June 2020 to January 2021.			
63)	Contrary to the Section 1.5 of the Public Enterprise Department Circular No.01/2020 of 27 January 2020, in addition to the entitled monthly fuel limit of 150 liters, a monthly fuel imprest of Rs.60,000 had been approved for Chairman and Vice Chairman of the board from January 2020 based on board decision taken on 22 July 2020 without obtaining the recommendation of Secretary to Treasury.			
64)	Contrary to the Section 3.1.4 of Public Enterprise Circular No.01/2015 of 25 May 2015, a sum of Rs.280,281 had been	Ensure strict compliance with Public Enterprise Circulars.		Approval has been obtained from the General Manager.

	spent as fuel expense of Assistant General Manager in regional support center (UVA) during January 2019 to July 2020.			
65)	As per the Treasury Circular of PED/ASD/02/Veh.Circular/2015 of 10 January 2015, two bowsers and three motorcycles in Maharagama Manager Office and nine motor vehicles in Regional Support Center Western North which were not in running conditions had not been disposed even as at 31 December 2018.	Ensure strict compliance with the provisions in the Treasury Circulars.		Those vehicles have been disposed and repaired.
66)	Contrary to the Section 3.1,18.15 (c) of the Schedule 2 of the Facility Agreement of Gampaha, Aththanagalla & Minuwangoda Integrated Water Supply Project and Clause 11.1 of the Escrow Agreement, out of the loan proceeds disbursed, a sum of 140,641,551 USD had been invested in nine (09) US dollar deposit accounts in during the year 2019 and 2020 without the approval of the Lending Agency or Treasury.	Should be strictly adhered with facility agreements of foreign funded projects.	In compliance with the Board Paper No. S/303/2019-868 dated 31/01/2020, Board invest Rs. 15,273.76 million on temporary basis in the USD fixed deposits and informed to China Development Bank. Consequently, China Development Bank instructed to transfer all undisbursed funds in the USD Fixed Deposits Accounts to the USD	

			savings account and use to interest income to repay the debt service payments of the project after loan proceeds are disbursed. Accordingly, we have transferred all funds in the USD Fixed Deposit Accounts to the USD Savings Account.
67)	As per the Management Audit Circular No.1/2017 of 15 February 2017, only one Internal Auditor had been appointed for the Development Projects which funded by foreign financing.	Ensure strict compliance with Management Audit Circulars.	No action was taken.
68)	Contrary to the Section 156(8) of Financial Regulation and Section 1.12 of Code of Ethics of the Board, an unappropriated income of Rs.706,205 had been earned by a meter reader by deploying employees under service contract basis in Bandarawela Manager Office.	Ensure strict compliance with Financial Regulations and Code of Ethics of the Board.	No action was taken.
69)	As per the Section 751(1) of Financial Regulation, all stocks receipts and issues should be recoded in stock records prior to physical verification of stocks.	Ensure compliance with the Financial Regulations.	No action was taken.

	<p>However, stock receipts aggregating to Rs.472,355,262 and net stock issues aggregating to Rs.586,914,207 in 157 warehouses of 24 regions had been adjusted to the stock balance after the verification.</p>			
70)	<p>Contrary to the Section 5 of paragraph XIX of Establishment Code of government, as per random audit test check, it was observed that in relation to Bandarawela Manager Office a monthly rent ranging from Rs.50 to Rs.900 only is being charged from 39 quarters and in relation to Regional Support Center (Central) a monthly rent ranging from Rs.130 to Rs.1,900 only is being charged.</p>	<p>Ensure compliance with the provisions in the Establishment Code.</p>		<p>Rent of quarters may vary depending on size and type etc.</p>
71)	<p>Contrary to the Section 8.1.2 of the paragraph XIV of the Establishment Code of government, Rs.967,412 had been paid to 12 employees for deploying own vehicles, for official traveling without getting prior approval.</p>	<p>Ensure compliance with the provisions in the Establishment Code.</p>	<p>No action was taken.</p>	

72)	Contrary to the Section 6.1 of paragraph XIX of the Establishment Code of government, 11 quarters had been occupied by employees from 07 to 27 years in Anuradhapura region.	Ensure compliance with the provisions in the Establishment Code.	The NWSDB has taken several action and further action is still in process.	
73)	Contrary to the Section 14.6 of FIDIC Guidelines, payments had been made for bills less than 2.5 percent of the total contract value on interim payments certificates No.08 and 09 during the year under review in Matara Stage (iv) Water Supply Project.	Ensure compliance with the provisions of the FIDIC Guidelines and conditions of contract.	Interest will be paid to the National Development Bank as scheduled.	
74)	Contrary to the letters of Department of Management Services bearing the No.DMS/H&UD/3 of 04 August 1999 and No.DMS/F2/NWSDB/01, a sum of Rs.91.4 million had been paid as consultancy payment to the engineers of the board from 2001 to 2014 for consultancy services offered for outside projects without confirming that the works had been done after the office hours	Ensure compliance with the instructions of the Department of Management Service regarding payment of consultancy fee to engineering staff.	In order to streamline the procedure further in future, the consultancy steering committee will obtain an individual declaration from each member of the consultancy group that the consultancy works are carried out after office hours and during holidays.	

	and during holidays.			
75)	Contrary to the Public Finance Circular No. 02/2016 of 12 February 2016, trade receivables with regard to stand post connections in Jaffna amounting to Rs.5,390,596 had been written off during the year under review without obtaining the treasury approval.	Ensure strict compliance with Public Finance Circulars.	Many attempts were made to recover but failed.	
76)	Cash frauds amounting to Rs.246.64 million committed at Trincomalee, Kelaniya and Ampara regions during the year 1999 to 2006 had not been recovered even as at 30 April 2021. However in relation to Trincomalee Region Rs.24.15 million had only been recorded as debtors as at the end of the year under review out of cash fraud of Rs.171.9 million. Further, another Cash fraud amounting to Rs.272,735 committed at Bandarawela Region during the year 2001 had not been recovered from responsible persons even as at 31 December 2020.	Ensure that Internal control procedures are in place to prevent from under mentioned situations in future.	Legal proceedings are currently being carried out in the Trincomalee High court. Judgment has been already given for the Kelaniya fraud and he has been sentenced for imprisonment. Apart from the above criminal cases, the Board has filed Civil cases to recover the financial losses from the above persons.	The Trincomalee High Court has given a decision to recover from the accused.

77)	A fraud of Rs. 1,337,135.19 committed in the Kurunegala area during the year 2000 and 2001 had not been recovered and no legal action had been taken until 31 March 2019.	Ensure that Internal control procedures are in place to prevent from under mentioned situations in future.	Legal action is currently being taken and the Attorney General's Department is taking necessary action.	The Cashier settled the total amount to the Board on the basis of the court order.
78)	Contrary to the Section 22(6) (iv) of the Amended Value Added Tax Act of No.14 of 2002, Input vat of 48 invoices which had been issued one year ago amounting to Rs.2,224,236 had been claimed from output vat for the second, third and fourth quarters of the year 2019.	Ensure strict compliance with the provisions in the Value Added Tax Act.		Effective procedures have been introduced to address this issue.
79)	Contrary to the Section 26(i) of the Amended Value Added Tax Act of No.14 of 2002, VAT payable for the 4th quarter of 2019 amounting to Rs.38,802,349 had been paid with a delay of six months and VAT returns for the first three quarters of the year 2020 had been submitted to the Department of Inland Revenue with a delay ranging from 1 1/2 months to three months.	Ensure strict compliance with the provisions in the Value Added Tax Act.	The board is unable to submit the VAT return on due date due to practical problems in its business behavior.	Effective procedures have been introduced to address this issue.
80)	Contrary to the Section 03 of	Ensure strict	This amount of Rs.	The Regional

	<p>the Department of Inland Revenue Circular No.CGIR/2019/3V(INS & Cir) of 09 July 2019, as per the audit test check carried out, Value Added Tax amounting to Rs.501,513 had been paid to VAT inactive suppliers during the year under review.</p>	<p>compliance with the provisions in the Department of Inland Revenue Circulars.</p>	<p>501,513 is relevant to seven contractors and we have informed them to pay the relevant amounts to IRD and submit copies to the Regional Office of the Board.</p>	<p>office officials have been informed to check the inactive VAT documents before making the payment and then, make the payment.</p>
81)	<p>Contrary to the Extraordinary Gazette Notification No.2151/52 dated November 29, 2019 published under section 2A of the Value Added Tax Act No.14 of 2002, 15 percent instead of 8 percent had been charged on Ground Water Income, New Connection Income, Sewerage Income, metered sales and bowser supply during the month of January in Dehiwala, Anurdadhapura and Polonnaruwa region and special project unit of the head office. Apart from that rechargeable income of head office had been charged on 15 percent instead of 8 percent during six months</p>	<p>Ensure strict compliance with the provisions in the Value Added Tax Act.</p>	<p>This is due to the late declaration of income by the regions.</p>	<p>We have remitted the entire VAT charged to the customers to the Inland Revenue Department.</p>

	in 2020 . As a result, an additional value added tax amounting to Rs. 7,096,144 had been charged and declared.			
82)	Contrary to the Section 14 of the guideline on Simplified Value Added Tax System of No. SEC 2012/04, Simplified Value Added Tax (SVAT) vouchers amounting to Rs.2,613,627 and Rs.3,001,882 relation to first and second quarters respectively for the year 2020 had not been collected even by 30 March 2021.	Ensure strict compliance with the guidelines on Simplified Value Added Tax System.	We have informed all SVAT customers to send the vouchers to us by post due to practical difficulties in collecting the vouchers physically.	
83)	As a solution for mixing of sea water to drinking water in Kalu river, a contract had been awarded on 03 February 2016 to construct a salinity barrier at a contract sum of Rs.11,284,500. However, the entire expenditure incurred had become uneconomic, since the purpose of construction had not been achieved and the liquidity of salt in water had not been resolved as expected.	(i.) Ensure that contracts are planned to achieve intended objectives. (ii.) Ensure that a proper monitoring mechanism is in place from the commencement to the completion of a	The Board had taken a genuine effort in awarding the contract, to resolve the issue affecting more than 250,000 people in the area. The unfortunate occurrence due to flash flood is beyond the control of the Contractor and the board.	

		contract.		
84)	Under the Katana Water Supply Project, a sub contract had been awarded at a contract value of Rs.67,368,370 to construct a ground water reservoir and a pump house with a capacity of 1000m3 by using contingency provisions of project. However, a sum of Rs.8,084,204 had been charged as profit margin by the main contractor when remitting funds to subcontractor through interim payment certificates submitted to the board without actively mediating in procurements activities relevant to the subcontract.	Action should be taken to re-evaluate the contract documents in order to prevent the unnecessary payments to the contractors.	The work has been carried out through the awarded contract due to lack of funds. Therefore, the contractor has charged a 12 per cent margin as overhead.	
85)	A Senior internal auditor bearing employee number 2022982 had been restated on 1 March 2017 subject to the decisions of disciplinary investigations and assigned to the technical audit divisions of the board on 30 March 2017 without any duties. However, a sum of Rs. 6,637,668 had been paid to that employee as personnel emoluments	Action should be taken to expedite the ongoing disciplinary investigations of the employees and ensure the fully utilization of human resources.	The said employees have filed several court cases against the board. No additional allowance was given.	The appointment is for covering duties only and no additional allowance will be paid.

	including bonus for the period from 31 March 2017 to 31 August 2020.			
86)	An amount equivalent to Rs.7,653,137 had been incurred as late interest due to delay in repayment of installment by the board in respect of a foreign funded project and three local funded projects.	Take necessary action to repay debt service payments on time in order to prevent from incurring late interest and if possible, negotiate with relevant financial institution to wave off them.		Although the bank was requested to remove the fines, the bank did not agree.
87)	When compared with the market rates prevailed even during 2016, an additional payment of Rs.39.92 million had been paid to the contractor for the construction of 7 quarters in Badulla Haliella Water Supply Project due to over- estimated bill of quantity of the contractor.	Take action to negotiate with the contractors with regard to BOQ items with abnormal provisions before awarding the contract.	As the staff of the project management unit, we followed the approved cost breakdown and milestone payment schedule as a guide.	
88)	A loss of 502,779 USD equivalents to Rs. 93 million had to be incurred by the board during 18 October 2019 to 30 October 2020 due to investing	Action should be taken to utilize the project funds effectively to complete the		In accordance with the China Development Bank instructions

	<p>funds received on Gampaha, Attanagalle and Minuwangoda Integrated Project in US dollar deposits which paid a return of 0.6 percent less than the interest to be paid on loan.</p>	<p>projects on due dates in order to achieve the expected project outcomes.</p>		<p>and the Board decision, the Board transfer all undisbursed funds in the USD Fixed Deposits to the USD Savings Account which bears significant lowest interest rate.</p>
89)	<p>It was observed that 06 connections had been given to Housing Development Authority and the annual consumption of the year under review was 439,607 cubic meters. However, it had not been invoiced even as at 31 March 2021.</p>	<p>Ensure all consumptions of water are billed.</p>		<p>It was decided to change the category as free water.</p>
90)	<p>A Design and Consultancy contract for the renovation of building and premises of Regional Support Centre (Central) had been awarded on 01 January 2020 for a contract sum of Rs.4.3 million and</p>	<p>Ensure effective utilization of human resources of the board.</p>		<p>The Architectures have been recruited to serve on the Board.</p>

	completed on 11 September 2020, even though a separate section for planning and designing consisting of civil engineers, surveyor and designers is in place.			
91)	Due to delay in clearance of raw material containers from port, an amount aggregating to Rs.376.52 million had to be incurred as demurrages with regard to Polgahawela, Pothuhera, Alawwa integrated water supply project, Deduru Oya Water Supply project, Anamaduwa Water Supply Project and Kelani Right Water Supply Project Phase (ii) implemented during the year under review.	Take necessary action to clear the imported goods without any delay or negotiate with the contractor to delay the shipments if funds are not available.		A sum of Rs.376.52 million had to be paid as demurrages due to delay in disbursement of funds due to insufficient funds with the Board.
92)	When compared with the market value, an additional payment of Rs.21 million had been paid to the contractor for the construction of buildings in Deduru Oya Water Supply Project.	Take action to negotiate with the contractors with regard to BOQ items with abnormal provisions.		Since this is a design and build contract, it cannot be separated.
93)	The board had acquired a land in 1981 in Kaluthara to construct a warehouse and employee quarters and paid	Ensure that ownership of board's assets is		A case is pending in the Kalutara magistrate

	Rs.531,000 in 1991 for the payment of compensation to the owners. However, the land had already been occupied by some families illegally. However, the legal action to clear the ownership had been taken after a delay of 39 years of acquisition on 21 July 2020. Further, an external lawyer to handle the matter had been hired by incurring Rs.991,875 even though two legal officers had been already employed in the board.	secured.		court. Also, an internal investigation has been carried out on this.
94)	Out of total production 24.63 per cent is regarded as non-revenue water at the year under review even though the board had planned to reduce it to 23.56 percent at the end of the year. The value of non-revenue water had been brought to the accounts as average cost instead of being separately accounted, though it makes a significant loss to the Board due to leakage, unlawful connections, free supply and administrative inefficiencies etc. Further, the non-revenue water in Colombo	Action should be taken to pay more attention on reduction of non-revenue Water and allocate sufficient budget on that.	Various programs have been initiated and implemented to reduce the NRW percentage of the NWSDB such as replacing PVC pipes with DI pipes, identifying capacity improvement and NRW control projects for Kolonnawa and Kotte regions as well under ADB funding, implementing new DMA concept in Kotte region. In order to	

	city had recorded 39 percent while Kotte, Dehiwala, Galle, Kandy, Kegalle, Bandarawela and Trincomalee regions had recorded over 25 percent during the year under review.		reduce the NRW up to 20% at the end of December 2021, monitoring defective meter reading and zero estimated bills, implementing special illegal detection program, replacing vulnerable pipe with HDPE pipe, installing electronic bulk meters etc. have been implemented.	
95)	Action had not been taken to dispose the obsolete and unserviceable stocks valued at Rs. 127,794,411 even though board approval had been given to tender and dispose them on 20 August 2019.	Immediate action should be taken to dispose the obsolete and unserviceable stocks.		More stocks have been disposed and the rest is in the process of disposal.
96)	Based on the dispute adjudication board (DAB) decision, the board had to pay Rs.44.93 million as delay charges to the contractor and Rs.1.57 million as professional charges of DAB and arbitration members respectively due to the suspension of contract	Ensure compliance with the paragraph 3.7 of the Contract Agreement and Supplementary 14 for the Section 8.13.4 of Procurement Guideline and take	Upon the instructions from the Attorney General's Department to withdraw from Arbitration, other required approvals have been instituted in line with the directives from the Board of Directors	It has been resolved.

	<p>payments by the committee which is appointed for the investigation of variations of Awissawella and Kosgama Integrated Water Supply Project instead of acting according to the paragraph 3.7 of the Contract Agreement and Supplementary 14 for the Section 8.13.4 of the Procurement Guideline.</p>	<p>action against the responsible officers of the Board.</p>	<p>and the recommendations of the Special Committee dated 17.11.2017.</p>	
97)	<p>In relation to frauds committed by meter readers in Palayaththu and Trincomalee OIC offices under Eastern Regional Support Centre, no action had been taken to identify the other responsible officers and conduct preliminary investigations accordingly even after 3 years of the offences. Further, the losses to be recovered from 12 consumers for consuming water while damaging to the parts of the water meters in Trincomalee region had not been assessed and recovered even by 31 July 2021.</p>	<ul style="list-style-type: none"> • Immediate action needs to be taken to introduce a proper mechanism to recover losses from employees due to forged meter readings and to update the existing administrative circulars to that effect. • Action should be taken to complete the investigations within stipulated time period. 	<p>The Action is ongoing to clear the matter.</p>	<p>Used to repair damaged meters.</p>
98)	<p>A fraud amounting to</p>	<p>Immediate action</p>	<p>Action has been taken to</p>	<p>The case has</p>

	Rs.1,145,235 committed by a meter reader in Kaluthara region during the year 2008 to 2017 had not recovered from the responsible parties even as at 31 July 2020.	needs to be taken to introduce a proper mechanism to recover losses from employees due to forged meter reading and to update the existing administrative circulars to that effect.	calculate the loss and it has been informed to the Commercial Division to introduce a system to calculate the losses for such instances.	been referred to the Attorney General's Department for advice. Disciplinary action is in place.
99)	As per audit test check carried out regarding the fraud committed by meter readers during the year 2017 to 2019, two frauds had been committed in Monaragala Region, two frauds committed in Kaluthara and Central Region. Further, out of frauds committed in Wellawaya in Monaragala Region, the loss occurred due to rejection of bill payments by consumers had not been recovered even as at 31 January 2020.	Action should be taken to fill vacancies of meter readers from permanent employees and introduce a proper mechanism to recover losses accrued due to forged meter reading.	Also, action to recover the loss with the advice from Attorney General's Department is in process.	Disciplinary action is in place.
100)	As per the financial statements, the stocks in transit (local purchase) and imported stock in transit as at 31 December 2020	Action needs to be taken to investigate the long outstanding stocks in transit	Computer equipment in Polonnaruwa have been capitalized and removed from the stocks in 2021.	The relevant JVs have already been recorded in

	<p>was Rs.60,344,917 and Rs. 1,425,133,927 respectively. Out of those stocks amounting to Rs.1,898,285 and Rs.325,687,234 respectively had remained over one year without being investigated. Further, displaced stocks of Rs.906,957 in Bandaragama OIC office, computer equipment amounting to Rs.330,000 in Polonnaruwa Region had also been identified as stock in transit without being removed them from inventory even as at the end of the year under review.</p>	<p>balances and ensure the accuracy of recognition in stock in transit in the financial statements.</p>		<p>the general ledger in 2021.</p>
101)	<p>An abnormal debit balance in trade creditors amounting to Rs.22,217,467 in Bandarawela region had remained in accounts over three years while an abnormal debit balance of Rs.28,714,980 had remained in Batticaloa and Galle regions less than six months without investigated and settled. Further, out of total creditors balance of Rs. 143,507,022 in Uva regional support center, no action had been taken with regard to the</p>	<p>Action needs to be taken to investigate the long outstanding abnormal debit balances in trade creditors.</p>	<p>Measures have been taken to rectify this issue.</p>	

	abnormal debit balance of Rs.12,820,102. less than six months			
102)	An abnormal credit balance in cash in transit amounting to Rs. 1,708,659 had remained over one year without being cleared even by 30 April 2021.	Action needs to be taken to investigate the long outstanding abnormal credit balance in cash in transit.	The reconciliation process to rectify this has already been initiated.	Some balances are settled in the year 2021.
103)	The abnormal credit balance in stock in transit amounting to Rs.18,200,656 in Akkareipattu region and Rs.50,000 in Matale region had not been cleared even by 01 April 2021.	These abnormal balances in stock in transit should be investigated and cleared.		The correction has been made in the year 2021.
104)	Good in transit amounting to Rs.661,338 had remained over one year in Matale warehouse even by 30 April 2021 without being investigated. Further, balance of Rs.22,007,309 had remained in stock adjustment account in four regions over 4 years without being cleared.	Balances remained in stock adjustment account should be investigated and cleared.	Action will be taken to clear the matter in the future.	Present position has not stated.
105)	In order to construct ground water reservoir and a water tank for Kotikawatta Mulleriyawa Water Supply scheme, a land situated in Gothatuwa hospital	Ensure that all lease rentals are based on a valid lease agreement.	Present position has not submitted.	

	<p>premises had been acquired on 04 April 2001 and lease rent aggregating Rs.10,103,750 for the period 2001 to 31 December 2018 and penalty of Rs.104,500 for the period 2001 to 2009 had been paid by the board to the Kollonnawa Divisional Secretary. However, no lease agreement was submitted to audit to ascertain the accuracy of the payment.</p>		
106)	<p>Three thousand two hundred eighty-four (3284) water meters spare parts which are not in usable condition with an aggregate value of Rs.7,602,006 had remained in Rathmalana warehouse over a period ranging from 3 to 7 years without being used for intended purpose as at the end of the year under review.</p>	<p>Action should be taken to use the water meter spare parts for intended purposes.</p>	<p>Used for repairing water meters.</p>
107)	<p>Three thousand five hundred and sixty-eight (3568) water meters valued at Rs.43,293,308 in seven different diameters had remained in the main stores over a period ranging from 3 to 7 years without being used for intended purpose at the end of the year under review. Further,</p>	<p>Action needs to be taken to place orders for water meters after considering their stock control levels in future.</p>	<p>Used for repairing water meters.</p>

	it was observed that the warranty period of certain water meters had already been expired.			
108)	Non-moving stocks and slow-moving stocks as at 31 December 2020 were amounting to Rs.496,204,232 and Rs.642,923,041 respectively and it represents 6 and 8 per cent of the total stocks of the Board.	Action needs to be taken to place orders for inventory items after considering their stock control levels in future to avoid Non-moving stocks and slow-moving stocks.		Action is being taken.
109)	Three lands acquired for the construction of water tower in Kareinagar, Regional engineer office in Trincomalee and Reservoir in Nawayalawila had not been used for the intended purpose even by the end of the year under review.	Immediate action should be taken to utilize acquired lands effectively.	The Process to clear it is in progress.	-
110)	Laboratories for Greater Kandy Water Supply Project had been constructed at a cost of Rs.166,993,899 in year 2016. However, it had not been fully utilized for intended purposes even as at 31 August 2020 except testing water fittings	Immediate action needs to be taken to utilize the resources of laboratory constructed under Greater Kandy Water Supply Project.		Laboratories have been taken over under NWSDB.

	procured by the board.			
111)	Twenty-Eight (28) rehabilitated and newly constructed wells at cost of Rs.225.33 million and one renovated tube well in Murunkan constructed under Dry Zone Urban Water Sanitation project were not being used by the board even by the end of the year under review.	Steps should be taken to carry out a proper feasibility study before starting a project.	The O&M division is in the process of identifying ground water sources.	Alternative measures have been taken.
112)	With respect to twelve foreign funded projects and three local bank funded projects, a considerable delay ranging from 82 days to 1460 days was observed due to poor performance of the contractors, delay in land clearance, environmental and resettlement issues, delay in contract awarding, delays in procurement process, changing the routes due to unexpected utilities present underground, COVID 19 pandemic etc.	<ul style="list-style-type: none"> •Action should be taken to avoid project delays and thereby extensions to contractors and in the instance of an extension is given to a contractor, ensure the deduction of delay damages as per the provisions in the contract agreement. •Close monitoring of the project by the Board's staff during implementation. 	Organized and held several meetings with the contractor to expedite progress, conducted periodic awareness programs and meetings to expedite approval of other agencies, expediting billing process to reduce contractors' financial problems, etc.	Kandy City Waste Management Project and Dry Zone Water Supply Project have been completed. The Jaffna Kilinochchi Water Supply Project will be implemented by awarding a new

				<p>contract for the Sea Water Reverse Osmosis (SWRO) plant. Anuradhapur a North Water Supply Project has been almost completed. Laggala New Town Water Supply Project and Wilgamuwa Water Supply Project have been partially opened.</p>
113)	<p>The contract for Kundasale Haragama Water Supply Project had been initially awarded in 2016 and it had been terminated. However, due to inefficient procurement procedure, it had been taken another three years to</p>	<ul style="list-style-type: none"> •Action should be taken to expedite the procurement process. •Lands for the project should be acquired before awarding the project. 	<p>Due to ceasing the foreign funding, the project was included in the Business Plan of 2021 to 2025 to be implemented under GOSL funds by the Board.</p>	<p>Not submitted.</p>

	award the new contract again in June 2019 and the project had been suspended by the end of the year under review after incurring Rs.75.12 million, due to inefficient procurement process and commencement of the projects by the board based on improper planning and without having proper assessment of the financial stability of the board.	•Action should be taken to commence the projects as planned.		
114)	The contract for Walachchenei Water Supply Project had been awarded to the contractor on 22 January 2019 after eight years from the date of submitting financial proposal on 21 February 2011. Hence funds disbursed by the lending agency had not been used for 2 years and 6 months period. Subsequently the financial agreement had been cancelled and the project had been suspended.	<ul style="list-style-type: none"> • Action should be taken to expedite the procurement process. • Action should be taken to commence the projects as planned. 	No action had been taken.	
115)	<u>Gampaha, Attanagalla and Minuwangoda Integrated Water Supply Scheme</u> The project 01 commenced its activities on 20 February 2017	(i) Action needs to be taken to expedite the project's works so as to complete the	The main reasons for the delay of the project are Covid 19 pandemic and delay of supplying material. There is no significant progress at	

	<p>and schedule to be completed on 19 February 2020. However, due to poor performance of the main contractor and delay in awarding laying contracts under sub contract agreement entered between the board and the main contractor, a time extension had been given in two occasions up to 18 February 2022. Further, the physical progress of the project even at the end of June 2021 had remained at 68 percent.</p>	<p>project within contract period.</p> <p>(ii) Ensure all of the lands were acquired before commencement of the project works.</p> <p>(iii) Expedite the procurement process of contract awarding under the project.</p>	<p>Water Treatment Plant as well as at Intake by the main contractor.</p>
<ul style="list-style-type: none"> As per the section 2.3.1 of the procurement guideline board had failed to satisfy whether it has completed land acquisition and resolved compensation, re-settlement issues, including relocation of utilities and such other matters which are necessary for the uninterrupted implementation of the project. Therefore, it was observed delay in acquisition of lands for the resettlement and construction of district manager office (Yakkala) and OIC office even by the end of March 2021. 			<p>Land acquisition and resettlement near dam axis area has been completed. Both District Manager Office and OIC Office are to be constructed at lands owned Board. Further residents in the Sri Bodhi Housing Scheme protested and interrupted forcefully the mobilization of the Contractor for the construction.</p>

<ul style="list-style-type: none"> • 	<p>The contract for the construction of Impounding Reservoir at Basnagoda which had been started its activities on 12 June 2019 and scheduled to be completed within two years had shown a very slow progress of only 26 percent even exceeding two years as at 30 June 2021.</p>		<p>It is scheduled to complete the Dam Construction by February 2022.</p>
<ul style="list-style-type: none"> • 	<p>The contracts for the pipe laying (distribution) and construction of water towers in Nittambuwa and Gampaha area under sub contract agreement had not been awarded even after nearly 4 years of awarding of the main contract as at 31 December 2020. Apart from that the works of balance pipe laying of already awarded contracts for which three extensions had been granted had also shown a slow progress ranging from 40 to 60 percent even as at 31 June 2021.</p>		<p>Due to the funding constraints, it is decided to award Transmission main line and the Distribution main line of Nittambuwa and Gampaha separately.</p>
<ul style="list-style-type: none"> • 	<p>The contract for the construction of water towers and pipe laying in Pasyala area which had been scheduled to</p>		<p>Pasyala Contract package was re-awarded for the balance work on 19 May 2021 and</p>

	<p>completed by 10 December 2019 was terminated due to poor performance of the contractor at the end of the year 2019 when the progress remained at 30 percent. However, management of the board had not taken any action to expedite the project works or to award the contract again even as at 30 April 2021. Further the encashment of performance and advance bond had been delayed by two months after the termination of the contract.</p>		<p>commenced on 25 July 2021. The performance and advance bond have been already encashed.</p>
116)	<p><u>Matara Stage IV – Water Supply Project</u></p> <p>The Project had been commenced in order to provide drinking water for 321,954 populations expected to be in 2030. It had been commenced its activities on 11 October 2017 and schedule to be completed on 10 October 2020. However, due to poor performance of the contractor, delay in approving drawings and delay in acquisition of lands, a time extension had</p>	<p>(i) Action need to be taken to expedite the project's works so as to complete the project with in contract period.</p> <p>(ii) Ensure all of the lands were acquired and all drawings were approved before commencement of the project</p>	<p>Identification of the lands for the project has not been completed until the contract agreement is signed. The delay in land acquisition is due to the Covid-19 pandemic, which slows down the physical progress.</p>

	<p>been given up to 02 October 2021. Further the physical progress of the project even at the end of December 2020 had remained at 69 percent.</p>	<p>(iii)Ensure compliance with the provisions of the contract agreement.</p>	
<ul style="list-style-type: none"> As per the section 10.F of the contract document in order to enforce the contract, the contractor should be allowed to enter the construction site and as per the section 2.3.1 of the procurement guideline board should satisfy whether it has completed land acquisition and resolved compensation, re-settlement issues, including relocation of utilities and such other matters which are necessary for the uninterrupted implementation of the project. Further as per the section 11.7 of the FIDIC guideline contractor should be allowed to enter to the construction site after obtaining performance guarantee. However, reasonable delays were observed with regard to allowing permission to contractor to enter the premises since the acquisition of 14 lands 		<p>(iv)Ensure continuous monitoring during project implementation.</p>	<p>Even though initiation land identifications were carried out from year 2012, it was not closely monitored because of at that period, Project Monitoring Unit was not implemented and Regional Support Center (Southern) involved for the land acquisition.</p>

	<p>had delayed from 6 to 17 months from the starting date of the project.</p>		
<ul style="list-style-type: none"> • 	<p>A reasonable delay of two years and seven months from the date of awarding of the contract was observed in relation to approving planning and design drawings of distribution lines for six ground water reservoirs and four water towers.</p>		<p>RSC (South) O&M requested for planning to increase the pressure in the low-pressure area and extend the distribution length to 800 km by including the new demand area due to the existing water demand and water shortage in the existing distribution system. Accordingly, the transmission and distribution network were redesigned, including the elevations and capacities of towers and reservoirs.</p>
<ul style="list-style-type: none"> • 	<p>As per the initial plan and the price schedule, it had been planned to lay a distribution line of 200 Km. However, it had been reduced to 105 Km or by 50 percent as per the extension given on 01 July 2020 and hence it is in doubt whether the</p>		<p>According to detail design carried out by considering the new demand and the pressure requirement, the initial plan had been changed and accordingly increased the cost of</p>

	<p>objectives of the project can be achieved by covering the whole area as initially planned. However only 53 kilometers or 41 percent had only been laid even as at 31 August 2021.</p>		<p>work. Therefore, total length should be limited to 105 km by reducing the length of 90mm pipes. As on 31.08.2021, progress of laying distribution pipes is 53 km (50 per cent).</p>
117)	<p><u>Aluthgama, Mathugama, Agalawatta Integrated Water Supply Scheme</u></p> <p>The contract had been awarded on 20 February 2014 for the contract sum of Rs. 28,571 million and as per the contract agreement the contract had been commenced on 15 May 2017 and scheduled to be completed on 24 May 2020. However, the contract had been extended up to 14 December 2020 due to poor performance of the contractor.</p>	<p>i) Action needs to be taken to expedite the project's works so as to complete the project within contract period.</p> <p>(ii) Ensure compliance with the provisions in the contract agreement.</p> <p>(iii) Ensure continuous monitoring during project implementation.</p>	<p>The project could not be completed due to adverse weather conditions and the need to obtain necessary approvals from the government departments. The proposed land was identified as a land slide high risk zone.</p>
	<ul style="list-style-type: none"> As per the contract agreement the contractor is required to supply and lay 59,199 meters transmission line and 259,643 distribution line. However, even as at 20 September 2020 the 		<p>Due to large rocks found on the roads, adverse weather condition, rocks found on the roads where houses existed needed chemical</p>

	<p>contractor had laid only 158,707 meters out of total 318,842 meters or 50 per cent, total road reinstatement of 152,522 meters and pressure testing for 18,383 meters. Further no any permanent road reinstatement had been done as at that date.</p>		<p>blasting, Covid pandemic etc. pipe laying was delayed.</p>
<ul style="list-style-type: none"> As per the drawings of the board the width of the trench in which 160mm dia pvc to be laid is 24 inches, however it was observed that the actual width of trench in Dodamgoda – Kaluthara road is only 15 inches. Further road cracks were observed in Nagoda Kalawellawa due to unavailability of sheet piles in the trenches. 			<p>As per the request of the Road Development Authority, the width of the trenches in some areas has been reduced.</p>
<ul style="list-style-type: none"> According to the drawing, during the temporary restoration work on carpeted or tarred roads, the ABC should be compressed and a Tack coat with CSS tar should be applied to the surface to prevent the ABCs from escaping. However, temporary replacement of the surface at several points along 			<p>The contractor has been advised to complete it as soon as possible.</p>

	the road including Panthiya College on the Matugama-Colombo main road had not been done so.		
	<ul style="list-style-type: none"> It was observed road damages due to allowing drains to be left open without restoration after laying water pipes at several places on the road from Nebada to Kolemodara and non-maintenance of temporary restoration on several major roads including Agalawatta town. 		Currently the work on this regard is ongoing.
118)	<p><u>Wilgamuwa Water Supply Project</u></p> <p>The Project had been commenced in order to provide water supply in Wilgamuwa Divisional Secretariat and awarded at a cost of Rs.3,580 million in 10 November 2014. Even though the contract had been commenced on 01 August 2016 and scheduled to be completed on 31 July 2018, three-time extensions for a period of 1156 days had been given until 30 September 2021</p>	<p>(i) Action needs to be taken to expedite the project's works so as to complete the project with in contract period in order to achieve the project objectives.</p> <p>(ii) Project extensions should not be given for unreasonable reasons of the contractors.</p> <p>(iii) Ensure</p>	The project is now running under the 3rd time extension. As of 31 August 2021, physical progress has reached 64.37 per cent. Project progress is closely monitored by the Board and the Wilgamuwa Water Supply Project is expected to be completed by 31 December 2021.

	<p>due to poor performance of the contractor. However, the actual physical progress as at 28 February 2021 was only 57 per cent. Due to slow progress, it had been allowed to keep the mobilization advance of Rs.141.3 million with the contractor without utilizing project activities effectively for more than 4 years at the end of the year under review.</p>	<p>compliance with the conditions of the contract agreement.</p> <p>(iv) Ensure continuous monitoring during project implementation.</p>	
119)	<p><u>Laggala Water Supply Project</u></p> <p>The Project had been commenced in order to provide water supply for the resettlements of Moragahakanda Project. The contract had been awarded at a cost of Rs.4,495.88 million in 17 December 2014. Even though the contract had been commenced on 21 July 2016 and scheduled to be completed on 20 July 2018, three-time extensions for a period of 1182 days had been given until 14 October 2021 due to poor performance of the contractor. However, the actual physical progress even as at 28</p>	<p>(i) Action needs to be taken to expedite the project's works so as to complete the project within contract period in order to achieve the project objectives.</p> <p>(ii) Project extensions should not be given for unreasonable reasons of the contractors.</p> <p>(iii) Ensure continuous monitoring during project</p>	<p>Actual physical progress as at 31.08.2021 is 62.23 per cent.</p>

	February 2021 was only 60 percent. Due to slow progress, it had been allowed to keep the mobilization advance of Rs.514.89 million with the contractor without utilizing project activities effectively for more than 4 years.	implementation.	
120)	<p><u>Kundasale Haragama Water Supply Project</u></p> <p>The procurement activities related to the project had been commenced during the year 2011 and to sign the contract agreement and the financing agreement, it had taken four years and five years respectively. However, due to the financial incapability of the contractor and failure to submit advance bond and performance bond, the contract had been terminated on March 2016.</p>	<p>(i)New contract should be awarded for terminated contract without delay.</p> <p>(ii)Action should be taken to get the concurrence of the Attorney General, before signing the contract agreement whenever necessary.</p>	The contractor's service was terminated due to financial incapability.
	<ul style="list-style-type: none"> The contract had been initially awarded in 2016 and it had been terminated. However, due to inefficient procurement procedure, it had been taken another three years to award the 		The contract agreement was signed on 14 October 2019 subject to AG's Department Concurrence. However, the approval of the

	new contract again in June 2019 and it had been awarded without obtaining the concurrence of the Attorney General.		Attorney General was later received.
121)	<p><u>Giridara Water Supply Project</u></p> <p>The Project had been commenced its activities on 15 February 2019 in order to provide drinking water for 20,000 population in Dompe Divisional secretariat and scheduled to be completed by 14 February 2020. However, due to poor financial performance of the contractor and inability to deploy required labor and equipment, the project period had been extended up to 14 August 2020. However, the physical progress as at 31 July 2020 was only 31 percent.</p>	<p>(i) Action should be taken to expedite the project's works so as to complete the project with in contract period.</p> <p>(ii) Action should be taken to charge the delay damages for poorly performed contractors as per the conditions of the contract instead of granting time extensions.</p>	Contract has now been extended up to 04 November 2020 and the contractor has been informed to improve progress.
	<ul style="list-style-type: none"> • Due to inefficient procurement process it had been taken nearly four (04) years for calling expression of interest from bidders and awarding contract to the selected bidder. Further, the engineering estimate of 	<p>(iii) Action should be taken to expedite the procurement process in order to achieve the project</p>	The water source of the project in 2014 was the Labugama - Kalatuwawa transmission main line. According to the proposal, the

	<p>Rs.585.95 million prepared when calling expression of interest in February 2014 had been increased up to Rs.875.3 million without any justifiable reason at the time of recalling the tender.</p>	<p>objectives on time.</p> <p>(iv) Action should be taken to obtain required permissions from other institutions as soon as possible in order to complete the project with in the period.</p> <p>(v)Ensure strict compliance with the Government Procurement Guidelines, FIDIC Guidelines.</p>	<p>engineering estimate is 589.5 million. Due to insufficient capacity of the Labugama – Kalatuwa transmission pipeline, the water source for the Giridara WSP was subsequently selected as the Kelani Right Bank Project – Stage II. Accordingly, the engineering estimate was revised.</p>
<ul style="list-style-type: none"> • 	<p>Even though the contract had been awarded to the selected bidder for contract sum of Rs.513.28 million that is 29.71 percent less than the engineering estimate, no rate analysis had been obtain from the contractor to prove to the satisfaction of the TEC, how the bidder intends to procure such items, Works and Services as per the quoted rates as per section 7.9.11 (a) of the Government Procurement Guideline.</p>	<p>(vi)Past performance of the contractors should be taken as a criterion for evaluation before awarding the contract.</p>	<p>No action had been taken.</p>
<ul style="list-style-type: none"> • 	<p>Even though Hannwella Bridge had been identified as tapping</p>		<p>The work is not finished</p>

	point to get water supply from Kalatuwawa Water Supply Scheme, no approval had been obtained from Road Development authority even by 16 January 2020 for pipe laying through the bridge.		yet.
122)	<p><u>Colombo District East Town Water Supply Project – Phase 01 and 03</u></p> <p>As per the Section 6.2.2 of Government Procurement Guideline, the minimum period of bidding for competitive bidding is 21 days. However, as per the paper advertisement published on 11 December 2013 only 14 days had been granted for submission of bids for 33 projects to the value of Rs.38,805 million including this project.</p>	<p>(i) Should adhere to the provisions in the contract agreement.</p> <p>(ii) Action needs to be taken to complete the project within contract period.</p> <p>(iii) Avoid paying abnormal fees to contractors during the project evaluation stage.</p>	The procurement process has been handled by the Ministry of Water Supply.
	<ul style="list-style-type: none"> The contract had been awarded for Rs 4,879,367,561, a 24 percent increase over the engineering estimate. 		The decision was taken by the SCAPC and the Cabinet approval was also granted for the amount.
	<ul style="list-style-type: none"> As per the rates of National Water Supply & Drainage 		Contractually agreed

	board prevailed during the year 2017, the value in the Bill of Quantity shown an increase of 83 per cent as compared with the payment made for HDPE & pipes and fittings.		rates cannot be changed.
•	As per the bill of quantity the pipe laying of 90 mm dia HDPE Pipe was expected to be done for 32,550 meters. However, a provision for 131,000 meters had been made for supply of piped. As such an excess of 98,450 meters of pipes had been procured and an excess of Rs.77,677,050 had been paid.		Since the NWSDB extensions require mainly 90mm pipes those were procured and handed over to O&M for the pipeline extensions.
•	Total of 4,900 water meters had been purchased from 3 specifications and Rs. 20,702,600 had been paid thereof. However as compared with market rates of Rs. 11,743,000 for those water meters, it shows an increase of 76 percent.		Contractually the agreed rates cannot be changed.
•	Contrary to the bill of quantity (BOQ) of the project, an excess payment of Rs.732.07 million had been paid for temporary		As per the contract Temporary reinstatement could be carried out either using

	road reinstatement of road shoulders of Pradeshiya Sabha road in package 1 and 3 of the above project for 267,188 meters due to usage of excavated soil for backfilling purposes.		excavated soil or imported soil. It is not mandatory to use imported soil.	
	<ul style="list-style-type: none"> As compared with the rate of National Water Supply & Drainage board prevailed during the year 2018, an excess payment of Rs.79.79 million had been paid for 10,000 water meters imported for package (iii). 		The Project staff has no authority to revise the BOQ rates for the water meters during the implementation.	
	<ul style="list-style-type: none"> Even though brass union is being supplied as a part of the water meter, it had been separately included in the bill of quantity. And hence a separate payment of Rs.25.32 million had been done for package (i) and (iii) for supplying of brass unions. 		Approval was granted for the supply of service connection material as per the quantities provided in the BOQ and payment was also made separately for water meters and brass unions through different IPCs in both contracts.	
123)	Contrary to the provisions in Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003,	Ensure compliance with the Public Enterprises Circular No. PED/12 of 02	They are temporarily released to the Ministry at the request of the Secretary.	The Ministry has informed that the salaries cannot be

	<p>seventeen (17) employees had been released to the Line Ministry by 31 December 2020 and the Board had incurred a sum of Rs.18.94 million on behalf of them during the year. Accordingly, a sum of Rs.187.39 million is to be reimbursed by the Ministry of Water Supply for the employees released by the board from December 2015 to 31 December 2020. Further Seven (07) motor vehicles were also released to the Line Ministry.</p>	<p>June 2003 regarding releasing of resources to other organizations.</p>		<p>reimbursed due to lack of provision.</p>
124)	<p>The Board had not taken action to fill 1715 vacancies including strategic level posts of Deputy General Managers and Assistant General Managers, the main operational level posts such as the Managers, Engineer (Mechanical), Engineer (Electrical), Engineer (Civil), Chief accountants, Middle Level Technical (ML- T) Clerical and Allied Categories, Other Skilled Grade etc. even as at the end of the year under review.</p>	<p>Recruit adequate staff to the Board.</p>	<p>Out the 68 posts of General Manager, only one is yet to be filled while all other posts have been filled.</p> <p>The following posts could not be filled due to a court order.</p> <ol style="list-style-type: none"> 1.Chief Internal Auditor 2.Chief Accountant 3.Electrical engineer and 4.Manger (HR) 	

			Also, the vacancies in PL category could not be filled as recruitment of vacancies in primary grades has been suspended by Management Services Circular 02/2020.	
125)	No recruitments had been made for 22 approved posts while 25 employees had been recruited on permanent basis for three unapproved posts.	Action should be taken to recruit employees for approved vacancies.		Three consultants have been employed on contract basis.
126)	Action had not been taken to obtain the approval for Scheme of Recruitment and Promotions from the Department of Management services, as specified in the Management Services Department's Circular No. 30 dated 22 September 2006.	Action needs to be taken to get the approval for SORP from Department of Management Services.		The recruitment procedure has been sent to the Department of Management Services with the recommendation of the Ministry of Water Supply.
127)	The employee bearing employee number 97454 and currently hold the position of Chief Internal Auditor of the board had been recruited on 1996 as a clerk without fulfilling the required qualifications stipulated in the	Ensure required qualifications are fulfilled when recruiting employees.		The suitability was confirmed by the committee appointed in this regard.

	paper advertisement published on 1995.			
128)	As per section 22.1.1 of the disciplinary code of the board, within one year from issuing charge sheet against the accused officer, the investigations should be completed and disciplinary orders should be issued. However, in case of investigation conducted relating to Palayaththu and Trincomalee OIC offices against two labors and pipe welder, investigation had not been completed even after 2 years had passed from issuing charge sheets.	Action needs to be taken to expedite the completion of investigations.	The action is still ongoing.	Investigations of two persons have been completed and financial loss is to be recovered from them and punishments have been given. The other two investigations are almost complete.
129)	Annual report of the year 2019 had not been tabled in the Parliament as per section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003 even by 31 July 2021.	Action should be taken to table the annual report without further delay in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003.		2019 Annual Report: Parliamentary copy submitted to Ministry of Water Supply on 12.01.2022. Annual Report 2020: The report has been prepared in

				all three languages and is in the proofreading stage.
130)	As per Section 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, updated copies of the Corporate Plan approved by the Board together with the updated Annual Budget should be forwarded to the line Ministry, Department of Public Enterprises, General Treasury and Auditor General at least 15 days before the commencement of financial year. However, the corporate plan prepared for the year 2020-2025 had been approved by the board on 16 October 2020 after lapse 10 months from the first implementing year. Further, the salient features of a corporate plan in terms of section 5.1.2 of the above circular such as the organization structure, the current resources available had not been included in it.	Should comply with the provisions in Public Enterprises Circular No. PED/12 of 02 June 2003 regarding content and preparation of corporate plan.	The present Organization Structure has been included in the annual reports.	It will be complied with the next revision in the future.

131)	<p>Annual action plan for the year 2020 had been prepared and approved on 26 February 2020 by the board of directors after two months from the implementation of the action plan. Further, the annual budget had been approved by the Secretary to the Line Ministry on 16 January 2020, even though the approved budget should be forwarded to the line Ministry, Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of each financial year in terms of Section 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003. Apart from that the loan repayment plan had not been included in the annual action plan in terms of section 5.2(e) of the Public Finance circular No. 01/2014 dated 17 February 2014.</p>	<ul style="list-style-type: none"> •Action plan should be prepared before commencement of the year. •Should comply with the provisions of the Public Enterprises Circular No. PED/12 of 02 June 2003 regarding preparation of annual budget. •Ensure that all the items had been included in terms of Section 5.2(e) of the Public Finance circular No. 01/2014 dated 17 February 2014. 	<p>Action has been taken to comply with PED/12 dated 02 June 2003 and to include all items in Section 5.2(e) of Finance Circular No. 01/2014 dated 17 February 2014 as recommended.</p>	<p>For both 2021 and 2022, annual action plans have been submitted for the Ministry of Water Supply within a reasonable period of time after receiving annual provisions.</p>
132)	<p>According to the information provided by the board, twenty-four (24) numbers of foreign</p>	<p>Action should be taken to achieve the expected project</p>	<p>Delay in progress of project works were due to Covid-19 pandemic,</p>	

	<p>funded water supply projects and twenty (20) number of local funded water supply projects had been implemented during the year under review. However, out of that twenty (20) projects had failed to achieve expected progress. Further, Colombo Water Supply Service Improvement Project-3 (ADB) which had been scheduled to commence during the year under review, had not been commenced as planned.</p>	<p>progress at the end of the year under review.</p>	<p>lack of labor at sites, delay in supplying materials, import delays on supply of goods, farmer's objections in Anuradhapura North WSP, contractual conflicts between contractor and subcontractors, delay in getting approvals for land & Road clearance etc.</p>	
133)	<p>As per the action plan, out of total population it was expected to increase total piped water supply coverage and sewerage coverage up to 55 percent and 2.25 percent respectively at the end of the year under review. However, the actual coverage was confined only to 53.10 percent and 2.05 percent respectively. Further, as per the Corporate Plan prepared for 2020-2025, it is expected to increase total piped coverage up to 78 percent at the end of the year 2025. However, when</p>	<p>Action should be taken to achieve the expected piped water supply and sewerage coverage as planned.</p>	<p>Many strategies have been introduced to increase the number of connections to achieve the goals in the Covid 19 global epidemic situation and the economic situation of the country.</p>	<p>The board managed to provide 196,000 new connections during the year, bringing NWSDB coverage to 44.6 per cent, a 97.4 per cent achievement of the target by the end of 2021.</p>

	<p>considering annual growth rate in new connections given during past few years, the possibility in achieving the said target is in doubt.</p>			
134)	<p>Even though three large Sewerage Projects are being implemented during the year under review and large scale three sewerage projects had already been completed, board was able to provide only 2.05 per cent coverage out of total population at the end of the year.</p>	<p>Action should be taken to increase the sewerage coverage.</p>	<p>In parallel, consumer awareness programs are also conducted by the Board.</p> <p>Further implementation of two new projects for Negombo was initiated and is now in the procurement stage. The number of connections is expected to increase under these two projects after their completion probably in 2024-2026. Also, domestic connections in the existing sewerage schemes in Dehiwala/ Mount Lavinia area were increased by about 32,000. It is expected that the procurement work for the projects of Mount Lavinia, Kolonnawa, Hikkaduwa,</p>	

			Kataragama and Kurunegala will be done in 2022-2023.
135)	Seventeen (17) vacancies in the Internal Audit Section including Deputy General Manager, Assistant General Manager, five (5) Chief Internal Auditors and an Engineer had not been filled even as at 31 May 2021.	Adequate internal audit staff need to be recruited especially key positions such as Deputy General Manager and Assistant General manager should be filled with suitably qualified officers without delay.	Remaining vacancies including AGM (IA) are to be filled in near future. The DGM position has been filled. The positions of chief internal auditors have been delayed due to a court order.
136)	Large numbers of water supply and sanitation services projects which use local and foreign funds are carrying out by the Board. However, adequate number of staff had not attached to the technical audit section of the Board. Further, only one Internal Auditor had been appointed for the Development Projects which are funded by foreign financing.	<ul style="list-style-type: none"> • Adequate number of audit staff need to be recruited to the technical audit section of the Board. • Ensure compliance with the Management Audit Circulars. 	Those positions have been included in the new cadre proposal.

20. Janatha Estate Development Board

1. Name of the Entity : Janatha Estate Development Board
2. Opinion : The draft report for the year 2018 is being prepared.
 Accounts for the year 2019 have not been submitted.
 Accounts for the year 2020 have not been submitted.

3. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01.	As per the Section 6.5.1 of the Public Enterprises Circular No. PED / 12 of 02 June 2003, the Financial Statements of the Board should be submitted to the Auditor General within 60 days after close of the accounting year. However, it was observed that there had been a delay of several years in the submission of financial statements in the previous 5 years. Financial Statements for the years 2018 and 2019 had not been presented for audit even by 15 February 2021.	The Management should take action to submit the Financial Statements of the Board for audit within 60 days after close of the accounting year as per the Section 6.5.1 of the Public Enterprises Circular No. PED / 12.	No preventive action was taken.	The accounts for the years 2019 and 2020 had not been submitted to the Auditor General by March 2022.

02.	As per the Paragraph 7 of the Presidential Secretariat Circular No.SP/RD/02/10 dated 03 February 2010 on State Land Administration, Although, when it is leasing, sale and disposal of state lands by a deed, the value/charging the leasing charges should be done on the basis of a valuation of a government valuer, no report has been obtained from the Government valuer when leasing the Paravila rubber land at Kumarawatta estate,Monaragala.	When it is leasing, sale and disposal of state lands by a deed, the value/charging the leasing charges should be done on the basis of valuation of a government valuer.	No preventive action was taken.	The issue had still not been resolved.
03.	As per the Paragraph 3.4 of the Presidential Secretariat Circular No. SP /RD/02/10 of 03 February 2010, besides where there is a time limit prescribed by law whilst leasing lands owned by state enterprises although it should be limited to 30 years in other cases in accordance with the laws on state owned land management, 03 tea factories had been leased for a period of 50 years.	Action should be taken to comply with the Rules and Regulations enacted with regard to the State-owned Land Management.	No preventive action was taken.	The issue had still not been resolved.

04.	Six officers for holding the post of Accountant, Manager of Human Recourse Manager of Legal, Manager(forest), Internal Auditor belonging to the MM 1- 1 salary category, the monthly transport allowance of Rs.50, 000 and including an allowance for quantity of liter of fuel as determined for each post, the amount of Rs.4,603,760 had been paid in the year 2019. Although it was stated that this payment was made under Section 5 and 8 of the state agricultural board Act No.11 of 1972, specific information has not been included in those sections regarding the payment of such allowances.	It should not be acted to override the existing rules and regulations.	No preventive action was taken.	The issue had still not been resolved and the respective allowance had been paid in February 2022 as well.
05.	The board had commenced rubber cultivation on a land of 15 hectares in the Parawilla section of the estate in Monaragala Kumarawatta in the year 2015 and had been spent a cost of Rs.8, 346,368 from 2015 to October 2019. However, according to	After obtaining valuation report for the entire land, including this rubber plantation, the lease amount should be amended and entered into a new agreement.	No preventive action was taken.	The issue had still not been resolved.

	<p>Agreement No. 158 between the Board and the relevant lessee, the Board is expected to obtain a total rent income of Rs. 11,423,415 for a period of 30 years by leasing the land. Accordingly, the board had not taken action to enter into an agreement to obtain a return commensurate with the expenditure incurred for the relevant cultivation by leasing this land.</p>			
06.	<p>According to the performance reports issued by the board from the year 2017 to the year 2019, It had taken a minus contribution per one kilogram of tea when comparing the cost of production of one kilogram of finished tea and the average sales value of 16 estates and also it was observed that minus contribution had been increased respectively in the range of from Rs.100 to Rs.594 in the year 2017, in the range of from Rs.53 to Rs.487 in the year 2018, and</p>	<p>The management should effectively manage the production and the cost of tea and increase sales revenue and ensure that the revenue from the sale of one kilogram of tea can cover the production costs incurred for it.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved.</p>

	<p>the minus contribution has increased up to the range of Rs.573 to Rs.2,109 in the year 2019. Accordingly, it was observed a situation that the cost of production could not be covered by the income from the sale of one kilogram of tea continuously.</p>			
07.	<p>It was observed that harvest of all the estates of the board was remained in very low from the year 2009 up to the year under review, although the average monthly harvest of tea was 1600 kilograms per hectare according to the plantation crop statistics of the Ministry of Plantation. In the year 2019 the value of in the estates had been taken a low range from 335 to 733 kilograms.</p>	<p>The management should be responsible for maintaining the estates of the board properly and fertilizing appropriately in order to get the monthly average harvest which should be remained in one hectare according to the data of the crop plantation statistics of the Ministry of Plantation</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved.</p>
08.	<p>According to the Hectarage statement of 2019 which was prepared by the Board stated that the total area of land belonging to the 16 tea estates controlled by the board was 10,165 hectares at the end of</p>	<p>The Management must ensure to utilize the land areas belonging to the board efficiently and effectively.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved.</p>

	<p>the year under review. According to the report, out of the total land area, only 4895.79 hectares has been used for tea and other cultivation. It was observed that, when 1214 hectares of land was allotted for building from the total land, 4054.97 hectares of land is not being used for tea cultivation and it was about 39.89 percent of the total land area and also the board has no plans to utilize this land for cultivation.</p>			
09.	<p>According to the Hectarage statement of 2019 for rubber cultivation which prepared by the board on the extent of land allotted for rubber cultivation, there are 2,177 hectares of land belongs to the board for rubber cultivation but only 742 hectares for rubber cultivation and 26 hectares for other crops had been utilized, and 1,408 hectares had not been used for cultivation. Accordingly, 64.6 percent of the total land area had not</p>	<p>It is the responsibility of the management to prepare plans for the efficient and effective utilization of the land areas of the board and to work towards the culmination of the planning.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved.</p>

	been used for rubber cultivation. It was observed that the board did not have a plan to utilize this land area for cultivation.			
10.	Although, the extent of land acquired by the unauthorized persons was mentioned as 313 acres as per the records maintained by the Board with regard to the lands, according to the information detected by the audit, 861 acres of land in extent had been illegally occupied by 893 people for more than 10 years, arrangements had not been made to take legal action against it or to recover a lease.	Action should be taken quickly regarding the unauthorized acquisition of lands belonging to the Board.	No preventive action was taken.	The issue had still not been resolved.
11.	Although, the price specified by the Commissioner of Tea or a price higher than that should be determined whilst sale of tea leaves according to the contractual conditions, due to specify a lower price than the price announced by the Commissioner of Tea when entering into agreements with external	The tea leaves should be sold at the agreed price.	No preventive action was taken.	The issue had still not been resolved.

	parties at the instance of selling green leaves at Mahawila Factory, the Board had lost a sum of Rs. 3.75 million of revenue during the year under review.			
12.	The annual lease amount should be determined by obtaining a valuation report from the Chief Valuer of the Government as per the Presidential Secretariat Circular No. SAI/ A/4/34 of 21 September 1995, and the lease amount should be calculated to increase the lease amount by 50 per cent in every 05 years. However, the valuation reports had not been obtained for 01 acre and 1.3 perches factory belonging to Hanthana Estate which was leased by the Board in the year 2001 and for 64.55 hectares of land belonging to three other estates from the year 1986 to 2004 and due to equal lease amount was charged, a revenue of Rs. 32.24 million which could	The lease amount should be determined by increase in 50 per cent once in five years after obtaining a valuation report on leasing of state-owned lands.	No preventive action was taken.	The issue had still not been resolved.

	have been recovered to the Board had been lost.			
13.	Production consultant recruited on contract basis has been paid the transport allowance of Rs.476,667 including Rs.50,000 per month and a fuel allowance of Rs.410,400 had been paid including that particular officer and other two officers recruited on a contract basis for the post of Manager plantation and the production consultant in the year under review. Although it was stated that this payment was made under Section 5 and 8 of the State Agricultural board Act No.11 of 1972, specific Information has not been included in those sections regarding the payments of such allowances.	The Management should ensure to act in compliance with the recruitment scheme.	No preventive action was taken.	The issue had still not been resolved.
14.	The board had to bear a cost of approximately Rs.22 million for salaries, allowances and benefits in the year 2017 and 2018 for the officers/ employees of the	The inefficiencies in the accounting sector are needed to identified and the remedies should be applied.	No preventive action was taken.	The issue had still not been resolved.

	<p>Accounts Division of the head office, in addition to this it had to bear the cost of maintaining offices as well. However, due to the failure of the Accounts Division in preparing the financial statements on time and submitting them to the Auditor General, a private accounting firm had been entrusted with the task of paying a fee of Rs1,000,000. Though the financial statements for the years 2017 and 2018 should be prepared and submitted for audit on 28 February 2018 and 28 February 2019 respectively, after a period of one to two years beyond the that period, for the preparation of financial statements for each year had been submitted to the private accounting firms on the 01 October 2019. It is also observed as untimely decision making and the inefficiency of the management.</p>			
15.	According to the valuation	The action should be taken to	No preventive	The issue had

	<p>reports submitted by the Colombo Municipal Council in respect of seven properties of the board, the outstanding rate tax value is Rs.33,728,663 as at 31 December 2019 Furthermore, among the total leasing charges of Rs.41,003,896 is received annually from the leased premises out of these properties and it was observed that the annual rate tax value to be paid was Rs.5,647, 488. Accordingly, although a sufficient amount was collected as leasing charges, it was observed that the board had failed to pay the rate tax charges to the relevant local authorities.</p>	<p>pay the rate tax charges properly to the relevant local authorities according to the assessment reports.</p>	<p>action was taken.</p>	<p>still not been resolved.</p>
16.	<p>There are 15 factories and 02 rubber factories belong to the Janatha State Development board and it was observed that 08 tea factories with the daily production capacity of 77,000 kilograms, are inactive and two rubber factories with a daily production capacity of 3000 liters are inactive.</p>	<p>The management must ensure that the maximum capacity of the factories is utilized.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved.</p>

17.	<p>The necessary staff for the Janatha State Development board had been approved by the Department of Management Services though the letter No.DMS/E3/34/4/218/1(VO1-1) dated 3 August 2011. However, officers had been recruited on contract basis for six posts which were not included in the approved carder, and salaries and allowances of Rs.7, 849,074 had been paid to those officers only in the years 2018 and 2019.</p>	<p>Action should be taken to preserve only the posts of the staff and the number of employees approved by the Department of Management Services. If other posts are required, the approval should be taken for them.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved and even by February 2022, there were recruitments on contract basis.</p>
18.	<p>Although recruitments should not be made for posts not included in the approved staff without obtaining the approval of the Department of Management Services as per the Management Services Circular No. 28 (11) of 01 August 2006, acting on the contrary, 27 officers had been recruited during the year under review for 17 posts including Managers, Assistant</p>	<p>Recruitment of officers only for approved posts.</p>	<p>No preventive action was taken.</p>	<p>The issue had still not been resolved. Even by March 2022, the recruitments of employees for the posts not in the approved cadre had been done.</p>

	Accountant, Financial Consultant, Private Secretary, Production Consultant who are not in the approved staff and Rs. 10.68 million had been paid as salaries and allowances in the year 2018.			
19.	Although the recommendation of the Secretary of the Ministry should be obtained when re-employment of a retired officer in terms of the Public Administration Circular No. 09/2007 of 24 August 2007, twenty permanent and casual officers over 60 years of age were deployed without such approval at the end of the year under review and the Board had incurred a sum of Rs. 16.13 million for an expenditure of salaries.	Providing extension of service to officers above the age of 60 and not being recruited on contract basis.	No preventive action was taken.	The issue had still not been resolved. Even by March 2022, permanent and casual officers above 60 years of age had been recruited.

21. Co-operative Wholesale Establishment

01. Name of the Entity - Co-operative Wholesale Establishment

02. Audit Opinion on Financial Statements

2018 - Qualified Opinion

2019 - The financial statements have been submitted for audit on 06 January 2022 and are currently being audited.

03. Major Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
(a)	During the year under review, the loss of income to the corporation due to the lease of the property owned by the corporation at a value lower than the market value shown in the valuation report was Rs. 22,429,875.	Leasing of property should be done according to the market value.	Preventive measures had not been taken.	The relevant buildings had been also leased in the year 2021 at a lower value than the market value shown in the valuation report.
(b)	The Corporation has not made financial contribution for the share contribution of Lanka Sathosa Limited and for that, an amount of Rs.121,708,711 had been	Action should be taken to obtain cash or shares.	Negotiating with Lanka Sathosa to obtain cash or shares.	In this regard, no agreement has been reached between the corporation and the relevant

	<p>offset against the accumulated rent value of Rs. 66,986,483 for the buildings provided by the Corporation to Lanka Sathosa Limited from the year 2005 to 2011 on lease basis and an amount of Rs. 54,722,228 for fixed assets provided by the Corporation for the use of outlets and warehouses of Lanka Sathosa. Out of this value, an amount of Rs.22,798,840 allocated by Lanka Sathosa Limited had been shown as investment in the financial statements of the year under review and the remaining Rs.98,909,871 had been shown as advance for investment under long-term assets in the financial statements. However, Lanka Sathosa Limited had not agreed with the value and the provisions in connection with the matter had not been made in the financial statements of</p>			<p>company so far and it is in the negotiation stage.</p>
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	Lanka Sathosa Limited.			
(c)	<p>Although the Corporation had obtained 02 bank guarantees of Rs. 100,000,000 from a private company for providing rice on a loan basis, imported rice had been issued when the company continuously defaulted on payment of loan without verifying that the bank guarantees are authentic documents. These bank guarantees had been disclosed as false documents by 31 December of the year under review and the amount receivable from that company on that day was Rs. 118,011,334.</p>	<p>Action should be taken to recover the loss from the relevant persons.</p>	<p>Non-issuance of goods to defaulting customers.</p>	<p>This balance had not been collected so far and a case had been filed in the Fort Magistrate Court for recovery.</p>
(d)	<p>The rice had been sold on credit for a private company that decides to issue imported rice on credit only after obtaining a bank security guarantee but without doing so the rice had been sold on credit. A sum of Rs.</p>	<p>Action should be taken to recover the amount.</p>	<p>Preventive measures had not been taken.</p>	<p>The corporation had filed a complaint with the Criminal Investigation Department to recover this amount and this balance had not</p>

	5,574,811 was receivable as at 31 December 2018.			been recovered so far.
(e)	Even though it had been stated that it was decided to permanently appoint three Executive Level acting officers who have performed in acting posts, with effect from 01 February 2007 pursuant to Board Decision No. 2010/1753/34 dated 26 August 2010 with the approval of the then Minister of Cooperatives and Internal Trade, the originals of the letters approved by the Minister had not been available in the personal files of the officers. Likewise, the arrears salaries and arrears salary increments calculated as Rs.11,511,088 had been paid in the year under review, that is 08 years after the decision of the then Board of Directors without the approval of the	The approval of the Board of Directors and the Chairman of the Corporation should be obtained for the payments. Similarly, it should be checked whether an actual approval has been obtained.	Preventive measures had not been taken.	No investigation had been done in this regard so far.

<p>present Board of Directors and the Chairman of the Corporation and among the officers who authorized and approved the payment, there were two officers who had received this payment. Likewise, without the approval of the Board of Directors and the Chairman of the Corporation a sum of Rs.3,718,552 had been obtained by the said two officers from time to time through the electronic banking system as arrears of salaries and salary increments relating to the period during which they were suspended.</p>			
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22. Sri Lanka Transport Board

01. Name of the Entity Sri Lanka Transport Board

02. Audit Opinion on Financial Statements 2018 Disclaimer of Opinion
2019 Disclaimer of Opinion
2020 Disclaimer of Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1.	Action had not been taken to revalue the assets in terms of Standard, No. 16. As per Section 58 of the Standard, the value of lands and buildings should have been separately identified and brought to accounts, but it had not been done so. Year - 2020	It should be brought to account as per paragraph 58 of the Standard 16.	It was stated that it should be done according to Accounting Standard No. 16, but it was done.	Thus, lands and buildings had not been not identified separately.
2.	Dormant debit balance shown in the statement of financial position was Rs. 1,290,782,781 and dormant credit balance was Rs.	Action should be taken to settle the respective account balances.	A committee had been appointed to identify the respective	No written evidence had not been submitted for the dormant debit balance of Rs.1,290,782,781 and the credit balance of

	18,526,264,783. Year - 2020		balances.	Rs.18,526,264,783.
3.	The Board had received machinery valued at Rs. 426,390,078 during the period 2019/2020 through the Japan International Cooperation Agency. Out of the machinery aforementioned, 90 items valued at Rs. 189,343,036 had been received in the year 2019, but no action had been taken to debit those items to the machinery account and credit to the capital grants account in the year under review. A sum of Rs. 38,663,394 had been paid as Customs fees in order to clear the items. That value had been capitalized, and a sum of Rs. 322,194 had been depreciated contrary to Sri Lankan Accounting Standard, No. 16. As such, depreciation had been overstated by that amount in	The relevant assets are to be accounted for in accordance with the Sri Lanka Accounting Standards No. 16.	In order to capitalize a certain asset, documents required to identify the relevant values should be received. Documents necessary to capitalize those machineries had not been provided by the respective divisions during the year 2019. As such, those machineries had not been capitalized during the year under review.	Assets received as grants in the relevant year should be properly accounted for.

	<p>the accounts.</p> <p>Year - 2020</p>			
4.	<p>In terms of paragraph 20 of the Standard 17, the fair value of finance leases should be recognized as assets and liabilities in the statement of financial position. However, 272 buses and 53 buses with the seating capacity of 50 and 33 respectively valued at Rs.1,046,559,865 purchased in the year 2019/2020 on lease basis had not been indicated under assets of the statement of financial position. Further, an advance of Rs.263,435,339 paid for the purchase of 325 buses had been overstated in the leased creditors account by the same amount due to failure in debiting to the leased creditors account.</p> <p>Year - 2020</p>	<p>Purchase of buses should be properly accounted for as per the accounting standard.</p>	<p>No answers provided.</p>	<p>Lease payments should be accounted for correctly.</p>

5.	<p>In terms of paragraph 34 of the Standard 16, at the time of selling the land, the value should be revalued. However, action had not been taken to revalue the land at Werahera owned by the Board, in selling it to the General Sir John Kotelawala Defence University in the year 2018. A sum of Rs.4,554,000 had been received therefor up to the year under review and the said amount had been credited to the Creditors Account. Accordingly, the Creditors Account had been overstated by the same amount. Further, the sales value of the land of Rs.5,000,000,000 had not been credited to the Assets Account.</p> <p>Year - 2020</p>	As per the relevant Standard, it should be brought to account accurately.	No answers provided.	The relevant transactions should be accounted for correctly as per the standard.
6.	<p>The total sum of Rs.4,054,000,000 comprising Rs.2,000,000,000 received in the year 2018 and</p>	The accurate methodology for accounting should be followed to relevant transactions as per the	No answers provided.	The relevant transactions should be accounted for correctly as per the standard.

	Rs.2,054,000,000 received in the year under review from the General Treasury for vesting a land located at Werahera, owned by the Board in the Kotelawala Defence University, had been indicated under other payable balances without being accounted accurately. Moreover, the sum received in the year under review had not been indicated under investing activities of the cash flow statement. Year - 2020	relevant Standard.		
7.	Ticket machines valued at Rs.378,354,463 according to bin cards relating to ticket machines, had been indicated as Rs.266,471,937 in the financial statements, thus understating the fixed assets by Rs.111,937,066 in the statement of financial position. Year - 2020	The value of relevant assets should be brought to account accurately.	No answers provided.	The relevant assets should be properly accounted for.
8.	It is estimated that a dag tyre used for busses should run for 15,000 Km and a	As for the dag and rebuilt tyres, the standard should be	The following factors have affected the	According to the agreement, dag tyres and rebuilt tyres used to buses

	<p>rebuilt tyre should run for 11,000 Km. However, there were 34 instances in which retread tyres had been removed after an average mileage of 7,402 Km. Accordingly, the standard mileage expected from the dag or rebuilt tyres could not be fulfilled.</p> <p>Year -2020</p>	<p>ensured.</p>	<p>removal of dag tyres and rebuilt tyres in 34 cases.</p>	<p>should be done according to the current standard and damages should be charged for prematurely lost kilometers. Thus, a circular was notified to calculate the total by deducting the kilometers of the tyres driven less from the more driven tyres from the relevant depots, thus preventing the recovery of losses.</p>
9.	<p>The financial statements should be presented to the Auditor General within 60 days after the end of the year of accounts in terms of Section 6.5.1 of the Public Finance Circular, No. PED/12 dated 02 June 2003. However, the financial statements of the year under review had been presented after a delay of 322 days on 23 February 2021.</p> <p>Year - 2020</p>	<p>The final accounts should be presented to the Audit on time in accordance with the Circular.</p>	<p>Although the accounts were submitted through an accounting package, accounts had been further submitted late.</p>	<p>Submission of accounts was delayed in the year 2020 also.</p>
10.	<p>The value of fixed deposits owned by the Board totaled Rs. 628,678,099 whilst an</p>	<p>Action should be taken in terms of Sections 14 (a) and (b) of the Sri</p>	<p>This had not been considered a liability or a</p>	<p>Action had not been taken in terms of the Sections 14 a and b of Sri Lanka</p>

	<p>overdraft facility had also been obtained from the People's Bank by providing fixed deposits worth Rs. 325,100,000 as sureties. However, no disclosures had been made in that connection contrary to Sections 14 (a) and (b) of Sri Lanka Financial Reporting Standard 07 (SLFRS).</p> <p>Year - 2019</p>	<p>Lanka Financial Reporting Standard 07 (SLFRS 07).</p>	<p>contingent liability and disclosure had not been made.</p>	<p>Financial Reporting Standard No. 07 (SLFRS 7).</p>
11.	<p>A sum of Rs. 1,082,800 remained receivable from conductors by the end of the year under review. A sum of Rs. 825,008 therefrom remained due over a period of 10 years.</p> <p>Year - 2019</p>	<p>The respective arrears should be collected correctly annually.</p>	<p>It was informed that the respective arrears will be recovered.</p>	<p>The respective arrears should have been collected correctly annually but were not collected.</p>
12.	<p>Advances given to the officers should be recovered from the salaries of the ensuing month. However, the sum recoverable as at 31 December 2019 totaled Rs. 283,905,777 in which a sum of Rs. 4,751,012 remained</p>	<p>The respective salary advances should be recovered from the salary from the following month.</p>	<p>It has been informed that the balances of more than 10 years will be collected from the relevant officials and the</p>	<p>Due to non-payment of salary advances, balances had remained unrecovered for over 10 years.</p>

	unrecovered over 10 years. Year - 2019		reports on the balances that cannot be collected will be taken and further action will be taken.	
13.	<p>According to the Procurement Plan of the Sri Lanka Transport Board for the year 2018, it had been planned to purchase 139 computers and 74 laptops at an estimated cost of Rs.15,290,000.</p> <p>Nevertheless, the Board had procured 800 computers and 47 laptops at a cost of Rs.113,303,750 in the year 2018. Accordingly, expenses amounting to Rs.89,977,500 had been incurred for the purchase of computers exceeding the estimated cost in the year 2018 and it was observed that the Procurement Plan had been prepared without identifying the requirements.</p>	Proper needs should be identified and purchases should be made based on correct budget and purchase plans.	The procurement had been done without identifying the needs.	Computers are idle at some depots idly due to unnecessary purchases.

	Year - 2019			
14.	<p>The Board had entered into an agreement with a private company for a sum of Rs.33,628,840 for purchase of necessary equipment in maintaining camera and GPS systems relating to 125 luxury buses of the Board.</p> <p>i. A basic feasibility study and a study on cost benefit analysis and the manner of forecasting results had not been carried out before commencing the project.</p> <p>ii. Supervising Officers or Depot Officers of the Head Office had not been engaged in supervising this camera system and GPS system. Moreover, it was expected to examine matters such as income from the ticket machine, the quantity of fuel in the fuel tank, the number of passengers carried in the relevant route according to the prescribed Time Table. Nevertheless,</p>	Focusing on the points expected to be covered by GPS should be reviewed.	Projects had been implemented without need identification, feasibility study, cost benefit assessment.	It had not reported that the related equipment was not working due to non-identification of needs, lack of cost-benefit analysis and lack of regulation by anyone, GPS had not been used for intended purposes.

	<p>action had not been taken to achieve the expected results.</p> <p>Year 2019</p>			
	<p>iii. Even though cameras and accessories had been purchased on 25 October 2018 for 125 luxury buses, the number of buses owned by the Board was only 112. Twenty-seven camera equipment valued at Rs.7,263,830 had remained idle in stores by 27 April 2019, the date of Audit.</p> <p>iv. The relevant institution which had entered into agreements had not supplied and established servers and examined technical specifications and the entire system and legally assigned the entire system after providing training to the officers of the Board, even by 10 May 2019.</p> <p>v. In the installation of GPS software and accessories for 125 luxury buses, penalty for delays of Rs.3,362,884</p>	<p>The arrangements were not carried out as per the terms of the agreement due to lack of due diligence and identification of requirements.</p> <p>A proper assignment had not been made.</p> <p>Non-performance of the terms of the agreement.</p>	<p>Thus, proper fixing was not done.</p> <p>The systems had not been legally assigned.</p> <p>The relevant conditions had not been followed.</p>	<p>Although the GPS machines were broken and inactive, the relevant measures had not been taken.</p> <p>Not properly assigned due to not being properly contracted and not following the terms of the agreement.</p> <p>The terms of the relevant agreement had not been implemented.</p>

	<p>recoverable in terms of Section 8 of the relevant procurement agreement had not been recovered from the suppliers.</p> <p>Year 2019</p>			
15	<p>An agreement had been entered into with a private Company by the Board on 20 March 2018 at the value of Rs. 61,014,316 for construction of the filling station in Orugodawatta, the construction works should have been completed by 20 June 2018, but it had not been done so even by 31 December 2021. As the procurements relating to the constructions had been done by deviating from the Procurement Guidelines, the Board had sustained a financial loss of Rs. 2,102,126. Moreover, the Board had lost the possible income that would have been earned through the filling station due to failure of the contractor in</p>	<p>The relevant projects should be properly contracted to be executed with proper feasibility study</p>	<p>It was not contracted to cover all matters.</p>	<p>The related projects were carried out without proper feasibility study and because the conditions of the agreement were not properly included and acted upon, they were abandoned after incurring huge expenses.</p>

	<p>completing the project on time. Furthermore, at the time of audit, 07 diesel and petrol pumps worth Rs. 12,610,500 had been placed at the site with no security measures taken, and the lids of the fuel tanks had been taken away by the contractor.</p> <p>Year - 2019</p>			
16.	<p>The Paying Officer should always ensure that the bank balance is adequate to meet all his payments made by cheque, and no official bank account must be overdrawn. However, there existed an overdraft of Rs. 239,443,555 by the end of the year under review, and a sum of Rs. 963,717 had been paid as interest thereon in the year under review.</p> <p>Year - 2019</p>	<p>Overdraft facilities are not used continuously according to the finance regulations.</p>	<p>It had been informed that arrangements will be made to prevent an overdraft situation from now on.</p>	<p>There were continuous short term investments and cash investments and interest was paid on overdraft due to lack of proper working capital management.</p>
17.	<p>A register on lands and files had not been maintained relating to the miscellaneous institutions maintained by</p>	<p>Lands of the SLTB should be updated and the documents on the lands should be</p>	<p>Information related to the land currently held and owned</p>	<p>The relevant lands should be settled and rights confirmed through deeds.</p>

	<p>the Board such as regional offices, depots, driving schools and regional workshops. Furthermore, titles of all lands were not settled and action had not been taken to assess the value of lands belonging to the Board even by the date of audit.</p> <p>Year - 2019</p>	<p>maintained properly.</p>	<p>by the Sri Lankan Government has been filed, the files have been formalized and 12 committees related to the regions have been formed. With that, the initial process for identification of lands, settling and preparing the transfer deeds had started.</p>	
<p>18.</p>	<p>Quotations had been called on 03 June 2017 for repairing engines at the regional workshop in Kurunegala, and 09 items of instruments and machinery worth Rs. 12,737,394 had been purchased and given to the regional workshop. It was observed that only the Cylinder Block Head</p>	<p>Required staff should be given to operate the relevant machines and arrangements should be made to utilize the machines effectively.</p>	<p>Vacancies for mechanics exist at the new machinery yard. The Head Office of SLTB was informed in that connection, and then a mechanic reported for</p>	<p>Action should be taken to ensure productive utilization of assets.</p>

	Surface Grinding Machine worth Rs. 3,661,430 was used in repairs whilst the other machinery worth Rs. 9,075,963 remained unused. Year - 2019		duty to work on daily basis on 2020.07.22, but he has not reported for duty from 2020.08.06 up to this day. As such, no employees had been provided to fill vacancies despite being informed.	
19.	Vehicle emission testing centers had been constructed without conducting feasibility studies. The Centers in Kurunegala and Medawachchiya had been declared open after construction though, those Centers remained closed due to a legal issue. As such, the machinery worth Rs. 18.75 million installed at those locations remained idle, and The Board had spent a sum of Rs. 22.48	Feasibility study and cost benefit analysis should be done in the implementation of the projects and should be implemented according to the reports.	Despite the construction of Emission testing centers, this project had to be stopped midway as the institutions which are issuing emission test certificates, had presented of facts to the Court. All aspects should	The project, which had been carried out without proper feasibility studies, remained inactive due to a legal issue.

	<p>million on civil works by the date of audit, 30 September 2019.</p> <p>Year - 2019</p>		<p>be studied and done by preparing feasibility studies, cost benefit analysis while implementing the projects.</p>	
20.	<p>A standard and approved methodology should be followed in disposing of oily substances of the yards at the premises of depots. A license should be obtained in that connection from the Central Environmental Authority in accordance with Gazette Extraordinary, No. 1533/16 dated 25 January 2008 and National Environmental Act, No. 47 of 1980. Nevertheless, other depots of the Board, except for 11 of 107 depots, had not obtained that license.</p> <p>Year - 2019</p>	<p>Action should be taken in terms of the national environmental regulations.</p>	<p>Licenses have been obtained for 24 depots under the Productivity Concept Program implemented in the institution and licenses have been applied for 11 more depots so far.</p>	<p>The Gazette and the National Environment Act No. 47 of 1980 should be complied with.</p>
21.	<p>Without being formally approved, a third party had been provided with 05 acres</p>	<p>Measures should be taken to prevent underutilization of the</p>	<p>The said regional workshop has</p>	<p>The institution should work by utilizing lands and buildings effectively.</p>

	<p>from the land in extent of 26 acres where the regional workshop of Medawachchiya had been maintained whereas an extent of 20.7 acres in that land remained idle without being utilized. Furthermore, a workshop built on a land in extent of 1.25 acres remained decaying without being made use of.</p> <p>Year - 2019</p>	<p>relevant lands and buildings.</p>	<p>become non-functional due to scarcity of employees.</p> <p>Action is being taken by the Secretary to the SLTB on the settlement of rights to the land. Measures will be taken in due course to ensure productive use of that land.</p>	
22.	<p>It was observed at the audit test check carried out on 24 August 2018 that the unusable bus spare parts valued at Rs.1,851,227 had remained idle in the Gampaha Regional Stores since the year 2005.</p> <p>Year - 2019</p>	<p>Related spare parts should be disposed of properly.</p>	<p>Still remained in stock.</p>	<p>They should be properly surveyed and removed accordingly.</p>
23.	<p>Considering the capacity and previous reports on inspection relating to the regional workshop in</p>	<p>Targets should be given to work at full capacity for the respective workplaces and it</p>	<p>It has been informed that around 20 days would be spent</p>	<p>The workplace was underutilized because it was not operating at maximum capacity.</p>

	<p>Medawachchiya, 60 engines would have been repaired per month. However, it was observed in the year under review that only 15 engines were repaired monthly. That represented 25 per cent of the full capacity and the underutilization was 75 per cent.</p> <p>Year - 2019</p>	<p>should be monitored.</p>	<p>to repair once chassis of a bus.</p>	
24.	<p>The sum of Rs. 4,470,901 received by allowing the playground of the Board to be used by external persons and institutions, had been credited to the account of the sports association instead of being credited to the revenue of the Board. As such, revenue of the Board had been understated in the accounts by that amount.</p> <p>Year - 2018</p>	<p>Income of the Board should be credited to the revenue of the Board rather than being credited to external accounts.</p>	<p>That income is credited to the sports administration account as per the approval given by the Chairman.</p>	<p>The income was credited to the Sports Fund.</p>
25.	<p>According to the Procurement Plan of the Sri Lanka Transport Board for the year 2018, it had been</p>	<p>Purchases should not be made outside of the relevant budget plans</p>	<p>It was done according to the approval of the</p>	<p>Making purchases outside of the relevant budget document and purchase plan without identifying</p>

	<p>planned to purchase 139 computers and 74 laptops at an estimated cost of Rs.15,290,000.</p> <p>Nevertheless, the Board had procured 800 computers and 47 laptops at a cost of Rs.113,303,750 in the year 2018. Accordingly, expenses amounting to Rs.89,977,500 had been incurred for the purchase of computers exceeding the estimated cost in the year 2018 and it was observed that the Procurement Plan had been prepared without identifying the requirements.</p> <p>Year 2018</p>	and purchase plans.	Chairman.	proper needs.
26.	<p>According to the Procurement Plan of the year 2018, it had been planned to purchase 1,000 Electronic Bus Ticketing Machines by spending a sum of Rs.35 million and the approval therefor had been granted at the meeting of the Board of Directors</p>	<p>Identification of requirements, providing budget allocations should be included in the action plan and purchase plan.</p>	<p>The chairman had approved the purchase of another 1000 ticket machines.</p>	<p>Purchases were made without identifying needs and budget allocations.</p>

	<p>held on 19 February 2018. However, the Board had taken action to purchase 2,000 Ticketing Machines valued at Rs.75,900,000 during the year 2018 and those machines comprised of 1,000 ticketing machines purchased without the approval. The number of ticketing machines required for depots had not been computed before purchasing the said machines.</p> <p>Year - 2018</p>			
27.	<p>Even though specifications should be prepared in terms of Guideline 5.6 of the Government Procurement Guidelines, it had been mentioned that it should be complied with applications of ticketing machines used at present. As such, quotations had been submitted only by the supplier who had supplied ticketing machines used at present by the Board, and other institutions who had</p>	<p>Bids should be recalled and procurement should be reconducted in transparently where only one supplier submits bids.</p>	<p>It was done on the approval of the Chairman.</p>	<p>Where only one supplier submitted a bid, it was accepted in violation of procurement rules without rebidding.</p>

	<p>obtained bidding documents, had not taken action to submit quotations. Accordingly, it was observed that the procurement process is non-transparent.</p> <p>Year - 2018</p>			
28.	<p>In terms of Section 7.12, rejection of all bids received can be justified when lack of effective competition is clearly evident. After wide publicity has been given, the bidding process may still be considered valid, if the prices quoted are reasonable in comparison to market values. However, it had been proposed by the Technical Evaluation Committee to purchase 2,000 ticketing machines for Rs.37,950 inclusive of VAT without so evaluating prices, from a private company on compliance with specifications</p>	<p>It should be done without violating the relevant procurement procedure.</p>	<p>It was done on the approval of the Chairman.</p>	<p>The relevant procurement procedure had been violated.</p>

	<p>submitted. Accordingly, the Procurement Committee which gathered on 28 September 2018 had agreed with the decision of the Technical Evaluation Committee.</p> <p>Year - 2018</p>			
29.	<p>In terms of Financial Regulation 237(b), in the payments for stores supplies, articles should have been received. However, contrary to that, a payment of Rs.2,277,000 representing 30 per cent of the value had been paid on 22 November 2018 before receipt of machines, in the purchase of ticketing machines indicating as a condition in the agreement that a payment of 35 per cent should be made before receipt of items.</p> <p>Year - 2018</p>	<p>The terms and conditions related to the purchase of goods should be duly entered into the contract.</p>		<p>The agreement had included conditions for payment before delivery of the specified goods.</p>

23. Sri Lanka Cashew Corporation

01. Name of the Entity Sri Lanka Cashew Corporation

02. Audit Opinion 2018 Qualified Opinion

2019 Rejected due to accounting errors in the final accounts

A transaction report has been submitted.

2020 No accounts have been submitted.

03. Major Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
2018				
01.	Even though 43 motor vehicles at a cost of Rs. 40,294,448 had fully depreciated were further being used, action had not been taken to revalue those motor vehicles and taken in to financial statements in accordance with Standard 16.	Action should be taken to state the relevant revaluation value in the financial statements considering the future useful lives of motor vehicles.	No preventive measures had been taken.	The relevant revaluation value was not taken into account in the financial statements considering the future useful lives of motor vehicles.
02.	Even though a provision of	Action should be taken to	No preventive	An investment

	Rs. 27,703,878 had been made available for the payment of pension gratuity in terms of Paragraph 139 of Standard 19, and also an investment plan with regard to the pension gratuity obligation should be prepared to minimize the risk of future liability, action had not been taken accordingly.	implement an investment plan to minimize the future liability risks	measures had been taken.	plan had not been implemented to minimize the future liability risks
03.	Although the agricultural assets should be valued and taken in to accounts at fair value in accordance with Sri Lanka Accounting Standards No. 41, a sum of Rs. 79,026,608 had been shown in the financial statements as agricultural assets without computing the fair value of cashew plantations which were the agricultural assets of the Corporation.	The agricultural assets should be taken in to accounts at fair value in accordance with the Standard 41.	No preventive measures had been taken.	The agricultural assets had not been valued at fair value.
04.	Stock records had not been submitted for audit to ascertain existence of the closing stock of cashew nuts of Rs. 7,589,946, cashew	Submission of relevant source reports to audit as requested to ensure the existence of the closing stock.	Reports related to physical verification of the closing	The relevant reports to verify the existence of stocks had not been submitted

	seeds of Rs. 3,570,764 and cashew plants of Rs. 3,167,807.		stock had not been prepared.	to the audit.
05.	Damaged Cashew Plants Reports of damaged plants in respect of 1,007,126 damaged cashew plants had not been submitted to the audit.	Reports of damaged plants should be furnished to the audit.	No preventive measures had been taken.	The relevant reports had not submitted to the audit.
06.	Balance confirmation letters pertaining to the Sundry Creditors of Rs.853,000 had not been furnished to the audit.	Balance confirmation letters should be furnished to the audit to verify the accuracy of credit balances.	No preventive measures had been taken.	Balance confirmation letters had not been furnished to the audit.
07.	Despite a balance of Rs.13,263,982 was not recovered for more than 07 years out of the balance receivable as at end of the year 2018 amounted to Rs.17,483,950, action had not been taken to recover that balance.	Action should be taken to recover the balances in due.	No preventive measures had been taken.	As the accounts for 2020 and 2021 have not been submitted, it is not possible to confirm the balance as at 31.12.2021.
08.	The balances of Rs. 4,923,343 out of the balance of Rs. 23,691,408 payables as at end of the year 2018 had remained for more than 07 years and although the balance of Rs. 709,250 remained between 03 - 07	Action should be taken to settle the balances payable.	No preventive measures had been taken.	As the accounts for 2020 and 2021 have not been submitted, it is not possible to confirm the balance as at

	years, action had not been taken to settle those balances.			31.12.2021.
09.	Although the Corporation is subjected to income tax liability according to the Inland Revenue Act No. 24 of 27 October 2017, action had not been taken to pay income taxes from the year 2012 to the year 2018.	Action should be taken to pay income taxes as per the Act.	No preventive measures had been taken.	Income tax payments had not been made in accordance with the Inland Revenue Act.
10.	Although the market price of a kilogram of raw cashew had ranged between Rs. 390 and Rs. 505 in the year 2018, the cost of production of a kilogram of raw cashew in the Estates of the Corporation had ranged between Rs. 541 and Rs. 2,679. It has been affirmed that the measures taken by the management to reduce production costs were inadequate.	Action should be taken to take practical measures to minimize the cost of production of cashew in the Estates belonging to the Corporation.	No preventive measures had been taken.	A mechanism for minimizing production costs or accurately calculating unit costs of production was not developed.
11.	The yield of raw cashew received in the year 2018 from Estates belonging to the Corporation was 99,119 kilograms and because it was not sufficient to fulfill	Necessary measures should be taken to increase the production and manage the harvest properly.	Action had not been taken to increase cashew production.	There was no proper management of the harvest from the corporation's

	the orders received, 6,299 kilograms of cashew nuts had to be purchased from outside. Accordingly, the measures taken to increase the production of Estates and to manage the yield receiving from the Estates had been inadequate.			cashew plantations.
12.	Even though the cultivation of edible crops and betel are being carried out acquiring approximately 160 acres of Suduwathura Ara Seed Garden and 10 acres of land at Ottukulama Division, Kamandaluwa Estate by external parties, measures had not been taken to conduct required legal action to acquire these lands again.	The legal action should be taken with regard to the acquisitions of lands belonging to the Corporation by external parties.	Complained to the police.	These lands, which were in the hands of outside parties, had not been taken back.
13.	Out of the number of 275,320 seeds and bud cashew plants distributed in the year 2015, a number of 208,921 had failed and out of a number of 258,700 seeds and the bud cashew plants distributed in the year 2016 a number of 142,344	Action should be taken to plan to plant the plants as they are resistant to weather and environmental impacts and to fill the vacancies of Cashew Development Officers.	No preventive measures had been taken.	The post designation of Cashew Development Officers has been changed to estate Assistant. Accordingly,

	<p>had failed under the subsidy program of distribution of cashew plants by the Corporation. Distribution of seedlings under subsidy programs in the last quarter of the year by obtaining seed buds in May and June and planting of seedlings those were unable to withstand weather conditions, vacancies in 27 Cashew Development Officers of the Corporation, and one officer to oversee several Divisional Secretariats had affected to that failure and the Corporation had not taken necessary action in this regard.</p>			<p>22 estate assistant posts are vacant as at 31.12.2021. Follow-up is not done properly and these conditions remain the same even today.</p>
14.	<p>Even though a Threshing Floor for drying cashew and a building had been constructed at Eluwankulama Seed Garden in the year 2018 incurring sum of Rs. 2,389,757 (with taxes), due to the lack of proper supervision on the related work, the walls,</p>	<p>Disciplinary action should be taken against the officers who recommended the payments despite the availability of material shortcomings in the construction works.</p>	<p>No preventive measures had been taken.</p>	<p>The situation remained the same.</p>

	<p>which had been filled with block stones had been cracked between the concrete base of the threshing floor of the concreted floor and the structure of the H iron bars. Similarly, despite the H iron bars had been attached to the previous foundation, the foundation had erupted from place to place and measures had not been taken to rectify these shortcomings up to now.</p>			
2019				
15.	<p>As per the Section 18 of the National Audit Act No. 19 of 2018, the audit fees should be settled by the Corporation within 30 days from the date mentioned in the invoice. However, the audit fee payable from the year 2005 to 2018 amounting to Rs. 2,552,208 had not been settled by the year under review.</p>	<p>Action should be taken to pay the audit fees as per the provisions of the Act.</p>	<p>Action had been taken to pay the total audit fees of 2014 and 2015 amounting to Rs. 291,000 in the year 2021.</p>	<p>The audit fee payable as at 31.12.2021 is Rs.2,261,208.</p>

16.	It had been informed by the directives of the Committee on Public Enterprises dated 24 July 2012 to make arrangements to take over the legal ownership of the lands to the Corporation which were not legally owned by the Corporation. However, the relevant activities had not been completed even by 31 May 2020 to take over the legal ownership of 15,329 acres of cashew cultivation lands which were provided by Divisional Secretariats and Land Reforms Commission to the Corporation.	Arrangements should be made to take over the legal ownership of the lands.	No successful preventive measures had been taken.	No steps had been taken to take over the legal ownership of the lands under the corporation's enjoyment.
17.	Even though it had been spent a sum of Rs.3,412,063 under recurrent grants and Rs.3,927,223 under capital grants for the Puttalam and Kamandaluwa Research Centers in the year under review, no new research whatsoever had been commenced during the year	Maintenance of continuous and regular progress reports should be made as the progress of the research can be evaluated.	No preventive measures had been taken.	Maintenance of continuous and regular progress reports had not been made as the progress of the research can be evaluated.

	<p>under review and only 08 ongoing researches have been carrying out from previous years at both centers. Further, maintaining of progress reports had also not been carried out continuously and properly in a manner of the progress of the researches can be evaluated.</p>			
18.	<p>Even though the Board of Directors had instructed at the 526th Meeting of the Board of Directors held on 30 August 2019 to prepare a Production Plan for the future and a Sales Plan in line with that relating to the Marketing Division and submit it to the Board of Directors and to formulate a programme to promote cashew nuts in the Corporation by formulating a system of providing cashew nuts at concessionary prices to government agencies, arrangements had not been so</p>	<p>Action should be taken in accordance with the Decision of the Board of Directors.</p>	<p>No preventive measures had been taken.</p>	<p>The decision of the Board of Directors had not been implemented.</p>

	made.			
19.	The stock which had been stated as work in progress as at 31 December 2018 amounted to Rs. 246,127 and the bottles amounted to Rs.5,550 of Wine Project had been written off as losses. Further, even though a consultancy fee of Rs. 66,700 had been paid to an outsider for this project in the last year, no income whatsoever had been earned by the Corporation.	A sample should be produced and the recommendations of the Department of Government Analyst's should be obtained under the right advice.	No preventive measures had been taken.	No follow up had been made on the loss and failed management decisions.
20.	A sum of Rs. 96,607 had been paid as surcharges on non-payment of gratuity funds on the due date during the year under review.	Action should be taken in accordance with the provisions of the Act.	No preventive measures had been taken.	Necessary steps had not been taken to enable payment of gratuity funds on due date.
21.	The Cashew Corporation reimburses the expense of Rs.15,000 per annum for outpatient treatment of the	Treasury approval should be obtained and arrangements should be made to make payments	No preventive measures had been taken.	Treasury approval had not been obtained for the

	<p>employee and family members under the Medical Assistance Scheme which has been in operation since 04 June 2013 without the approval of the Treasury and a monthly membership fee of Rs. 300 had been charged for this from the salaries of the employees. Nevertheless, although the employees have submitted bills for outpatient treatment under this Scheme, the reimbursement of the aforesaid expenditure had not been made for a period of three years. The medical assistance payable by the end of the year under review had been Rs.3,470,925.</p>	properly.		Medical Assistance Scheme yet.
22.	<p>There is a sum of Rs.10,426,696 as commercial debtors under Commercial Nurseries and an amount of Rs. 9,466,200 out of that is a value that should be received from the Ministry of Economic Development older than 07 years . It was observed that</p>	<p>Action should be taken to recover the receivables promptly.</p>	<p>No preventive measures had been taken.</p>	<p>An unrecoverable situation has been created due to the fact that an agreement had not been entered into with the</p>

	there is a situation where this money could not be recovered.			ministries which were established after the abolition of the Ministry of Economic Development regarding the receivable balances.
23.	Arrangements had not been made to repay the loan amounted to Rs. 3,500,000 and its interest of Rs. 927,500 that had to be paid for more than 06 years to the Paddy Marketing Board.	Arrangements should be made to repay the loan and interest on time.	No preventive measures had been taken.	Payment of the loan amount and accrued interest had not been made as per the agreement.
24.	The Corporation had sold 19 motorcycles during the year under review and an income of Rs.175,000 had been earned from it. Even though it had been stated at the 523th Meeting of Board of Directors held on 28 May 2019 that if one person buys the entire number of 19 motorcycles, it should be	Action should be taken in accordance with the Procurement Guidelines and Decisions of the Board of Directors.	No preventive measures had been taken.	No action had been taken for non-compliance with the Board's decision.

	sold for more than the estimated value, the Corporation had sold the number of 19 motorcycles which held an estimated value of Rs.343,500 to a private buyer for a Rs. 175,000.			
25.	Even though a sum of Rs. 5,050,354 had been spent to convert the training center at Hardy Estate, Ampara into a circuit bungalow in 2017 and to purchase furniture, only an income of Rs. 48,000 had been earned in the year under review by renting out this circuit bungalow.	It should focus on the activities that can generate more revenue from the circuit bungalow.	No preventive measures had been taken.	There was no plan to generate income from the circuit bungalow.
26.	It was observed that the labels purchased for the Wine Project amounting to Rs.142,980 were in idle.	Action should be taken to start wine production and use the packaging material as soon as possible.	No preventive measures had been taken.	Labels remain unused.
27.	Even though the organization needs to identify the targets that need to be achieved and the gaps that exist to achieve those goals as well as the appropriate indicators to measure progress in order to	Arrangements should be made in terms of the Circular.	No preventive measures had been taken.	According to the provisions of the said circular, action had not been taken to establish the

	<p>achieve the Sustainable Development Goals, in terms of the United Nations 2030 Agenda for Sustainable Development and the Circular No.NP / SP/SDG / 17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs, the Corporation had not identified the extent and deviations achieved by identifying such indicators and objectives as well as the various areas to be focused.</p>			<p>Sustainable Development Goals and to achieve them.</p>
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24. Ceylon Fisheries Corporation

01. Name of the Entity - Ceylon Fisheries Corporation

02. Audit Opinion on Financial Statements

At last time, financial statements for the year 2017 were received on 08.02.2022. Financial statements for the years 2018, 2019, 2020 and 2021 have not been received.

The triennial report has been prepared in accordance with the 154(6) reports of the transaction reports for the years 2018 and 2019.

The transaction report for the year 2020 has not been submitted.

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	Even though the General Manager had been instructed to implement the money received from the General Treasury for the pension compensation scheme be credited to a separate account and hand over the responsibility to the Acting Finance Manager with regard to the utilizing of funds receive from the General Treasury as per the decisions	The Board of Management should take action to utilize the provisions made by the General Treasury for the relevant purposes in accordance with the instructions of the Treasury and in a proper manner.	Accept. Necessary arrangements have been made to take required disciplinary action by interdicting the Acting Finance Manager as well as Deputy General Manager Finance (Acting	The situation remains the same.

	<p>taken in the discussion held on 26 September 2016 with the Chairman and the Voluntary Pension Compensation Committee held on 26 September 2016, a separate bank account was not maintained for pension compensation in respect of Rs. 379 million received during the year 2016. Accordingly, the Acting Finance Manager had not made arrangements in accordance with the instructions and it was also observed that the General Manager had not taken action to implement it.</p>		<p>General Manager) in respect of the non-implementation of the Financial Regulations and other Internal Circulars of the Institution including this fact.</p>	
b	<p>Although the arrears of contribution to the Employees Provident Fund amounting to Rs. 174,927,250 and arrears to the Employees' Trust Fund amounting to Rs. 15,520,274 and surcharges amounting to Rs. 82,367,893 and Rs. 7,663,632 respectively should be paid as at 31</p>	<p>Action should be taken to follow and implement the circular instructions pertaining to statutory payments.</p>	<p>Accept. Due to the continuous losses incurred by the Ceylon Fisheries Corporation over the past years, the financial difficulty of making these statutory</p>	<p>The situation remains the same.</p>

	<p>August 2019, action had not been taken in accordance with the provisions set out in Paragraphs 3.1 to 3.5 of the Public Enterprise Circular No. 02/2013 dated 11 September 2013 in connection with these statutory payments. The chairman, board of directors, chief executive officers and officers in charge of the corporation shall be jointly and individually liable.</p>		<p>payments has arisen. It is expected that the secretary of the line ministry will present a proposal to settle the outstanding balance through a future budget proposal and get financial allocations to settle it and at present steps have been taken to pay the relevant contributions monthly.</p>	
c	<p>Out of the specified business functions made by Gazette Extraordinary No. 14/ 186 dated 01 October 1964 and No. 1712 /21 dated 30 June 2011, the functions such as engaging in deep sea fishing operations directly or through agents, engage in fish processing, trading</p>	<p>Action should be taken to achieve the objectives of the Corporation.</p>	<p>Accept. The responsible officers have already left the institution and the officers work at present as well as management are also new appointments.</p>	<p>The situation remains the same.</p>

	<p>wholesale and retailing of fish through authorized agents, import & export of fish and fish products and selling fish in foreign markets had not been performed by the Corporation.</p>		<p>However, further operations are being done as per the Corporate Plan from 2020 to 2025, Budget for the years 2020/2021, Procurement Plan and Action Plan. The approval of the Board of Directors has also been obtained for all the relevant plans.</p>	
d	<p>Formal action had not been taken in respect of the following deficiencies.</p> <p>(i) Failure of the Board of Directors to appoint a Senior Management Committee to evaluate the Annual Performance in terms of Section 7.4.2 of the Public Enterprise Circular No. 12</p>	<p>The Board of Directors should take action to appoint a Senior Management Committee to evaluate the Annual Performance of the Corporation.</p>	<p>Although there were losses for Regions in 2014, 2015 as well as in previous years, the Regions have been combined and established new District Offices in the</p>	<p>The situation remains the same.</p>

	<p>dated 02 June 2003 .</p> <p>(ii) All the 08 ice plants had incurred a loss of Rs. 33,364,965 in the year 2015 .</p>		<p>year 2021 , and accordingly, several loss-making Regions have been turned into profitable atmosphere.</p> <p>Only the current Regions such as Ampara, Badulla, Tangalle, Ratnapura, Hambantota, Galle and Kalutara are remaining at a loss and other Regions have been made profitable.</p>	
e	<p>Even though the Board of Directors advised in the Minute of the 1040 (I) Board Meeting held on 25 June 2019 if the Corporation sells fish to external parties on a credit basis, credit limits should be imposed and to develop a suitable</p>	<p>Action should be taken to carry out the issuance of fish to external parties in terms of the circular regulations and in accordance with the instructions of the Board of Directors Meeting</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>

	<p>methodology for it, to carry out the issuing fish to external parties by obtaining bank guarantees in accordance with the circular regulations, it was observed that it had not functioned accordingly.</p>	<p>Minutes.</p>		
f	<p>A sum of Rs. 65,000,000 had been provided to the Corporation on 20 February 2017 for the renovation of the Fisheries Processing Unit constructed at the Head Office to make essential improvements to attract investment under the Public Private Partnership for the restructuring of the Ceylon Fisheries Corporation. Out of that, an amount of Rs. 24,230,565 had been spent for the direct expenses and due to the fact that the procurement work was done without proper process, and because of the construction works had been stopped part of the way without being completed, the intended</p>	<p>Procurement activities should be carried out in accordance with the Government Procurement Guidelines 2006 and the activities such as continuing construction works, design, required contract documents and construction supervision should be carried out in terms of Sections 26 and 28 of the Construction Industry Development Act No. 33 of 2014.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>

	objectives had not been achieved.			
g	A sum of Rs. 3,732,498 had been incurred by the Corporation to remove the asbestos sheets from the old roof of the Fish Processing Unit and to roof the new sheets. The removal of old sheets had been done without the recommendation of a Civil Engineer and the old asbestos sheets had not been returned to the warehouse and those sheets were not available even in the work area.	Action should be taken to recover the losses by conducting an investigation in this regard by identifying responsible officers.	Comments have not been given.	The situation remains the same.
h	It was observed during the physical inspection of the fish processing unit conducted on 02 September 2019 that the 155 newly laid asbestos sheets had cracked and it was further observed by audit that the existence of the ceiling was also at risk due to the leakage of rain	The responsible officers should be identified and action should be taken to recover the losses.	Comments have not been given.	The situation remains the same.

	water.			
i	<p>Even-though an amount of Rs. 10 Million had been provided to the Corporation in December 2016 for the purchase of 02 electric fork lift machines for the ice factories which are functioned at Modara Fish Complex, due to the unnecessary delay of procurement process and the fork lift machines had not been purchased, the objective of improving the revenue could not be met as a result of the less efficiency of the factory.</p>	<p>Action should be taken by the Board of Management and top management to achieve the objectives of improving the activities of the Corporation efficiently and increasing the revenue.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>
j	<p>It had been decided at the Meeting of Cabinet of Ministers held on 23 August 2016 to enter into a joint venture with local or foreign parties to transform the Ceylon Fisheries Corporation into a profit-making entity under a public-private partnership. Although a Cabinet Appointed</p>	<p>The Board of Management should act to implement the Decisions of Cabinet of Ministers and to meet the intended objectives.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>

<p>Negotiation Committee had been appointed on 26 January 2017 in accordance with that decision, the Cabinet Appointed Negotiation Committee had not met though 04 years and 06 months had elapsed by July 2021. Similarly, a project committee consists of 05 members had also been appointed by the Department of Public Finance on 26 January 2017 to restructure the Ceylon Fisheries Corporation. Nevertheless, even though more than 04 years had elapsed since the appointing of the Cabinet Appointed Cabinet Appointed Negotiation Committee (CANC) and the Project Committee (PC), at least calling for proposals to select a local or foreign investor to run a joint venture by the Ceylon Fisheries Corporation under state private ownership had not been carried out and the procurement work pertaining</p>			
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	to that had also been halted.			
k	<p>Even though it had attempted by Fontus Ocean Holdings, a Korean Company since 19 May 2016 to enter into an agreement to start a public-private partnership to process and export fish as a joint venture with the Ceylon Fisheries Corporation, as a result of failure to proper evaluation of the specified procurement methodology pertaining to that and the suitability of the joint venture company, the joint venture which was also planned to be started with Fontus Ocean Holdings had failed and stopped at some point.</p>	<p>Arrangements should be made to expand the business activities of the Corporation through new investments being functioned according to a specific plan.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>
l	<p>Because of the action was taken to give every officer the opportunity to retire, instead of retiring the excess employees as per the Public Enterprises Circular No. 2/2016 dated 18 March 2016, the required key positions</p>	<p>Action should be taken to adhere with the instructions of the Circulars. Arrangements should be made to appoint suitable officers for the key positions which had already</p>	<p>Accept. Because this process had to be done very quickly, it was impossible to carry out the retirement of the persons thus</p>	<p>The situation remains the same.</p>

	<p>which are required to maintain the day to day running of the Corporation had also been in vacant. Therefore, as a result of the lack of officers with the required capacity to make management decisions, these retirements without a plan had caused not achieving its the objective of making the Corporation a profitable commercial enterprise.</p>	<p>remained in vacant.</p>	<p>identified. Although the officers have been appointed to all the vacant posts, the vacancies have occurred due to various factors and circumstances. It is intended to solve these issues very quickly and to make necessary arrangements to transform the Ceylon Fisheries Corporation into a profitable commercial state corporation through a competitive restructuring process.</p>	
m	<p>Although activities such as construction and maintenance of fishing</p>	<p>Action should be taken to amend the Act by revising the business</p>	<p>Due to non-availability of sufficient</p>	<p>The situation remains the same.</p>

	<p>harbors and anchorages entrusted to the Corporation, importation and sale of fishing gear, construction of fishing vessels, provision of maintenance facilities for fishing vessels, manufacture and sale of equipment required on request by fishermen had been assigned at the time of establishment of Ceylon Fisheries Harbor Corporation under the Ministry of Fisheries, Ceynor Foundation Limited and National Aquaculture Development Authority of Sri Lanka, the necessary steps had not been taken to revise the business functions of the Corporation accordingly.</p>	<p>activities of the Corporation.</p>	<p>quantity of fish (Sail fish / Kopra) in the local market, it is intended to carry out the activities required to be directly involved in fish import activities in future based on the guidance of the Line Ministry under the new management.</p> <p>Preliminary steps required to start a business as a partnership with certain projects restructuring the operations of the Fisheries Corporation and utilizing modern technology at present have already been taken.</p>	
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			Eg. Galle, Ice Plant	
n	<p>Even though the monthly rental of 03 acres 01 Rood 13.9 Perches business place belonging to the Corporation in Pesalai had been decided by the Procurement Committee on 17 October 2016 as Rs.150,000, a loss of Rs. 720,000 had occurred for 36 months from 14 December 2016 to the end of the year under review due to leasing out for Rs. 130,000 per month. At the beginning of the agreement a bank guarantee of Rs.500,000 should be given to the Corporation for a period of one year as per the Section 06 of the relevant lease agreement and although it needs to be updated annually, action had not been taken accordingly. Similarly, as a result of failure to divide the land and the leased land, an extent of 20 acres, 01 Rood, 15 perches of land had</p>	<p>Arrangements should be made in a manner of avoiding losses in accordance with the Procurement Guidelines and Decisions of the Procurement Committee.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>

	been allowed to be misused to a private company.			
o	Although the two condensers belonging to the Cool Room at the Galle Ice Plant had been sold to a sum of Rs. 313,103 as scrap iron on 16 May 2018, the goods had not been identified as items that could not be used by a Board of Survey in terms of Financial Regulations 770 and 771. Further, a report from a technologically skilled engineer for these goods had not been received and the approval of the Board of Directors had also not been obtained.	It should act in accordance with the recommendations of the Technical Evaluation Committee Report and disciplinary action should be taken against those responsible as per the investigation reports.	An internal investigation has been commenced on the sale of 02 old condenser iron at the Galle Ice Plant.	The situation remains the same.
p	Further, although an advance of Rs. 2,547,500 was paid on 12 April 2018 for the purchase of two condensers for the Ice Plant at Rs.6,368,750 each and the two condensers had been connected to the system, it was observed that the poor-quality condenser had been	It should act in accordance with the recommendations of the Technical Evaluation Committee Report and disciplinary action should be taken against those responsible as per the investigation reports.	Currently, the arrears to be paid for these two machines have been temporarily suspended based on the existing technical matters remained regarding the	The situation remains the same.

	<p>installed with the defects such as taking long time for freezing, leaking of the gas and water in the condenser.</p> <p>Even-though it was stated that if the requested condenser does not meet the specification, it would be rejected without any conditions and the advance would be recharged as per the report of the Technical Evaluation Committee, action had not been so taken.</p>		<p>two new condenser machines.</p>	
q	<p>An extent of 117.78 perches of land at Modara Head Office and 30 perches 02 plots of lands had been leased out by the Corporation on 28 March 2017 for a period of 04 years to a private institution on a monthly lease of Rs. 1,110,000 and Rs. 333,000 respectively and the arrears for the 08 months amounting to Rs. 5,487,450 had not been recovered by 16 August</p>	<p>Action should be taken to recover the arrears of taxes expeditiously.</p>	<p>Comments have not been given.</p>	<p>The situation remains the same.</p>

	2019. The private institution had encroached an extent of 49.7 perches. The monthly lease assessment of the Chief Valuer for an extent of 29.7 perches was Rs. 178,333.			
r	The contract had been awarded to a private company on 31 August 2017 for the purchase of Rs. 1,500,000 to a computer accounting system. Nevertheless, a contract agreement, a bid security and a bond for an advance of Rs. 300,000 had been obtained in terms of National Procurement Guidelines 5.2.1, 5.3.11, 5.4.4. Although more than 02 years have passed by now, the computerized account management system had not been installed.	The Management should make arrangements to establish a computerized accounting system and financial losses should be recovered.	Accept.	The situation remains the same.
s	There were 32 Regions and 97 sales outlets for the Corporation as at 31 December 2016. There were 88 sales outlets and 21	The Management should make arrangements to establish a computerized accounting system.	It is intended to install this computer system soon to coordinate all	The situation remains the same.

	Regions by 05 December 2019. The Corporation had not introduced a computerized accounting system to connect with the Head Office for the business activities of these Regions.		Regions and sales outlets.	
t	Even though it had been decided on 09 March 2016 during the disciplinary inquiry held against the Manager of the Warehouse Division who was responsible for the shortage of packing stocks occurred in the year 2011 valued at Rs. 2,558,028 to recover the shortage from the relevant officer, the amount had not been recovered even by the end of the year under review.	Action should be taken to recover the shortage from the responsible officers immediately as per the disciplinary inquiry reports.	Comments have not been given.	The situation remains the same.
u	Although a sum of Rs.304,514 had become dormant bank accounts from the year 2016 up to now in respect of 4 current accounts maintained under the name	Necessary steps should be taken to close dormant bank accounts.	Comments have not been given.	The situation remains the same.

	of Ceylon Fisheries Corporation, because of the bank charges are levied every month as a result of failure to take necessary steps to close those accounts, those account balances had turned into overdrafts.			
v	Although the grace period for the debtors was 45 days, there were debtors amounting to Rs.140,432,424 whose loan period was more than two months as at 31 December 2019 as per the schedule for age analysis submitted by the Corporation and it was observed that it was 66 per cent of the total debtor balance. Further, the balance between 2-5 years was Rs. 43,309,524 and the balance for more than 05 years was Rs.65,569,605. It was 20 per cent and 31 per cent of total debt respectively.	Management should make arrangements not to exceed 45 days for the grace period provided for the debtors and outstanding loan balances should be recovered.	Comments have not been given.	The situation remains the same.
w	There were the unsettled creditor balances of Rs.	Arrangements should be made to investigate	Comments have	The situation

	72,850,305 in between 03 months and 06 months, Rs. 50,967,824 between 06 months and 02 years and Rs. 82,842,846 for more than 02 years as at 31 December 2019 as per the creditors' age analysis.	these credit balances and to take the loan balances which should not be settled furthermore into revenue. Action should be taken to pay the existing statutory payments in accordance with the relevant laws.	not been given.	remains the same.
x	Since the balance confirmation letters of creditors totalled to Rs. 293,521,703 and debtors totalled to Rs. 191,845,870 were not submitted for audit on 31 December 2019, the existence of those debtor and creditor balances could not be confirmed.	Action should be taken to obtain debtor and creditor balance confirmations.	Comments have not been given.	The situation remains the same.
y	It had been ordered to pay a sum of Rs. 1,695,880 from 31 December 2019 in installments in connection with the case filed by the Department of Labor against the Corporation in the Colombo Magistrate's Court with regard to the case filed by the Department of Labor	Arrangements should be made to avoid surcharges by making statutory payments on time.	Comments have not been given.	The situation remains the same.

	against the Corporation in the Colombo Magistrate's Court.			
z	Although the dates had been fixed to make submissions for the case filed by the Inland Revenue Department in connection with the defaulting of payment of VAT amounting to Rs. 8,153,155 by the Corporation, the current status therein was not explained to the audit.	The Corporation should not default on statutory payments and action should be taken in accordance with judicial proceedings.	Comments have not been given.	The situation remains the same.
aa	A compensation of Rs. 500,000 for the damages occurred to a van caused by an accident involving a lorry belonging to the Corporation, 08 cases by employees for seeking re-employment and salary compensation of Rs. 6,516,871, two cases seeking compensation of Rs. 2,378,795 due to non - payment of gratuity, 3 cases for payment of Rs. 232,702,066 due to non -	The current situation under the Section 42 (a) of the National Audit Act No. 19 of 2018 should be disclosed to the auditor	Comments have not been given.	The situation remains the same.

<p>payment of EPF contributions and surcharges, a case because of non-payment of VAT amounting to Rs. 8,153,155 by the Inland Revenue Department, a request for compensation of Rs. 11,782,513 for non-payment of fish obtained during the period from December 2013 and January 2015 have been filed against the Corporation in the Magistrates' and District Courts and in the Labor Tribunals. Further, 10 cases to recover a sum of Rs. 17,514,049 for fish receivable to the Corporation, 02 cases for assault and to recover the damages, one case for acquisition of lands and two cases for recovery of taxes amounting to Rs. 14,826,226 had been filed by the Corporation against the external parties as at 31 December 2019.</p> <p>Nevertheless, the current</p>			
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	situation in this regard was not revealed to the audit.			
bb	As a result of the failure of the Corporation to sell fish through agents in all Districts of the country through agents the Corporation had failed to act as a regulatory institution of price stabilization in the fish market.	Since the functioning as a price stabilizing regulator in the fish market, is a duty of the Corporation, necessary action for that should be taken.	Comments have not been given.	The situation remains the same.
cc	There were 50 lorries with freezers belonging to the Corporation and despite refrigeration systems 46 lorries out of that had remained inactive, those had been used for sale. Due to this, good quality fish could not be provided to the consumer at a reasonable price.	Action should be taken to make the refrigeration systems of lorries functional conditions.	Comments have not been given.	The situation remains the same.
dd	It was observed that the 04 key positions such as Deputy General Manager (Marketing), Deputy General Manager, Human Resource Development and	Action should be taken expeditiously to appoint to key positions which are in vacant.	Although new recruitments have been made on a number of occasions because of the	The situation remains the same.

	<p>Administration, Deputy General Manager (Engineering) and Deputy General Manager (Finance) in the staff of the Corporation are in acting basis. Operational weaknesses, operational inefficiencies, and poor management of planning and implementation were observed due to the vacancy of Deputy General Manager (Finance) for more than 03 years.</p>		<p>vacancies remained in key positions, there is a possibility of recurring these vacancies on the fact that those officers did not stay in the institution for a long time. The Deputy General Manager (Finance) had already been recruited and applications have been called for the post of Deputy General Manager Human Resource Development and General Manager. The Negombo Executive Manager has already been appointed to oversee the post</p>	
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			of Deputy General Manager Marketing.	
ee	Existing of the post of Chief Internal Auditor in vacant for a long time since 2016, failure to conduct internal audit examinations continuously, retirement of officers without a plan, and adherence to the system of delegation of duties had not been carried out.	Action should be taken to recruit for the post of Chief Internal Auditor and strengthening of internal audit activities by following proper procedures.	The Chief Internal Auditor has been recruited.	The situation remains the same.
ff	Every government institution should act upon the Letter of the Secretary to the Ministry of Public Policy and Defense No. ST/ST/ MDP / 17 dated 14 August 2017 in accordance with the United Nations 2030 Agenda for Sustainable Development and the Ceylon Fisheries Corporation had not made aware on how to be active in its scope of activities for the year under review. Action had not been taken by the Corporation to identify the	Action should be taken to identify the indicators to measure to achieve goals in terms of United Nations 2030 Agenda for Sustainable Development.	Comments have not been given.	The situation remains the same.

	<p>milestones to achieve the Sustainable Development Goals and Objectives related to its and the indicators for measuring achievements on those goals.</p>			
gg	<p>Contrary to the Paragraph 9.4 of Public Enterprises Circular No. 12 of 02 June 2003, three officers belonging to the Corporation had been released to 02 state institutions from the year 2016 and a sum of Rs. 2,638,104 had been paid as salaries and wages to those two officers</p>	<p>Action should be taken in accordance with the circular instructions.</p>	<p>The Management had not made comments.</p>	<p>Not recovered.</p>
hh	<p>Although it was a business function of establishing of the Corporation for deep sea fishing by using trawlers directly or through agents, due to not doing so accordingly and delays occurred in payment to fish suppliers, it could not be able to achieve the purpose of supplying of fish to the consumers at a reasonable</p>	<p>The necessary action should be taken to achieve the objectives of the establishment of the Corporation.</p>	<p>The Management had not made comments.</p>	<p>There was no focus on establishing business functions either directly or through agents.</p>

	price by buying at a low price.			
ii	The shortage of packaging stock valued at Rs. 2,558,028 in the year 2011 had not been recovered.	Arrangements should be made to inquire with regard to the shortcomings of the stock and identify the responsible persons and take action to recover the loss.	The Management had not made comments.	Not recovered.
jj	Even though the 07 hospitals had informed that there were no debtor balances amounted to Rs. 111,008,896 remained as at 31 December 2018 in those 07 hospitals, it had not been examined and the balance confirmations relating to the debtors amounted to Rs. 21,586,769 had not been received even in the balance confirmations made by the Internal Audit Division.	Action should be taken to ascertain the correctness of the balances specified in the debtor's documents.	The Management had not made comments.	The balance confirmations had not been received.
kk	It was observed in audit that the sales outlet at the Padukka Circular Road has	The files should be maintained under the responsible officers and	The file containing the copy of the	Referred to the Commission to Investigate Allegations of

	<p>been operating without an agreement since 1994. Further, although it was advised to re-enter into a lease agreement under a new lease, in accordance with the approval of the Board Meeting 1041 dated 22 August 2018, it had not acted accordingly.</p>	<p>the reasons for missing of them should be examined.</p>	<p>agreement maintained by the Legal Division is missing and the file of the Operations Division has been handed over to the Commission to Investigate Allegations of Bribery or Corruption on 05 September 2019.</p>	<p>Bribery or Corruption.</p>
<p>II</p>	<p>Three cases by Public Health Inspectors regarding the sale of fish expired or not suitable for consumption, demanding of Rs. 9,500,000 for 05 cases as compensation for vehicle accidents, 07 cases by employees for re-employment and post-salary compensation, demanding of Rs. 5 million as compensation case by a maid and a case of violations of fundamental rights of 02</p>	<p>Focus on cases against the Corporation and to finish quickly and control systems should be introduced and implemented to prevent occurring of such incidents.</p>	<p>The Management had not made comments.</p>	<p>Under investigation.</p>

	employees of the Corporation had been filed in Magistrates' Courts, District Courts and the Supreme Court against the Corporation.			
mm	The Ceylon Fisheries Corporation had filed 09 cases against external parties for the recovery of Rs. 23,481,680 for selling of fish were sold on loan and 06 cases were also filed to recover a sum of Rs. 19,438,275 as lease as at 31 December 2018.	Arrangements should be made to recover the outstanding debts of the Corporation promptly.	The Management had not made comments.	Under investigation.

25. Sri Lanka Handicrafts Board

01. Name of the Entity - Sri Lanka Handicrafts Board

1. Audit Opinion -

2018	Adverse Opinion
2019	Adverse Opinion
2020	The final report has not been released

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1	Renovation works on the Laksala building, Fort owned by the Board had been abandoned halfway since the year 2014. Only a space of 1500 square feet of this four-storied building with a total space of about 44,000 square feet, had been made use of by the year 2019. As the renovation of this building with a higher economic value, had	Matters pertaining to this building should be looked into thus taking protective measures. The monies receivable should be recovered.	Although the Board faces financial difficulties at present, action is being taken in this connection. Furthermore, measures are taken to recover the monies receivable as per the report furnished by ICTAD.	So far, no money has been collected from the contractor and the remaining part is underutilized except for 1500 square feet.

	<p>been abandoned, the building had fallen into a state of dilapidation, thereby depriving the Board of a higher income that would have been earned annually. Furthermore, as per the report furnished by ICTAD, a sum of Rs. 30 million remained receivable from a private institution. The management of the Board had not taken action to recover that sum.</p> <p>Only 1500 square feet of this building was currently in use.</p>			
2	<p>The Board uses SAP software for accounting and book keeping purposes whilst the POS software is used to manage daily sales. Although such software has been in use over extensive periods, the service agreements with</p>	<p>The matter should be looked into and necessary action should be taken promptly.</p>	<p>The failure in updating the service agreement due to financial difficulties of the Board gave rise to this situation.</p>	<p>Since the service agreements are not updated, the data remains at risk.</p>

	<p>the parent companies of the software had not been updated. Due to failure in doing so, new and updated versions of the software could not be obtained. Data of the Board had been kept in backups, but such backups could not be restored in an emergency. As such, the data of the Board faced risks.</p>			
3	<p>Due to drop of the arrival of tourists in the aftermath of Easter attack in the year 2019, the sales income of the Board had decreased by Rs. 119,986,688 in the year 2019 as against the year 2018. Nevertheless, the value of bank loans payable had increased by Rs. 127,797,557 in the year 2019 as compared with the year 2018. Following the decline in the sales</p>	<p>Attention should be drawn urgently on this situation, thus providing short term and long-term solutions for the financial crisis of the Board.</p>	<p>With pricing strategies, specific items had been priced by the Board targeting the foreign tourists. However, various measures had been taken for attracting the locals as well. Operations and income of the Board had collapsed due to bomb attack carried out by Saharan and the Covid-19 outbreak.</p>	<p>It has been planned to open franchise stores in several foreign countries and agreements have been entered into to start in USA. goods worth Rs 19 million have been shipped in November 2021.</p>

<p>income owing to the decrease in the number of tourists as at the date of audit on 31 December 2019 due to Covid-19 outbreak, only 04 of the 12 showrooms had been opened with 08 showrooms closed. As such, due to lack of income to be spent on salaries and daily expenses, the Treasury had been requested for financial assistance to meet the daily expenses. Due to speedy decline in sales, the Board faced severe financial difficulties.</p>		<p>Loans could not be settled due to decline in the income during 2019, thus the loans had to be restructured, and hence, the interest and installments of loans had increased. Nevertheless, action is being taken to implement new strategies under proper guidance with effect from the year 2021.</p>	
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26. Ceylon Ceramics Corporation

1. Name of the Entity - Ceylon Ceramics Corporation

2. Audit Opinion -

2018 Adverse Opinion

2019 Adverse Opinion

2020 Adverse Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1	Although there was no production activity in the factories of Bangadeniya, Weuda, Illeyapattu and Bingiriya, a sum of Rs. 2,650,837 had been spent as administrative and overhead expenses. Although the land, buildings and machinery of Bangadenia and Wauda factories had been valued at Rs 173,722,500 in the year 2019, the corporation had not	Action should be taken to minimize the costs of running factories.	Action is being taken to find investors for new projects.	Due to the lack of legal ownership of the lands, factories have not been able to be restarted or leased so far.

	made any efforts to use them for effective investment.			
2	The ownership of the lands in extent of 134 acres, 15 roods and 217.2 perches of the 07 factories owned by the corporation had not been transferred to the corporation even on the date of audit.	The ownership of the lands should be transferred in writing.	With the support of the Ministry of Lines, the ownership of the lands will be transferred.	The ownership has not been transferred yet.

27. Sri Lanka Cement Corporation

1. Name of the Entity - Sri Lanka Cement Corporation

2. Audit Opinion -

2018	Qualified Opinion
2019	Qualified Opinion
2020	Qualified Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1	<p>The pipe system and the 02 oil tanks of the Corporation located in Kankasanturai had been given to the Ceylon Petroleum Storage Terminals Limited without entering into a written agreement. Based on the assessment report prepared in that connection by the Government Valuation Department on 22 December 2015, it had been stated that a sum of Rs. 168,000,000 should have been paid to the Corporation with</p>	<p>Action should be taken to recover the outstanding lease rents and release the oil tanks in terms of written agreements.</p>	<p>Discussions are being held under the patronage of the Line Ministry for recovering the said lease rents.</p>	<p>The amount has not been paid so far.</p>

	<p>respect to the period of 2010-2020. Although the Corporation had informed the Line Ministry in regard of recovering the lease rents, the lease rents have not yet been recovered.</p>			
2	<p>The land of the Corporation in extent of 89.7 perches located in Kollupitiya had been assessed to the value of Rs. 735,000,000 in the year 2017 through the Gazette Notice, No. 14, 756/7 dated 12 July 1967. It was a main objective of the Corporation to use the land for a development project thereby earning a higher income, but the land had been provided for external institutions to be used as a car park. When selecting institutions, the land had been provided for 07 institutions without calling for tenders contrary to Section 1.2 of the Government Procurement Guidelines-2006, and the Corporation had not entered into written agreements with those institutions. Of the loan amounting to Rs. 97,700,000 obtained with the land being</p>	<p>Properties of the Corporation should be invested productively.</p>	<p>The approval of the Board of Directors at its meeting held on 21.09.2021 has been obtained to obtain consultancy services for a mixed investment project and that procurement is in progress.</p>	<p>The procurement process has not been started till now.</p>

	<p>pawned to a state bank in the year 2017, a balance of Rs. 67,700,000 still remained payable as at 31 December 2020 whilst the total interest paid thus far amounted to Rs. 47,870,613. The annual interest paid for the year 2020 totaled Rs. 7,452,517, but the lease rent received through parking of vehicles totaled Rs. 4,424,070 for the year. As such, the Corporation had not taken action to productively invest the property located in a higher commercial value.</p>			
3	<p>An agreement had been entered into on 29 December 1993 with the Puttlam Cement Company (Siam City Cement Company Limited at the present day) following the Cabinet Approval, No. 96/1900/111/135 dated 21 August 1996 in order to give on 50 years lease the 5140 acres land owned by the Sri Lanka Cement Corporation in Aruwakkalu at which the limestone mine existed. Conditions had not been set in the agreement to annually increase the lease rent; instead, a fixed annual</p>	<p>Advices of the Attorney General and the Line Ministry should be obtained before signing the agreements, and the agreements should have been signed after obtaining approval.</p>	<p>The Criminal Investigation Department is conducting an investigation in this regard.</p>	<p>No agreement has been reached so far to recover the lease rent lost from 1993 to 2018.</p>

<p>installment of Rs.11,500,000 had been decided. Accordingly, the Corporation had been deprived of an extensive income during 1993-2018. Despite being mentioned in the Supplementary Agreement, No. 268 signed on 07 November 2019 that the lease rent be increased by 12 per cent, no agreement had been entered into on increasing the lease rent for the period of 1993-2018. The agreement had been signed so that the annual lease rent would be US \$ 319,118 with effect from the year 2019, but approval of the Attorney General was not obtained for the said Supplementary Agreement even up to the date of this report.</p>			
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28. Sri Lanka Land Development Corporation

01. Name of the Entity - Sri Lanka Land Development Corporation

02. Audit Opinion on Financial Statements 2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

03. Audit observations

	Audit observations	Reference to the year and audit paragraph of the audit report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	According to the LKAS - 01, the assets, liabilities, income, expenditure should be shown in the financial statements at their fair value. However, the fair value of the Property, Plant and Equipment, cost of Rs. 2424.37 million, had not been ascertained by the Corporation and shown in the financial statements.	2019 1.5.2 (a)	According to the Sri Lanka Accounting Standards (LKAS), the fair value of the assets should be shown in the financial statements.	In 2019, only vehicles had been revalued from the assets and the fair value had been taken to financial statements.	As of the end of 2020, the fair value of the Property, Plant and Equipment of Rs.1,827.37 million had not been assessed.
b	According to the report submitted by the asset's useful life assessment	2019 1.5.2 (b)	According to the Accounting	It was stated that they will be removed from the	A year has passed now since these

	committee of the Corporation, the unusable motor vehicles, the cost of Rs. 11.41 million, had been shown in the financial statements as noncurrent assets as at end of the year under review contrary to the SLFRS 5. Further, action had not been taken to rectify the estimation error of the useful life the fully depreciated assets cost of Rs.715.67 million, but still in use, according to the LKAS 8.		Standards, the assets should be shown in the financial statements.	books of accounts.	assets were sent to the corporation's workshop to be repaired for reuse without removing them.
c	Two investments properties had been shown in the financial statement at their cost of Rs.158.28 million, without being ascertained the fair value of investment properties according to the LKAS 40.	2019 1.5.2 (d)	According to Sri Lankan accounting standards, the fair value of investment property should be presented in the financial statements.	Fair value had not been disclosed in the financial statements.	Even at the end of 2020, the fair value of the 2 investment properties had not been disclosed in the financial statements.
d	According to Paragraph 36 of the LKAS - 16, if an	2019 1.5.2 (c)	According to Sri	Necessary action had not been	As of February 2022, those

	<p>item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which those assets belong should be revalued. However, 160 motorcycles and a Jeep cost of Rs. 24.74 million and Rs. 26.47 million respectively belonged to the Corporation as at end of the year under review, had not been revalued.</p>		<p>Lankan accounting standards, the assets should be shown in the financial statements.</p>	<p>taken.</p>	<p>assets had not been revalued.</p>
e	<p>The value of 10 tractor-tailors modified as bowers by the corporation in the year 2010 and the value of an excavator machine and 02 boats used since 2012 had not been assessed and shown in the financial statements. Also, the value of the 3 vehicles valued at Rs.1,620,000 had not been stated in the financial statements.</p>	<p>2019 1.5.3 (b)</p>	<p>Assets belonging to the corporation should be valued and accounted for.</p>	<p>Necessary action had not been taken.</p>	<p>It had not been included in the financial statements.</p>

f	<p>Even though a sum of Rs.1,559.62 million had been expended by the Corporation during the year under review for 64 Treasury projects, only a sum of Rs.1,348.73 million had been received by the Corporation for those projects. Hence, a loss of Rs.201.89 million had been sustained by the Corporation from those projects. Although the Corporation had received 17 per cent service income from the Treasury for those projects, sustaining of such a loss is a questionable issue in audit.</p>	<p>2018 3.1 (c)</p>	<p>Being prepared the realistic and accurate estimates, action should be taken to obtain those funds from the Treasury and by managing the projects efficiently, action should be taken to minimize the costs.</p>	<p>Proper action had not been taken.</p>	<p>By the end of 2020, Rs.1433 million had been spent, but only Rs.1292 million had been received as treasury allocations, resulting in a loss of Rs.141 million.</p>
g	<p>Out of the competitive contracts in the market, the Corporation had submitted bids for 6 construction contracts valued at Rs.801 million in the year 2018. Out of that, only 3 contracts valued at Rs.296 million had been received. The Corporation had</p>	<p>2019 3.2 (c)</p>	<p>In order to achieve one of the objectives of the Corporation Act, to be a competitor in construction</p>	<p>Action had not been taken.</p>	<p>In the year 2020, the corporation had submitted competitive bids for only 2 contracts worth Rs.77.29 million and got only the</p>

	submitted competitive bids for 7 contracts valued at 1,453 million. However, the Corporation had failed to receive any contract. According to that situation, it was observed that the Corporation had not paid adequate attention to obtain the contracts from the open market. Due to performing of contracts, conducted under the Treasury provisions, the market share that could have been achieved to the Corporation and market share of the Corporation had been lost.		field, the contract management activities should be carried out in fruitful manner.		contract worth Rs.22.73 million.
h	Due to sale of a land belonged to the Corporation on 06 April 2000 to an external party for Rs.5.83 million by providing misleading information, that customer had filed a court case against the Corporation. According to the court decision, the Corporation had to pay a sum of	2018 3.2 (c) 2019 ML	Action should be taken to proceed the disciplinary action against the officers those who responsible to submit erroneous	This was an attempt to get additional income to the corporation and no action had been taken considering it as a business decision.	No action had not taken to recover the loss from the responsible officials.

	Rs.12.28 million to the Customer. Further, the Corporation had not taken any action against the responsible officers in that regard.		information and recover the loss.		
i	The loss of the Mechanical Division of the Corporation for the year 2018 amounted to Rs.97 million. In the annual cost of the Division, amounting to Rs.568 million, the labor cost of Rs.373 million had been included and it was represented 66 per cent of the total cost. The excessive staff of the Division had been directly attributed for that situation.	2018 3.2 (d) 2019 ML	The excessive employees in the Corporation should be allocated among the Divisions in fruitful manner.	No action had been taken.	By the end of 2020, the loss of the division had increased to Rs. 196 million and there are more than 400 permanent employees in the division.
j	Without being carried out a feasibility study and before acquisition the lands, a sum of Rs.112 million had been incurred up to end of the year 2019 for the construction of an entrance Road at Madinnagoda. However, due to such issues, the project had been suspended. As a result, the	2019 3.7 (a)	Before implementing the projects, a feasibility study of the projects should be done to identify the possible	No action had been taken.	By the end of the year 2020, construction had not been resumed.

	expenditure incurred for the project amounting to Rs.112 million, had been become fruitless expenditure.		problems in advance and work to minimize the problematic situations.		
k	According to the decision made by the Cabinet of Ministers in the year 1996, the land, extent of about 1,000 acres located in the western boundary of Parliament had been vested to the Corporation under the Grater Colombo Flood Controlling and Environment Improvement Project to Conserve the lands as water basin and to protect them as the specialist entity that had been incorporated for those functions. Even though the sole responsibility to remove the unauthorized settlers and reclaims of those lands is vested with the Corporation, about 63 acres had been acquired by the unauthorized settlers	2019 3.4 (a)	Effective action should be taken to manage the lands transferred to the Corporation based on a decision made by the Cabinet of Ministers.	No action had been taken.	By the year 2020, 1104 unauthorized constructions and reclamations of lands of 400 hectares had been identified in 9 water basin areas, but the identified unauthorized constructions had failed to be removed.

	<p>and 82 acres had been divested by the Corporation. Hence, it was observed that the Corporation had failed to fulfil the expected responsibilities by the Cabinet of Ministers, from the Corporation. Further, although 1324 unauthorized constructions and reclamations of lands had been identified by the Corporation in the water retention areas belonging to 5 Divisional Secretariat Divisions by the end of the preceding year, the Corporation had failed to remove those unauthorized constructions.</p>				
1	<p>Even though the Corporation had gazetted the boundaries of low, marshy, barren and muddy lands in 6 regions of the county, a procedure to identify unauthorized land fillings and settlements in those lands had not been prepared and the officers</p>	<p>2019 3.4 (b)</p>	<p>In order to identify the unauthorized land fillings/residents in the gazetted regions, a procedure should be</p>	<p>No action had been taken.</p>	<p>By the end of 2020, no system had been prepared to identify the unauthorized land fillings/residents.</p>

	had not been appointed to supervise the lands. Therefore, it could not be ruled out in audit the possibility that creation of social and environmental problems owing to that situation.		introduced as soon as possible.		
m	Even though the land acquisition activities for the Werasgaga drainage and environment improvement project have been started over 6 years ago, the progress of those activities was at a lower level.	2019 3.4 (c)	The land acquisition activities should be finalized as early as possible in order provide the relief to the affected people.	Action has been taken to increase the number of compensatory tests conducted.	As of 2020, 7 years have passed since the land acquisition process started, but the progress is at 50 percent.
n	The construction was started from the year 2019 incurring of Rs. 161.53 million for Muthurajawela relocation project, but from September 2020, its construction work had been stopped midway.	2020	The assets of the corporation should be utilized effectively and economic benefits should be	No action had been taken.	Construction works had been not resumed.

			obtained.		
o	In order to minimize the damages, cause due to floods to the general public and to the industries in the areas of Kelaniya, Biyagama, Wattala and Peliyagoda Deivisonal Secreteriats, the Mudun Ela development project had been started by the Corporation at the estimated cost of Rs.3,000 million in the year 2016 with a plan of completion in the year 2020. The financial and physical progress of the project as at end of the year under review were 43 per cent and 56 per cent respectively. Although a sum of Rs.1,456 million had been expended for the project using the Treasury Provisions as at end of the year 2020, the provisions had not been made from the Annual Budget for the year 2021. Thus, it was observed in audit that the project would have to be suspended without being achieved the objectives.	2019 3.3	The projects which are implemented by the Corporation should be effectively managed.	No action had been taken.	Even after 5 years, preliminary study, action plan or project timeline had not been prepared for the project.
p	The amount of Rs. 47.36 million shown in the financial statements of the	2018 1.6.1(f)	The further unrecovered balance	It was decided that the amount of Rs.47.36 million	The approval from the Treasury had

	<p>year 2018 to be received for the construction of the Medamulana D.A Rajapaksa Memorial Center had been written off from the books without the approval of the treasury.</p>		<p>should be written off in accordance with the regulations.</p>	<p>was no longer due from the said institution and it had been written off from the books with the approval of the Board of Directors.</p>	<p>not been obtained to write off the amount of Rs. 47.36 million.</p>
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29. Sri Lanka Ports Authority

- 01.** Name of the Entity: Sri Lanka Ports Authority
- 02.** Audit Opinion on Financial Statements : 2018 - Disclaimer of Opinion
2019 - Disclaimer of Opinion
2020 - Disclaimer of Opinion

03. Audit observations

	Major deficiency included in the Audit Report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1.	Although, according to paragraph 51 of Sri Lanka Accounting Standard 16, useful lifetime and the residual value of fixed assets should be reviewed annually and a variation if any, should be adjusted in accordance with Sri Lanka Accounting Standard 8, assets of Galle Port belonging to 11 categories with a carrying value of Rs.4,515 million as at 31 December 2020 had not been reviewed.	Action should be taken regarding assets in accordance with Sri Lanka Accounting Standards No. 16.	There was some delay here due to the Covid pandemic prevailed in the country. In the future, these activities will be carried out in accordance with Accounting Standard No. 16.	It is proposed to take necessary steps to review the assets in the year 2022.
2.	In terms of Section 55 of the Accounting Standard No. 16 of Sri Lanka, depreciation of property, plant and	Action should be done in accordance with Sri Lanka	This is a foreign purchase. The purchasing process is not been yet	Assets have not been added and depreciated thereon

<p>equipment shall be carried out from the time it becomes suitable for operational purposes. However, the value of the two Launch vessels of Rs.468.41 million received on 23 December 2019 and used for operational purposes by the Authority had not been capitalized and depreciated accordingly, and the above amount had been stated as an advance for foreign purchases under the current assets as at 31 December 2020 in the Financial Position Statement. Accordingly, the property, plant and equipment were understated. Furthermore, it was observed that in the balance of the advance purchase account for foreign purchases amounting to Rs.1,546.89 million, assets already received but not capitalized and expenses are maintained in the long run as unidentified advances.</p>	<p>Accounting Standard No. 16 as the control and liability related to assets have been received to the Authority.</p>	<p>completed and the supplier has not yet issued an invoice.</p>	<p>in a situation where the documents have not been received properly. As the relevant documents have been received so far, it has been informed that it can be adjusted for the previous year from the year 2019 according to the accounting and depreciation adjustment of the relevant assets.</p>
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3.	<p>Magampura Port Management Services (Pvt) Ltd, a subsidiary of the Authority, which had ceased operations since November 2017, had obtained a loan of USD 24 million. From a private bank in 2014 out of it, USD 22.3 million had not been settled as at the date of the report and it was observed that the company did not have sufficient assets to settle the debt. However, the bank had filed two cases in the Colombo District Court in 2020 against the subsidiary and the Authority to recover the loan. However, the Sri Lanka Port Authority, as the guarantor of the loan and the parent company, had not made any contingent liability for this and had not disclosed the case even on a Note in the financial statements.</p>	<p>Since the potential financial risk cannot be ruled out, provision should be made in accordance with Sri Lanka Accounting Standards.</p>	<p>In connection with the case filed by the Hatton National Bank in this regard, the filing on behalf of the Authority's case was done by the Attorney General's Department and according to the facts, no contingent liability was made for this since the case is in favor to the Ports Authority.</p>	<p>Taking into consideration the initial objections filed by the Port Authority, the District Court announced the preliminary order on 06.12.2021. By the order, Sri Lanka Ports Authority has been given the opportunity to show reasons without depositing security. Further, this case has been scheduled for inquiry on 14.03.2022. However, Hatton National Bank has forwarded an appeal application bearing No. WP/HCCA/COL/92/2021LA to the Colombo Civil High Court against the said preliminary order and the</p>
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				<p>Honorable Attorney General appears on behalf of the respondent Sri Lanka Ports Authority in that case and this case has been scheduled to confirm on 14.12.2022.</p> <p>Also, the preliminary order of the case No. DDR/1347/2019 filed against the Magampura Port Management Services (Pvt.) Ltd was also announced on 06.12.2021, and this judgement was converted into a final judgement.</p>
4.	<p>According to the findings of the Asset Review Committee as at 31 December 2020, the carrying value of Rs. 171.12 million as at 31 December 2020 and an uncertainty was observed due to the inability to physically identify the operating buildings and</p>	<p>Determining physically unidentifiable assets, action should be taken to remove the carrying value of those assets from the accounts.</p>	<p>Agreed.</p> <p>Action will be taken to update the fixed asset register based on the decisions received from the Asset Review Committee.</p>	<p>During the year 2021, 02 unidentified assets have been identified as investment assets.</p> <p>Action will be taken to update the fixed</p>

	constructions.			asset register based on the decisions received from the Asset Review Committee.
5.	Although, for the renovation work at Galle Face ground, the Authority had spent Rs. 7.61 million in 2018 and it was stated in the financial statements of the Authority as receivables from the associate company named Sri Lanka Ports Management and Consulting Company, and it was not specified the amount to be paid to the Authority in the financial statements of the company concerned and also the company had informed the Authority in writing that the above amount could not be paid. Due to this, the receipt of the above amount was uncertain but no provision for impairment was made for it in the financial statements.	Action should be taken to recover receivable balances or provisions should be made for impairment.	Not agreed. Discussions were held continuously to obtain this amount. The Company deals with many financial transactions with the Authority during a year and there is no need to make a provision for impairment since this amount can be recovered.	The VAT-free receivable of Rs. 7,609,035.79 is due to the Sri Lanka Port Authority, so no provision was made for impairment as this amount can be recovered.
6.	Although Rs. 41.8 million had been given to the	A report for the	Addalachchenai Divisional Secretary has	The Port Authority

	<p>Addalachchenai Divisional Secretary in 2019 for the payment of compensation to those who lost their lands due to land acquisition for the Oluvil Port project, a report for the relevant expenditure had not been submitted to the Authority even up to 30 April 2021. However, it was not decided until the date of this report that the operations at the Oluvil Port would be carried out under the Authority. As a result, it was that the capitalization of the above amount, which was being carried forward in the balance of the land clearance account observed in the financial statements was uncertain.</p>	<p>payment of compensation should be obtained and the value included in the land clearance account should be properly accounted.</p>	<p>been paid to pay for the lands acquired for the Oluvil Port project. Since a report on the compensation has not yet been submitted to the Ports Authority, it was informed to the relevant Divisional Secretariat has been instructed to submit the relevant report.</p> <p>Action will be taken to capitalize the relevant assets after receiving the required information to capitalize the amount of Rs.41,852,082 which is existing in the land clearance account.</p>	<p>has received the records of the relevant expenditure i.e., cash receipts and copies of requisition slips for receipt of cash deposited in Divisional Secretariat.</p> <p>The expenditure to be capitalized is not only this Rs. 41.8 million, but the total expenditure to be capitalized is being identified and the necessary account adjustments are being made.</p>
7.	<p>Out of the foreign loans obtained for the construction of the Port of Hambanthota the loan and interest balance of Rs. 147,746 million remained in the accounts of the Authority as at 30 November 2017 had been</p>	<p>Relevant matters should be discussed with the General Treasury and a final agreement should be reached.</p>	<p>Agreed.</p> <p>Agreed with the given financial values.</p> <p>The loan removed from the books of the Authority after the loan amount has been paid to</p>	<p>The loan amount recorded in the books of the Authority was Rs. 147,746,246,365.57 and Rs. 149,943,332,000.00 has been paid to the</p>

<p>written off by the Authority from Financial Statements without obtaining the concurrence from the General Treasury or the approval of the Cabinet of Ministers and therefore that loan had not been included in any account of the Government since that day. However, according to the Cabinet approval given on 04 August 2017 to the cabinet memorandum titled “Hambantota Port Concession Agreement” No. MPS / SEC / 2017/32 of 20 July 2017, it was stated that the General Treasury will take the responsibility of repaying the above loans and interest. Accordingly, the External Resources Department of the General Treasury had paid the loan installments and interest from the year 2017 and according to the documents, the outstanding balance of the loan as at 31 December 2020 had been Rs.169,566 million, Further, the accumulated</p>		<p>the General Treasury.</p> <p>The loan amount recorded in the books of the Authority was Rs. 147,746,246,365.57 and Rs. 149,943,332,000.00 has been paid to the Treasury.</p>	<p>Treasury. Therefore, the Authority has not accounted for this amount.</p>
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	<p>foreign exchange conversion loss of Rs. 31,545 million calculated up to the period 30 November 2017, in relation to the aforesaid loan had also been written off with the removal of debt from the accounts of the Authority. The accumulated foreign exchange conversion loss of Rs. 65,618 million as at 31 December 2020 including the accumulated foreign exchange loss of Rs. 34,072 million for the period from 30 November 2017 to 31 December 2020 had not been entered in the accounts of the General Treasury or Authority.</p>			
8.	<p>According to the financial statements, the stock account balance was Rs. 2,703.55 million but according to the corresponding reports, the value was Rs. 2,772 .55 million, and a difference of Rs.69.00 million was</p>	<p>A reconciliation statement should be prepared to identify the difference between the values of the same stock between the two sections.</p>	<p>The difference between the balance in the stock account and the balance in the ledger card is due to a fault in the computer system and it is a difference between the finance division and the supply division documents. It is being</p>	<p>According to the stock balance and the corresponding report, the reason for the difference of Rs. 69 million is an error in the Oracle system, which is being corrected together with the Finance</p>

	observed.		corrected by the DMS.	Division and DMS.
9.	<p>Rs.12.43 million worth of stocks, carrying value of Rs. 0.62 million fixed of assets and Rs. 0.17 million of cash in hand which were shown under assets in the Consolidated Financial Position Statement and included in the assets of Magampura Port Management Company were not physically available. Provisions for these losses of Rs. 13.22 million had not been made in the financial statements.</p> <p>Further, according to the financial position statement as at 31 December 2019, source documents, balance confirmation letters, age analysis reports and supporting documents were not submitted for the audit in relation to the company's receivable balance of Rs. 17.78 million due from the government, Rs. 28.04 million balance receivables</p>	<p>As the parent company in which the subsidiary owns 100 percent of the shares and the assets and liabilities of the subsidiary companies in the consolidated financial statements, this should be taken into consideration.</p>	<p>Not agreed.</p> <p>Provisions are not required since the Company has not made a written notice of liquidation.</p> <p>Since it is not in the possession of the Sri Lanka Ports Authority the source documents of the Magampura Port Management (Pvt) Ltd (MPMC) balance confirmation letters, age analysis, supporting documents for audit and should inquire from the management of the company.</p>	<p>Relevant source documents, letters, etc. have not been submitted to the audit.</p>

	for shipping oil insurance, Rs. 3.58 million balances from trade debtors and other payable by the Company amounted to Rs. 15.59 million as at that day.			
10.	The loan received from the General Treasury for the Hambantota Port Construction Project in the year 2017 was Rs. 4,777 million and stamp duty Rs. 372 million included Rs. 5,156 million was stated in the financial statements to be received from the General Treasury as at 31 December 2020, it was not received by the Authority up to 31 July 2021. Furthermore, it was observed that although the balance confirmation had been sent by the Authority in this regard, the General Treasury had not confirmed the confirmations and this balance had not been included in the payable balance of the Island Financial Statements for the	Receivables should be settled.	Agreed. Letters dated 30.08.2017, 28.12.2017, 19.11.2018, 12.02.2019, 10.04.2019; 03.07.2019 and 15.11.2019 have been sent to the Secretary of Treasury informing him to pay this amount by the Secretary of Ministry and Letters dated 07.01.2020, 14.05.2020 and 24.03.2021 have also been sent to the Director General of the Department of Public Enterprises.	The Sri Lanka Port Authority has made every possible effort to get the relevant amount, but so far, no clear answer has been received in this regard.

	year 2020. Due to this, there was an uncertainty about the receipt of this amount.																		
11.	As at 31 December 2020, the total shipping agent debt balance exceeding the loan period of the Authority was Rs. 1,405.21 million. It was 50 percent of the total shipping agent debt balance.	Action should be taken to recover the debtor balances within the approved loan period.	Agreed.	As at 31.12.2021, the overdue debtor balance has been reduced up to Rs. 549,258,086.21.															
12.	As at 31 December 2020, the Rs. 122.85 million of disputed debtors and Rs. 29.42 million of re-disputed debtors were existed. Out of the above balances, the unresolved balances during the periods of six months, one year and 1 to 3 years were Rs. 84.04 million and Rs. 21.44 million and Rs. 17.29 million respectively.	Existing problems should be resolved and action should be taken to recover receivables as soon as possible.	<p>Agreed.</p> <table border="1"> <thead> <tr> <th></th> <th>Dispute account balance</th> <th>Re Dispute Account Balance</th> </tr> </thead> <tbody> <tr> <td>Balance as at 31.12.2020</td> <td>122,856,461</td> <td>29,418,229</td> </tr> <tr> <td>Balance as at 18.05.2021</td> <td>61,023,341</td> <td>5,189,531</td> </tr> </tbody> </table> <p>Action will be taken to settle the disputed bills related to the unresolved balances in the Dispute Account and Re Dispute Account up to now.</p>		Dispute account balance	Re Dispute Account Balance	Balance as at 31.12.2020	122,856,461	29,418,229	Balance as at 18.05.2021	61,023,341	5,189,531	<table border="1"> <thead> <tr> <th></th> <th>Dispute</th> <th>Re- Dispute</th> </tr> </thead> <tbody> <tr> <td>As at 2021.12.31</td> <td>23,994,02.31</td> <td>120,712.4140.59</td> </tr> </tbody> </table> <p>As on 31.12.2021, the balances in the Dispute account and the Re-Dispute account were Rs. 24, 114,752. Disputed bills related to the unsettled balances have been forwarded to the Operating Division and the Harbor Master Division and the relevant divisions have been informed to give recommendations for the settlement</p>		Dispute	Re- Dispute	As at 2021.12.31	23,994,02.31	120,712.4140.59
	Dispute account balance	Re Dispute Account Balance																	
Balance as at 31.12.2020	122,856,461	29,418,229																	
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	Dispute	Re- Dispute																	
As at 2021.12.31	23,994,02.31	120,712.4140.59																	

				immediately.
13.	<p>After settling the actual expenses out of the advances paid by the shipping agents to obtain port service facilities the remaining balance as at 31 December 2020 was Rs. 786.97 million. Although, Rs. 111.75 million remained for more than six months after obtaining the service and action had not been taken to settle the matter. Furthermore, amounts paid by agents more than the invoice value for obtaining port services shown in the financial statements as the shipping agent credit balance and the balance as at 31 December 2020 was Rs. 496.78 million, of which Rs. 110.75 million had not been settled even after more than six months after obtaining the service.</p>	<p>Action should be taken to settle past balances taking into consideration the detailed schedules and age analysis of the advances and overpayments remaining after the providing the relevant service from the advances paid to the Authority for obtaining the services.</p>	<p>Not agreed.</p> <p>The balances are correct.</p> <p>In cases where there is an excess of the amount paid by the shipping agents, those are not been refunded in cash. But only when the accounts are closed, a refund is made in cash.</p> <p>In addition, even discounts offered to shipping agents are credited to the relevant account. Therefore, there is no need to settle the advance and it can be used for a future payment.</p>	<p>Most of the balances in this advance account are balances confirmed annually by the shipping agents and the amount is used to settle the bills from time to time based on their requirement. Also, many shipping agents maintain a credit balance in their accounts to avoid surcharge bills imposed by the Port Authority. However, the port authority will inform in writing that the credit balances in their accounts should be used for payment of bills annually.</p>
14.	<p>As per the Section 11 of the Finance Act No. 38 of 1971 and Section 8.2.2 of the</p>	<p>Relevant approval should be obtained for deposit</p>	<p>Not agreed.</p> <p>The consent of the Minister of Finance has</p>	<p>The approval has been sought by the letters dated</p>

	Public Enterprise Circular No. PED / 12 of 02 June 2003, the consent of the Minister of Finance had not been obtained by the Authority for the Rs.48,456 million invested in Fixed and Short-Term Deposits made before 31 December 2019.	investments in accordance with the provisions of the Finance Act and Circulars.	been sought for investments made in short term deposits as per Public Enterprises Circular PED / 12. The consent of the Minister of Finance has been obtained for the amount of deposit made in the year 2020.	12.02.2021, 04.03.2021 and 13.03.2021 for the short-term investments expected to be made by the authority. The approval has been given by the letter No. PED/P/SLPA/2/2/3 (i) dated 19.05.2021 of the Public Enterprises Department for Rs. 5,664 as a consolidated short-term deposit.
15.	As per the Section 10 (5) of the Finance Act No. 38 of 1971, If there is a surplus in a public corporation for a certain year, the balance should be credited to the Consolidated Fund after deducting the provisions mentioned in the Act. However, out of the total net profit of Rs. 48,991 million	Excess should be dealt with in accordance with the provisions of the Finance Act.	Not agreed. According to the Sri Lanka Ports Authority Act, dividends should be paid up to a maximum of 8 percent of the equity capital spent by the government at the establishment of the Sri Lanka Ports Authority.	No change has occurred.

	<p>received by the Authority from 2016 to 2020, only Rs. 600 million had been credited to the Consolidated Fund. Furthermore, in the above profits included Rs. 10,615 million, the total lease levied by the Authority from 2016 to 2020 and Rs.15,164 million, the total levied as State fraction for that period from the two companies engaged in operations, the South Asia Gateway Terminal (SAGT) and Colombo International Container Terminal (CICT) given on a long-term basis to private sector. It was further observed that these revenues were not direct operating revenue of the Authority.</p>		<p>However, the Department of Public Enterprises has informed the Sri Lanka Ports Authority in a letter dated 24.04.2018 that it has been exempted from paying dividends. The relevant release has been made since the loans obtained by the Sri Lanka Ports Authority for port projects of national importance are being settled by the Sri Lanka Ports Authority itself. It was shown the annual lease and State fraction received from South Asia Entrance Terminal and Colombo International Container Terminal are not under direct operating income but other operating income.</p>	
16.	<p>As per the Section 4.2.2 and 5.1.2 of the Public Enterprises Circular No. PED</p>	<p>Action should be taken to identify key performance</p>	<p>Action will be taken in the future to prepare performance indicators</p>	<p>Performance indicators have been prepared for some</p>

	<p>/ 12 dated 02 June 2003, key performance indicators are to be introduced to assess the performance of each division of the Authority and the performance of each division was to be evaluated. However, the Authority did not meet that requirement during the year under review.</p>	<p>indicators and evaluate performance.</p>	<p>for all divisions that can be prepared.</p>	<p>divisions and action is being taken to prepare performance indicators for other divisions as well.</p>
17.	<p>As per the Section 9.3.1 of the Public Enterprises Circular No. PED / 12 dated 02 June 2003 and Letter Issued by the Department of Management Services No. DMS / F1 / 3 / 3-1 dated 23 January 2013, the recruitment procedure had to be prepared and the approval of the Department of Public Enterprises should be obtained. However, the Authority had prepared the draft recruitment and promotion procedures but had not obtained the approval of the Department of Management Services.</p>	<p>Action should be taken to prepare a recruitment procedure in accordance with the circular provisions and obtain formal approvals.</p>	<p>After identifying the problems that may arise in preparing the recruitment procedure in accordance with the guidelines introduced by the Department of Management Services, discussions were held with the officers of the Department of Management Services and the officers of the Ministry of Ports and Shipping. It was pointed out that the Ports Authority does not fall under the purview of the institutions that are required to apply the</p>	<p>It is informed that the preparation of the new recruitment procedure is in progress. Public Enterprises Department Circular No. 01/2021 dated 16.11.2021 has introduced the guidelines for public enterprises and accordingly arrangements have been made to obtain the observations of the concerned division heads on the amendments to the recruitment</p>

			<p>salary scheme of Management Services Circular 2/2016.</p> <p>Also, the Department of Management Services stated that the Department of Public Enterprises is preparing guidelines regarding institutions that make pay increases every three years under collective agreements.</p> <p>However, an officer from the Management Services Department will be allowed to further study the possibility of formulating recruitment procedures, and it is further advised to try to formulate recruitment procedures in consultation with them. Action will be taken accordingly in the future.</p>	<p>procedures. Based on those observations, the recruitment procedure will be prepared and forwarded to the Management Services Department for approval at the end of March.</p>
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18.	<p>As per the Public Enterprise Circular No. PED 03/2016 dated 29 April 2016, the PAYE tax should be paid by deducting from the personal salaries. However, those amounts to be paid by the employees of the Authority had been paid from the funds of the Authority. PAYE tax totaling Rs. 3,166 million for the period of assessment year 2011/2012 to December 2019 including Rs.384 million so paid for the year 2019 had been paid to the Department of Inland Revenue from the funds of the Authority.</p> <p>Further, although PAYE tax on bonus should be deducted when they are paid to the employees of public institutions, Rs.52 million had been paid for the year 2019 from the funds of the Authority as PAYE taxes on bonus without charging those taxes from the officers.</p>	Action should be taken in accordance with the existing circular provisions	<p>Agreed.</p> <p>PAYE tax on employees of the Sri Lanka Ports Authority has been continued in effect since April 1997 and has been discontinued with effect from 31 December 2019.</p>	<p>As per the notice No. PN/APIT/2020 – 02, dated 11.08.2020 of the Inland Revenue Department published in the web, API Tax can be charged and credit it to the Inland Revenue Department on the consent of the employees willing to pay API Tax.</p>
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<p>19.</p>	<p>As per the Sections I and II of Paragraph 6 of the Internal Circular No. 2017/26 of the Sri Lanka Ports Authority dated 20 September 2017, the period of stay allowed in the official quarters provided to the officers of the Authority is limited to a maximum of 5 years from the date of the first provision of housing and upon completion of that period, it is possible to stay for another year with the approval of the Housing Committee, charging 12.5 percent of the monthly basic salary of the officer.</p> <p>However, at the sample inspection of the official quarters provided to the officers as at 31 December 2020, revealed that the number of officers who had not leave the relevant official quarters during the period from 6 to 27 years was 456.</p>	<p>A formal and fair procedure should be followed with regard to the provision of official quarters to employees.</p>	<p>Provisions of Circular No. 2017/26 and 20.09.2017 regarding official quarters could not be implemented.</p> <p>However, according to the new circulars regarding official quarters No. 02/2021 and dated 30.01.2021, the rental of houses has been increased and a condition has been included that those who are residing for more than 05 years should be vacate. Arrangements have been made to double the rental of houses for all employees (excluding divisional heads and above) who have been residing for more than 5 years.</p>	<p>Circular No. 2021/02 dated 30.01.2021 has been issued after the circular No. 2017/26 dated 2017.09.20 regarding the allotment of offices belonging to the Sri Lanka Ports Authority.</p> <p>According to that circular, the period of stay in an official quarter is only 05 years. Accordingly, the housing committee has decided to remove the employees who have been residing in an official quarter for more than 05 years in several stages. Accordingly, on the recommendation of the division heads, letters have been sent to the employees residing in an official</p>
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				quarter for more than 10 years to hand over their houses.
20.	<p>Contrary to the provisions of the Sections 1.9 (i) and 3.4 of the Trade and Investment Circular No. 01/2018 dated 15 February 2018, when calculating the active service period for issuing a vehicle import license on concessionary duty basis to an officer of the Authority, the period of 6 months which the officer was suspended had been also calculated as an active service period. Accordingly, although a license had been issued to the above officer on the recommendation given by the Authority to import a motor vehicle on the basis of duty relief, no action had been taken to recover the relevant amount so far.</p>	<p>Action should be taken in terms of the provisions of circular.</p>	<p>A reply had not been provided by the management.</p>	<p>The Chief Legal Officer has been instructed to inform the Line Ministry that the Port Authority is not in a position to file a case against the officer.</p> <p>Accordingly, through the letter dated 31.12.2020, the Line Ministry has been informed to request the Department of Trade and Investment Policy to take action against the said official.</p> <p>The Attorney General's Department, through letters dated 28.07.2021 and 08.09.2021, called for a report on the</p>

				<p>steps taken by the authority regarding the recommendations mentioned in the report dated 06.03.2019, "Inspections related to overriding the decisions of the Board of Directors by the Human Resource Management Division of the Sri Lanka Ports Authority".</p> <p>In reply to our letters dated 19.01.2021 and 11.10.2021, the Attorney General's letter dated 2021.12.06 informs that no case has been raised against the Port Authority except the Government, and the relevant line ministry should make a request regarding</p>
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				<p>prosecution.</p> <p>Accordingly, through the letter dated 07.12.2021, the Secretary of the Line Ministry has informed the Attorney General's Department that the criminal prosecution has been handed over to the Criminal Investigation Department, and to give a date and time to seek advice for civil proceedings.</p>
21.	<p>As per the Letter issued by the Ministry of Ports and Shipping and Southern Development No. MPS/AD/06/83-2017 dated 12 February 2019, although the Ports Authority had been advised not to make all recruitments and promotions until the scheme of recruitment and promotion was approved, the Authority had granted 22 promotions in</p>	<p>Recruitment and promotion should not be done without the approval of the Department of Management Services.</p>	<p>These promotions have been granted in the year 2020 in accordance with the recruitment procedure approved by the Board of Directors on the difficulty of performing essential duties without filling the vacancies.</p>	<p>These promotions have been granted in the year 2020 in accordance with the recruitment procedure approved by the Board of Directors on the difficulty of performing essential duties without filling the vacancies.</p>

	the year 2020 alone without obtaining the approval of the Department of Management Services.			Thereafter, the filling up of vacancies as per the recruitment procedure approved by the Board of Directors in 2009/2010 has been approved by the letter of the Director General of Management Services Department bearing No. DMS/1710-P-11(T) dated 21.06.2021.
22.	As per the Section 2-12 of Internal Circular of the Sri Lanka Ports Authority No. FD/FC/Co/41/2020 dated 27 November 2020, advances received by all Heads of Divisional and Sections should be settled before 31 December, but Rs.143.44 million had not been settled in 143 instances as at 31 December 2020. Of those, Rs.50.41 million for a period of 6-12 months, Rs. 71.44	The advance payment should be settled within a short time after receiving the goods and services.	Agreed with the advance accounts balance. However, the advance account number 00-000-142341 is maintained by the Finance Division but the division which submits the relevant voucher has to settle the relevant vouchers. Therefore, the Divisions and Sections that have	As per advance account No.00 - 000 – 142341, there is a balance of Rs. 103,178,151.07 as on 31.12.2021. This account is maintained by the Finance Division, but the division that submits the relevant vouchers must carry out the settlement related to the

	million for 1-2 years and Rs. 0.48 million for a period of 2-5 years remained unsettled. The reasons for not settling the advances for a long period not revealed in audit.		not settled the advance to be informed and action will be taken to settle these accounts expeditiously.	vouchers itself. The divisional directors have been informed to inform the concerned officers in this regard and to settle the account.
23.	In order to ensure the security of the port premises designated as a High Security Zone by the capital budgets for 2017 and 2018, it was planned to install a CCTV camera system at a cost of Rs. 60 million and Rs. 150 million for all gates and bonded warehouses respectively. Rs. 150 million had been allocated in the year 2019 too and a letter from the Managing Director of the Authority No. PA / MD / 46 dated on 09 March 2021 stated that a CCTV camera system would be installed but this work had not commenced as expected even as at 17 June 2021. Due to	It is the responsibility of management to ensure that the tasks that are to be executed are executed as planned by the action plan.	After the cancellation of the procurement process for the purchase of CCTV camera system by the letter No. MPS / ADM/07/02/07 dated 01.03.2019 from the Secretary to the Ministry of Ports and Shipping the procurement process was newly commenced in the middle of the year 2019 to carry out the relevant procurement activities with expert knowledge as per the recommendations given by the Procurement Committee of the Ministry. Accordingly,	The 2021 annual budget has allocated Rs 580 million to install a CCTV camera system to cover port access gates, warehouses, yards, highways and other priority locations. In a meeting held on 05.03.2021, it has been decided to use the allocated funds for the project for development activities. Although the said project was cancelled,

<p>this, the risk of not being able to obtain the required information in the event of a security issue of the Ports Authority, which is a high security zone, cannot be ruled out.</p>		<p>the following steps have been taken with regard to the new procurement process and it is planned to install a CCTV camera system in the port premises by the end of the year 2021, completing the relevant procurement process.</p> <ul style="list-style-type: none"> o A Procurement Committee and a Technical Evaluation Committee appointed by the Cabinet of Ministers have been appointed for this purpose on 19.06.2020. The Technical Evaluation Committee has already commenced the relevant preliminary work. o As these purchases could not be completed in 2020, it was decided to allocate Rs. 20 million for the year 2020 and Rs. 580 	<p>installation of CCTV cameras for security access gates was a priority requirement. Accordingly, it was decided to cover all the entrance gates by installing a camera system separately for each gate. For that, the 2021 annual budget allocated Rs. 0.38 million as a pilot program to install CCTV cameras for Gate No. 1A, and the project has been successfully completed so far. As the second phase, a CCTV camera system was also installed for Gate No. 06 and the monitoring of those gates by CCTV cameras is currently underway.</p> <p>Further plans have been prepared to</p>
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			<p>million for the year 2021. It is planned the purchase of the camera system is scheduled to be completed in the last quarter of 2021.</p> <p>o Arrangements were made to refer to the Central Engineering Consultancy Bureau to conduct the necessary studies / technical regulation for this project.</p> <p>However, at a meeting held on 05.03.2021, it was decided to withdraw Rs. 580 million allocated for this project from the 2021 Annual Budget under the Security Division. However, action has been taken to allocate Rs. 0.38 million for the installation of several small-scale “CCTV Camera” systems to cover only the main</p>	<p>gradually cover all port entrances with CCTV camera systems under several phases. This year, identification of locations as a preliminary plan for installing CCTV camera systems for Gate No. 01 and 02 has already been completed.</p>
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			port entrances by the 2021 revised budget instead of entrances, warehouses, yards, highways and other priority areas, to cover the most essential locations in the entire port area planned by the project.	
24.	<p>Although 1001 employees had been deployed in excess to the approved cadre of the Authority as at 31 December 2020, there had been vacancies for 563 employees in operation section where there was a direct relationship to the operational activities of the Authority. Similarly, there was a surplus of 515 employees in 14 sections where there was no direct relationship to the operational activities of the Authority. However, Rs. 4,941 million had been paid as overall overtime, including overtime payment of Rs. 1,046 million paid for employees of</p>	<p>Action should be taken to reduce overtime costs by employing staff effectively.</p> <p>Arrangements should be made to submit work done reports in obtaining overtime,</p>	<p>Agreed with overtime payment.</p> <p>9990 employees have been approved by the letter No. DMS / F1 / 3-1 and 23.01.2013 of the Department of Management Services as at 20.07.2018. The new Human Resource Plan for the year 2012 has been prepared taking into consideration the development plans for the next five years. Considering the centralization of administration and the</p>	<p>As on 09.08.2010, the number of employees in the post of Management Assistant (Clerk, Typist, and Logger) was about 1097. Due to retirement and promotion to other posts, the number of employees in the post of Management Assistant is 645 as of today.</p> <p>In the year 2013, 10399 employees were employed at the time of approval for 9990 employees.</p>

<p>sections with excess staff in 2020.</p> <p>Further, as per Section 2 (I) of Chapter viii of the Establishments Code, a responsible officer should be satisfied that overtime work has been done properly and fairly as adequate to obtain overtime allowance. For that purpose, a proper inspection and record system should be set up to ensure that the assigned workload is carried out and overtime allowances are not paid during inactive hours. However, the reports on work done regarding the above overtime payment were not submitted for audit.</p>		<p>introduction of new computer systems, action had been taken the approved number of employees for the post of Management Assistant (Clerk) to reduce from 966 to 538. However, the number of employees in the post of Management Assistant (Clerk, Typist, and Logger) is 645 as at 09.08.2010.</p> <p>Due to the non-functioning of the new computer systems and administration centralization activities, there is a need for the services of Management Assistants for the work of each divisional office and there are duties to be performed regularly by the Management Assistants who appear to be in excess as mentioned above. As no recruitment has been</p>	<p>Accordingly, at that time, 409 employees were employed more than the total approved number of employees.</p> <p>As described above, the approved number of employees for the position of Management Assistant was determined to be less than the existing number of employees, several positions were merged and new positions were created, some positions were considered to be abolished and no employees were recruited for those positions. Therefore, the total number of employees has reduced to 9759 at the end of 2019.</p>
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			<p>made for the post of Management Assistant, the duties performed by the retired employees are being carried out in accordance with the internal arrangements at present. However, as the divisional heads have stated that the number of employees in this post is not sufficient, it will be necessary to consider revising the approved number of employees in this post in the future.</p> <p>Number of employees prepared in the year 2012 and approved by the Department of Management Services on 23.01.2013 does not include the posts of various assistants, health workers, photocopier operator, and kitchen assistant. Those positions and several other positions</p>	<p>While filling up the vacancies internally for some of the posts, the holders of the above deemed excess posts can apply for most of the posts, but for most of the posts, they cannot apply and have to recruit externally for such posts. However, efforts have been made to maintain the total number of employees not exceeding 9990.</p>
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			<p>were replaced by the new job assistant position. However, the employees in the above posts at that time will also show that they are in excess as they are in the same post names. However, I would like to mention that no recruitments have been made for these posts. The approved number of employees for the post of Work Assistant is 2550 and the number of vacancies in this post including the number of employees currently in the posts of Work Assistant, Labor, Equipment, Various Assistants, Health Worker, Kitchen Assistant and Photocopy Machine Operator Recruitment has been made deciding the number of vacancies. However, 415 persons have been</p>	
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			recruited to the post of Work Assistant on 02.08.2019 and it is confirmed that considering the number of employees present at that time, only the number which was under the title of Work Assistant has been considered.	
25.	<p>Although an appeal can be made to the Minister of Finance on the decision of a customs investigation in terms of Section 165 of the Customs Ordinance to mitigate the Customs penalty of Rs. 1,580 million imposed by the Customs on 27 cranes imported without informing the Sri Lanka Customs in the year 2011, the Authority had not made such appeal to the Minister.</p> <p>However, a provision for contingent liabilities of Rs.957.9 million had been made in the accounts in relation to this. The Court of</p>	All necessary steps should be taken to resolve the dispute on a fair basis as soon as possible.	It was decided to settle the case after conducting discussions at the level of the Ministry in charge and the Ministry of Finance regarding the settlement of the case of requesting permission for the appeal filed in the Supreme Court by the Authority. A "joint motion " is to be submitted to the court in the future for that.	The Supreme Court case No. SC/SPL/LA/443/2018 COPA was called for settlement on 15.11.2021 and on that day the petitioner, Sri Lanka Port Authority informed the court that the Sri Lanka Port Authority has received the Finance Minister's approval to reduce the fine imposed on the Port Authority by the Customs due to the

	<p>Appeal had dismissed the case filed in this regard by the Authority and the Authority had filed a motion in the Supreme Court in the year 2018 against the order of the Court of Appeal.</p>			<p>importation of these cranes. The Additional Solicitor General of the Attorney General's Department appearing for the respondent Customs accepted the stand of the petitioner and said that the matter has not yet been resolved and has now been referred to the Committee on Public Accounts (COPA). It was also requested further time to resolve the matter. Accordingly, the court ordered this case to be called on 18.02.2022. Also, according to the policy decision taken by the Cabinet of Ministers dated 22.05.2018 in relation to 'Legal Action between Government</p>
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				Institutions', arrangements are being made to forward a memorandum to the Cabinet of Ministers by the Hon'ble Minister of Ports and Shipping for the settlement of the Supreme Court appeal between Sri Lanka Port Authority and Customs.
26.	When the South Asia Gateway Terminal Ltd (SAGT) was established in 2001, it was agreed that the shares of the company will be issued to the Authority for a value of Rs. 141.63 million for the value of exchange of three cranes provided by the Sri Lanka Ports Authority. However, the ownership of the shares had not been transferred to the Authority until the end of the year under review and balance confirmations replies have	Should negotiate with the relevant company and come to a final agreement to obtain the claim.	Agreed with that the claim has not been received. As a dispute has arisen due to the unilateral action of the Company, steps can be taken to resolve the dispute in accordance with the provisions of the Main Agreement between the Company and the Ports Authority.	As a dispute has arisen due to the unilateral action of the Company, steps can be taken to resolve the dispute in accordance with the provisions of the Main Agreement between the Company and the Ports Authority. However, it has been informed that the company is bound to

	<p>been given by the relevant company and that said no payment due for the shares. As a result of the failure to enter into an agreement with the South Asian Access Terminals Company in this regard, the receipt of the shares of the company to the Authority was uncertain and the Authority had not made any provision for impairment for above receivable share value.</p>			<p>allocate shares amounting USD 2,424,285 when further capital is called for (Call up for Capital) in future.</p>
<p>27.</p>	<p>According to the information provided by the Authority, the periods of lease agreements of 15 plots of land with an extent of 3 acres 2 roods and 14.24 perches and around 56.99 square meters owned by the Sri Lanka Ports Authority had expired by 31 December 2020. However, in audit the risk of legal issues arising regarding this cannot be ruled out as the Authority has not taken the necessary steps to</p>	<p>It is the responsibility of the Authority to keep the lease agreements up to date.</p>	<p>Lease agreements signed by the Sri Lanka Ports Authority are short term as 01 year, 02 years, 05 years and long term as 30 years, 35 years etc. Necessary action has been taken to renew the agreements at least 03 months before the expiry of each of these agreements. It would also like to emphasize that it will take considerable time for the lessee to agree to</p>	<p>The Sri Lanka Ports Authority will always take steps to enter into a new lease agreement within a short period of time after the end of the lease agreement with a certain institution. But there are cases where the renewal of the lease agreements is delayed. due to getting the lessee's agreement on the</p>

	renew the agreements.		<p>our conditions.</p> <p>Attempts have been made to renew the agreement on time, except in cases where approval is delayed due to some administrative reasons.</p> <p>As a further step to expedite this process, works on the new agreements will begin 06 months or so before the end of the agreements. However, so far there is no risk of legal issues due to this.</p>	<p>terms, legal and some administrative issues.</p> <p>The lease agreements have already been renewed for all the premises except those where such agreement cannot be obtained and there are decision-making problems.</p>
28.	Although the right of use of the land which holds Plan No. CO / COL / 2012/1047 with an extent of 2 acres 3 roods and 9.61 perches at D. R. Wijewardena Mawatha Colombo had been handed over to the Urban Development Authority for the construction of the Lotus Tower, the value had not	Action should be taken to carry out the transfer of lands in a proper manner and remove the relevant assets from the books.	Although the Urban Development Authority has taken over the right of use of the land at D. R. Wijewardena Mawatha Colombo 10 where the Lotus Tower was built in terms of Section 38 (b) of the Land Acquisition Act, the decision of the compensation inquiry	After receiving the relevant compensation amount and completing all the legal proceedings, the transfer should be made through a title deed. After that, it is expected to remove its value from the

	<p>been removed from the books and the land had not been transferred by a title deed according to the formal procedure.</p>		<p>has not been given. The Divisional Secretary has informed us on 19.08.2020 to decide on the compensation of the land. Therefore, the land has not been transferred by a title deed as the land acquisition process has not been completed. Until then the legal ownership of this land remains with the Ports Authority.</p> <p>After the completion of all legal proceedings and after receiving the relevant compensation, the transfer should be made through a title deed.</p>	<p>books.</p>
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29.	<p>Although the 02 acres land which holds Plan No. L / S / MIS / 344 bordering to Colombo 01, Main Street and Olcott Mawatha had been given to the Customs Department for the construction of a building, However, no action had been taken until 30 April 2021 to assess the land and legally transfer it and remove the value from the books.</p>	<p>Action should be taken to transfer of lands according to proper procedures and remove the relevant assets from the books.</p>	<p>A dispute arose between the two parties regarding the amount to be recovered for the transfer of 2 acres of land belonging to the Sri Lanka Ports Authority for the construction of the Head Office of the Customs Department and other lands previously used. It has been decided that it is more appropriate to resolve issues between government agencies through negotiations. Accordingly, it is proposed to discuss this in the future and reach a decision.</p>	<p>It is proposed to discuss this in the future and reach a decision.</p>
30.	<p>Although the Government of Sri Lanka and the Bank of Japan for International Cooperation (JBIC) have agreed to implement the construction of a Multipurpose Terminal at the</p>	<p>Uneconomic costs can be minimized as expected by constructing as quickly as possible.</p>	<p>It was agreed to provide 14,495 million yen to the Government of Sri Lanka under the SLP-85 loan agreement for the construction of a breakwater and multipurpose terminal</p>	<p>A sum of 418 million Japanese yen has been spent as consulting fees for the preparation of design plans for this project. This cost</p>

<p>Port of Galle on 28 March 2006 with the purpose of development of the Southern Province, UNESCO approval had to be obtained for the construction in the vicinity of Galle Fort which have been declared as a World Heritage. Since it took more than 3 years for that it was decided to suspend the project as the lender did not extend the loan period. Accordingly, the consultation fee of Rs. 418 million incurred for this had been an uneconomic expense. The amount paid as consultancy fees was stated as the work-in-progress in the Authority's financial statements for the year 2020.</p>		<p>at the Galle Harbor. In March 2016, on the request of the Government of Sri Lanka, the loan agreement was extended by the Bank of Japan for International Cooperation (JBIC) until July 2017.</p> <p>The Sri Lanka Ports Authority, in collaboration with the Ministry of National Heritage, requested UNESCO approval for this project and obtained the conditional approval for it in 2016.</p> <p>The government decided to suspend the project in 2017 as only the breakwater could be constructed under this loan, although the project is currently being implemented and the country is not getting the expected</p>	<p>will not be an uneconomical expense as the design plans prepared can be used if the project is restarted.</p> <p>Request for proposal for Galle port in the year 2022 has been done based on this plan. Therefore, this expenditure will not be an uneconomical expenditure as the plans prepared for the Galle Port Project are in line with the request for proposal of this project.</p>
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			<p>benefits.</p> <p>If the project is restarted, the project's design plans can be used so that the Japanese Yen 418 million spent as consultancy fees on the design of the project will not be an uneconomic expense.</p>	
31.	<p>An amount of Rs. 108.77 million had been given to the Hambantota Divisional Secretariat in 2015 and 2016 to pay compensation to those who lost their lands as a request of land acquisition for the Hambantota Port Project and Rs. 4.39 million had been spent in 2014 for field duties and land clearing. A report relevant to the payment of compensation had not been submitted to the Sri Lanka Ports Authority even as at 30 April 2021 and the money spent had been included in the land clearance account</p>	<p>Action should be taken to obtain the report of compensation and capitalize the relevant expenditure from the land clearance account to the investment property account.</p>	<p>Agreed.</p> <p>The transfer of ownership of the lands for which compensation has been paid under Phase II of the Hambantota Land Acquisition to the Sri Lanka Ports Authority has not yet been completed and the relevant arrangements for the transfer are being carried out by the Hambantota Divisional Secretariat. The relevant report is to be submitted to the</p>	<p>Documents for lands transfer have been forwarded to the Land Commissioner General Department. After the completion of the transfer of those lands, the relevant report will be sent to the authority.</p>

	under the property, plant and equipment.		Authority after the completion of the transfer of those lands.	
32.	<p>On 04 December 2019, a ship collided with the Jaya Container Terminal at the Port of Colombo, damaging the Caisson, Fenders and Quay Wall at the Container Terminal etc. The damage was estimated at Rs. 315.90 million. Although the Authority had received Rs.384.42 million on 30 December 2019 for the above damage, no repair work had been carried out so far.</p> <p>Further, the relevant information for the balance of Rs.486.85 million remained in the Port Damage Recovery account for more than 5 years as at 31 December 2020 received for damages caused to assets was not submitted for audit.</p>	Action should be taken to carry out the relevant repair works as appropriate	<p>Agreed.</p> <p>We do not have the necessary machinery and equipment facilities to repair the damage. So, it has to be done through an external contractor. In addition, operations in the relevant section of the Jaya Container Terminal will have to be suspended temporarily. Due to the prevailing 'Covid-19' pandemic in the country, the process of repair not been started yet. Accordingly, adjustments will be made in the future.</p>	<p>The balance of Rs.486.85 million remained in the Port Damage Recovery account for more than 5 years as at 31 December 2020 received for damages caused to assets has been rectified from the financial statements in the year 2021.</p> <p>On December 04, 2019, due to the collision of a ship at the Jaya Container Terminal at the Port of Colombo, the damaged fender was replaced and we do not have the necessary machinery and equipment facilities to carry out other repair works.</p>

				Once the epidemic is over, the repair process will begin.
33.	<p>Permission had been granted to give away 100,000 m³ of crushed aggregate, 11,250 m³ of quarry dust and 90,000 m³ of rock boulder belonging to the Authority pile up at the Hambanthota Port Premises to the local agent of the Chinese contractor who involved in the construction of the Port of Hambanthota free of charge. It was observed that the Authority had a loss of approximately Rs. 26,479,581 in evaluating the value of the above materials based on the premarket price. The Board of Directors decision taken to give away the rock boulders free of charge was not submitted for auditing.</p>	<p>Action should be taken to obtain the approval of the Board of Directors in giving away rock boulders, quarry dust and crushed aggregate belonging to the Authority to other institutions free of charge.</p>	<p>Rock boulders for the construction of phase I and II of the Port of Hambanthota have been obtained from a quarry outside the port. The quarry is owned by a permit holder of Mahaweli Authority and the China Harbour Engineering Corporation has paid the royalty for the rock boulders to the Mahaweli Authority by the owner's name. Quarry dust from the crushed rock boulders had been piled up at the port premises.</p> <p>Further, the rock boulders found from excavations conducted during port construction work were being carried out, were crushed by the Magampura Port</p>	<p>The minerals piled up in the Hambantota port premises have been tendered and sold and to consider an appeal made by the buyer, a discussion has been conducted with the participation of the officials of the Port Authority and the China Contract Company (CLETC) and the buyer (Disaru Engineering Pvt. Company) on 21.12.2018 headed by the then Managing Director. Based on the discussed matters, it has been informed by the Managing Director's letter No. OPP/SPD/H/02/93 dated 20.09.2019</p>

			<p>Management (Pvt) Company using a metal crusher and the remains have been piled up in the port premises.</p> <p>Later, The Sri Lanka Ports Authority called for tenders to remove the rock boulders piled up in the port premises and tender was awarded to an external contractor.</p> <p>It was reported that these materials were transported by other parties without the knowledge of the Authority and that the materials of the main contractor of the Hambanthota port project were also being transported along with the said materials.</p> <p>Also, the China Harbour Engineering Corporation (CHEC) has informed the Sri</p>	<p>that a part of the minerals piled up at the Hambantota port premises will be given to the China Contract Company. But, as the approval of the Board of Directors of the Port Authority has not been received, the China company has not been given permission to carry out the minerals and therefore no loss has been incurred in the above manner.</p> <p>After that, the remaining rock boulders have been tendered and sold on two occasions and currently the disposal of these minerals is being carried out by the buyer who purchased from the last tender.</p>
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			<p>Lanka Ports Authority in writing that the above materials also belonged to them. Further, the Hambanthota District Secretary has informed in writing that the transportation of rock boulders outside port premises be suspended.</p> <p>Based on the above fact the transportation of rock boulders by a private contractor was temporarily halted. The Hambanthota District Secretary had also been informed of the same.</p>	
34.	<p>Out of the container handling terminals currently operated in the Port of Colombo, the only terminal where ships over 14.25 meters depth can call on, is the Colombo International Container Terminal (C.I.C.T) and annual capacity of it is over 2.4 million TEUs. In the year 2020, 401 ships of over 14.25</p>	<p>In order to maximize the operational capacity of the terminal, it is essential to procure large scale cranes that can operate from the ship to the land and increase the efficiency of the operation.</p>	<p>Not agreed.</p> <p>Operations can be done from ship to land for Jaya container terminal, The three Gantry Cranes (117, 118, 119) mounted at the Eastern Container Terminal (ECT) and operations has started from</p>	<p>Since 2020 was the starting year, 47,741 container TEUs (20 equivalent units) were handled at an average of around 15,137 per month.</p> <p>But in 2021 we handled 390,069 container TEUs (20</p>

<p>meters depth had called on to this terminal and the volume of containers handled was over 2.8 million units. It was observed that, it was a situation which exceeded the maximum capacity. According to a study carried by Scott & Wilson Company in the year 2011 it was pointed out that the existing terminal capacity of the Port of Colombo will reach its maximum by the year 2015 and the Eastern Terminal should be activated to meet the demand at that time.</p> <p>Meanwhile, in connection with the Colombo Port Expansion Project and funding by Bank of Ceylon, the construction work of the stage 1 of the East Container Terminal which is 18 meters depth and 440 meter long with an annual volume of 800,000 container units and with a construction cost of Rs. 11,168 million had been completed in April 2016. Three Cranes capable of</p>		<p>October 2020. That is clear from the statistics below.</p> <p>Container Ship Arrival and Container Operation Size - Eastern Container Terminal – 2020</p> <table border="1"> <thead> <tr> <th>Month</th> <th>No of Containers</th> <th>Size of container operations (twenty vessel equal units)</th> </tr> </thead> <tbody> <tr> <td>October</td> <td>03</td> <td>2,744</td> </tr> <tr> <td>November</td> <td>11</td> <td>15,743</td> </tr> <tr> <td>December</td> <td>12</td> <td>23,254</td> </tr> <tr> <td>Total</td> <td>26</td> <td>41,741</td> </tr> </tbody> </table> <p>Container Ship Arrival and Container Operation Size - Eastern Container Terminal – 2021</p>	Month	No of Containers	Size of container operations (twenty vessel equal units)	October	03	2,744	November	11	15,743	December	12	23,254	Total	26	41,741	<p>equivalent units) during the year considering the strategic importance of ECT and achieved 100 per cent growth to 32,506 monthly average operations. It is expected to further develop this in 2022.</p>
Month	No of Containers	Size of container operations (twenty vessel equal units)																
October	03	2,744																
November	11	15,743																
December	12	23,254																
Total	26	41,741																

<p>operating from the vessel purchased for the Jaya Container Terminal as per a Cabinet Decision and as per Board Decision No. PA / HD / 25 dated on 07 February 2020 were installed and commenced operations at the Eastern Container Terminal (ECT) Later, Cabinet approval was obtained for that. Thereafter, by the Cabinet Decision No. CP/21/0198/328/005 / TBR dated on 09 February 2021 approval had been given for the development of the Eastern Container Terminal, the purchase of operating equipment and the operation of the Container Terminal as a wholly owned container terminal of the Sri Lanka Ports Authority. According to the information submitted to the audit, between September and December 2020, 26 container vessels arrived at the terminal and handled 41,741 containers. However, it was observed that in order</p>		<table border="1"> <thead> <tr> <th data-bbox="889 199 971 220">Month</th> <th data-bbox="1019 199 1101 367">No of container vessels</th> <th data-bbox="1109 199 1190 478">Size of container operations (twenty equal units)</th> </tr> </thead> <tbody> <tr> <td data-bbox="889 514 971 535">January</td> <td data-bbox="1019 514 1052 535">17</td> <td data-bbox="1109 514 1174 535">34,874</td> </tr> <tr> <td data-bbox="889 619 971 640">February</td> <td data-bbox="1019 619 1052 640">09</td> <td data-bbox="1109 619 1174 640">32,181</td> </tr> <tr> <td data-bbox="889 724 971 745">March</td> <td data-bbox="1019 724 1052 745">15</td> <td data-bbox="1109 724 1174 745">33,174</td> </tr> <tr> <td data-bbox="889 829 971 850">April</td> <td data-bbox="1019 829 1052 850">16</td> <td data-bbox="1109 829 1174 850">41,264</td> </tr> <tr> <td data-bbox="889 913 971 934">Total</td> <td data-bbox="1019 913 1052 934">57</td> <td data-bbox="1109 913 1190 934">141,493</td> </tr> </tbody> </table>	Month	No of container vessels	Size of container operations (twenty equal units)	January	17	34,874	February	09	32,181	March	15	33,174	April	16	41,264	Total	57	141,493	
Month	No of container vessels	Size of container operations (twenty equal units)																			
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April	16	41,264																			
Total	57	141,493																			

	to maximize the operational capacity of the terminal, large scale cranes capable of operating from ship to land should be procured.			
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30. State Timber Corporation

01. Name of the Entity: - State Timber Corporation

02. Audit opinion mentioned in 2018, 2019 and 2020 reports - :

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

03. Audit observations

Major deficiency included in the Audit Report	Reference to the year and audit paragraph of the audit report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
(1) Although more than four years has lapsed, steps have not been taken to recover the receivables amounting to Rs. 11,871,954 from a private company from the year 1983, Rs.207,910,689 from Government and semi government Institutions, Rs. 1,687,042 from a private institution and Rs. 777,353 from two individuals.	154/(6) report, 2018 1.6.1(b)	Steps should be taken to settle the debtor balances.	The sales department is working to recover the money due from government institutions and private customers and has stopped selling on credit to the private sector.	Arrangements are being made to recover the monies.
(2) Corporation has not taken steps to recover the	154/(6) report,2018 1.6.1(c)	Should take immediate steps	Arrangements are being made	It has been informed that

	<p>outstanding Electricity, Water charges and Building rent amounting to Rs.1,661,487 and Rs.31,333,241 respectively from Ministry of Mahaweli Development and Environment and Department of Forest.</p>		<p>to recover the due charges and rent</p>	<p>to enter into an agreement with the Department of Forest for building rent.</p>	<p>this amount has not been recovered. The Forest Department has not yet signed the agreement.</p>
(3)	<p>Even though a sum of Rs. 11,873,954 recoverable from a private company had been shown as receivables over a period of 36 years, it could not be recovered up to now. Moreover, a Cabinet Memorandum had been presented to the then Secretary of the Ministry of Environment on 06 September 2012 to write off the said amount. Nevertheless, no response had been received up to now. Further, a sum of Rs. 1,687,042 had been indicated as a balance</p>	<p>154/(6) report, 2019 1.6.1(a)</p>	<p>In case of failure to recover the said money, necessary action should be taken in that connection.</p>	<p>It has been informed that although the board papers have been submitted to the Board of Directors several times to write off this amount, the approval of the General Treasury should be obtained. Getting approval from the Treasury is in progress.</p>	<p>Settlement has not been done until January 2022.</p>

	receivable for a period of 04 years and no amount whatsoever had been recovered during the year under review. A sum of Rs. 108,670 had been recovered in the year 2020.				
(4)	Even though the Department of Forest had paid rentals for use of buildings up to the year 2014, a sum of Rs. 39,600,000 had been indicated as rentals receivable due to unavailability of an agreement from the year 2014 to the year 2019, and failure to pay rentals based on other matters without being agreed thereto.	154/(6) report,2019 1.6.1(c)	Rentals receivable should be recovered by presenting written evidence required.	The legal department of the corporation has drafted an agreement for the years 2020 and 2021 and submitted it to the Department of Forest for approval.	The Board of Directors has been informed, a lease agreement has been drafted and it has been given to the Department of Forest, but It has not been agreed upon.
(5)	Contrary to circular instructions, two consultants and a driver had been recruited only with the approval of the Board of Directors for the assistance of the	154/(6) report,2019 1.7(b)	Transactions and administrative activities should be carried out legally.	Approval has been sought from the Treasury in this regard, but no reply has been received so far.	These employees are not currently employed. The relevant payments have not been

	Chairman of the Corporation and an allowance of Rs. 769,500 had been paid to said consultants at a rate of Rs.2,850 per day for 270 days during the period from 12 February to 03 September 2019.				recovered.
(6)	The Corporation had not taken action to manufacture furniture to the value adequate for settling the balance of advances amounting to Rs.13,779,350 granted to 06 contractors by the Boossa Furniture Complex from the year 2011 to the year under review. Further, in making advance payments for contracts, out of the contractual amount, advances ranging from 54.4 per cent to 80.2 per cent had been granted. This had been done contrary to Guideline 5.4.4 of the	154/(6) report,2019 3.2(a)	Action should be taken settle advances granted or to get the furniture manufactured relating thereto.	Necessary instructions have been given to get the furniture manufactured to suit the advances to be collected.	Advances have not been recovered properly or for that, the goods have not been procured on time. The advance amount to be collected is Rs.4,397,000.

	Procurement Guidelines.				
(7)	Goods valued at Rs. 1,690,183 had been recommended to sell at a price of Rs. 707,710 by offering a discount less than 50 per cent at the sale of furniture conducted by the Boossa Showroom. Accordingly, the loss sustained by the Corporation had been Rs. 982,473.	154/(6) report, 2019 3.2(d)	Operating and administrative activities of the complex should be maintained in a manner of beneficial to the Corporation.	These stocks were sold in November and December 2019.	The loss incurred by the Corporation is not covered.
(8)	A stock of furniture valued at Rs. 14,901,048 received from the manufactory to the depot from the year 2012 to the 2019, had been retained in the depot for a long period, thus becoming unsuitable for selling.	154/(6) report, 2019 3.3(a)	Necessary steps should be timely taken for selling.	Although the furniture is manufactured in bulk, according to the orders received from the showroom, it is polished and released to the showrooms.	So far, these stocks have been remained in the depots without being fully sold.
(9)	Ebony logs of 225,994 dm valued at Rs.47 million had been piled on the premises of the Boossa Timber Depot for a period of 12 years from	154/(6) report, 2019 3.3(d)	Administrative activities of depots should be carried out properly.	According to the instructions of the General Manager, action has been taken to cut timber	Not all stocks have been sold.

	the year 2007 in an unprotected manner and it was observed that those timber logs are decaying, being exposed to various environmental conditions.			into logs according to defects of timber and usable logs are taken to the stock while logs with defects are sold by auction.	
(10)	According to the Sri Lanka Accounting Standard 02, inventory should be valued for the lower of cost or net realizable value and when the net realizable value is lesser than cost of closing inventory, that difference should be written off from profit as an expense. In contrary to the Standard, for the trade inventory, a provision of 15 per cent that is Rs.244,674,912 for the depletion of inventory by deducting from closing inventory had been stated in the financial statements. As	154/(6) report, 2020 1.5.1(f)	Inventory adjustments should be made to financial statements in accordance with the Standard.	As a policy of the State Timber Corporation, a provision of 15 per cent for all trade inventory (excluding furniture) as at 31 December in every financial year has been made for the inventory depletion.	Stock count has not been done properly.

	over provision of Rs.44,165,123 and under provision of Rs.54,329,480 were adjusted to the profit, the profit had been less accounted by net value of Rs.10,164,357.				
(11)	An external person had been recruited on assignment basis with the Board approval for the post of Secretary to the Board of Directors that was not included in the approved cadre and paid Rs.337,000 for year 2020 under “Consultancy services and special payments”. There were no qualifications that based for the recruitment or Scheme of Recruitment.	154/(6) report, 2020 1.6 (d)	Recruitments should be done for the posts as standard as per circulars.	The approval has been given for the post of Secretary to the Board of Directors in State Timber Corporation for 06 months by Board of Directors.	Approval has been sought from the Treasury but no reply has been received so far.
(12)	It had been recommended on 17 November 2018 by the independent disciplinary board to charge the loss from responsible parties	154/(6) – report, 2020 3.1	Recommendations that given by proper disciplinary examination should be	In order to recover the loss caused to the corporation, the relevant accused have	Even by February 2022, no losses have been

	<p>for it in relation to the irregularity of misplacing 69 tress in Halmillewa 03/006 Teak workplace owned to Minneriya regional office in 2015. In contrary to this recommendation, as it was suspended to implement this order by former chairman, there was a loss of Rs.2,994,536.</p>		implemented.	<p>been called to the corporation disciplinary committee and it has been agreed. A committee has been appointed to determine the exact amount recovered.</p>	recovered.
(13)	<p>Since the inventory books at the Polonnaruwa Regional Office were not balanced, some of timber was heavily decayed, most logs cannot be identified with numbers, Audit observed that the physical stock verification could not be done accurately. Accordingly, the accuracy of the inventory value of Rs. 133,120,313 mentioned in the Board of Survey and the timber</p>	<p>154/(6) report, 2020 3.2 (b)</p>	<p>Management should work to streamline timber warehouse administration.</p>	<p>If there is any deficiency or excess between the physical balance and inventory book balance, it is inspected by the Internal Audit Division and action will be taken to recover the relevant amount from the officer in charge of the stock.</p>	<p>The stock value has not been accurately calculated so far.</p>

	inventory value of Rs. 1,855,504,806 included in the financial statements were controversial at audit.				
(14)	The contract had been awarded to fall down 2,172 trees under four sections of Robgil site. Although the complete logging work was supposed to start on May 18, 2018 and be completed by 31 August 2018, the work had not been completed by the due date. Work on the site was being continued until 2020.	2020 154/(6) report, 3.5 (d)	Special attention of management should be paid on contract administration.	About 70 per cent of the timber harvest has been removed from the site and timber supply is in the final stage.	The loss to the corporation due to contract administration weaknesses has not been calculated.

31. Sri Lanka Standards Institution

01. Name of the Entity - Sri Lanka Standards Institution

02. Audit Opinion on Financial Statements

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

03. Audit observations as per the Auditor General's report

No	Major deficiency included in the Audit Report	Reference to the year and audit paragraph of the audit report	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01.	According to the Sri Lanka Accounting Standards No. 02 stocks should be shown to the lower value out of values of cost and net realized value. However, the stock of the Institution of Rs. 1,499,749 as on 31 December 2020 had been submitted taking into account only the cost value in the Financial Statements. Also, physical	<p style="text-align: center;">2018</p> <p>1.5.1 (a)</p> <p style="text-align: center;">2019</p> <p>1.5.1 (c)</p> <p style="text-align: center;">2020</p> <p>1.5.2</p>	Action should be taken to indicate the stock value in the financial statements in accordance with the Sri Lanka Accounting Standards.	This issue had been discussed at the recent audit and management meeting held on 29-07-2020 and it was decided to show to the lower value out of the value of cost and net realized	In the coming year, the stock value will be shown in the financial statements in accordance with the Sri Lankan Accounting Standards.

	verification had not been carried out for the year 2020 for the equipment and tools to be taken under stock.			value by conducting an evaluation with the stock verification. Therefore, this will be implemented in future stock verification.	
02.	In terms of Sri Lanka Accounting Standard No. 39, the debtor balances should be shown at their amortized cost in the financial statements, but an impairment test for 364 debtor balances of Rs. 32,909,431, which has remained for more than 5 years as at 31 December 2020 had not been conducted to show the carrying amount.	<p>2018 1.5.1 (b)</p> <p>2019 1.5.1 (b)</p> <p>2020 1.5.1 (a)</p>	Financial statements should be prepared in accordance with the Sri Lankan accounting standards.	Long outstanding debt balances will be recovered through legal action. The recovery of the debtors is in progress and due to lack of proper evidence related to it, the impairment test has not been done in	Letters of demand are sent to each debtor and so far, Rs.363,784/- has been recovered and settled. This practice is continued and recovery will be made from outstanding debtors.

				the years 2018-2020.	
03.	The income amounting to Rs.1,094,368 receivable from the training programs conducted relevant to the period 2016-2019 had been omitted from the accounts. As such the surplus had been under stated by the same amount.	2018 1.5.2 (b) 2019 1.5.2 (b)	Revenue should be correctly recognized and adjusted in the accounts and appropriate internal control procedures should be implemented.	Action will be taken to rectify it in the future.	Action has been made to implement appropriate internal control methods for accurate recognition of income and correct adjustment in the accounts in accordance with the Accounting Standards.
04.	The agreement has been signed on 27 April 2017 with the selection of a consultant to establish the Consolidated Management Information System. According to the agreement, the work was schedule to be completed the 6 months in 4 stages. The total invoice value of Rs.	2018 3.1 (c) 2020 – 3.1 (a)	Appropriate action should be taken to establish consolidated management information system.	The action plan originally prepared for this project had been revised several times. The governing council had suspended the project	It has been decided in the special governing council meeting held on 03-12-2018 to temporarily suspend the project due to the technical problems that occurred during

	<p>1,816,103 which presented in July 2017 has been paid for the activities in first stage such as evaluate the existing system, propose a suitable new system, formulate the required specifications and formulate proposals.</p> <p>According to the agreement 50 per cent of the amount should be paid at the beginning of the stage for selecting a suitable institute or institutes to purchase the software and hardware for the second stage. Accordingly, invoice of Rs. 538,363 including VAT has been submitted on 31 March 2018. According to the agreement, functions of the second stage should be completed within 2 months but the work had not been completed until 31 July 2021.</p>			<p>for a year and a new action plan had been prepared after granting permission to restart. It has informed that as the recruitment procedure of the institution is being revised, it has not been possible to recruit a qualified officer to perform the procurement duties.</p>	<p>the second stage. However, in the governing council meeting held in March 2019, approval has been given to resume the project. But due to the absence of a staff-level officer knowledgeable about procurement, the work was interrupted. At present, the new chairman has given instructions to restart the work of establishing an integrated management information system and the work has started accordingly.</p>
05.	The sample test on the	2018	It is necessary to be	As the	Applications

<p>renewal of license that had expired on 31 December 2017 relating to a food product of processed cereal, was conducted on 15 July 2018. According to the result, the product failed the test. However, it was informed that the license would not be renewed, in November 2018 after a delay of 11 months from the date of cancellation of the license. The Consumer Protection Authority had been informed on the cancellation of the license. During the 17 months from the date of cancellation of the license for the relevant product to the audit date of May 2019, no evidence was presented that a market sample test was conducted to find out whether they are being sold with the SLS logo. It was physically</p>	<p>3.2 (a)</p>	<p>concerned with the responsibility of Sri Lanka Standards Institution for presenting a quality product to the market, and at the same time, the institute should work to protect the existing customer confidence on the Sri Lanka Standard Certificate.</p>	<p>relevant tests had to be carried out in foreign laboratories, a period of 02 months was taken. The results were presented before the License Committee on 23.10.2018 wherein the license was recommended to be cancelled. Having been recommended at the subsequent meeting of the License Committee that the said observation was correct,</p>	<p>have been forwarded to obtain the "SLS" logo for this product, and arrangements have been made to obtain a new license after re-sampling. After the cancellation of SLS license, the Consumer Protection Authority was informed only for goods for which the "SLS" logo is mandatory. Also, the License Committee was informed to know their views regarding whether or not the Consumer Protection</p>
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	<p>observed that the relevant product was still being sold with the SLS logo by May 2019.</p>			<p>the relevant company was informed in that connection. It is further informed that we inform the Consumer Protection Authority about the cancellation of license only for the items requiring the SLS certification. Action will be taken in due course to inform the Consumer Protection Authority in the same manner with respect to the items for</p>	<p>Authority should be informed after the "SLS" license of the goods for which the SLS certification is not mandatory, is cancelled and the practical issues that arise will be further discussed and a final decision will be reached at the next committee meeting.</p>
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				which the SLS certification is not mandatory.	
06.	The sum of Rs. 168 million paid by the Sri Lanka Standards Institution in three instances to the Urban Development Authority for purchasing a land in extent of 03 acres in Halbarawatta, Malambe to construct a laboratory building, had been shown as an advance in the financial statements of the year 2018. In addition to that, approval of the Council had been granted on 28 May 2015 to incur a sum of Rs. 1,165,333 for erecting a fence around the said land. Although the entire payment had been made in full in the year 2018, the ownership of the land could not be transferred	2018 3.3 (a) 2020 3.3	Action should be taken promptly to take over the ownership of the land.	The physical ownership had been granted by the Urban Development Authority on 2016.08.24. The Urban Development Authority has further been informed for obtaining the ownerships as per the audit query.	Despite applying verbally and in writing to the Urban Development Authority on numerous occasions to obtain the deed of this land, the deed has not yet been granted. Special attention is being paid in this regard.

	to the Institution even by 31 July 2021.				
07.	It was planned to prepare plans for constructing the laboratory at an estimated expenditure of Rs. 150 million thereby selecting the contractor and awarding the contract in the year 2018, but the intended works had not been executed even by the end of 2021.	2018 3.3 (b) 2020 3.3	The budgeted provision should be optimally utilized within the year for the achievement of intended objective.	Activities such as, publishing procurement notices for selecting a supplier, shortlisting the bidders by the Technical Evaluation Committee, and preparation of reports for obtaining approval of the Cabinet appointed Procurement Committee, had been done in the year 2018. Further action is being taken in the year	As of now, the government does not give permission for the construction work, so it is not possible to make progress related to this construction.

				2019.	
08.	In terms of OB 17 of the structural frame issued by the Institute of Chartered Accountants of Sri Lanka, the effect take place to the economic resources through the transactions and incidents arisen in some accounting entity should be identified in the time period which the relevant effect occurred but not in the time period which the financial receipts and payments occurred. However, fees income amounted to Rs.20,546,398 received in the year 2019 for the years 2016,2017 and 2018 relating to the duties of the Sri Lanka Standards Institute had been brought to account as the income in the year 2019. Also, the income received in the year 2020 amounted to Rs.	<p>2019</p> <p>1.5.1 (a)</p> <p>2020</p> <p>1.5.1 (b)</p>	Financial statements should be prepared in consistent with Sri Lanka Accounting Standards and it should be brought to account by clearly identifying the income belonging to relevant time period.	<p>Proper Combined Management System for the identification of the annual fees payable by the clients for the relevant year has not been established. Therefore, Proper combined management system for the identification of the annual fees payable by the clients for the relevant year has not been established. Therefore, the actual</p>	<p>Financial statements are prepared in accordance with Sri Lankan Accounting Standards and arrangements have been made to clearly identify and account for income belonging to periods.</p>

	12,294,325 in relation to the years 2018 and 2019 had been brought to account as the income in the year 2020.			amount received for this annual fee is identified as an income received in the year.	
09.	Contrary to the Management Services Circular No.02/2016, it was observed that occupational allowances amounting to Rs. 24,421,496 for the years 2017,2018 and 2019 had been paid with effect from 01 October 2017 without approval of the Management Services Department.	2019 1.7(a)	Action should be taken in accordance with the Circular No.02/2016.	Even though approval has been requested from the Management Services Department, approval has not been received even by now.	As per Circular 5/2017 of the Department of Management Services (Professional Allowance Payments to Executive Officers), it was known that payments are being made in institutions similar to ours. The Management Services Department has been informed on 17-12-2018 that this payment is

					made to all the executive officers of the institution. The Department of Management Services has not yet responded to it.
10.	According to the recruitment procedure of the Sri Lanka Standards Institution, 12 years of senior management experience and 20 years of executive grade experience in a recognized organization should be met in the recruitment of the director general of the institute, but the director general of the institution has been a Volunteer Research Scientist in an organization during 2006-2008. Although a letter was given that she had worked as a Volunteer Research Scientist, no other	2019 1.7(b) 2020 3.4 (b)	All recruitments should be accordance with the relevant procedure. Also, in case of any unclear in qualifications and experience the relevant parties should be informed and action should be taken to resolve these issues.	Letter of appointment is not issued for voluntary services. Furthermore, there is no clear definition of Senior management Experience or Academic and research experience. There are 5 years of Bachelor of Philosophy and 21 years of experience with 3 years	The Secretary of the Ministry of Science, Technology and Research and the Secretaries of two other Cabinet Ministries along with two senior members of the Council of the Standards Institution participated in the relevant interview panel. The Council has examined all the matters and decided to make appointments

	<p>acceptable evidence (appointment letter) was submitted to the audit, so it was observed that 12 years of senior management experience was not met, and the condition of 20 years of executive grade experience in a recognized institution was not met.</p>			<p>of volunteer experience in another institute. The decision of the interview board is final decision. So, the institution cannot comment on these decisions.</p>	<p>accordingly. As the appointing authority of the Director General of the Sri Lanka Standards Institution is the Secretary of the Line Ministry, all the information and files in this regard are available in our Line Ministry, the Ministry of Technology, so it has been informed to contact that Ministry.</p>
11.	<p>Issuing of new certificates under the methodology for certification of management systems on the ISO 22000 Food Safety had been decreased gradually</p>	<p>2019 3.2</p>	<p>Action should be taken to increase of issuing certificates by giving proper propaganda to the institutions on the necessity and importance of the</p>	<p>In the obtaining and implementin g these certifications, it has to spend a large amount of</p>	<p>The decrease in certificates in 2019 was mainly due to the unexpected attack in April. Due to this reason the hotel</p>

	from 54 to 24 since the year 2015 to the year 2019.		certification of management systems on ISO 22000 Food Safety.	money, failure in obtaining certificates for tourist hotels due to the prevailing security condition of the country, had been caused to Decrease of issuing new certificates.	industry has suffered a collapse and another reason is that they have to spend a lot of money to get certificates.
12.	In terms of Section 3.4 and the supplementary No.28 to the Procurement Guidelines, less than 05 sealed quotations should be called in the shopping method. However, in the calling of bids for obtaining accommodations at Nuwara Eliya for the annual trip of the institution, bids have been called from only	2019 3.3	Action should be taken in accordance with the Procurement Guidelines.	Bids has been called from the official web e-mail of the Chairman of the Welfare Society. Three hotels have been responded on it and it was decided to select one hotel. Action	Every department has been informed to comply with the procurement guidelines and it is currently being handled in this manner.

	<p>one supplier and the facilities had been obtained from the said supplier. So also, as per Section 3.4 of the Procurement Guidelines, approval of the department procurement committee should be obtained for the service supplies of less than 05 million. However, it was observed that a sum of Rs.1,829,400 had been paid for the accommodations by obtaining approval only from the CEO contrary to that.</p>			<p>has been taken to follow the Procurement Guidelines properly and it will be considered for the future activities of the Welfare Society.</p>	
13.	<p>Accordance with section 32 of Sri Lanka Accounting Standard No. 01, income and expenditure are not set off each other. However, the transportation fee incurred for going to and from the relevant location for the institution inspection</p>	<p>2020 1.5.1 (c)</p>	<p>Action should be taken in accordance with the Accounting Standards.</p>	<p>Steps will be taken to rectify in accordance with Sri Lanka Accounting Standard 01 in the accounts of the year</p>	<p>Accounting Standards will be followed in future.</p>

	was collected from the relevant customer and the total transportation fee revenue of Rs.10,254,941 was deducted from the transportation fee expense.			2021.	
14.	The Institution had not paid attention to settle the amount of Rs. 49,747,361 in the Nation Building tax payable account due from 2018.	2020 1.6.2 (b)	Action should be taken to settle the balances.	A request has been made from the Inland Revenue Department to settle the Nation Building tax payable amount of Rs. 49,747,361 based on the observations received from the Department of public Enterprises and Auditor Generals	It is expected to be resolved in discussion with the Inland Revenue Department.

				department.	
15.	At the end of each month the balance according to the cash book has been calculated by the cheques deposited but not realized, the cheques issued but not presented and the adjusted value had been matched to the balance according to the bank statement. Detailed information on the value of the adjusted value had not submitted the audit. The arrears adjustment value of December 2020 was a huge figure of Rs.11,537,762 and these arrears adjustments were observed every month of the year 2020.	2020 1.7	All transactions should be considered when preparing bank reconciliation statements.	Non-recognized amount of Rs. 11,537,762 has been mentioned in the bank statement for the month of December 2020. These are cash and cheques deposited directly by the clients into the Sri Lanka Standards institution bank accounts for obtaining services of the various divisions of Sri Lanka Standards	Arrangements have been made to take into account all transactions while preparing bank reconciliation statements.

				institution.	
16.	<p>In Sri Lanka Standards 1222 : Part 1 : 2001 (Sri Lanka Standards 1222 : Part 1 : 2001) there are 16 tests to be considered for checking whether porcelain products conforms to the standard. Out of the 270 cases of imported porcelain products from August 2019 to October 2020, a sample of 152 cases with net weight of 1,566,258.40 kg and the value of USD 849,623.74 that completed the quality control procedure was selected and it was observed that only heavy metal testing was done for 75 percent of that sample.</p> <p>Determining the quality of imported porcelain products based on one test was problematic during the audit.</p>	2020 3.2 (a)	<p>The objective of the Standard Institution is to provide the public with the opportunity to consume quality products. Therefore, the background and the necessary standards need to be developed to carry out the required tests.</p>	<p>The inspection of porcelain and ceramic products is carried out in accordance with the Gazette Notification No. 1/21/4 dated 29.02.2020. Accordingly, only lead and cadmium testing is mandatory. According to the above Gazette Notification, porcelain and ceramic products will not be released to the importer's warehouse</p>	<p>The Sri Lanka Standards Institute laboratory currently does not have facilities to test for parameters of the imported porcelain products other than parameters for heavy metal from the parameters mentioned in its relevant specification, SLS 1222. However, as there are facilities in the Institute of Industrial Technology (ITI) laboratory to test certain parameters from other parameters,</p>

				without due tests. There are no standards for ceramic products. Also, ceramic products cannot be tested by the relevant parameters of porcelain products.	arrangements have been made to test those parameters by the laboratory of the Institute of Industrial Technology. But only the heavy metals lead and cadmium test mentioned in the gazette notification dated 29-02-2000 No. 1121/4 will apply to ceramic products.
17.	The import inspection carried out under the number SLSI / 19 / 27984, the markings of 26025 sets of porcelain equipment valued at USD 1255.3 have been confirmed to be non-compliant with the SLS 1222 : Part 1 : 2001	2020 3.2 (b)	Such action led to the breakdown of public confidence in the Standards Institution. All measures should be taken to stop the release of substandard goods in the market.	When the inspection detects a failure, the importer is notified to correct it. If the importer does not respond to	In respect of non-compliance with the markings mentioned in the SLS 1222 specification for porcelain products, an importer who

	standard. However, it was observed that the consignment was permitted to be sold or used.			the reminder, the stock will be approved by the director with a warning.	does not complete and submit the markings on or before the due date is cautioned and approvals are limited to a maximum of two cases. In order to release the consignments to the warehouse of the importer for completion of the markings, it is mandatory that the markings for the consignment or consignments which were released previously had been completed and approved.
18.	According to the action plan, it has been estimated to carry out	2020 3.2 (c)	Market inspections should be carried out adequately to	Market goods are inspected	Market sampling is limited due to

	<p>market inspections to test the quality of goods with product certification logos. By 2020, the number of items for which the SLS logo was obtained approximately 1105. But, compared with that, market inspections had been in a very low level. Due to this cause, the audit had been observed that there is a possibility of low quality products being released to the market.</p>		<p>minimize the risk of substandard and non-compliant consignment being sold in the market.</p>	<p>every year and those reports are taken into consideration in issuing the SLS certificate. However, market inspections give priority to products with consumer complaints and fail test reports according to the challenges and resources available of the division.</p>	<p>the following reasons;</p> <ol style="list-style-type: none"> 1. Due to the high market price of the product, the sample cost is very high (one sample contains several units of the product). 2. Items to be inspected at manufacturer's premises (eg. PVC pipes, asbestos roofing sheets, cement bricks) 3. Products limited to certain areas/regions that are not frequently available in
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					<p>the market and manufactured only for selected buyers (eg PE pipes, paper sacks)</p> <p>Plans are in place to get more samples from the market starting this year.</p>
19.	<p>A sample audit was conducted on the test reports issued in each of the laboratories established by the institute. In 2019, 100 laboratory test reports on food, 184 electrical test reports, 256 test reports of chemicals, 218 microbiological test reports and 81 test reports on the quality of raw materials used in production were selected for sample of 839 laboratory reports.</p>	<p>2020 3.2 (d)</p>	<p>Due to delay in inspection reports, substandard goods are released in the market. Therefore, proper steps should be taken as soon as possible to provide the test reports promptly.</p>	<p>The laboratory always works to minimize the time intervals required for other related processes including internal processes in the laboratory. Nevertheless, priority is given to the</p>	<p>In some cases, there is a delay in sending the samples taken under the import inspection process to the relevant laboratory since the reasons such as the lack of sample officers, increases the number of samples assigned to one</p>

<p>According to 3.14 (1) of PR - 11 - 03, the samples should be sent to the relevant laboratory with the request letter on the same day or the next day, but there were 481 cases of delays. There were 359 cases of delays in starting the tests even though the samples were received. Also, there were 130 cases of delay in assigning the work to start the tests even though the samples were received. There were 169 cases of delay in preparing the report after completion of the tests among the audited test reports. There were 72 cases of delay in the preparation of the test reports and certification by the head of the laboratory. Further, there were 48 delays between the date of assignment and the date</p>			<p>stock of goods held in the port and related sample inspection in the inspection of import goods. In order to reduce the cost of using some equipment and chemicals, and in cases where there is a large number of parameters for the test, in order to reduce the time spent by the analysts for it, without testing some identified goods</p>	<p>sample officer and new recruitments cannot be made in the current situation. As a solution to this, qualified employees will be trained under the daily wage system as approved by the Council and used to take samples and through this, this delay will be minimized.</p>
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	<p>of commencement of tests.</p>			<p>separately, attaching a certain amount of sample to the analysis after collecting them. These matters caused the delays. When there are some errors in the test report, they have to be corrected, and in some cases, re-testing has to be done. Although the number of samples received by the laboratory department gradually increased in a year, the staff</p>	
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				<p>did not increase at the same time. Due to this, delays were inevitable.</p> <p>Technical equipment is required for this and the land area in the existing laboratory is not enough to do so. Due to this, plans have been submitted for a new laboratory with modern facilities.</p>	
20.	<p>The approved carder of the Institution is 393 and as on 30 June 2021, there were 106 vacancies or 27 per cent. 50 per cent out of these vacancies were related</p>	<p>2020 3.4 (a)</p>	<p>Since the revision of the recruitment procedure has been completed, the recruitment should be done and the services should be maintained</p>	<p>The recruitment procedure of the institute is being revised and recruitment can be done</p>	<p>The approval of the Department of Management Services for the new recruitment procedure of the institution was received in the</p>

	to executive level.		efficiently.	as soon as it is completed.	<p>beginning of the year 2021 and the recruitment process has started. So far, the recruitment for the post of Director (Finance) and Senior Deputy Director (Standards and Service Promotion) has been done in 2021.</p> <p>Applications for director posts have been shortlisted and interviews have also been completed and shortlisted.</p> <p>Applications for the post of Assistant Director have been shortlisted and recruitment is currently</p>
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					underway to fill up the vacancies.
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32. Urban Development Authority

01. Name of the Entity -: Urban Development Authority

02. Audit Opinion -: 2018 - Disclaimer of Opinion

2019 - The draft report is being prepared.

03. Audit observations

	Audit observations	Reference	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01 (i)	<p>Internal control over preparation of financial statements</p> <p>Even though daily and thorough supervision should be implemented at the income collecting centers, a regular supervision had not been conducted relating to collecting of ticket sales income and other income and banking the income at the Baddaganaa Bio Diversity Park at least monthly basis. As a result, over a sum of Rs. 3,583,485 that collected for the period from June 2016 to July 2018, had been</p>	1.5.1 (c) - 2018	Action should be taken to avoided the frauds by introducing a correct internal control system.	A preliminary investigation had been conducted by the Urban Development Authority (UDA) relating to the financial fraud amounting to Rs.3,583,485 took place during the period from 15.06.2016 to 31.07.2018. After obtaining legal instructions, the complaint had been made to the Mirihana Police	The relevant officer was suspended from work and the investigation of the complaint has not been completed up to now.

	fraudulently obtained.			Station on 09.01.2019 by the UDA.	
(ii)	<p>When accounting of a transaction through a Journal voucher, the approval for requirement to make adjustment and correct and relevant double entry, should be obtained from a higher rank manager or from a management committee. However, it was observed in audit that such supervision had not been maintained when making adjustments through the Journal entries. As such, the adjustments totaling Rs.66, 054 million had been made by putting 13,148 debit entries and 28,686 credits entries in the accounts. Further, any officer in the Finance Division and another Division had been allowed to put the Journal entries, without vesting the authority. Hence, it was observed that a ground to make frauds by making</p>	1.5.1 (a) - 2018	Action should be taken to make adjustments through the Journal entries in the accounts, under the supervision of a senior officer and with delegation of authorities.	Accounting of every Journal entry had been put into the accounting system after obtaining the required approvals from Accountant/ Assistant Director/ Deputy Director. Accordingly, any officer not allowed to make the adjustments to the accounting system. Many material transactions had been added to the accounting system through the Journal entries. Anyhow, it was proposed to implement a procedure to put the Journal entries into the accounting system under the supervision of a	According to accounting principles, the sum of debits and credits should be equal when keeping accounts in the double entry system, but due to the difference of Rs.2,319,207,061 in the placing of journal entries, it cannot be satisfied with the accuracy of the financial

	adjustment to the account balances of the authority had been created.			senior manager, since November 2020.	statements as at 31 December 2019. Further, the approval of an authorized officer to approve journal entries was not received. Also, the placing of journal entries in several divisions was observed.
02	Accounting policies When accounting of investment properties of the Authority, an accounting policy had not been identified with regard to the dispose of lands and other properties on 99 years or less	1.5.3 (a) - 2018	Action should be taken to correctly identify the investment properties and shown in the financial statements. The	A system to identify all assets of the Authority is being implemented including the investment properties. After implementing of that	The method mentioned as being implemented for separate identification of

	<p>lease basis, so as to specifically identifying, valuation and accounting basis of those properties and a register was not maintained in relation to the investment property. Due to this, without following a specific policy, properties of the authority had been leased by the valuing on various bases.</p>		<p>details of the investment properties should be furnished to audit.</p>	<p>process, the lands disposed on 99 years lease basis can be separately identified.</p>	<p>properties was not submitted for audit until 06 January 2022. Accordingly, the accuracy of the investment property amounting to Rs. 96,706,779, 657 million in the financial statements as at 31 December 2019 could not be accepted in the audit.</p>
03	<p>Accounting deficiencies</p> <p>The recoverable taxes amounting to Rs.36 million from the National Security</p>	1.5.4 (b) - 2018	<p>Necessary action should be taken with regard to the balances which</p>	<p>The Goods and Services Taxes and National Security Levy which are</p>	<p>Approval for written off has been obtained</p>

	Leavy (NSL) and Goods and Services Tax (GST) which are not currently prevailing in the country, had been shown in the financial statement as state tax debtors. As a result, the debtors balance shown in the financial statements had been overstated by that amount.		are not legal base to recover.	currently not prevailing in the country had been shown in the financial statements as those taxes receivable from the clients. Since those balances cannot be recovered, a Board Paper had been furnished and the approval will be obtained before 31.12.2020	through a board paper.
04	Unreconciled Control Accounts or Records A total difference of Rs.675.5 million was observed between 13 account balances shown in the financial statements and corresponding detailed schedules. Further, although the receivables from 8 state Institutions amounting to 416.25 million had been shown in the financial statements of the Authority only 2 Institutions had been	1.5.5 - 2018	Action should be taken to make the adjustment in the financial statements, after being identified the differences in opening balance which had been existed since many years.	The differences in the opening balances in the accounts were revealed continuously and action has been taken to identify the differences. When preparing the financial statements, as at 31.12.2020, those tasks could be completed.	In the financial statements submitted on 31.12.2019, in relation to 13 accounting subjects, a difference of 3,286,232,638 between the financial

	<p>shown their financial statements as payables to the Authority amounting to Rs.61.9 million, out of those Institutions. Furthermore, according to the financial statements of the Authority, a sum of Rs. 225.2 million had been shown as payables to 2 public Institutions. However, a difference of Rs. 174.3 million was observed between the corresponding balances shown in the financial statement of those public Institutions. Nevertheless, action had not been taken to make the necessary adjustments in the financial statements in that regard.</p>				<p>statements and the schedules was observed. Detailed schedules for balances of Rs. 3,286,232,638 related to 13 account subjects had not been submitted.</p>
<p>05 (i)</p>	<p>Consolidations When preparing the consolidated financial statements of the Authority, out of the four Subsidiary Companies of the Authority, the Peliyagoda Warehouse Complex Company had not furnished the financial</p>	<p>1.5.6 (a) - 2018</p>	<p>The investments in the Subsidiary Companies should be adjusted in the financial statements with related assets, liabilities, Equity,</p>	<p>Comments had not been given.</p>	<p>Peliyagoda Warehouse Company had decided to liquidate on 31 July 2012. Since the year 2017, no</p>

	statements since the year 2017. The investment value of the Peliyagoda Warehouse Complex Company as at July 2017 was Rs.500 million. That investment value had been reduced by that amount and the Company had been acquired by the Authority since August 2017. However, required adjustments to the assets, liabilities and other transactions had not been made.		income and expenses. As well, the consolidated financial statements should be prepared in accordance with Sri Lanka Accounting Standards.		financial statements have been submitted and it was stated that the company's assets have been transferred to the authority since August 2017. But it has not been confirmed that the assets have been accounted for under the authority.
(ii)	A request had been made to issue the shares to the Waters Edge Company, a Subsidiary Company of the Authority, for the consideration of lands	1.5.6 (b) - 2018	As a parent of the Waters Edge Ltd, the operations of the Company should be	Comments had not been given.	The issue of shares has not been done so far. The reasons

	and building valued at Rs.642.5 million, that transferred on the court order to the Authority and for a sum of Rs. 200 million given for repairing costs. However, the shares had not been issued up to 31 December 2018. As a result, that investment value had been understated by Rs. 406.5 million and reasons for the understatement had not been disclosed in the financial statements.		conducted in accordance with the Court orders and the approvals of the Ministry.		for reducing the investment value by Rs.406.5 million have not been presented so far.
06 (i)	Lake of Evidence for Audit A detail Register including the details of acquisition and valuation reports relating to the Investment Properties worth of Rs. 91, 781 million including the lands with the extent of 1167 acres worth of Rs. 5,782 million belonging to the Parliament Complex as at 31 December 2018, had not been submitted.	1.5.7 (a) – 2018 1.5.7 (g) – 2018	Details regarding the investment property should be submitted for audit.	A process implemented to identify investment property separately is currently in place. Further, the road development activities in the land acquired for the Parliamentary Complex had been carried out by the Road Development Authority, Provincial Road	Out of the lands extent of 1167 acres belonging to the Parliament complex, about 42 acres belonging to the Parliament complex and about

				<p>Development Authority and relevant Local Government Authorities. The development activities of the tanks and canals had been conducted by the Land Development Corporation.</p> <p>Further, it should be further informed that the lands extent of 1167 acres, 3 roods and 36.9 perches are situated in the Divisional Secretariat areas of Kaduwella, Maharagama and Sri Jayawardanapura Kotte.</p>	<p>18 acres of other released lands have not been identified and accounted for as required and 374 acres of lands allocated as development projects had not been identified and its value had not been accounted for as at 31 December 2019.</p>
(ii)	A land register had not been maintained in respect of lands worth Rs.90.8 million.	1.5.7 (b) - 2018	A detailed register for the lands belonging to the Authority	In the computerization process of the lands belonging to the	A land register had not been prepared so

			should be maintained	Authority, 1637 files had been completed up to September 2020. The Computerization process of the lands, scheduled to be completed by end of June 2021.	that the lands owned by the authority could be identified and inspected.
(iii)	The details of borrowing costs, divested properties and other adjustments which had been adjusted to the work in progress amounting to Rs. 28,817 million had not been submitted for audit.	1.5.7 (d) – 2018	The Projects which are not come under the purview of the Authority should not be shown under the work-in-progress of the Authority. The Work-in-progress balances should be correctly adjusted and shown in the financial statements.	A program had been implemented according to a time table, in order to take necessary action relating to the projects in the work-in-progress account. Necessary arrangements will be made to show in the accounts under the relevant correct classification.	Work in progress balance as at 31 December 2019 was Rs. 21,948 million and in that balance, 34 projects worth Rs. 61 million remained in long time, 39 projects worth Rs. 228 million which have been completed

					and handed over and 03 projects carried out for other organizations worth Rs. 112 million had been included in work in progress.
(iv)	The details relating to the adjustments made to the differed lease liabilities amounting to Rs. 539 million had not been submitted for audit.	1.5.7 (e) – 2018	Discloses relating to the investment properties and differed lease rents should be made in the financial statements. In order to correctly maintain the registers submit with the financial statements, required internal control systems should be introduced by the management.	Leasing of properties without entering into agreements, completed properties sales, but had not signed the lease agreements so far and account of received advances as long term leases and cancelling of agreements are represented the debit balances amounting to 118,580,368. The rent agreements had not been signed so	Related supporting documents related to the journal entries placed for the adjustments of Rs. 43,499 million as at 31 December 2019 had also not been submitted

				<p>far relating to the old balances shown in the differed lease rent register. After being signed the agreements, commencement date of the agreement will be entered in the register. For easy reference, the older years had been entered to the register. When preparing the financial statements for the year 2020 corrections will be made.</p>	for audit.
(v)	<p>The details of Rs.166.8 million due from the housing schemes assigned to the housing beneficiaries by the authority under the Urban Regeneration Project had not been submitted for audit.</p>	1.5.7 (f) - 2018	<p>In order to enhance the audit trail, action should be taken to minimize the prevailing weakness in the accounting system and the information should be updated</p>	<p>The opening balances for the current system had been obtained from the old accounting system. Age analysis cannot be obtained for the housing projects. That had been informed to the software suppling</p>	<p>Under the Authority's Low Income Housing Projects (URPCC), the age analysis and detailed information</p>

			for the future needs.	firm and it had been palmed obtain an age analysis as at 31 December 2020.	on the receivable balance of Rs. 249 million as at 31 December 2019 had not been furnished by the Authority. At present, the accounting software did not provide facilities to check the correctness of the balance.
07 (i)	Accounts Receivable and Payable According to an audit test check, under the debtor balances shown in financial statements of the Authority (17.1.26 to 17.2.6), 24 debtor balances totaling Rs.536	1.6.1 (a) - 2018	Debtors generated from operating activities should be control and prompt action should be taken to recover them. A formal procedure	Comments had not been given.	There were debtor balances of Rs. 271.4 million remained for more than 05

	million were remained as unrecovered since the year 2013 and any transaction had not been made in those accounts and continuously remained in idle. Further, without having any acceptable basis, a sum of Rs. 918.3 million had been provided as accumulated doubtful debts for those debtor balances.		for transaction on credit basis to be prepared and the Treasury approval should be obtained thereon. Action should be taken to recover the accrued income according to the provisions in the agreements.		years in the financial statements submitted as at 31 December 2019 in relation to those 24 accounts. A sum of Rs. 273.6 million from those balances had been provided as a provision for doubtful debts without having any acceptable basis.
(ii)	When renting the properties of the Authority on monthly rent basis or lease basis, the evaluation relating to the assets, monthly income and ability of loan repayment of	1.6.1 (b) - 2018	Legal action should be taken against the rent payment defunding customers.	The provision for doubtful debts were made in the years 2015/2016. based on the instructions given by the auditors	In the financial statements of the year 2019, a doubtful

	<p>the customers had not been carried out before renting the properties. As a result, the rent receivables were continuously increased year by year. Hence, provisions for losses/impairments had to be made at higher percentage ranging from 35 per cent to 77 per cent even for below one-year receivables and this situation was indicated the inefficiency of debt recovering activities of the Authority. It was observed that there was tendency to create bad debts.</p>		<p>Arrangements should also be made to return the assets to the authority.</p>	<p>those who make an evaluation for debts recovering process. After considering the debt collection progress of the year 2020, those percentages will be readjusted.</p>	<p>debt provision ranging from 6% to 100% had been made for rent and tax debtors of Rs. 560,470.446 .</p>
08	<p>Amount Payables</p> <p>A creditor balance amounting to Rs. 77,847,384 related to the development expenditure were remained as unsettled and shown in the financial statements for over 06 years. As well, even though the maintenance deposits amounting to Rs. 7,255,110 had been shown under the current liabilities, an unsettled balance</p>	1.6.2 - 2018	<p>Action should be taken to find out the non-liable balances, out of the payables, and action should be taken to write - off those non-liable balance as income.</p>	<p>A creditor balances amounting to Rs. 77,847,384 was remained as unsettled without being changed for over 6 years.</p>	<p>A creditor balance of Rs. 76 million remained for over 6 years was shown in the financial statements as at 31 December 2019. The</p>

	amounting to Rs.7,063,500 that was included in the above balance were existed as unsettled for over 5 years.				outstanding balance of Rs. 7,063,500 which was stated as maintenance deposit for more than 5 years was remained as at 31 December 2019.
09 (i)	<p>Non-Compliance with the Laws, Rules, Regulations and Management Decisions.</p> <p>As per the Section 8 (i) of part II of the Urban Development Authority Act No.41 of 1978, even though a land use policy should be formulated and implement by the Authority, action had not been taken in that regard up to end of the year under review.</p>	1.7 (a) - 2018	Action should be taken according to the requirements of the Act.	Comments had not been given	A land use policy had not yet been prepared.

(ii)	As per the Section 8 (a) of part II (a) of the Urban Development Authority (amended) Act No 4 of 1982, in order to provide vehicle parking facilities to the general public, coming by motor vehicles for various requirements, the Authority should take action to provide parking places and action should be taken to develop such facilities. However, the Authority had not paid its adequate attention to provide such facilities. As a result, the traffic congestion of the city of Colombo and suburbs had been increased.	1.7 (b) – 2018	Action should be taken according to the requirements of the Act.	Comments had not been given	Attention had not been paid yet.
(iii)	As per the Management Services Circular No.39 dated 26 May 2009, without having the recommendation of the Salaries and Cadre Commission and the approval of the Department of Management Services, a monthly professional allowance of Rs.15,000 per month had been paid to the	1.7 (c) - 2018	Action should be taken against the officers those who made the payments without having the approvals according to the Management Services Circulars.	Based on the approval given by the Board of Directors, a monthly professional allowance of Rs.15,000 had been paid. Although it had been requested the approval from the Management	At present, no action has been taken against the officials who made the payments without permission

	professionals of the Authority, Engineers, Architects, Lawyers, Accountants, Town Planners and Quantity Surveyors etc. with effect from 01 July 2014. However, the particulars relating to payment of professional allowances had not been furnished to audit.			Services Department, the replies had not been received so far.	in accordance with the management service circular.
(iv)	As per the Circular No 2016/05 dated 09 March 2016 of the Public Administration and Management, Sectional Heads posts had been created in between two posts of the Director and Deputy Director posts, although that posts were not in the cadre of the Authority which has furnished to approval. Six officers had been recruited for those posts during the year under review and approval had been given to use their private motor vehicles as their official vehicles. Further, a fuel allowances had also been	1.7 (d) - 2018	Following only the Circular instructions, the allowance should be paid.	Comments had not been given.	The procedure for recruitment and promotion of officers had not been properly prepared and approved by the Management Services Department and submitted to

	paid continuously. However, the amounts paid so, had not been furnished to audit. Furthermore, those new posts had been granted to them as service promotions outside of the prescribed promotion procedure.				the audit.
(v)	As per the public Administration Circular No. 2008/14 dated 26 June 2008 and the Public Enterprises Circular No. PED/2015/1 dated 25 May 2015, the Drivers had been provided for 20 officers those who had obtained the vehicle allowances by using their private motor vehicles, although it was not allowed. Only the overtime payment had been paid to those Drivers for the preceding year and the year 2018 amounting to Rs.30,186,085 and Rs.3,679,290 respectively.	1.7 (e) - 2018	The Circular instructions should be followed.	Seventeen motor vehicles belonging to the Authority had been sold by public auctions. Therefore, the approval for the use of private motor vehicles as the official motor vehicles, had been given according to the Board Paper No. 296/2017. Accordingly, the Drivers had been provided to the Directors and the Divisional Heads in addition to payment of vehicle allowance considering the travelling of long distances for the	In the year 2019, Rs. 8,261,590 had been paid as overtime allowances for the drivers of officers receiving allowances.

				service requirements. At present, 28 motor vehicles had been purchased and provided to the Directors and Higher officials.	
(vi)	As per the Management Services Circular No. 30 dated 22 September 2006 and the Public Administration Circular No. 06/2006 dated 25 April 2006, a performance-based promotion scheme had not been introduced for the Authority and after placing the pots in a new salary structure, approval of the National Salaries and Cadre Commission had not been obtained to implement the proposal. Nevertheless, the Authority had taken action to grant promotions to officers based on the proposed cadre composition, without being obtained the prior approval. Although it had been instructed to inform the	1.7 (f) - 2018	Action should be taken to given the promotion, according to the Circular instructions. It should be acknowledged the officers about the promotion schemes in transparent manner.	The cadre of the Authority had been approved by the Management Services Department on 03.01.2020. Nevertheless, only 1670 cadre had been approved and that cadre was not enough for the establishment plan of the Authority scheduled to be implemented during the period 2020 – 2024. Hence, a revised cadre of 1831 posts had been resubmitted on 21.07.2020 for the approval. Based on the approval given	The procedure for recruitment and promotion of officers had not been properly prepared and approved by the Management Services Department.

	officers about the marks allocation procedure for the promotions, it had not been done so.			by the Board of Directors on 03.09.2019, vide Board Paper No.367/2019, the promotions had been given to the officers. All future recruitments will be made based on the approved cadre structure and the marking scheme will be informed to the officers.	
(vii)	As per the Public Finance Circular No. 01/2016 dated 08 January 2016, when it personally satisfied that there is no suitable person in the institute to accomplish the urgent service requirements, the service of the external persons could be obtained only for a 2 months period based on the personal approval of the Secretary to the Line Ministry. However, contrary to the circular instructions, 11 Consultants	1.7 (g) - 2018	After being specifically identified the duty of the consultants, the consultants should be recruited following instructions of the public Finance Circulars.	Based on the decision, made by the Board of Directors of the Authority and based on the direction given by then Secretary to the Ministry, 5 Consultants had been recruited to accomplish the objected functions and the service of the above 4	In the year 2019, 03 consultants had been recruited and as of 25 March 2022, the service of one consultant was being employed as a legal consultant

	had been recruited and the details relating to the payment of salaries, allowances and other remunerations paid to the consultants for the year under review had not been submitted to audit.			consultants, out of 5, had been terminated now. The cabinet approval will be obtained according to the Circular instructions for future course of action.	of the Authority.
viii	As per the Paragraph 4.2.6 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the quarterly progress reports of the Authority had not been sent to the Public Enterprises Department within 30 days of the closure of the relevant quarter.	1.7 (h) (i) - 2018	Action should be taken to submit the quarterly reports within the stipulated time period.	Even though it had been delayed to furnish the quarterly progress reports to the Department of Public Enterprises, action will be taken to furnish those reports on stipulated time in future.	Although the quarterly progress reports should be submitted within the stipulated period, the related progress reports had not been submitted to the Department of Public Enterprises by the end of 2019.

ix	As per the Paragraph 8.2.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the approval of the Cabinet of Ministers had not been obtained for the establishment of the Urban Investment and Real State (Private) Company, the Urban Investment and Hotel Development Company, Orchard Urban Housing Development Company and the Waters Edge Hotel Development Company, on 21 November 2014 as the subsidiaries of the Authority.	1.7 (h) (ii) - 2018	The investments should be made in accordance with the requirements in the Company Act and circular instructions.	Those Companies had been established according to the development objectives of the Authority and the development criteria that prevailed at that time and decisions made by the Board of Directors of those Companies. However, action will be taken to make final decision on the operations of the subsidiaries companies after being held discussions with the new Board of Management.	The Cabinet decisions regarding the above 04 companies established by the Authority on 21 November 2014 had not been given to the audit until 25 March 2022.
x	As per the Paragraph 9.14 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a procedure relating to the Human Resource Management, should be prepared and get the approval and otherwise, provisions in the	1.7 (h) (iii) - 2018	When it deviating from the Establishment code, the approval of the Ministry of Public Administration should be obtained.	At present, the provisions in the Establishment code are being applied. When it deviating from the above requirements, the approvals have been taken as per the	In case of deviation from the Establishment code, they are acted upon only with the approval

	Establishment code relating to the Human Resource Management should be applied. Nevertheless, necessary action had not been taken accordingly.			requirements. In case of deviation, the approval of the Board of Management of the Authority will be obtained and acted upon.	of the Board of Management without seeking the approval of the Ministry of Public Administration.
xi	As per the circular No. 116 dated 24 January 1997 of the Secretary to the Ministry of Finance and Planning and paragraph 9.4 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, even though the officers of the public Enterprises should not be released to the Ministry or any other public institution, 19 employees of the Authority had been released to other public institutions on the basis of reimbursement of salaries. Further, 08 others had been released to the Urban Investment and Development Company on secondment	1.7 (i) - 2018	The officers of the Public Enterprises should not be released to the service of the Ministries and other institutions and it should be complied with the circular instructions.	Based on the service requirement of the Urban Investment and Development Company which is a subsidiary company, 08 officers of the Authority had been released to that Company on secondment basis. Further, 79 officers of the that Company had been attached to the Authority due to service requirement for which preparation of the development plans and planning duties.	Contrary to the circulars, till now those 10 officials and 05 other officials have been released to other government institutions.

	basis and in turn 79 officers of the Company had been attached to the Authority. The details of the payments of remunerations paid to those officers had not been furnished to the audit.				
xii	As per the paragraph 7 of the Schedule V of the Extra ordinary Gazette No. 8/597 dated 17 April 2009 of Democratic Socialist Republic of Sri Lanka, according to a survey conducted by the Authority in the Grater Colombo Urban Region, several years ago, it had been identified 1868 unauthorized constructions and changes. However, according to the requirement of the Gazette, action had not been taken either to regularized them by charging a fee for covering approval and a fee for change the utilization, if they can be regularized or to remove the un authorized constructions.	1.7 (j) - 2018	In order to Minimize the disasters and environmental effects cause nearby the canals and to take prompt action relating to unauthorized constructions, action should be taken in accordance with the rules and regulations.	The Director (Legal) had informed that in order to legalize the applicable conditions, they should be gazette. Hence, action had been taken by the Consultancy Committee to gazette and it had been furnished to the Hon. Minister for the approval.	Charges for change the utilization have not been properly monitored and collected and proper measures have not been taken to remove unauthorized constructions.
xiii	As per the Paragraph 3.4 of the President Secretariat	1.7 (k) -	If it not specifically	Even though it had been mentioned that	Even now, those were

<p>Circular No. SP/RD/02/10 dated 03 February 2010, without being used for the acquired purpose, the land required by the Authority had been given to private institutions on long term lease basis and some high valued lands had been given to construct luxury apartments.</p>	<p>2018</p>	<p>mentioned the land acquisition purpose, it could not be done the amendments to the purpose. Hence, action should be taken according to the President Secretariat Circular.</p>	<p>lands had been used for other activities other than the acquired purposes, the acquired lands for urban development activities had been released for various development activities by the Authority. If lands had been acquired without having the specific purposes, such lands had been released by making amendments to the acquisition purposes.</p>	<p>not being used for the assigned purpose contrary to the President Secretariat circular and were being used for other activities or had been abandoned after many years. A few examples are given below. 01. Millawa estate with extent of thousand acres has been acquired. 02. land with extent of 0.712</p>
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					hectare on D.R Wijewardena Mawatha 03. 125 perches of land owned by Swadeshiya Printers at Olket Mawatha, Pettah. 04.Galle Dadella land
10	Uneconomic Transactions				
(i)	Any dividend had not been received up to end of the year under review, on the investments made by the Authority in the Housing Development Corporation amounting to Rs. 500,000 and in the Colombo Land Development Company amounting to Rs.36,309,841.	3.1 (d) - 2018	Proper attention should be drawn to obtain dividends for the investments of the Authority.	Future course of action going to be taken against the companies which not pay the dividend, after being acknowledged the Board of Management.	No dividend has been received up to now.
(ii)	In order to construct apartments and shops in a land belonging to the	3.1 (e) - 2018	When transferring of lands and building	A sum of Rs. 1,213,003 had been paid to the Authority	In the year 2019, apart from this

	<p>Authority extent of one acre and 23.1 perches and located Bambalapitiya station Road, sums of Rs. 92 million and Rs. 120 million had been respectively incurred by the Authority and the National Housing Development Authority as at end of 1993. As well, in order to manage that property, a Joint venture Company namely Ocean View Development Company had been established as a joint venture of the Authority and the National Housing Development Authority. Even though that Company had earned the income from renting the buildings, any dividend had not been paid to the Authority since the year 1993 to end of the year 2018.</p>		<p>belonging to the Authority, that activities should be carried out following the prevailing rules and regulations and without being incurred losses to the Government. As well, necessary action should be taken to look into the management weakness of the companies.</p>	<p>as dividends in the year 2014. Further, action will be taken regarding not paying of dividends by the Company.</p>	<p>company, no dividend was given from the institutions such as Housing Development Finance Corporation and Colombo Land and Development Company.</p>
<p>11 (i)</p>	<p>Identified Losses</p> <p>A land belonging to the Authority, located at adjoining D.R.Wijewardana Mawatha and extent of 2</p>	<p>3.2 (a) - 2018</p>	<p>When leasing the lands of the Authority, the lease amount should be charged</p>	<p>According to the direction given by the Secretary to the Ministry, action is already being taken</p>	<p>No action has been taken against the responsible</p>

	<p>acres, 2 roods and 21.4 perches had been leased to a private Company for 99 years long term lease basis. When leasing the land, the approval of the Board of Directors had not been obtained and the land had been leased below the Government value by 330 million. Even though the Authority had incurred a loss of Rs. 330 million, any action was not taken against the responsible party in this regard.</p>		<p>on the prescribed assessed value.</p>	<p>to recover that amount from the lessee.</p>	<p>parties In this regard and no action has been taken to recover from the relevant lessee.</p>
(ii)	<p>A compensation amounting to Rs. 72,257,674 had been paid to the owners of land plots acquired for Thirasara Purawara Development Programme, in the area of Modara Aluthmawatha. However, due to the inefficiencies in the payment of Compensation, an additional interest amounting to Rs. 4,034,154 had to be paid.</p>	3.2 (b) - 2018	<p>In order to make the compensation payments within a specified time period, control systems should be introduced and implemented.</p>	<p>That land had been acquired as per the requirement of the REAL Company Ltd. In the early stage, the Treasury funds had been released to the REAL Company for acquisition of lands and then transferred to the Authority. Subsequently, due to inactivate of the</p>	<p>At present, no control systems have been introduced to enable the payment of compensation in due time. It was observed that delays in payment</p>

				<p>Company, said Treasury provisions were not received. In such a situation, the interest and compensation had to be paid by the Authority.</p>	<p>of compensation to the external parties and the unnecessary expense will has to be incurred by the authority in the future due to non-contracting of agreements with other government agencies to acquire lands for land needs and non-reimbursement of compensation by those agencies. Example - Land</p>
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					acquisition for Kanapati Vidyalaya.
12	Management Inefficiencies				
(i)	<p>According to the financial estimates of the Urban Regeneration Project and the instructions and proposal given by the Cabinet of Ministers, the lands acquired for the enterprises should be used for the investment activities in order to generate the funds. However, many lands acquired by the Authority had not been used for such income generation projects and in order to generate the funds, required business plans had not been prepared up to end of the year under review.</p>	3.3 (a) - 2018	<p>Before implementing the projects, the feasibility studies should be conducted and the plans should be prepared for the projects.</p>	<p>Out of the lands released to the authority, the lands which could not be released on such long-term lease basis, had been released for activities based on medium- and short-term lease basis and thus the authority is receiving income. In addition, the proposals had been called to find developers, but have not received any response. Therefore, those lands had been selected to construct the apartment houses under the Urban Regeneration Projects.</p>	<p>As of 20 October 2020, the lands released by the Urban Regeneration Project have not been used for investment projects and out of 112 acres, 29 acres have been given to mixed development projects carried out by the authority, 32 acres have been given for</p>

					resettlement , and 50 acres are intended to be given to government agencies. The lands thus acquired had not been assessed and adjusted to the accounts.
(ii)	The Trans Work Square land in Colombo Fort had been transferred on long term lease basis less than the market value for Rs.4,999,706,950 to a locally registered foreign private Company as decided in 2012. Even though it had been proposed to recover the difference between the leased value and the market value, amounting to of Rs.	3.3 (b) - 2018	Action should be taken to recover the difference between the market value and the leased value of the property according to the policies of the Authority and without incurring a loss to the Government.	The lease value that can be collected from the authority when leasing land owned by the authority is determined according to the relevant lease period. As indicated in the audit query, the investment company has paid to	In case of sale of housing units on the basis of floor extent, Charges are made to the Condominium Management Authority. and is not

	<p>1,250,400,000, it had not been recovered.</p>			<p>the authority the amount determined as the 99-years lease value for the Fort Transwerk land. The difference between the market value of the land and the leased value is to be recovered at the time of sale of the housing units on the basis of floor extent of the housing units constructed in the development project. As it is the method implemented in the releasing of lands for mixed development activities, the authority does not have the ability to recover the relevant total amount outside of that situation.</p>	<p>related to the value of the land. Therefore, action has not been taken to recover the loss from the company and no disciplinary action has been taken against the officials who acted to cause losses to the entity relating to leasing of the land. According to the agreement entered into in 2013, the developmen</p>
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					<p>t housing project should be completed within 5 years and the construction has not been completed up to now and the authority should supervise the work site every three months, but there was no evidence that such supervision was done.</p>
(iii)	Sixty-four employees those who were not in the approved cadre of the Authority had been recruited through a subsidiary Company of the Authority	3.3 (c) - 2018	The required cadre for the Authority should be recruited based on the approval given by the	According to the service requirement, having the approval of the Board of Management and publishing a notice	Although the necessary staff of the authority should be

	<p>and assigned to the service of the Authority paying a sum of Rs. 51,175,500 as salaries and allowances.</p>		<p>Management Services Department.</p>	<p>in the web page of the Authority, that staff had been recruited. Majority of the applicants for the posts were employees worked in contract basis in a subsidiary Company. Those posts are the approved posts included in the cadre approved by the Department of Management Services on 03.01.2020.</p>	<p>recruited through public notices based on the approval of the management service department, they were recruited on a contract basis to a subsidiary company under the Urban Development Authority and then they were recruited to the authority for permanent service in the year 2019.</p>
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(iv)	<p>Without obtaining the prior approval of the Treasury, one third from the basic salary as a special allowance had been paid continuously since several years to 108 officers including all officers in the Chairman's and Director General's offices and others. A sum of Rs.12,451,408 had been paid so during the year under review. As well, the selection procedure of the officers for the payment of the special allowance and basis of payments had not been explained to audit.</p>	3.3 (f) - 2018	<p>The payment of a confidential allowances should be made with the relevant approvals</p>	<p>The audit and Management Committee held on 03.12.2012, had recommended to pay 1/3 of allowance to the staff of Chairman's and Director General's office as a confidential allowance. The approval of the Board of Management had been granted on 17.04.2013 (Board Paper No. 107/2013). Treasury approval will be sought for this.</p>	<p>Even in the year 2019, a special allowance equal to 1/3 of the basic salary was paid to the selected officers without the prior approval of the treasury.</p>
(v)	<p>Contrary to the conditions presented in the calling of bids, when leasing the Charmas Granary land in Pettah, sub-leases had been given by the lease owner in an irregular manner and approval had been given for the permanent shops by the</p>	3.3 (e) - 2018	<p>When leasing the lands, it should be conducted in transparent manner and follow-up action should be taken to ensure adhere to the lease</p>	<p>There is no any business in the land other than the vehicle park. Accordingly, there was no any legal bound with regard to the leasing the land on long term basis.</p>	

	Authority indirectly. As a result, the legal issues relating to long term leasing were created. As well, due to the changes made to the lease conditions after being leased, the opportunity available to get higher price from the leasing of the land was lost by the Authority.		conditions.		
13	<p>Deficiencies in contract administration</p> <p>The construction works of the Jaffna Rest House, extent of 3,118 square meters comprising of 32 rooms, had been commenced nearby the Lagoon and without obtaining the approval of the Department of coastal conservation. The construction works had been abandoned in the year 2016 after being constructed of gabion wall and the foundation of the building. As a result, the opportunities to use this construction cost amounting to Rs.77,488,989 for alternative work was lost</p>	3.8 (b) - 2018	When starting the projects, the effectiveness should be correctly identified through the feasibility studies and the projects should be started and implemented.	The new management appointed in 2015 has temporarily suspended the funding to the project and its work until 2020. At present, attention has been paid to this and the approval of the Department of Coastal Conservation has been obtained and the necessary steps are being taken to carry out the further work with the financial	Even now, the said construction work had not started and with the said land and construction costing Rs.77,488,989, it is proposed to be leased to Rs. 997 million in the year 2022 on a 99-year lease basis.

	by the Authority. Further, it was observed in audit that the iron bars used for the concrete beams were decaying and as a result, the expenditure incurred thereon had been become unproductive.			contribution of the private sector and as a Public Private Participation Model (PPP).	
14 (i)	Idle or Underutilized Property, Plants and Equipment The approval of the Cabinet of Ministers had been given to the Authority on 21 December 2016 to acquire the Millewa state belonging to the Land Reform Commission, extent of 812.63 acres (320 Hectors), for establishment of the Horana Industrial City. According, without being conducted a feasibility study and without considering the contribution given by the rubber manufacturing income, above land had been taken over in the years 2017 and 2018. However, planning of the industrial	3.6 (a) - 2018	Acquisition of lands for the projects should be carried out based on the plans, so as to minimize the effects cause to the national economy and to the society, until make use of lands for the desired purpose. Without being allowed to interpret the circular instructions to the officers, payments should be made according to the	It had been proposed to pay, 1/3 of the salary for the additional duties carried out by the officers, according to the circular instructions, a management board paper has been presented for that purpose. Until obtain the approval for the 1/3 allowance, ½ of the allowance had been paid to the officers. Nevertheless, action has been taken to suspend that payment too from February 2020.	It was observed that Millawa Estate with extent of 320 hectare, acquired for the establishment of the Horana Industrial City is currently being given to the Sri Lanka Army, Prisons Department, Cultural

	<p>city, development of infrastructure facilities to the industrial city and conducting of other development functions, had not been carried out up to the date of audit. Further any action had not been taken by the Authority with regard to the rehabilitating the state employees those who lost their jobs and houses due to this development activities. Currently, rubber tapping activities have been conducted inefficient manner and the production was reduced by 30 percent compared to the income earned before the acquisition.</p>		Treasury instructions.		<p>Department and to provide lands for the land lost during the construction of Ruwanpura Expressway , etc. for the land needs of various institutions without the intention of establishing the industrial city.</p>
(ii)	<p>The Colombo Central Super Shopping Complex, Colombo Gold Centre, Floating Market Complex and Pavement Park in Borella have been operated by the Authority on lease and rental basis, giving to Entrepreneurs. However, due to planning weakness and</p>	3.6 (b) - 2018	<p>An effective programme should be implemented to utilize those idle properties in efficient manner.</p>	<p>Comments had not been given.</p>	<p>It was observed that the Colombo Central Shopping Complex, Colombo Gold Center,</p>

	poor customer base, those shopping complexes were unsuccessful and most of shops had been closed down by end of the year under review. The Authority had not taken progressive action to reactivate those projects and to conduct effective advertisement programs for those shopping complexes.				Floating Market Complex and Pavement Park in Borella as mentioned above have failed due to various reasons such as lack of sufficient customers, planning weaknesses etc. But in the year 2020, Rs. 8.36 million had been spent for the Floating Market Complex.
15 (i)	Procurement Management Contrary to objectives of the Authority and without following the procurement	3.7 (a) - 2018	Action should be taken by the management to carry out the	Due to the limited time period available to complete the works, it was	The management had not done as per

	<p>procedures, a sum of Rs. 11.9 million had been incurred by the Authority by obtaining the services from 2 private firms for the new year festival organized by the Ministry in April 2018.</p>		<p>procurement functions following the procurement procedure.</p>	<p>impossible to follow the procurement procedure. Based on the approval given by the Director General, the quotations had been obtained from the prior service providers through fax and referring the web sites, by the procurement Division of the Authority.</p>	<p>the procurement procedure related to the procurements even by 31 December 2019.</p>
(ii)	<p>According to the procurement plan of the Authority for the year 2018, it had been planned to conduct 147 procurement activities under the Treasury provisions, and 116 Procurements scheduled to be completed up to end of the year 2018. However, procurement activities relating to only for 39 projects, that scheduled to be completed in the year 2018 had been completed.</p>	3.7 (b) - 2018	<p>Action should be taken to complete the project activities as per the plans after preparing the procurement plan.</p>	<p>As it had been informed to provide a separate procurement plan for the Treasury provisions, a separate plan had been prepared. As well, a procurement plan for the Authority's funds had been separately prepared. Furthermore, since the information was</p>	<p>As per the Paragraph 4.2 of the procurement guidelines, for the years 2019 and 2020, it was informed to submit a main procurement plan for the next 03 years and a</p>

	<p>Compared to the plans, that was as low as 33.62 per cent.</p>			<p>not received before the due date for inclusion in the goods and services procurement plans, the plans for the years 2017 and 2018 could not be finalized on due duets.</p>	<p>detailed procurement plan for the respective years, but the authority had not submitted a procurement plan for goods and services.</p>
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33. National Livestock Development Board

01. Name of the Entity - National Livestock Development Board

Accounts for the year 2018 have not been submitted.

Accounts for the year 2019 have not been submitted.

Accounts for the year 2020 have not been submitted.

34. Employees' Trust Fund Board

01. Name of the Entity - Employees' Trust Fund Board

02. Audit opinion for the years 2018, 2019 and 2020:-

- 2018 Qualified Opinion
- 2019 Qualified Opinion
- 2020 Qualified Opinion

03. Audit observations

No.	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01	Although the Board is a leading investor of government securities, it had not obtained the Direct Bidding Facility at securities auctions from the Central Bank of Sri Lanka. Although a directive was given to the Board at the Committee on Public Enterprises held on 26 August 2016 to register as a Primary Dealer with the Central Bank of Sri Lanka, it had not been thus registered even by 31 December 2020. (Paragraph 3.1 f 2020, 3.2 b	It is the responsibility of the Management to implement the directives given by the Committee on Public Enterprises.	It is working with the Central Bank of Sri Lanka to obtain the Direct Bidding Facility and the board has been informed of the requirements to be met for consideration. Relevant information related to legal and other requirements has been asked from those departments. Necessary arrangements are being made to recruit	For the recruitment of an Assistant General Manager, it is expected to obtain the approval of the Department of Management Services for the due process for the recruitment of a General Manager.

	2019, 3.2 c 2018)		the required staff.	
02	<p>After the year 2016, the board had withdrawn from the treasury bonds secondary market transactions and had not re-entered the secondary market transactions even by 31 December 2018. Due to this, there is a problematic situation of investing excess money, and due to this, it was revealed that the opportunity of investing in government securities with low risk in the management of the investment portfolio is lost. (Paragraph 2018 – 3.2 - d)</p>	<p>It should be re-entered into the treasury bonds secondary market transactions and the necessary technical facilities, internal control and human resources should be developed.</p>	<p>Necessary steps are being taken to recruit the necessary qualified staff to expand the activities of the institution. After recruiting the staff, Bloomberg and other related facilities can be arranged with the approval of the Board of Directors.</p>	<p>After the interviews, one manager has been selected and recruited from May 2021. The approval of the Department of Management Services for the procedure for recruiting an assistant general manager is to be obtained.</p>
03	<p>Dividend income had not been received since 2015, 2018 and 2019 for the investment of ordinary shares amounting to Rs.31.41 million, Rs. 30.14 million and Rs. 49.10 million respectively made by 06 listed companies as at 31 December 2020. (Paragraph 2020 – 3.2 - a)</p>	<p>The investment portfolio should be managed in a way that the members get higher returns.</p>	<p>Receiving dividends or not receiving dividends by a Company from its investment of shares depends on the performance of those companies. It is also influenced by internal and external factors. Thus, the entire country was isolated</p>	<p>No dividends have been received for these investments for the year 2021 as well.</p>

			and closed for months due to the Covid-19 epidemic situation in the country in 2020 and the economic growth of the country was also taken at a negative value of 3.2. Therefore, many companies were unable to carry out their day-to-day operations properly and were unable to declare dividends.	
04	<p>The Market value of the investments made by the Board in 12 listed companies in the year 2015 was Rs. 902.71 million and the Board had not focused its attention on minimizing capital losses as those shares had not been offered for trading at the stock market since 2015. The market value of those shares had dropped up to Rs. 553.10 million as at 31 December 2020.</p> <p>(Paragraph 2020 – 3.2 - b)</p>	The investment portfolio should be managed in a way that the members get higher returns.	Since these companies are also leading companies registered in the stock market, it is anticipated to make a profit when their market price is higher than the actual cost.	Compared to the year 2021, the market value of investments had increased, but compared to the year 2015, the market value of the year 2021 had decreased. The market value as at 31 December 2021 was Rs.770.94 million.

05	<p>The Board provides temporary registration numbers to employers, who register only with the Employees' Trust Fund Board without obtaining the membership of the Employees' Provident Fund and register such employers as 'Dummy' employers. Contributions received from such Dummy employers are maintained in temporary accounts called 'X'. Accordingly, the balance in 'X' Accounts (AX to XX) as at 31 December 2020, without being credited to the personal accounts of the respective members, was Rs. 317,699,475. Contributions maintained in those account could not be credited to the members' personal accounts as an appropriate programme had not been formulated to register the "Dummy" employers as actual employers of the Board.</p> <p>(Paragraph 2020 – 3.2 - d)</p>	<p>It is the responsibility of the Management to implement a suitable programme to transfer dummy numbers to permanent employer numbers.</p>	<p>The Department of Labor has been in the process of exchanging monthly registered information with the Employees Provident Fund, and based on that information, 'Dummy' numbers are being transferred to permanent employer numbers. There are occasions, when permanent employer numbers are obtained by the regional offices of this Board during the institutional inspections and when information is provided to us after employers are registered with the Employees' Provident Fund and in such occasions, contributions paid under "Dummy" numbers are constantly transferred to permanent</p>	<p>In these accounts, there was a balance of Rs.323,525,004 as at 31 December 2021 related to 25,303 employers. Adequate steps have not been taken to register the concerned employers as permanent employers in the Board.</p>
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			employer numbers.	
06	<p>As targeted by the information technology department since 2014 according to the corporate plan, the tasks of studying the existing member account management system and developing a new software system and implementing disaster prevention plans had not been accomplished by the end of 2018.</p> <p>(Paragraph 2018 – 4.1)</p>	<p>To establish efficient and effective methods to accomplish the objectives and tasks outlined in the corporate plan.</p>	<p>A new computer system is being prepared in collaboration with ICTA and INOVA.</p>	<p>The development of the new information technology system has not yet been completed.</p>
07	<p>Action had not been taken to settle a total of Rs. 44.32 million comprised of Rs. 17.47 million, unclaimed death benefits, which have been continuously increasing since 1995 and Rs.26.85 Million as retained benefits existing from the year 2001 by identifying the relevant members even by 31 December in the year under review.</p> <p>(Paragraph 2020 -3.1 -b, 2018 -3.1, 2019 -3.1 -a)</p>	<p>It is the responsibility of the Management to separately identify the unsettled and unclaimed death benefits and the retained benefits and to formulate a suitable programme to settle such benefits.</p>	<p>The current practice that is being followed is to pay only the shares of those, who have submitted documents, while retaining the shares of the claimants, who are not presenting themselves as a whole and at the same time, in instances where there are several claimants for getting benefits after the death</p>	<p>As at 31 December 2021, the unclaimed death benefit balance was Rs. 21.69 million and the retained benefit balance was Rs. 17.29 million and the members related to those balances had not been identified and settled.</p>

			<p>of the members and some members, who do not submit sufficient information.</p> <p>They were notified through phone calls and letters for the unclaimed general benefits and welfare benefits and paid money and it has been proposed to follow the same procedures in the future as well as get the information of the bank beneficiaries and make the relevant payments.</p>	
08	<p>The contributions totalling to Rs.943.78 million as at 31 December 2020 charged from 8,213 employers during the period from 1981 to 2019 by the Board had been retained in the employer's accounts without being credited to the personal accounts of each member in terms of Section 16 of the Employees' Trust Fund Board Act. It was</p>	<p>Improving the method of charging members' amounts in a manner that it is possible to accurately and expeditiously identify the members, to whom contributions should be credited and necessary arrangements should be made to expedite</p>	<p>As of 31.03.2021, there are 7 files left in the large category of member accounts and the money should be credited to the member accounts.</p> <p>Without sufficient information to specifically allocate the contributions that should be credited to</p>	<p>Out of the contributions of Rs. 943.78 million from the year 1981 to 2019, Rs. 446.9 million remained to be settled at 31 December 2021. Furthermore, Rs. 387.57 million from the contributions received from 2260</p>

	<p>observed that there was a risk of losing money for the relevant members by retaining in this manner without identifying the relevant member accounts and crediting them to those accounts. However, the Chairman of the Board had informed me that a sum of Rs. 381.86 million, out of this balance, had been settled as at 16 August 2021.</p> <p>(Paragraph 2020 – 1.5.2 a)</p>	<p>the identification of unidentified members' amounts.</p>	<p>each member, the contributions of the members who have benefited so far are deducted from the total of the membership money and the remaining money is being distributed to the other members in proportion to the contributions of each member.</p> <p>Furthermore, letters dated 15.02.2021 have been addressed to the chief executive officers of the institutions that do not submit half-yearly reports but have paid contributions.</p> <p>According to its response, the nearest half-yearly report is adjusted and the accounts are updated.</p>	<p>employers for the year 2020 remained to be settled further.</p>
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09	<p>According to the Incorporation Act, the Chief Executive Officer of the Board is the Chairman of the Board. However, it was recommended at the meeting of the Committee on Public Enterprises held on 26 August 2016, that Section 5 (2) of the Employees' Trust Fund Act, which reads as the Chairman of the Board, who shall be the Chief Executive of the Board, be amended as the Board is a financial institution. However, necessary amendment to the Act had not been made by the Board even by the end of the year 2020.</p> <p>(Paragraph 2020 – 3.1 - e, 2018 – 4.3)</p>	<p>Relevant approvals should be obtained expeditiously and action should be taken to amend the Act.</p>	<p>The current chairman is going to discuss this with the Ministry of Finance and take a decision.</p>	<p>Further activities related to the amendment of the Act are being carried out.</p>
10	<p>Every government institution should act upon with the United Nations “2030 Agenda” for Sustainable Development and the Board had made aware on how to be active in its scope of activities. However, action had not been taken to identify</p>	<p>The institution should work in accordance with the United Nations “2030 Agenda” for Sustainable Development.</p>	<p>It has been informed that the board hopes to include a new study on the strategies of the institution to achieve sustainable development goals in the corporate plan of the institution and get</p>	<p>Sustainable development goals are not recognized and acted upon.</p>

	<p>the Sustainable Development Goals and the milestones to achieve the goals and the indicators for measuring achievements on those goals.</p> <p>(Paragraph 2018 - 4.5)</p>		<p>the support of experts for that.</p>	
11	<p>As per the Shop and Office Employees Act No. 19 of 1954, one and a half times of the average wage per hour should be paid for one overtime hour in the payment of overtime. However, the Board had paid overtime by paying one and a half hours for one hour of overtime and by adding a one day's pay when work for 8 hours is completed on Saturdays / Sundays. Accordingly, the overtime cost of the Board for the year 2019 and 2018 was Rs. 25,505,000 and Rs.18,615,000 respectively. Furthermore, the officers of the Board are required to work five and a half days per week and only 21 days of annual leave had been allowed in terms of the Act.</p>	<p>As an institution operating under the Shops and Office Employees Act, it is required to act in accordance with the provisions of the Act regarding overtime and leave.</p>	<p>It has been informed that it cannot be amended at this time as it is a system that has been given to the employees since the beginning of the board.</p>	<p>No change has been made to the overtime payment method.</p>

	<p>However, in contrary to that, the officers of the Board were allowed to take 42 annual leave and to work only for 5 days per week.</p> <p>(Paragraph 2020 – 1.6 - a, 2019 – 1.6 a, 2018 – 1.6)</p>			
12	<p>As per the Section 9.14.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Financial and Administrative Procedures Manuals of the Board currently in operation had not been submitted to the General Treasury and the approval of the General Treasury had not been obtained for the Manuals.</p> <p>(Paragraph - 2020-1.6-c)</p>	<p>Action should be taken to obtain the approval of the General Treasury.</p>	<p>The approval of the Board of Directors has been granted for the financial and administrative procedures Manuals of the Board and it has been scheduled to update the manuals and to submit them for the approval of the General Treasury in the future.</p>	<p>Treasury approval has not been obtained up to now.</p>
13	<p>As per the Public Enterprises Circular No. 95 dated 14 June 1994 and Public Finance Circular No. PF/PE 5 dated 11 January 2000, additional allowances, incentives and other types of financial benefits should not be paid to the employees and</p>	<p>The approval of the General Treasury should be obtained for all types of allowances as per the provisions of the Circulars.</p>	<p>Action is being taken to obtain the relevant approvals.</p>	<p>Action is being taken to obtain approvals.</p>

	<p>to the members of the Board of Directors without the proper approval of the Treasury. However, the Board had paid a total of Rs.137.90 million comprised of Rs. 11.34 million as food allowances and Rs. 25.02 million as allowances for the remaining days of leave and Rs. 91.06 million as the reimbursement of medical expenses and Rs. 10.48 million as the reimbursement of the interest of the housing loan during the year under review had been paid to the staff without the proper approval of the General Treasury.</p> <p>(Paragraph - 2020-1.6- d)</p>			
14	<p>A sum of Rs. 9.39 million, further recoverable from debenture interest receivable from Elkaduwa Plantation Company and outstanding for a number of years had not yet been recovered even by 31 July 2021.</p> <p>(Paragraph - 2020-1.7.1)</p>	<p>Follow up activities should be done.</p>	<p>Several letters informing to pay the arrears have been sent to the Elkaduwa Plantation Company and last informed by letter dated 04.01.2022. It has been informed that the Company has</p>	<p>As at 31 December 2021, the debenture interest had not been recovered.</p>

			faced financial encumbrances owing to Covid pandemic.	
15	<p>According to the Agreement entered with the Bank for the Staff Housing Loan Scheme, which is being implemented jointly with the State Mortgage and Investment Bank, the principal and interest recovered from the employees are to be remitted to the Board once in every three months. However, the audit observed that the bank adds and show the balance to the deposit account at the end of the financial year in contrary to that. As a result, it was observed that the Board would not receive any return for the year in respect of cash and interest collected during the year and the money could not be used for any other source of investment. Accordingly, any benefit had not been received from Rs. 24.47 million, the loan repayments and Rs. 6.15</p>	<p>Action should be taken in accordance with the Agreement.</p>	<p>An agreement has been entered into with the State Mortgage and Investment Bank to correct the deficiencies pointed out by the audit and include the amended matters.</p>	<p>Even by 31 December 2021, there has been no remittance of debt recovery to the board once in 03 months.</p>

	million, charging of interest for the year 2020. (Paragraph - 2020-1.8, 2019-1.7)			
16	As per the amendments made by Section 20 (1) of the Employees' Trust Fund Board Act No. 46 of 1980 and Section 7 of the Employees' Trust Fund Board (Amendment) Act No. 47 of 1988, the Board had been allowed to register self-employed persons. However, only 42,694 self-employed persons or 1.55 per cent, out of 2,746,711 self-employed persons recorded in Sri Lanka, had been registered with the Fund by 31 December 2020 and out of that 5,308 were active members. Although a separate Division has been set up within the Board to promote this sector specified by the Employees' Trust Fund Board Act and strategies have been outlined in the Action Plan, the number newly registered in	A systematic programme should be formulated and implemented for the registration of self-employed persons.	1614 new members had been recruited as at 31 December 2019, under the Innovation Programme introduced in the year 2019.	254 new registrations have been made for the year 2021. However, not enough progress is being observed in the registration of the self-employed persons.

	the year 2020 was only 481. (Paragraph - 2020-3.1 a)			
17	An amendment to the contribution had not been made within 10 years after the monthly contribution charged from one person for the member, spouse and each dependent for the medical assistance scheme implemented for the member of the Board was amended by the Administration and Human Resources Circular bearing No. 2011/10 as Rs.30. However, the total reimbursement expenses of the medical bills for the year 2020 was Rs. 92.57 million and the membership contribution for that was only Rs.1.51 million or 1.6 percent. Accordingly, the Board had to bear the balance amount of Rs. 91.06 million or 98.4 percent. Although it has been stated that “unemployed and unmarried children, who depend on the employees” are eligible to receive benefits under this	When spending from the members’ fund, which consists of members’ contributions, well-managed and well-planned action should be taken.	It has been informed that steps will be taken to increase the contribution amount.	No action has been taken to increase the contribution amount.

	<p>scheme according to the Circular No.2006/25 dated 31/08/2006 issued by the Administration and Human Resources Division of the Board, weaknesses such as not fixing a maximum age limit for children, there has been no system to check whether the children are working or not, there has been no system to check the marital status of children, etc and weaknesses in internal control system such as not checking the condition since a special statement in relation to bill has not been included in the computer system although it was stated that bill up to a maximum of Rs.5000 could be reimbursed once in every two years when obtaining special equipment under outpatient treatment were observed.</p> <p>(Paragraph - 2020-3.1 d)</p>			
18	<p>The Board had invested in three-unit trust funds and Namal Vardhana Fund out of those funds had a balance of</p>	<p>The investment portfolio should be managed in a way that the members get</p>	<p>225,000 units (50%) have been sold so far out of 450,000 units of Namal Wardhana</p>	<p>Invested unit price of Rs.10 in the year 1997 has increased</p>

	<p>450,000 units by the year 2020. Dividends were not received for the year 2020 as this is a growth fund and therefore, dividend payments are not mandatory. Although the market value of the units of Namal Vardhana Fund has increased in 2020, it was observed in the examination of the financial statements that the Fund had incurred a financial loss in the years 2019 and 2020. Further, a risk in this investment is observed by the decrease in net assets attributable to unit holders by the reduction in Rs. 703 million, the net asset value in the year 2017 up to Rs.350 million in the year 2020.</p> <p>(Paragraph - 2020 – 3.2 – c)</p>	<p>higher returns.</p>	<p>Fund remained as at 31 December 2020.</p>	<p>to Rs.154.26.</p>
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35. Ceylon Electricity Board

01. Name of the Entity: Ceylon Electricity Board

02. Audit Opinion

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

03. Audit Observations

Year of Audit Report & reference to Audit Paragraph	Major deficiency included in the Audit Report	Auditor General's Recommendation	Preventive measures taken by the entity	Present position	
1	<p>2020 - 1.5.1 (a) (i)</p> <p>2019 – 1.5.4 (d)</p> <p>2018 – 1.5.4 (d)</p>	<p>Contrary to the paragraph 4.1(b) of the Conceptual Framework for financial reporting, expenses amounting to Rs.43.97 million which have no direct association between the cost incurred and earning of specific items of income of the board and which are the administration expenses of the</p>	<p>Comply with the requirements of provision of accounting standards to recognize relevant expenses to the organization and utilized the assets for organizational purpose.</p>	<p>Not taken any preventive measure and the Management Committee of the Provident Fund decided to continue the existing practice and the Board granted approval for the same.</p>	<p>The existing practice is continued.</p>

		separate entity had been recognized as expenses of the CEB in its income statement.			
2	2020 - 1.5.1 (a) (ii)	Contrary to the paragraph 4.3 of the Conceptual Framework for financial reporting, the assets valued at Rs.8 million which Economic benefits do not flow to the board and controlling power and right of assets lie with the board had been utilized by other entity.	Comply with the requirements of provision of accounting standards to recognize relevant expenses to the organization and utilized the assets for organizational purpose.	Same as above	Same as above
3	2020 - 1.5.1 (a) (iii)	Ownership of the land of head office building is unable to verify due to non-availability of documents related to the right of the assets.	Make necessary action to establish the ownership of the Land of Head office Building.	CEB has requested the Land Commissioner to make necessary arrangements to establish the ownership of the CEB Head Office building.	The Divisional Secretariat, Colombo has submitted the report to Land Commissioner regarding the ownership.

4	<p>2020 - 1.5.1 (b)</p> <p>2019 – 1.5.3 (b)</p> <p>2018 – 1.5.3(a)</p>	<p>CEB is applying the standard cost method for valuing of material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the LKAS 2- Inventories and LKAS 16- Property Plant and Equipment. As a result, the favorable material price variance and overhead rate variances aggregating to Rs.4,038,696,594 and unfavorable stores price variance of Rs.1,776,858,186 arisen thereon for the year 2020 had been brought to the financial statements.</p> <p>As a result of that, the operating results, assets, liabilities and equity of the CEB have been</p>	<p>Apply actual Cost or approximate cost base when valuing the stock.</p>	<p>Continuous effort is taken to minimize the gap between the actual and standard price.</p>	<p>Continuous effort is taken to minimize the gap between the actual and standard price.</p>
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		<p>significantly affected due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information relating to those capital jobs.</p>			
5	<p>2020 – 1.5.1 (c)</p> <p>2019 – 1.5.3 (d)</p> <p>2018 – 1.5.3 (c)</p>	<p>LKAS 16 – Property, Plant and Equipment</p> <p>The fixed assets amounting to Rs.171.2 billion out of Rs. 172.2 billion in the Transmission Division had not been physically verified during the year 2020.</p>	<p>Conduct a physical verification of fixed assets in each year as per the LKAS 16.</p>	<p>All moveable fixed assets are physically verified successfully.</p> <p>Action will be taken in future to explore the possibilities of carrying out the physical verification of other immoveable assets as well with the support of the staff</p>	<p>Action will be taken in future to explore the possibilities of carrying out the physical verification of other immoveable assets as well with the support of the staff involved in the operations of the transmission network.</p>

				involved in the operations of the transmission network.	
6	2020 - 1.5.2 2019 – 1.5.3 (c) 2018 – 1.5.3 (b) ii	The useful lifetime of the fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed and adjusted prospectively as mentioned in the accounting policy no.2.4.6(e) and 3 (c). For instance, fully depreciated property, plant and equipment amount of Rs.187.58 billion are being still using without estimating the real life time	Review the useful life of the fully depreciated assets.	A Committee has already been appointed to review the useful life of the fully depreciated power stations. However, due to the complexity and uniqueness of the power station, it would take a considerable time for the valuation. The implementation of the revised useful lives for Motor Vehicles will be made in year 2021 with the approval of the Board.	Useful life for Motor Vehicles has been revised and necessary accounting adjustments have been made in the financial statements for year 2021. However, the review on Generation Power Plants are still in progress.

				<p>The major component of the balance assets is the transmission and distribution lines which is 38% of the fully depreciated assets. Action will be taken to identify a mechanism to resolve the audit observation.</p>	
7	<p>2020 – 1.5.3 (a)</p> <p>2019 – 1.5.4 (a)</p> <p>2018 – 1.5.4 (b)</p>	<p>A debit balance of Rs.189.54 million (stock shortage) and a credit balance of Rs.114.64 million (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.</p>	<p>Take necessary Action to clear the stock excess and shortage within short period from the occurrence.</p>	<p>The following action have been taken to clear the stock adjustment.</p> <ul style="list-style-type: none"> •Appointment of committees to resolve the matters •Conducting formal inquires against the responsible employees •Seeking legal 	<p>The same process will be continued and 67% of the surplus balance and 46% of the shortage balance are included in the process.</p>

				<p>advises, and</p> <ul style="list-style-type: none"> •Submitting board papers. <p>Accordingly, more than 46% of the shortage balance and 30% of the surplus balance are included in the above process.</p>	
8	<p>2020 – 1.5.3 (b)</p> <p>2019 – 1.5.4 (b), (c)</p> <p>2018 – 1.5.4 €</p>	<p>Loan amount aggregating to Rs.159.18 billion obtained for the construction of Lakwijaya Power Plant should be transferred to the Lanka Coal Company (Pvt) Ltd (LCC) by the treasury and CEB should pay the equivalent amount required for debt servicing to LCC as per the requirements of the Cabinet decision no.</p>	<p>Take necessary action to adjust the books of CEB once the written direction received from Department of Treasury Operations or to pay the outstanding balances.</p>	<p>The said matters have not been resolved.</p>	<p>The said matters have not been resolved.</p>

	<p>10/2434/423/034 dated 13 October 2010. According to the letter no. PE/EN/CEB/Equity/20 14 dated 30 September 2014 issued by the Secretary to Treasury, these loans should be treated as direct loans of CEB. However, the CEB had recorded these loans as loans received from General Treasury even no any sub loan agreements entered with the General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans cannot be quantified.</p> <p>Further, an amount of Rs.20.5 billion including Rs.3.56 billion of interest payment and amount</p>			
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		<p>of Rs. 20.54 billion including Rs.3.15 billion of interest payment incurred by the treasury had been transferred to the equity of CEB in 2019 and 2020 respectively.</p> <p>However, CEB had charged interest expenses to the income statement which were transferred as interest to the equity even this expense was not incurred by the CEB. Hence, loss for the years 2019 and 2020 had been overstated by Rs.3.56 billion and Rs.3.15 billion respectively.</p> <p>Further, CEB had charged Rs.11.89 billion and Rs.20.86 million to the income statement as exchange loss in the year 2019</p>			
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		<p>and 2020 respectively even the Section 42(6) of Electricity Board act no. 17 of 1969 stated that the any loss or profit in relation to the revaluation of Sri Lanka rupee which the loan made to the board with approval and guarantee of the government should charge to the consolidated fund and government shall bear that losses or profit. Therefore, loss for the years had been overstated by Rs. 11.89 billion and Rs.20.86 million in the years 2019 and 2020 respectively.</p>			
9	<p>2020 – 1.5.3 €</p> <p>2019 – 1.5.4 (b) (c)</p>	<p>CEB had recorded the amount of Rs.25.23 billion as disbursed from foreign loans after 31 December 2014 for the Projects as sub loans from</p>	<p>Disclose the required matters.</p>	<p>Until the direction is received by treasury to transfer these balances in to equity, CEB has recorded it as a</p>	<p>Until the direction is received by treasury to transfer these balances in to equity CEB has recorded it as a liability to treasury.</p>

	<p>2018 – 1.5.4 (h)</p>	<p>General Treasury even these loans had not been treated as sub loans in treasury financial statements after 31 December 2014. Further repayment of these loans had been assigned to the CEB as per the cabinet decision no.15/0228/613/012 taken on 18 March 2015. However, CEB had not paid or made the provisions for the capital repayment and interest payment for these loans. Hence, existence of these loans is in doubt and impact to the financial statement on repayment conditions (capital and interest payment) is unable to quantify.</p>		<p>liability to treasury.</p>	
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10	2020 – 1.5.3 (d) 2019 – 1.5.4 (g)	Six foreign loans valued at Rs.54.71 billion had been recognized as loan received from General treasury in the financial statements of the Board even no any sub loan agreements entered with General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans is unable to quantify.	Sign the Sub loan agreements with General Treasury.	The said matter has not been resolved.	The said matter has not been resolved.
11	2020 – 1.5.3 e 2019 – 1.5.4 e 2018 – 1.5.4 e	The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners to the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of account the jobs based	Value the said jobs at invoice values and record them accordingly.	As at 2020-12-31, the difference between the actual cost and the estimated value of the jobs carried out for Government institutions is Rs 43,421,695.18. General Manager, CEB,	The difference between the actual cost and the estimated value of the jobs carried out by the Government Institutions as at 31-12-2021 is Rs.36,811,013.41. The settlement details have not been still provided to the

		<p>on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66.99 million as at 31 December 2017. The CEB had not submitted the settlement details of these outstanding balances and invoices as at 31 December 2020 to audit.</p>		<p>by her letter dated 2020-12-21, has sought the assistance of the Director General, Department of Public Enterprises to recover the long overdue amounts from Government Institutions to overcome the cash flow issues faced by CEB and CEB have not so far received a favorable response from the Department of Public Enterprises.</p> <p>The Assets Management Division was unable to recover the overdue</p>	<p>auditor to verify the accuracy.</p>
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				<p>receivables from Government Institutions even after the persistent efforts being taken. Accordingly, DGM(W&AS) has engaged in the process of drafting a Board Paper in this regard.</p> <p>CEB has made a full impairment provision on these receivable balances, considering the expected financial loss which would result in, due to the probable non-recoverability of these balances.</p>	
12	2020 – 1.5.3 (f)	The amount of Rs.500 million out of Rs. 5 billion which was paid	Charge the amount of Rs.5 billion paid to the General Treasury	Based on the Department of Public	This payment is amortized over a period of 10 years

	2019 – 1.5.4 (f)	to the General Treasury as levy in the year 2016 had been amortised to the income statement as payment of management fee during the year under review and amount of Rs.1.5 billion had been charged to the retained earnings. The balance amount of Rs.3.0 billion is shown as other debtors in the financial statement instead of being charged to the equity statement. However, no management services had been obtained by the CEB from the General Treasury. Therefore, loss for the year had been overstated by Rs.500 million	as levy in the year 2016 to the equity statement.	Enterprises letter No.PDE/I/CEB/2/11/(iii) dated 16.10.2019, in year 2019, this payment was considered as “Management Fee” paid to treasury and amortized over a period of 10 years from year 2017.	from year 2017.
13	2020 – 1.5.3 (g)	Completed number of 7,546 Jobs valuing to Rs.6.18 billion is	Take necessary action to capitalize the completed jobs.	Continuous attempts are made to	All the completed jobs transferred to the assets when the

	<p>2019 – 1.5.4 (j)</p> <p>2018 – 1.7 (a) (i)</p>	<p>remained in work in progress account without being transferred to the assets in Distribution Divisions. The depreciation relating to those assets had not been charged to the income statement</p>		<p>capitalize the completed jobs to PPE on time. Provincial level committees have been appointed to monitor continuously and handover the long outstanding capital jobs. Accordingly, DD1 has capitalized 21% and DD3 has capitalized 28% of the jobs over 4 years by 31 May 2021.</p>	<p>completion reports are received. Provincial level committees were appointed to examine the completion reports for long outstanding jobs. Accordingly, 32% of the over 4 jobs have been capitalized as to the date of 31 March 2022.</p>
14	<p>2020 – 1.5.3 (i)</p> <p>2019 – 1.5.4 (m)</p>	<p>Total cost of Rs.179.19 million vehicles purchased for the Puttalam Coal Power project which was completed in 2014 and it was still included in work in progress accounts instead of capitalizing. Hence, retained</p>	<p>Take necessary action to capitalize the said vehicles.</p>	<p>This amount will be transferred to the respective divisions once ownership of the vehicles is transferred to the CEB.</p>	<p>The balance remained unchanged up to now and waiting for PMU's action in order capitalized the remaining balance.</p> <p>Currently, the details of the vehicles purchased by the project are maintained by the</p>

		earnings had been understated by Rs.179.19 million.			PUM itself and the AFM office. Further schedule consisting Vehicles procured from the loan proceeds in being attached with the final accounts.
15	2020 – 1.5.3 (k)	Provision for unrecoverable amount of Rs.30.56 million of Street lightening maintenance expenses had not been made in financial statements.	Review recoverability of the said amount and made required provision in financial statements.	Southern Province has taken a decision to not to reimburse the future maintenance expenses.	A board paper is being prepared to write off the receivable balance.
16	2020 – 1.5.3 (m)	The sundry debtors balance had been overstated by Rs.585.69 million due to recognition of revenue relevant for the period from 01 January 2021 to 15 January 2021 as revenue for the year 2020. Hence Revenue for the year had been overstated by same	Take necessary action to match the period of billing summary with calendar month.	Action has been taken to make the billing summary matches to calendar month. Hence, such balance is not created since year 2021.	Such balance is not created since year 2021

		amount.			
17	2020 – 1.5.3 (n)	Claimable period exceeded amount of Rs.1.57 billion of Economic Service Charge (ESC) had not been charged to income statement. Hence, Loss had been understated by same amount.	Take appropriate action to clear the said matter.	The respective board paper was submitted in the year 2019 seeking approval for the write off. However, CEB Audit Committee recommendation was not to write off these ESC balance but to look at any alternatives to recover or set off this balance against any other payables by referring this matter to Ministry of Power and to General Treasury. It has been informed to General	No response received from General Treasury yet.

				<p>Treasury as part of National Budget Proposals 2018 and it was again informed to General Treasury through the Ministry of Power in year 2020 as part of a tax relief. A reply is not received so far.</p>	
18	2020 – 1.5.3 (o)	<p>Work in progress balance in distribution divisions had been understated by Rs.52.06 million due to offsetting abnormal credit balances.</p>	<p>Take necessary action to rectify the said matter.</p>	<p>The reasons for the unusual credit balances for Rs.26,014,986 has been identified and will be rectified in year 2021 and action is being initiated to review and clear the jobs relating to Lighting Sri</p>	<p>Rs 1.8Mn has already been cleared from the above balance and the balance is in the process of clearing</p>

				Lanka Rathnapura Project for Rs. 26,045,997 on an individual job basis.	
19	2020 – 1.5.3 (p)	The amount of Rs.912.69 million is remained more than one year in Goods in transits account without being transferred to the relevant expenses. Hence loss had been understated by same amount. Further, abnormal credit balance of Rs.245.53 million is remained in the Goods in Transits account without being cleared.	Take necessary action to rectify the said matter.	Action will be taken to rectify the balances in future.	77% of the balance has already been rectified by 2021
20	2020 – 1.5.3 (q)	Cost and cumulative depreciation of Property, Plant and Equipment had been understated due to omission of the values	Take necessary action to record the vehicles to the Fixed Assets register.	Action will be taken to trace the vehicles and record in the Fixed Assets appropriately.	The matter has not been resolved.

		of 12 numbers vehicles in financial statements.			
21	2020 – 1.5.3 (u)	The two projects valued at Rs.167.25 million which is remained without completion from the year 2015 are shown under work in progress without being cleared	Take necessary action to clear the WIP balances of the said projects.	Discussed with relevant officers and necessary action will be taken to clear the WIP balances of the two projects.	<p>Project Name – EDDPDM Board paper is being preparing to write off the WIP Balance of Rs. 39,075,308 remaining in working Progress Account of Electricity Distribution Development Project Dehiwala Mount Lavinia (EDDPDM – 972.10) handled by DGM(PHM) Branch of DD4.</p> <p>Project Name – LSHP Tangalle new gantry to T 13 section was energized on March 30,2022. The balance section of T13-T45 is to be energized in due course since several objections have been</p>

					raised by landowners and the strictly followed way leave clearance according to the PUCSL guidelines with alternative proposals has to be finalized.
22	2020 – 1.5.3 (dd)	The Board had charged a sum of Rs.6.54 million as surcharge erroneously in relation to the outstanding balance available in A/C No.3670100474 even surcharge calculation hold since 2007. Hence retained earnings had been overstated by same amount	Take necessary action to rectify the said matter.	This outstanding surcharge balance of Rs. 6,540,244 related to the court case no. 43932/MR (District court – Colombo), CEB Management has instructed to hold this balance separately until the court case is finalized.	Still remains since the court case is in progress
23	2020 – 1.5.3 (ee)	A provision of Rs.63.56 million for shipment charges of Coal had not been made in the financial statements. Hence loss for the year had been understated by same	Take necessary action to identify accruals relevant to the accounting period correctly.	Rs. 42.03 million out from Rs. 63.56 million had been paid during 2021.	Final amounts for clearance charge in 2018/19 season of Rs. 13,455,000 will be paid once CEB receives clarification letter from CSC. Balance payment of

		amount			final VAT payment of Rs. 8,072,427.98 for the coal season 2018/2019 is still under discussion with LCC.
24	2020 – 1.5.3 (ff) 2019 – (d) 2018 – 1.7 e	Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. However, financial statements of the CEB are continuously restated since the year 2013 due to weaknesses in	Take necessary action to strengthen the internal control system to avoid the restatement of the Financial Statements.	Action will be taken to strengthen the internal control system to avoid the restatement of the Financial Statements.	Action will be taken to strengthen the internal control system to avoid the restatement of the Financial Statements.

		the internal controls established by the Board			
25	2020 – 1.5.3 (gg) 2019 – 1.5.4 (n)	A debit balance of Rs.557.94 million and credit balance of Rs. 556.81 million had been remained without being cleared since 2002 as inter divisions’ current account balances as at 31 December 2020.	Take necessary action to clear the said balances.	Action will be taken to trace the supporting documents and clear the same.	Action will be taken to trace the supporting documents and clear the same.
26	2020 – 1.5.4 (a) 2019 – 1.5.5 (a) 2018 – 1.5.5 (a)	A difference of Rs.753.61 million was observed between the balance shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2020 and the corresponding balance shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that	Take necessary action to solve the matter by the discussion with the relevant parties.	A decision has been taken at the Audit Committee meeting held at the Ministry of Power to arrange a meeting with the representatives from CPC, CEB, Treasury and the Ministry of Power to resolve the matters.	The matter has not been resolved yet.

		<p>date.</p> <p>Further, this dispute had not been cleared even as at 31 December 2020 though it has been reiterated in audit reports since 2013 continuously. (Draft-2020)</p>			
27	<p>2020 – 1.5.4 (b)</p> <p>2019 – 1.5.5 (b)</p> <p>2018 – 1.5.5 (b)</p>	<p>Un-reconciled differences aggregating to Rs.41.18 million was observed between the balances of bulk trade debtors as at 31 December 2020 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements for the year under review due to omission of some balances in billing system and as well as</p>	<p>Take necessary action to reconcile the ledger balances with the system balances in each division and every month.</p>	<p>Debtors' reconciliations are prepared by all Distribution Divisions and are submitted along with the Divisional Copies.</p>	<p>The action taken remains the same.</p>

		in the financial statements. Further, an amount of Rs.423.76 million is remained as unidentified since 2012.			
28	2020 – 1.5.4 c 2019 – 1.5.5 c	Reconciliation for the balance of Rs. 2,343 million and Rs. 149 million available in the Collection Control ledger account as debit and credit as at 31 December 2020 had not been submitted to the audit. Hence accuracy of the balance available in Collection control account was unable to verify.	Take necessary action to reconcile the ledger balances with the system balances in each division and every month.	These differences are arisen due to ordinary supply billing cycle cut-off date deviate from financial accounts cut-off date. Therefore, the action has been taken to make the ordinary supply billing cycle cut-off date to be same as the financial year cut-off date in year 2021.	The action taken remains the same.
29	2020 – 1.5.4 (d) 2019 –	Age analysis and detail schedule of the suspense balance amounting to Rs.117.58 million had	Take necessary action to develop an age analysis for suspense balance.	Distribution Division 2 and 4 prepares the age analysis manually which	The action taken remains the same.

	1.5.5 (d)	not been submitted to identify the nature of the balance.		is a cumbersome process. Therefore, action will be taken to develop an age analysis for suspense balance in future.	
30	2020 – 1.5.4 e	The amount of Rs. 38.76 million is remained outstanding since 2019 due to application of wrong tariff methodology for the customer by the Board	Take necessary action to rectify the said matter.	A committee has been appointed to resolve the matter which is still in progress.	The Committee was appointed on 2020/02/17 with the objective of revision of tariff for the Acc. No. 4270001917, Sojitz Kelanitissa (Pvt) Ltd. Several discussions were held.
31	2020 – 1.5.4 (g)	A difference of Rs.20.7 million were observed in relation to the solar power purchase from net accounting between the balance shown in the financial statements and records maintained by the cebinfo system.	Take necessary action to check the accuracy of the information provided in the referred Report.	Action will be taken to check the accuracy of the information provided in the referred Report.	Action will be taken to reconcile the balances for year 2021

32	2020 – 1.5.4 (h)	A difference of Rs.100 million were observed in relation to the solar power purchase from net plus between the balance shown in the financial statements and records maintained by the cebinfo system	Same as above.	Same as above.	Action will be taken to reconcile the balances for year 2021.
33	2020 - 1.5.5 (a) 2019 – 1.6 (b) 2018 – 1.6 (c)	Various staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board in contrary to the decision taken by the Cabinet of Ministers on 14 November 2007 and the provisions in the Management Services Circular No. 39 of 26 May 2009. At the audit test checks, it was revealed that such allowances totaling to Rs.1,544.4 million and Rs. 1,712 million had been paid in the year	Comply with the requirements of the circular in payment of allowances to the staff.	Not taken any preventive measure.	CEB is continuing to pay these allowances to relevant employees as any change will affect the industrial harmony.

		2020 and 2019 respectively			
34	2020 - 1.5.5 (b) 2019 – 1.6 (c) 2018 – 1.6 (c)	Instead of granting vehicle loans at the rate of interest ranging from 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 dated 08 March 1998, the CEB had granted these loans at an interest rate of 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even though the CEB faces severe liquidity problems.	Comply with the requirements of the circular in payment of loans to the staff or obtain an approval from the Department of Public Enterprise for any deviations.	Not taken any preventive measure.	CEB is continuing to grant vehicle loans as per loan schemes as approved by the Board in earlier as any change will affect the industrial harmony.
35	2020 - 1.5.5 (c) 2019 – 1.9 (a) 2018 –	The CEB had not paid interest on consumer deposits as specified in the Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009 and according to the computation made by audit based on the rate reported by the Public	Comply with the requirements of the provision of the act.	CEB have recommended the complete deletion of clause No 28(3) from SL Electricity Act No.20 of 2009 to Ministry. Further, by CEB	Waiting for the response from ministry of power for CEB letter No. DGM (CS&RA)/GEN/1 dated 2021-05-28.

	1.9 (a)	Utility Commission of Sri Lanka for the year 2020, the interest to be paid thereon was Rs.1,613 million and un paid accumulated interest as at 31 December 2020 was Rs.6,731.90 million		letter Ref No: DGM(CS&RA)/ GEN/1 dated 2021-05-28 addressed to Secretary, Ministry of Power with a copy to Secretary to the Commission, PCSELR (Presidential Commission on Simplification Laws and Regulations), CEB has requested to delete the Clause No 28 (3) from the Sri Lanka Electricity Act No 20 of 2009.	
36	2020 - 1.5.7 2019 – 1.5.2 2018 –	The auditor of the Trincomalee Power Company Limited (TPCL) has emphasized the following matter on its	Take necessary action to implement the proposed projects.	The said matter was continuously discussed in the Board Meetings of TPCL held during the past	Development of 50MW Solar power plant The Joint Venture and Shareholder

1.5.2	<p>financial statements.</p> <p>The company, which operated with the sole purpose of developing a 500 MW Coal Power Plant in Sampur has ceased the development activities of that Power Plant during the financial year 2016 and the expenses previously capitalized has been written off in the year 2018. Instead, Cabinet approval has been received to setup a 50 MW Solar Power Plant by TPCL on the same land provided to construct the Coal Power Plant in Sampur. Further, Cabinet approval has also been granted to develop a 500 MW LNG Power Plant at Kerawalapitiya.</p> <p>However, any improvement in</p>		<p>periods and the Board decided to amend the articles of association of TPCL in order to implement the solar power project by TPCL and the Board will take necessary action to sign joint venture agreement between CEB and NTPC during 2021 in order to commence the development of solar power. However, required legal clearance should be taken from Attorney General before signing the JV agreement.</p>	<p>Agreement (JVSHA) was signed on 2022.03.11 after the Attorney General's clearance for development of 50MW solar power by TPCL on the land reserved for coal power plant at Sampur.</p> <p>Initial discussions were carried out with various institutions such as BOI, Land Commissioner Dept., SEA and CEA etc. regarding the said development.</p> <p>Further, documents are being prepared to obtain provisional approval from the SEA.</p> <p>Development of 500MW LNG power plant</p> <p>CEB and NTPC Limited, India signed</p>
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		<p>respect of the development activities of the above power plants had not been carried-out even as at the end of year 2020. Accordingly, this indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.</p>		<p>After series of discussions between CEB and NTPC both parties have signed joint venture agreement on 25th October 2019 to develop the LNG power plant in Kerawalapitiya. Further Attorney Generals clearance received for the Articles of Association in July 2021. Board of TPCL is in the opinion that steps will be taken to implement the proposed projects during future periods.</p>	<p>a JVSHA on 2019.10.25 and Attorney General's clearance received for the Articles of Association for formation of a new company with 50:50 shares for the development of 300 MW (considering the technical issues) LNG power plant at Kerawalapitiya. Proposed land (marshy) to be filled and handed over to CEB by Sri Lanka Land Development Corporation (SLLDC). Due to the public protest against the filing in August 2021, SLLDC not yet commence further action on filling work. Therefore, formation of a new JV company to develop LNG power</p>
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					was temporarily postponed until commence filling of the said land at Kerawalapitiya.
37	2020 - 1.6.1 (a) 2019 – 1.8.1 (a) 2018 – 1.8.1 (a)	Out of trade debtor balance of Rs.42,358 million as at 31 December 2020, a balance of Rs.5,122 million relating to both ordinary and bulk supplies had remained outstanding for over one year and out of them Rs.2,671 million had remained unrecovered for more than five years.	Take immediate action to recover the outstanding balances.	Continues effort is being taken to collect the long outstanding balances.	The following action have been taken to clear the outstanding trade debtors. <ul style="list-style-type: none"> • Identify the default consumer's active accounts and transfer the balances to the active accounts. • Finalized accounts that had adequate security deposits against them were settled against the arrears to cover up part

					<p>of the arrears.</p> <ul style="list-style-type: none"> • Started disconnection procedures to collect outstanding dues. <p>Further DD1 has been cleared 81% of over 5 years' outstanding debtors as at 31.12.2021. Further DD3 has been cleared 38% of Debtors during the year 2021 which are outstanding for 1-5 years.</p> <p>Also, two board papers were forwarded to write off the long outstanding finalized accounts of ordinary supply customers whose individual balances are over 10 years in WPS1 & SP in DD4.</p>
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38	<p>2020 - 1.6.1 (b)</p> <p>2019 – 1.8.1 (b)</p> <p>2018 – 1.8.1 (c)</p>	<p>Sundry debtor balances aggregating Rs.7,135,654,703 had remained unrecovered for more than one year as at 31 December 2020.</p> <p>WHT Receivable Rs.149,252,278</p> <p>AES Kelanitissa Rs.1,368,961,445</p>	<p>Take necessary action to recover or clear the outstanding balances.</p>	<p>CEB have requested relevant supporting documents including WHT certificate sand Notional Tax Declaration of the Auditors.</p> <p>A meeting is to be arranged by the Ministry of Power with the representatives from CEB, CPC, Treasury and the Ministry of power to resolve this long outstanding</p>	<p>The Rs.149, 252,278 of Notional Tax certificate has been requested from Government Auditor and in the process of validating relevant information with Accountant (Payment) by Auditors.</p> <p>The action taken remains the same.</p>
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		<p>Sustainable Energy Authority Rs.897,025,999</p> <p>Removed Transformers Rs.497,144,445</p>		<p>disputed balance.</p> <p>According to the committee report issued based on the investigation carried out, it has been recommended to write off this balance from the books of accounts. Hence, action will be taken for the same.</p> <p>Action will be taken to investigate the reasons and clear the balance appropriately.</p>	<p>Board Approval has been obtained to write off this balance from the accounts.</p> <p>The action taken remains the same</p>
39	<p>2020 - 1.6.1 (c)</p> <p>2019 – 1.8.1 (c)</p>	<p>A sum of Rs.714,965,435 due from Lanka Coal Company for coal shortage had remained outstanding for more</p>	<p>Take necessary action to recover the due balances.</p>	<p>This balance comprises of Rs. 478,179,795 related to M/s Taurian Iron and Steel Company</p>	<p>The legal proceeding is in progress.</p>

	<p>2018 – 1.8.1 (d)</p>	<p>than five years without taking any recovery action.</p>		<p>and Rs 236,785,639.43 related to M/s Liberty Commodities Ltd. With regard to Taurian Iron dues a cabinet committee had been appointed and the final report handed over to the Secretary Ministry of Ports & Shipping. In the case of Liberty commodities LCC has commenced an arbitration process. This balance will be cleared after the legal action taken by Lanka Coal Company against M/s Liberty Commodities</p>	
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40	2020 - 1.6.1 (d) 2019 – 1.8.1 (d) 2018 – 1.8.1 (e)	A sum of Rs.115,093,276 shown under Government institution receivable for the supply of Lift, air conditioner and power Generators of Asset management division is remained without being recovered for more than five years.	Take necessary action to recover the outstanding balances and recover receivables at the time of transaction taken place.	The series of action that have been taken by the management to recover the overdue receivables from Government Institutions. However, to overcome the issues reported in the previous years, in 2018, the Addl.GM(AM), has issued guidelines to implement sound internal controls especially on cost recovery jobs of Government Institutions, and accordingly, the undertaking of cost recovery jobs and money	Already implement a proper Internal controls & follow up guidance given by the Addl. General Manager (AM) in 2018 to minimize the unrecoverable position from the current jobs

				receivable from the clients will be monitored on a regular basis.	
41	2020 - 1.6.1 (e)	Staff loan amount of Rs.3,835,654 had been remained in Distribution Division 01 without being recovered.	Take necessary action to recover the outstanding balances.	Out of the total balance in the query Rs. 622,684.25 relates to employees who have resigned or vacated from post. Hence, the loan balance has been informed to EPF Branch to recover from their EPF balance. Further, an employee who had a loan balance of Rs. 1,049,150 had been on overseas leave and returned to work since year 2021 and the respective balance has been	Out of the total balance Rs. 496,414 relates (DGM NWP) to employees who have resigned or vacated from post. Hence, action has already been taken to recover outstanding loan balance from relevant employee's EPF Balance.

				sent to the payroll unit to recovery from his salary.	
42	2020 - 1.6.1 (f)	An amount of Rs.16,995,630 is remained more than four years without being recovered from sacred places of Distribution Division 1.	Take further action to recover the outstanding balances.	The District Secretariat has been requested to settle the same where no satisfactory solution is given.	Committee had been appointed and based on the committee report possible action will be taken in future to recover such outstanding balances.
43	2020 - 1.6.2 (a) 2019 – 1.8.2 (a) 2020 - 1.6.2 (a) 2019 – 1.8.2 (a) 2018 – 1.8.2 (a) 2020 -	The following credit balances aggregating Rs.4,306,803,673 had remained unsettled for long period as at 31 December 2020. Custom Rs. 1,065,828 China machinery Engineering	Take necessary action to settle the liabilities.	This amount will be paid once approval of Lakvijaya demurrage payment committee is received. Rs.4,195,528,596. 54 appears in	Remains unsettled. Remains unsettled.

<p>1.6.2 (a) 2019 – 1.8.2 (a)</p>	<p>Corporation Rs. 3,034,971,432</p> <p>Deemed dividend tax payable Rs.1,270,766,413</p>		<p>financial statements includes Operation & Maintenance fee payable for the year 2017,2018,2019 &2020. CEB pays only USD 1 million per month due to present adverse financial situation.</p> <p>The deemed dividend tax payable amount of Rs.1,270,766,413 represent the unsettled liability of deemed dividend tax for the Y/A 2013/2014 which is due to set off against the deemed dividend tax refund requested for the Y/A 2009/2010 and 2010/2011. The refund requests have not</p>	<p>Remains unsettled.</p>
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				been finalized yet by the Department of Inland Revenue in order to set off this liability in the accounts.	
44	2020 - 1.6.2 (b)	The amount of Rs.2.9 billion payable to the Northern Power Company (Pvt) Ltd is remained as trade creditors of Transmission Division without being settling more than two year.	Take necessary action to write-off the said amount.	Necessary action will be taken in due course to write-off these amounts.	Action will be taken to prepare the board paper to write-off the aggregated payables after discussion with the management.
		Non-compliance with Laws, Rules, Regulations and Management Decisions etc.			
45	2020 - 1.7.(a) 2019 – 1.9 (b)	Contrary to the Section 7(1) and 43(1) of SriLanka Electricity Act No.20 of 2009 as amended, without authorization of the regulator, Energy of 732.192 Gwh valued at Rs.18.91 billion had been purchased during	Comply with the requirements of the said provisions of the Act.	CEB had requested the approval of PUCSL to extend the expired Power Purchase Agreements (PPA) of these three retired IPP	PUCSL approval has not received.

		the year under review from the three Independent Power Producers (IPPs) who haven't obtained generation license.		power plants and submitted the extended PPAs for their approval.	
46	2020 - 1.7.(b)	Contrary to the Section 7 (1) Section 43 (2), and 43 (7) of Sri Lanka Electricity Act, no. 20 of 2009 as amended, without obtaining approval for the PPAs, additional power capacity of 100 MW from power producers whose generation licence was not granted had been purchased for the six months during the year 2019. It had been extended for further 6 months since February 2020. Energy of 78.669 GW valued at Rs.3.26 billion had been purchased during the year under review	Comply with the requirements of the said provisions of the Act.	The draft PPAs were submitted for PUCSL approval.	PUCSL approval has not received.

47	2020 - 1.7.(c) 2019 – 1.9 (c) 2018 – 1.9 (b) ii	CEB had invested only Rs.8,996 million as at 31 December 2020 in the Insurance Escrow Fund although Ceylon Electricity Board Act, No. 17 of 1969 Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971 were stated that a contribution of 0.1 per cent of the total value of the gross fixed assets as at the end of each year since 1989 should be transferred to that Fund.	Comply with the requirements of the said provisions of the Acts.	Action will be taken to invest equal of 0.1% of the gross fixed assets in insurance reserve investment account once the CEB Liquidity position and cash flows are improved.	No investments were made since the adverse liquidity position continues.
48	2020 - 1.7.(d) 2019 – 1.9 (d)	Contrary to the provision of Section 9.4 of the PED circular No.12 issued by Department of Public enterprise, the Board had paid a sum of Rs.79.13 million during the year under review as salary and other payments to the	Comply with the requirements of the said provision of the circular.	<u>Releasing of Employees to the Line Ministry</u> CEB will request from the Ministry to reimburse this cost to CEB. <u>Releasing</u>	CEB will request from the Ministry to reimburse this cost to CEB. CEB is continuing

		<p>56 employees who were released for the line ministry and CEB Provident Fund.</p>		<p><u>Employees to Provident Fund</u> Having presented this matter in the Management Committee of the CEB Provident Fund, the Committee decided, at the meeting held on 11th February 2021, to continue the present practice of incurring Management and Administrative Expenses of the Fund by the Board and the Board also approved to continue the present policy of incurring Management and Administrative Expenses of the Fund by the</p>	<p>the present practice.</p>
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				Board.	
49	2020 - 1.7.(e)	Contrary to the provision of PED Circular No 95 dated 14 June 1994 issued by Department of Public Enterprises and Decision taken on 25 September 2020 in Audit committee of Ministry, the amount of Rs.1.2 billion had been paid as leave encashment in the year 2020.	Comply with the said provision and the decision.	Not taken any action to resolve the matter.	CEB is continuing to pay this sum to its employees as approved by the Board in the earlier Decision, as any change will affect the industrial harmony.
50	2020 - 1.7.(f)	Contrary to the provision of Section 47 of Employee Provident act No.15 of 1958, CEB had considered highest allowance from Exodus Allowance, postgraduate degree allowance and professional allowance/ Semi-	Comply with the requirements of the said provision of the Act.	Not taken any action to resolve the matter.	CEB is continuing to consider this allowance when computing the earning for provident Fund (PF) in computation of employer's contribution to PF as per earlier decisions as any change will affect the industrial

		professional allowance when computing the earnings			harmony.
51	2020 - 1.7.(g)	The electrical energy supplied by the CEB to the company at 220kv shall be at the cost of power charged by the company to the CEB at the time of such supply if there are no terms and conditions applicable to the supply of electrical energy at 220kv by the CEB to the CEB's Industrial consumers at the time of the such supply. Contrary to the provision, the CEB considered only energy charge to compute the rate of the electrical energy supplied by the CEB to the company without considering the capacity charge and the other charges	Take necessary action to rectify the said matter.	A comprehensive investigation shall be conducted and recommendation of an expert committee is necessary to regularize this issue.	Area Engineer agreed to send the bill with capacity charge and energy charge.

		as per the requirement of section 6.1.3 of the Power purchase agreement entered with West Coast Power (Pvt) Ltd on 10 January 2007.			
52	2020 - 1.7.(h)	CEB has failed to implement the decision of Cabinet of Ministers dated 18 September 2018 on the utilization of standby Generators owned by Government entities.	Implement the decision of Cabinet of Ministers.	The above decision has not yet been implemented due to various reasons.	The matter has not been resolved.
53	2020 - 1.7.(i)	Section 24 (1) (c) of Sri Lanka Electricity Act, no. 20 of 2009 as amended. CEB (transmission licensee) has failed to ensure that there is sufficient capacity from generation plant to meet reasonable forecast demand for electricity due to power plants are not	Implement the least cost LTGEP to comply with the said provision.	More power plants are not commissioned as per the Long-Term Generation Expansion Plan.	The matter has not been resolved.

		commissioned as per the Long-Term Generation Expansion Plan and thermal power are purchased on short term basis.			
		Non -compliance with Tax Regulations			
54	2020 – 1.8 2019 - 1.10 (a) 2018 – 1.6 (c) 2018 – 1.10	The Cabinet of Ministers had taken decisions on 13 December 2007 at the time of salary revision and on 20 May 2015 at the time of consideration of Collective Agreement, to shift the Pay As You Earn (PAYE)/ Advanced Personal Income Tax (APIT) tax liability to employees. However, the CEB had paid the PAYE tax/ Advanced Personal Income Tax (APIT) amounting to Rs.4.98 billion from its owned fund without deducting it	Comply with the cabinet decision and circular continually.	From November 2020 onwards, the Advance Personal Income tax (APIT) is paid by employees of CEB. However, any action has not been taken on the already paid tax from CEB owned fund.	Any action has not been taken on the already paid tax from CEB owned fund.

		<p>from the salaries of the respective employees during the period from 2010 to 2020 in contravening to the above decisions taken by the Cabinet of Ministers and circular no. 3/2016 issued by the Department of Public Enterprises. The amount so paid during the year under review was Rs.57.04 million including tax on tax charge amounting to Rs.5.48 million</p>			
55	2020- 3.1 (a)	<p>As per the Long-Term Generation Plan 2018-2037, Seethawa Ganga Hydropower Project should be commissioned by 2022. A project management unit (PMU) was established in September 2016 and carried out activities</p>	<p>Share all studies carried out to factor in to a lower bid price/ development cost.</p>	<p>CEB proposal was to share all studies carried out, including the feasibility study, EIA, all Test reports, designs etc. with prospective bidders (or developers) so that such studies</p>	<p>A board paper has already been submitted to the board to write off the expenditure incurred from Oct 2016 to Sep.2021 for the seethawa Ganga hydropower Project.</p> <p>Awaiting Board Decision to write off or to implement any</p>

		<p>such as feasibility study, detailed design and preparation of the draft tender documents. Total cost of Rs.289 million had been incurred by the project at the end of the year 2020. However, the board had decided to windup the project activities of the board meeting held on 20 December 2020. Further, the board had decided developing the above project through the Sri Lanka Energies (pvt) Ltd and it was also decided to seek approval of the cabinet of ministers to award this contract as a “single source Procurement” to SLE at the board meeting held on 23 February 2021. Therefore, it was observed that incurred cost of Rs.289 million for the</p>		<p>assist bidders (developers) to lower their risk levels and thus to be factored in to a lower bid price/development cost. Thus, part of costs incurred for studies were expected to be returned to CEB by way of lower tariffs (whoever is the final project developer).</p>	<p>other recommendations of the board in this respect.</p>
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		project was remained as expenditure to CEB, if it is unable to share these studies.			
56	2020 - 3.1 (b)	Sum to Rs.18.83 million had been spent for opening ceremony of Mannar Wind power Generation Project even budgeted amount was Rs.13 million. Approval of the Board had not been obtained for the exceeded amount. Even opening ceremony of this Project was held in December 2020, connection of Wind power to the National System was delayed till May 2021 due to delay in completion of Nadukuda Grid.	Incur expenses within budgetary allocation or amend the budget if required under the approval of the board.	The approval of the board has not been obtained.	The approval of the board has not been obtained.
		Management Inefficiencies			

57	<p>2020 - 3.2 (b)</p> <p>2019 – 3.1 (b)</p> <p>2018 – 3.2. (b)</p>	<p>Even though the CEB had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there were no sales and purchase agreements entered with those two parties in order to ensure the smooth operations with them</p>	<p>Enter into an agreement with those two parties in order to ensure the smooth operations with them.</p>	<p><u>Agreement with LECO</u></p> <ul style="list-style-type: none"> • A committee with the participation of higher-ranking officers of both CEB and LECO has prepared a draft agreement and has sought Attorney General’s (AG) opinion on the same. • The committee has made required amendments as per AG’s opinion and has submitted “Final 	<p>The action taken remain the same.</p>
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				<p>Power Sales Agreement” to AGM (Transmission).</p> <ul style="list-style-type: none"> • General Manager, CEB has written to General Manager, LECO regarding some endorsements made by 03 officers of LECO on the report furnished by the committee. On the same letter, GM CEB has suggested to take this matter at a Board meeting of LECO. 	
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Agreement with

CPC

The draft Fuel supply agreement with CPC is still under negotiation.

There are certain matters to be agreed upon by both parties viz., CPC requests a 30 billion guarantee from CEB where treasury shall issue concurrence.

Therefore, agreement has not yet been finalized.

58	<p>2020 – 3.2 (c)</p> <p>2019 – 3.1 (c)</p> <p>2018 – 3.2 (c)</p>	<p>A sum of Rs. 92,693,772 had been deducted by the lending agency in 2020 as commitment charges from the loans given for implementing the foreign funded projects of the CEB due to un-utilization of the funds in timely manner. However, the accuracy of the commitment charges cannot be verified due to non-availability of calculations.</p>	<p>Implement project activities as planned to avoid additional commitment charges.</p>	<p>Commitment charge is common to all projects and it cannot be avoided even the project is on schedule due to stringent loan covenants in the loan agreements.</p> <p>However, delays in completing projects, it leads to additional commitment charges.</p>	<p>Delays in completing the projects are remained same.</p>
59	<p>2020 – 3.2 (d)</p> <p>2019 – 3.1 (d)</p> <p>2018 – 3.2 (d)</p>	<p>According to the Long-Term Generation Expansion Plan 2018 – 2037, new generation of 500 MW, 657 MW and 430 MW were planned to implement in the year 2018, 2019 and 2020 respectively. However, power plants aggregating</p>	<p>Expedite commissioning of power plants as per the Least Cost Long Term Generation Expansion Plan to achieve least cost objectives.</p>	<p>More power plants are not commissioned as per the Long-Term Generation Expansion Plan.</p>	<p>The matter has not been resolved.</p>

		<p>capacity of 381.85 MW out of the planned new addition capacity of 1587 MW had been only commissioned.</p> <p>Therefore, Progress of implementing new generation plants was significantly low and objective of the plan to produce least cost power supply was not achieved. As a result of that, quantity of 811 Gwh valued at Rs.22.2 billion had been purchased as emergency power during the 2020.</p>			
60	<p>2020 – 3.2 (e)</p> <p>2019 – 3.1 (e)</p> <p>2018 – 3.2 (e)</p>	<p>A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs.39,551,696 identified in 2014 under project of Uthuruwasanthaya in April 2017 with delay</p>	<p>Conduct the formal investigation against the officer who was responsible for the stock shortage and complete the disciplinary action taken against person who is responsible for the delay of the stock</p>	<p><u>Stock Shortage of Rs. 2,510,056</u></p> <p>DGM (NP) has appointed a committee by his letter No. NP/DGM/HRO/I nquiry dated 2017-05-04 and the committee</p>	<p>This has already referred by General Manager CEB for further investigation, and Mr. U.P. Gunaratna (PF No. 37475) has dismissed from the Ceylon Electricity Board effective from 2015-</p>

		<p>of 3 years. However, formal investigation had not been conducted against the officer who was responsible for the shortage amount of Rs.2,510,056 even up to the date of this report. Further amount of Rs. 31,257,161 had been adjusted in ledger accounts in the year 2020 against the amount of Rs.39,551,696 even a court case (Case no B/1164/15) had been filed against in Mage strict Court, Trincomalee by the Criminal Investigation Department in 2015. However, no any action had been taken against persons who are responsible for the delay of this stock and opportunity cost of the</p>	<p>within considerable time.</p>	<p>report has been submitted to DGM (NP) on 2019-10-03. Accordingly, DGM (NP) has instructed to recover the stock shortage amount of Rs. 2,510,056.88 (including Board charges) from the store keeper Mr. J. A.M. Asanka Jayakodi (PE No. 37432) via his letter No. NP/DGM/HRO/INQUIRY dated 2019-10-09. The Store keeper has been transferred to DGM (NCP) in October 2019 and the balance which is to be recovered from him (Rs. 2.5 Mn) has been recorded under</p>	<p>09-09. Mr. J.A.M. Asanka Jayakodi (PF No.37432) According to the formal inquiry Action has been taken to recover the shortage from Mr. J.A.M. Asanka Jayakodi (PF No.37432) by 180 installments from his monthly salary from 2020 October.</p>
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		<p>delayed project.</p>		<p>other receivable. AGM (DD1) has instructed to recover this amount from the employee by his letter No DGM(C&C)/DD 1/HRO/ADMN/ 10 dated 2019-11-28. However, Mr. Jayakodi in his letter dated 2020-01-06 requested to conduct a formal inquiry and accordingly charge sheet has been issued.</p> <p>Further to this, AGM (DD1) has instructed to recover the shortage by letter No. AGM(DD1)/DGM(C&C)/HRO/ DD1/162 dated 2020-09-03 by</p>	
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				<p>180 installments subject to the formal inquiry decision.</p> <p><u>Stock Shortage</u> of _____ Rs. <u>31,257,161</u></p> <p>In this regard a Letter of Demand has been issued by the Legal Officer of the CEB to Richardson Projects (Pvt) Ltd to recover Rs. 28,331,000.00 including the 25% Board charges due from this company to CEB for acquiring payments totaling to Rs. 22,584,800.00 fraudulently without delivering the</p>	
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				<p>materials. In addition, further verification of stock materials was carried out by in an expeditious manner to identify any further adjustments against the loss. Accordingly, the amount of loss has been reduced to Rs. 8.30Mn. after made some adjustments. Currently, internal inquiry has been finalized and accordingly disciplinary action will be taken against the store keeper Mr. U. P. Uadara Gunarathne (P. F. No. 37475). Furthermore, the</p>	
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				<p>court case No. B/1164/15 is pending at Magistrate Courts, Trincomalee.</p> <p>Disciplinary action is in progress.</p>	
61	<p>2020 – 3.2 (f)</p> <p>2019 – 3.1 (f)</p> <p>2018 – 3.2 (f)</p>	<p>The prompt action had not been taken by the Board up to 16 August 2018 against the person who was liable for stock shortages of Rs.3,674,861 which had been occurred during the period from 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant) even the formal investigation was completed. Further, the same employee had committed a fraud in another office of the CEB and his duty had been terminated after</p>	<p>Take necessary action to recover the loss and if any fraud was occurred, conduct investigation within considerable time period and take disciplinary action immediately on investigation report to avoid losses to CEB.</p>	<p>The CEB has sought Attorney General's opinion on litigation and the meeting was postponed due to prevailing Covid-19 situation in the country.</p>	<p>Attend a Counselling meeting with Senior State Counsellor, Mr. Asanka Mendis at Attorney General's Office on 2021-11-01 to discuss the matter. According to the State Counsellor filing a civil case will not be possible due to the long period of time. However, filing a criminal case could be possible. Therefore, State Counsellor will submit the report regarding his legal opinion.</p>

		recovering only Rs. 99,155 as the value of the fraud without considering the prior fraud.			
62	2020 – 3.2 (g) 2019 – 3.1 (g) 2018 – 3.2 (g)	An officer who was liable for the stock shortage of Rs.3,789,893 had been allowed to retire on 15 October 2011 without being recovered the loss as recommended by the committee appointed for investigation. Further, the above material amount had remained in the books of account without being taken any remedial action. The board is in the process to write off this amount without taking action against the officers who was allowed to retire the defaulter.	Take necessary action to recover the loss and if any fraud was occurred, conduct investigation within considerable time period and take disciplinary action immediately on investigation report to avoid losses to CEB.	In the audit report, the stock shortage is mentioned as Rs. 3,789,893.00. However, the Committee appointed in the year 2010 to investigate the stock variance, had recommended the stock shortage amount as Rs. 1,953,484.15. Mr. Samarasinghe has retired on 2011-10-15 after reaching the age of 60 years. Action	The action taken remain the same.

				<p>was taken at his retirement to stop the pension and gratuity payment till a decision on stock shortage issue is finalized. A committee comprising of 03 DGMM has been appointed to inquire the non-recovery of stock shortage. The committee report has been submitted recently and the process of obtaining approval for the recommendation by the committee is in progress for implementation.</p>	
63	2020 – 3.2 (h)	Some provinces had used one control	Use separate control accounts to recognize	Most of the provinces have	The action taken remains the same.

		account for all debtors' transactions even the system has reserved four separate control accounts for heavy and ordinary customers to recognize active and finalized debtor balances separately.	active and finalized debtor balances separately.	used sub account codes under A 3600 which enables to identify the balances separately.	
64	2020 – 3.2 (i)	The board had not taken necessary action to acquire the right of dams which valued at Rs. 62,951,457,952 properly.	Take necessary action to acquire the right of dams.	All the dams are operated, maintained, and managed by Mahaweli Authority of Sri Lanka by its act. However, the Board has acquired only the waterway up to the power intake at the reservoirs and those are fully operated, maintained and managed by the relevant power stations.	The matter has not been resolved.
65	2020 –	The amount of Rs.1	Obtain board approval	From 2021,	The action has been

	3.2 (j) 2018 – 1.9 (b) i	million had been transferred to the depreciation reserve which is established under section 47/2 (a) of Ceylon Electricity Board Act No.17 of 1969 without obtaining approval of the Board and without the proper basis.	to transfer the money to the depreciation reserve.	action has been taken to obtain board approval from next year onwards, if required.	taken to submit board memorandum for the amount allocated for the year 2021.
66	2020 – 3.2 (k)	The amount of Rs.1,222,713,673 had been transferred to the Self Insurance reserve which is established under section 47/1 (a) of Ceylon Electricity Board Act No.17 of 1969 without obtaining approval of the Board and without the proper basis.	Obtain board approval to transfer the money to the insurance reserve.	The Board approval has not been obtained.	The Board approval has not been obtained.
67	2020 – 3.2 (l) 2019 – 1.7 (a) (i)	Not taking action to expedite the survey, valuation and protection of lands of the CEB scattered Island wide.	Expedite the survey and valuation process of the lands of the CEB.	Action is being taken to expedite the survey and valuation of CEB lands. According to the progress of	Action is being taken to expedite the survey and valuation of CEB lands.

	2018 – 1.7 (a) ii			survey and valuation of CEB lands as at 2021-08-26, additional 1,300 lands have been identified and valuations are in progress.	
		Operational Inefficiencies			
68	2020 -3.3 (a) 2018 – 3.3	A sum of Rs.2,667,400,265 representing 10 per cent of the total consumable stock of Rs.26,751,970,000 had been shown in financial statements as slow moving, non-moving and damaged stock as at 31 December 2020. Maintaining this much of non-moving and slow-moving stock may cause to increase damages, cost of holding and fraud etc.	Take remedial action to reduce the nonmoving and slow-moving stocks to avoid the damages, cost of holding and fraud etc.	Action has been taken to dispose the slow moving, non-moving and obsolete stocks through appointing committees, board of survey and obtaining board approvals. Accordingly, Distribution Division 2 has already obtained Board Approval to dispose Rs. 38,947,687.46 worth of slow-	The action taken remain the same.

				moving stocks.	
69	2020 -3.3 (b)	Only 16 activities out of the 76 activities of the Action plan had been achieved by the Generation Division during the year under review.	Expedite completing the activities stated in the plan.	Although financial progress shown in activity plan is only 16, the activities stated in the plan are in progress.	The action remains the same.
70	2020 -3.3 (c)	Even though Minimum Guaranteed Energy Amount (MGEA) relating to PPA entered with ACE Power Embilipitiya (Pvt) Ltd is 697,674,432 kwh per year, energy delivered during the year under review was 475,831,835 kwh under the per unit cost of Rs.24.42. Accordingly, energy of 221,842,597 kwh had not been obtained during the year under review. (Capacity	Commission the power plants as per the Least Cost Long Term Generation Expansion Plan to cater the real time demand requirement instead of using emergency power plants at excessive cost.	More power plants are not commissioned as per the Long-Term Generation Expansion Plan.	The matter has not been resolved.

	<p>charge on not obtained energy was paid). In addition to the power plant in Embilipitiya, PPAs for 20MW in Matara, 24 MW in Hambanthota and 24MW in Galle had been entered for supplying energy to the southern province on short term basis. Accordingly, aggregating energy of 130,526,364 kwh had been purchased from these plants at the aggregating cost of Rs. 4,069,542,205 during the year under review. Per unit cost of these plants were Rs.28.30, Rs.36.84 and Rs.39.52 respectively while average selling price is Rs.16.72. Therefore, excessive cost of energy purchase could have been reduced, if power plants were commissioned as per</p>			
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		the Least Cost Long Term Generation Expansion Plan to cater the real time demand requirement instead of using emergency power plants at excessive cost.			
		3.4 Procurement Management			
71	2020 – 3.4 (a)	As per the Electricity Act No. 20 of 2009 as amended, non-conventional renewable energy (NCRE) projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, only 7 procurements for NCRE projects aggregating capacity of 390 MW has been initiated up to 31 December 2020 and power plants	Expedite the procurement process for NCRE projects.	The procurement process and constructions of plants are in progress.	The procurement process and constructions of plants are in progress.

		aggregating capacity of 24 MW had been only commissioned as at 31 December 2020.			
72	2020 – 3.4 (c)	Rate for mini hydro plants on the avoided cost method for the year 2020 was Rs.19.51 for wet season and Rs.21.25 for dry season. Avoided cost method is based on the thermal plant dispatch and it is varied with fuel cost. Therefore, rate decided on the said method is no any relation to the actual cost of the mini hydro plant. It was observed that average unit cost of hydro should be less than Rs.10 and CEB hydro cost per unit was Rs.2.49. Further, it was exceeded the average unit sale price of Rs.16.72.	Review the ability of changing the method or rate used for mini hydro plants which are currently operated under the avoided cost method.	Not taken any action to address the matter.	Not taken any action to address the matter.

73	2020 – 3.4 (d)	<p>Flat rate of Rs.23.10 for solar power plants was approved by the Cabinet of Ministers on 07.03.2014 as a standardized tariff. As per the Electricity Act No. 20 of 2009 as amended, Non-Conventional Renewable Energy projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, five solar power plants with the capacity of each 10 MW were commissioned in 2016 and 2017 under the said standardized tariff instead of using rates decided through the procurement procedures. (PPAs were signed in 2014). It was observed that rates decided through the procurement</p>	<p>Follow procurement procedures for Non-Conventional Renewable Energy projects.</p>	<p>New PPAs for renewable energy projects are based on competitive bidding.</p>	<p>New PPAs for renewable energy projects are based on competitive bidding.</p>
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		conducted in 2017 for new solar power plants (1MW x 60) were ranging from Rs.12.73 to Rs.18.37			
74	2020 – 3.4 (e)	Standardized tariff which was approved by the Cabinet of Ministers on 07.03.2014 were applied for the projects on the Bio Gas Plant, Dendro Power Plants, Mini Hydro Plants and Wind Power Plants aggregating capacity of 135.62 MW which were commissioned after 6 August 2013 (PPAs were signed after 6 August 2013) instead of using rates decided through the procurement procedures	Follow procurement procedures for Non-Conventional Renewable Energy projects.	New PPAs for renewable energy projects are based on competitive bidding.	New PPAs for renewable energy projects are based on competitive bidding.
75	2020 – 3.4 (f)	Cabinet of Ministers had given approval for five Municipal Solid Waste Plants to be	Follow procurement procedures for Non-Conventional Renewable Energy	The balance portion of tariff paid to Western Power Company	CEB decided to allow the waste to energy projects solely considering the

		<p>implemented based on Waste to Energy technology at Rs.36.20 per Kwh (flat tariff for 20 years) in 2017 even procurement procedure should be followed for non-conventional renewable energy projects after 6 August 2013. One Municipal Solid Waste Plant was connected to the grid in December 2020. Total tariff of Rs.36.20 per Kwh is bear by CEB and Rs. 13.10 out of Rs. 36.20 should be reimbursed from Treasury as per cabinet decision</p>	<p>projects.</p>	<p>(Pvt.) Ltd has been invoiced to the General Treasury for reimbursement.</p>	<p>national importance to solve the solid waste issues of the country</p>
		<p>Human Resources Management</p>			
76	2020- 3.5 (a) 2019 –	<p>Scheme of Recruitments and Promotions (SOR) of the CEB had not been updated for a longer</p>	<p>Take immediate action to develop the SOR and obtain approval from Management service department.</p>	<p>Two volumes of SORP associated to Senior Executives and Junior</p>	<p>Court of Appeal has been issued interim injunctions pertaining to CA/Writ/163/2021 & CA/Writ/288/2021</p>

	3.2 (a) 2018 – 3.4 (a)	period.		Executives are already submitted for the approval of the Board. The SORP of other staff is under review and those will be submitted to the Board once it is finalized by the committee appointed for the same purpose.	to stop amending the existing SORP of CEB. Accordingly, no further action has been taken to amend the SORP.
77	2020- 3.5 (b) 2019 - 3.2 (b) 2018 – 3.4 (b)	Even though the key post in the HR Division is DGM (Personnel), required qualifications and experience for that post had not been specified in the SOR and keeping the posts open to other services, especially, for electrical engineers	Include the required qualification and experience for the department head in the SOR.	The required qualification and experience for the department head in the SOR has not been specified.	The matter has not been resolved.
78	2020 - 3.5 (c)	According to the existing SOR, 50 per cent of the total cadre	Include a clear promotion path for the employees who are	In order to accommodate the given	In order to accommodate the given

	<p>2019 – 3.2 (c)</p> <p>2018 – 3.4 (c)</p>	<p>of Human Recourse Officers (HRO) is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent. However, it was not observed a clear promotion path for the employees who are externally recruited, in the promotion scheme as two engineers covered the functions of the Divisional Head over a longer period of the CEB’s history.</p>	<p>externally recruited in the SOR.</p>	<p>recommendation, major structural change has to be done in CEB which is under discussion at the moment.</p>	<p>recommendation major structural change has to be done in CEB which is under discussion at the moment.</p>
79	<p>2020- 3.5 (d)</p> <p>2019 – 3.2 (d)</p> <p>2018 – 3.4 (d)</p>	<p>Experience which is required for the direct recruitment of Human Resource Manager (HRM) and Human Resource Officer (HRO) is 06 years in the field of HR in an organization having more than 100 employees. It was observed that</p>	<p>Obtain approval for the amended SOR immediately.</p>	<p>The given recommendation is incorporated to the new SORP of Senior Executives which is already submitted to the approval of the Board.</p>	<p>Court of Appeal has been issued interim injunctions pertaining to CA/Writ/163/2021& CA/Writ/288/2021 to stop amending the existing SORP of CEB Accordingly, no further action has been taken to amend the SORP</p>

		aforesaid experience is inadequate as compared the staff strength need to be handled in the CEB			
80	2020 - 3.5 (e) 2019 – 3.2 (e) 2018 – 3.4 (e)	The Chief Legal officer position which is the key position in the legal department is vacant from 03 June 2014	Take necessary action to fill the key posts to maintain operations of the organization effectively and efficiently.	The Board is decided to recruit a suitable CLO on external recruitment basis and at the moment relevant works are under progress.	In accordance with the government policy, the Board has taken a decision to stop all the external recruitments for a period of two years starting from November 2021.
81	2020- 3.5 (f)	Post of Secretary to the Board of Directors which is important and confidential post is vacant from 08 July 2016 and no action had been taken to fill this vacancy by the Board.	Take necessary action to fill the key posts to maintain operations of the organization effectively and efficiently.	The Board did not grant a permission to recruit a Secretary to the Board externally.	Board has not granted permission to the board to recruit externally.

82	2020- 3.5 (g)	The post of Project Manager (ERP) has been vacant for more than 3 years from 29 May 2017 and is being holding by the Deputy General Manager of Western Province South 1 as an acting post.	Take necessary action to fill the key posts to maintain operations of the organization effectively and efficiently.	The post of Project Director (Enterprise Resource Planning) was internally advertised in CEB in the year 2017. However, there were no relevant applications for the post. Therefore, General Manager of CEB has appointed Mr. GADRP Seneviratne to cover up the duties of Project Director (Enterprise Resource Planning) for six-month period with effect from 29 th May 2017 in addition to his	The matter has not been resolved.
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				normal duties as Deputy General Manager (Western Province South 1).	
83	2020- 3.5 (g)	Instead of deploying the number of staff approved by the Board of Directors on behalf of the Asset Management Division, an additional 28 employees were attached to 04 posts as at 31 December 2020 by indicating management inefficiency when there are human resource shortages in other sections.	Take necessary action to rectify the said matter.	The matter has not been resolved.	The matter has not been resolved.
84	2020- 3.5 (h)	It was observed that 1050 excess employees were attached to the 35 posts of Distribution Divisions 01, 02 and 04 and allocation of employees was not	Take necessary action to rectify the said matter.	The matter will be analysed and reviewed by relevant Divisions. Accordingly, excess staff will be allocated to	The matter has not been resolved.

		done in formal and effective manner due to existing shortage of such posts in other sections		places where the staff shortage has identified. This will be carried out after detail analysis of relevant job categories.	
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36. Sri Lanka Export Credit Insurance Corporation

1. Name of the Entity: Sri Lanka Export Credit Insurance Corporation

2. Audit Opinion on Financial Statements:

2018 - Unmodified Opinion

2019 - Unmodified Opinion

2020 - Unmodified Opinion

3. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
1.	Advances of export bill discounting facility amounting to Rs.34,958,636 had been remained more than 10 years and a provision was made for this entire amount.	Action should be taken to recover outstanding balances.	After considering all possible ways of recovery, the corporation has made a provision for the entire amount as bad debt.	By making a provision for bad debts for the total amount of Rs.34,958,636, the corporation has maintained this amount in the balance sheet without fully writing off, because it is more appropriate to include it in the accounting records for recovery in the future if there is at least some amount that can be

				recovered.
2.	32 excesses and 05 shortfalls amounting to Rs.1,518,436 and Rs.82,310 respectively remained more than 03 years without taking necessary action for clearance.	Action should be taken to settle the balances.	<p><u>Prepaid Installments</u></p> <p>Steps are taken to clear the balances of prepaid installments only after confirming that there are no outstanding balances to be recovered from the customers.</p> <p><u>Outstanding Installments</u></p> <p>There is only one outstanding installment of Rs.42,110 and action is being taken to recover it.</p>	The Corporation will proceed to clear the Prepaid Installments and recover the single outstanding installment from the concerned company.
3.	Although the temporary appointment should only be done until the permanent appointment, the post of Manager (Marketing) had been vacant for more than 10 years and paid an amount of Rs.1,054,900 as an acting allowance up to 31 December 2020.	Should comply with the Establishment Code.	<p>In a meeting held at the Ministry of Finance on 19.11.2021, the attention of the Director General of the Department of Public Enterprises was drawn to the long-term issues regarding the staff of the Corporation.</p> <p>In this meeting, it was proposed to engage the services of an HR expert and some retired senior officers to thoroughly</p>	It is working with the officer representing the Treasury on the Board of Directors of the Corporation to engage the services of an HR expert as proposed by the Director General of Public Enterprises Department.

			review the current employee requirements and get an approval for the new cadre.	
4.	Although an advance of Rs.10,000 can be given for annual festival with recoverable basis for employees, the Corporation had paid Rs. 52,000 per employee without recovery basis. Accordingly, the corporation had paid Rs. 879,750 for the year 2019 and Rs. 1,716,000 for the year 2020 as festival advances without the approval of the Treasury.	Should comply to with the Circulars issued on time to time.	This payment is not recoverable as normal festive advance and it is a special payment made for the welfare of the employees of the Board and their families for festive season. As per the provisions of the Sri Lanka Export Credit Insurance Act, approval of such payments has been received from the Board of Directors and these payments had been made by the Corporation many years ago.	The corporation had paid an amount of Rs.1,560,200 for the year 2021 on 08 April 2021.
5.	The Corporation had paid Rs. 1,245,556 and Rs. 1,520,509 as leave encashment for year 2019 and 2020 respectively for employees. However, at the same time, the Corporation had paid Rs. 208,969 & Rs. 121,984 as	Should be pay only one benefit for the same purpose.	Cash is paid for unused leave and attendance incentive is paid for punctuality. A minimum of 15 days of on-time reporting for duty is required to qualify for	The policy of payment of attendance incentive and leave encashment is continued up to date.

<p>attendance incentive for year 2019 and 2020 respectively. Accordingly, the Corporation had paid two benefits for the same purpose.</p>		<p>attendance allowance.</p> <p>The Attendance Incentive Scheme has been approved by the Ministry of Trade and Commerce and the Board of Directors.</p> <p>The process of leave encashment is considered part of the employment contract between the corporation and the employee. Therefore, the Corporation is bound to provide such benefit to the employees as per the offer made for the recruitment of employees through the contract of employment and newspaper advertisement. Violation of such condition shall constitute a breach of contract with the Corporation.</p> <p>However, the payment of attendance incentives along with the provision</p>	
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			of transport facilities has been temporarily suspended mainly due to COVID 19.	
6.	It was observed that an employee was interdicted and paid half month salary amounting to Rs.19,480 since May 2012 and it was paid Rs.2,006,440 to that employee as at 31.12.2020. Action had not taken to expedite the disciplinary action process by the end of the year under review.	Should speed up the disciplinary action procedure.	The inquiry in regard to this employee is yet to be completed. This was discussed at the last Board Meeting held on 03.05.2021.	No evidence has been included in the disciplinary investigation file after 07 August 2018.
7.	A proper system for recovery of money from buyers in respect of compensated exports and ascertaining whether the buyer had paid money to the exporter after paying compensation to the exporters had not been implemented within the Corporation. Although Rs. 33.7 million was recovered during the period of 2015-2017, no refund was reported from compensation payments	A methodology for identifying recoveries should be introduced.	Recovery action is the corporation's last resort to mitigate losses on claims. The Corporation has engaged the services of foreign missions and certain debt collectors to verify the transactions. In any case, as the Corporation assesses the repayment capacity at the claims stage itself, if an opportunity arises, the Corporation will use its best efforts to	A methodology for identifying recoveries had not been implemented yet.

	in 2018 and 2019.		maximize recovery.	
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37. National Insurance Trust Fund

01. Name of the Entity- National Insurance Trust Fund

02. Audit Opinion - 2018 - Qualified Opinion

2019 - Qualified Opinion

03. Audit observations

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
a	In terms of paragraph 32 of Sri Lanka Accounting Standard 1 regarding the presentation of financial statements, it is specified that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted. However, a credit balance of Rs.9,479,460 exceeding 90 days in the premium income receivable relating to a private insurance company, of the Reinsurance Division, had been included in the receivable balance of the Reinsurance Division. As such, the premium income	Preparations should be done in compliance with Sri Lanka Accounting Standards.	The entity has not yet taken steps to prevent this.	The entity accepted this observation and is taking necessary action.

	<p>receivable had been understated by Rs.9,479,460 in the statement of financial position. Moreover, credit balances of Rs.412,293 had been included in the Receivable Premium Income Account of the Non-motor Division, thus understating the non-motor premium income receivable as well by Rs.412,293.</p>			
b	<p>In the issuance of invoices for the year 2011 relating to the insurance cover for the Strike, Riot, Civil Commotion, and Terrorist Activities (SRCC & TR), monthly net income had been invoiced by deducting the commission payable from the non-motor premium income. However, gross premium income and expenditure on commission had been brought to account separately in the</p>	<p>Paying of tax should be regularized.</p>	<p>An appeal has been made to exempt the Nation Building Tax from additional taxes on the same income as it is a double counting of taxes in this process.</p>	<p>The entity is taking necessary measures for this.</p>

	<p>presentation of accounts. As such, it was observed at the audit test checks that an additional assessment of Rs.35,967,319 has been made by the Inland Revenue Department for the liability of Nation Building Tax computed on the premium income of the income statement. Moreover, no allocations whatsoever had been made in the financial statements for the liability of Nation Building Tax payable.</p>			
c	<p>Even though the crop insurance tax income amounting to Rs.430,506,164 relating to the quarter ended 31 December 2019 had been received during the month of January 2020, the said amount had not been brought to account by identifying as receivable for the year 2019. Moreover, the sum of Rs.394,646,100 received</p>	<p>Accounts should be prepared on accurate information relating to the year under review.</p>	<p>Collection of money for this Fund depends on the profit of institutions connected thereto. As such, it is informed that forecast on the profit earned by other institutions cannot be made and the crop tax receivable had not been brought to account. However, income for the year consisted the income</p>	<p>The entity still follows this practice in preparing financial statements.</p>

	in the year 2019 relating to the final quarter of the year 2018 had been brought to account as a receivable of the current year, thus overstating the crop insurance tax income relating to the year by Rs.35,860,064. Further, crop insurance tax had been understated by Rs.394,646,100.		of 4 quarters.	
d	Agrahara insurance premiums receivable from Government and semi-government institutions by 31 December 2019 had not been brought to account, thus understating the Agrahara insurance income and the receivable account by Rs.355,310,770.	Accounts should be prepared on accurate information relating to the year under review.	No corrective action has been taken	The entity still follows this practice in preparing financial statements
e	A payable Agrahara claim valued at Rs.6,235,690 brought forward for five years, remained in the Slip Returned Control - Agrahara Account bearing No.8605 and action had	Accounts should be prepared on accurate information relating to the year under review.	No corrective action has been taken.	This value is still shown in the accounts.

	not been taken up to now to pay this amount to relevant parties or to take steps therefor or to bring to account accurately in case of no such further liability.			
f	Action had not been taken to settle or to obtain reasonable confirmation on the commitment to settle or bring to account, a payable balance premium of Rs.3,843,488 brought forward since the year 2007. Moreover, an impairment adjustment as well had not been carried out on this balance up to now.	Payment of benefits of Agrahara should be promptly finalized.	No corrective action has been taken	This value is still shown in the accounts.
g	Action had not been taken in terms of Financial Regulation 396 relating to the value of cheques amounting to Rs.51,365,408 payable under Account No.8630 but not presented to the bank.	Action should be taken in terms of Financial Regulations.	No action has been taken to correct such errors.	This value is still shown in the accounts.
h.	Even though a sum of Rs.1,286,505 had been deposited for the stores	Formal agreements should be entered into.	No action has been taken to correct such errors.	These values are still shown in the

<p>obtained from the Department of Railways under the Refundable Deposits – Stores Account No.38 of SRCC & TR Division, the relevant agreements had not been entered into even by the date of audit.</p>			<p>accounts.</p>
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38. Ceylon Petroleum Corporation

01. Name of the Entity - Ceylon Petroleum Corporation

02. Audit Opinion - 2018: Qualified Opinion
2019: Qualified Opinion
2020: Qualified Opinion

	Audit observations	Auditor General's recommendation	Preventive measures taken by the entity	Present position
01.	<p>Even though the operations of the Corporation had resulted in a profit after tax of Rs. 2,371 million and a total comprehensive income of Rs. 20,562 million for the year ended 2020, the Corporation had recorded a negative net assets position of Rs. 275,561 million as at the end of the year under review. Heavy losses incurred during past years mainly due to the continues negative impact of exchange rate fluctuations, increasing in finance expenses, inappropriate pricing policy and also the negative impact of heavy losses incurred by the Corporation due to hedging transactions taken place during previous years had caused further erosion of the net assets of the Corporation. Thus, the ability of the Corporation to continue as a going concern without the financial assistance from the Government is in doubt.</p> <p>2020-1.2.1</p>	<p>Special attention of the management to be given to enhance the equity position of the Corporation.</p>	<p>CPC is a government owned public corporation established to ensure the energy security of Sri Lanka. As main petroleum product prices are decided by the Government even below the total cost, CPC had to incur the loss over historically. Therefore, the accumulated losses incurred by CPC caused to the negative net assets of Rs. 275,561 million as at 31.12.2020. Although the CPC operates with the above negative net assets, CPC continue it operation on going concern basis as the Government backed for the operations to ensure the energy security of</p>	<p>The negative net asset position of the corporation has further increased and thus, the ability of the corporation to continue without financial assistance from the government is still doubt.</p>

	2019-1.2.1, 2018-1.2.1		the country.	
02.	<p>Inter Company Balances</p> <p>According to the records of the Corporation, the net amount payable to Ceylon Petroleum Storage Terminal Ltd (CPSTL), the subsidiary, was Rs. 5,965.04 million which comprise the amounts of payable to and receivable from the CPSTL of Rs. 6,565.79 million and Rs. 600.75 million respectively. However, as per the draft financial statements of the CPSTL, which was used to prepare the consolidated financial statement for the year 2020, the net amount receivable from the Corporation was Rs.7,668.03 million which comprised amounts receivable from and payable to the Corporation of Rs 8,017.94 million and Rs. 349.92 million respectively. Therefore, unreconciled difference of Rs. 1,702.99 million (Rs. 1,452.16 million and Rs. 250.83 million) was observed in the intercompany balances of two entities.</p> <p>2020-1.2.2 (a), 2019-1.2.2 (a),</p>	<p>Appropriate action to be taken to clear all unreconciled balances and correct figures should be included in the consolidated financial statements.</p>	<p>As per the CPC ledger, payable to CPSTL is Rs. 6,575.785 million and receivable from CPSTL is Rs. 600.747 million. Accordingly, net amount of Rs. 5,965.038 million has been eliminated for the preparation of Consolidated Financial Statements.</p>	<p>A significant unreconciled difference is still observed in the inter-company balances of the two institutions.</p>

	2018-1.2.3-(c)			
03.	<p>Kerosene Subsidy</p> <p>Corporation sells kerosene at the Government decided price with an agreement to reimburse the loss incurred by the Corporation caused by any price reduction as the Government subsidy in compliance with instructing given by the letters No. FP/06/100/02/2016 dated 24 November 2015 and the No. TTIP/1/83(1)T dated 04/12/2014 of the of the Secretary to the General Treasury. Even though, the total amount of subsidy recoverable for the period from 2014 to 2020 was Rs. 39,587 million, the General Treasury had reimbursed only a sum of Rs. 4,459 million as at the end of the year under review. Even though the total subsidy receivable as at the end of the year under review amounted to Rs. 35,129 million, only a sum of Rs. 5,097.72 million had been accounted for. As a result, the subsidy receivable as at the end of the year under review had been understated by</p>	<p>Appropriate steps to be taken to recover all the unrecovered subsidies and account for accordingly. All the applicable taxes to be paid in terms of tax law.</p>	<p>CPC supplies Kerosene at the Government decided price. The Government reduced the Kerosene price time-to-time to provide relief to the low-income families and fisher community and the Government agreed to reimburse the losses suffered by CPC due to the sale of Kerosene at a reduced price decided by the Government. Accordingly, the Government reimbursed Rs. 4,459 million as a set-off against Excise Duty. Based on the letters given by the General Treasury and reimbursement, CPC recognized the Kerosene subsidy for</p>	<p>The total subsidy receivable is Rs. 40 billion and no favorable action has been taken to recover or settle the outstanding balances.</p>

<p>Rs. 30,031 million while the turnover had been understated by Rs. 2,122 million in the year under review and by Rs. 27,909 million in the previous years (from the year 2017). Further, all direct and indirect taxes on that income also had not been accounted for and paid.</p> <p>2020-1.2.2 (b)</p>		<p>2014, 2015 and 2016. However, reimbursement has not been made by the Government after the above reimbursement of Rs. 4,459 million. Further, the Government (General Treasury) is also not confirming the reimbursement of the Kerosene subsidy. Accordingly, CPC has not recognized the Kerosene subsidy in the financial statements from 2017 onwards. The recognition of the subsidy revenue may lead to pay additional tax expenses for the profits/income, which is in substantial doubt for the recoverability. However, efforts are being made to recover these balances. After the receipt of the subsidy from the</p>	
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			Treasury is confirmed, the subsidy is recognized in the financial statements. By not recognizing the subsidy in the financial statements, overstatement of income/profit can be avoided.	
04.	<p>Non-Compliance with the Sri Lanka Accounting Standard</p> <p>Fully depreciated assets amounting to Rs. 2,526 million had been continuously used by the Corporation without being reassessed the useful economic lifetime of them, and accounted for in compliance with LKAS 16. Further, an audit test check revealed that, 22 lots of land belonged to the Corporation as at the end of the year under review had not been revalued, and as a result, a substantially lower amount had been shown as land in the financial statements.</p> <p>2020-1.2.3, 2019-1.2.3(a), 2018-1.2.6 (b)</p>	It should be adhered to the standards and proper records should be maintained.	<p>Noted. But the reassessment of useful life of fully Depreciated Assets (PPE) is not practicably applicable with the accounting adjustment. And also, the useful life time will depend on usage pattern of the locations and CPC may incur the significant cost for reassessment for life time.</p> <p>The 11 no's of lands which have not been revalued without</p>	Not fully complied with the standard.

			having absolute ownership. But the Steps are being taken to clear the ownership of those lands by the legal division. Accounting adjustment on revaluation will be made after clearance of ownership of these Lands.	
05.	<p>Collection of Monthly Utility Fee (MUF)</p> <p>According to the Board Decision No. 38/1140 dated 29 October 2013, the Board had approved to recover a Monthly Utility Fee (MUF) from all Corporation Owned Dealer Operated (CODO) Filling Stations and Treasury Owned Dealer Operated (TODO) Filling Stations with effect from 01 January 2014. However, this decision had not been fully implemented, i.e., MUFs had been charged only from 11 out of 248 dealers. Accordingly, it was observed that the Corporation had not collected the income over a sum of Rs. 300 million per annum</p>	<p>Appropriate action to be taken to recover the loss of income from responsible parties. Also, the board decisions should be implemented without delay.</p>	<p>The Managing Director of the Corporation had withdrawn his comments on this regard stating that “as discussed at the 95th Audit and Management Committee Meeting dated 29th December 2021, it is regrettable that some of the critical information were not revealed in the said letter”. Further, it was stated that the updated response for audit query will be forwarded upon the completion of</p>	<p>As per the board decision, the corporation has not taken any effective action so far to collect MUF from all the dealers in both these categories and the loss of accumulated revenue of the corporation has further increased.</p>

	<p>since the year 2014. Accordingly, an approximate cumulative loss of income of Rs. 2,300 million had been incurred by the Corporation for the period from 2014 to 2020. Even though this matter was reiterated in my previous audit reports, effective action had not been taken by the Corporation to charge MUFs from all dealers in both categories as mentioned above. Further, no any adjustments had been made in the financial statements for the year under review in this regard.</p> <p>2020-1.2.2 (d), 2019-1.2.2(d), 2018-2.(a)</p>		<p>comprehensive investigation carry out by the Chief Internal Auditor of the line ministry at Ministry Level.</p>	
06.	<p>Documentary Evidences not made available for Audit</p> <p>The volume of petroleum products at fuel terminals are measured in tanks and must be converted to equivalent volumes at a standard temperature which is in 15°C or 60°F. Fluctuations in temperature cause oil products to expand or contract, which lead to changes in the measured volume and density. This is particularly significant in the</p>	<p>Annual physical stock verification has to be carried out by the Corporation and accounted for accordingly.</p>	<p>Physical verifications are carried out every day at every location for the bulk products by the respective operational staff and updated these data into system for the daily reconciliation. After quantity reconciliation loss or gain is calculated daily</p>	<p>Physical stock verification has been conducted by the end of 2021.</p>

<p>storage of hot and cold tanks. Failure to take into account the temperature effect in tank calibration or tank gauging will cause to measurement unfairness, especially in the determination of closing stock level and actual product loss/gain. However, values in the books had been taken in to the financial statement as closing stock of the year under review without being carried out an annual physical stock verification by the Corporation as at the end of the year under review. As a result, the actual closing stock volume, value and product loss/gain could be materially misstated in the financial statements as compared with the actual inventory measurement as stated above. Further, due to non-availability of inventory counting and the relevant inventory counting documents, the existence and accuracy of the closing stocks of fuel shown in the financial statements as at the end of the year under review could not be satisfactorily verified in audit.</p>		<p>ensuring the abnormal gain or loss after the operation and posted these data to system monthly.</p> <p>At the year end, Finance & Audit staffs are participated for this physical verification at every location in order to further verification. Due to Corvid 19 Pandemic situation, travelling restrictions & accommodation problems, finance & audit staff has allocated only for the physical verification at Terminals & Refinery. Finally, it was cancelled since Covid patients (Staff members) from these locations were found at that time. But the physical verifications have been carried out as usual by operational staff of every location without participation of</p>	
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	2020-1.2.5 (a)		Finance & Audit staff and this situation has already been communicated by Auditor General. Further, bulk products are accounted at the time of receiving (imports & refinery production), issuing and transferring on the basis of observe liters considering Natural temperature and the density. Quantities are being reconciled monthly for preparation of monthly financial statement and no material variation has been identified based on quantity reconciliation in year 2020.	
07.	A balance of Rs. 1,135.8 million due from Inland Revenue Department and Sri Lanka Customs since 2012 was continuously carried forward. Further, proper measures were not taken to recover these	Prompt action to be taken to clear/recover all the outstanding balances.	After verifying with the Shipping division, these amounts were written off in the books of accounts in FY 2021 with the approval of the Board of Directors	It could not be ensured in the audit whether comprehensive verification was done to ensure recoverability

	<p>receivables and also, no provision was made in this regard in the financial statements in the year under review. However, the reasons why such a balance was brought forward for a long period of time were not clear in the audit.</p> <p>2020-1.2.5 (b), 2019-1.2.5 (a), 2018-1.2.4 (a)</p>		<p>since it is identified that Rs. 1,135.8 million is not receivable from Department of Inland Revenue and Sri Lanka Customs.</p>	<p>before adjustment to income statement for the year 2021.</p>
08.	<p>A balance due of Rs.30.13 million and a vested property worth Rs. 1.02 million has been carried forward continuously for a long period of time. However, the existence, accuracy and value of those balances were not assured during the audit due to lack of sufficient and appropriate evidence.</p> <p>2020-1.2.5 (c), 2019-1.2.5 (c)</p>	<p>Prompt action to be taken to settle the outstanding.</p>	<p>Out of Rs. 30.13 million, Rs. 14.24 million was later settled. Other balances will be settled after receipt of clearance.</p> <p>The transferred property balance of Rs. 1.02 million is the value of fixed assets transferred from the oil companies at the time of incorporation of the corporation. There are no records in this regard.</p>	<p>An unrecognized balance still remains in the accounts.</p>

09.	Two dummy accounts “RF Dummy and HO Dummy” which remained unsettled for a long period of time under accrued charges in the financial statements were written off without explaining their settleability during the year under review. 2020-1.2.5 (d), 2019-1.2.5(d)	Prompt action to be taken to clearly unidentified balances before write-off.	“RF Dummy and HO Dummy” has been cleared in the financial year 2021 after obtaining necessary approvals from the Board of Directors.	Two dummy accounts had been written off in the year 2021 without proper verification of the origin of such accounts.
10.	Payable amounts under Refundable Deposits and Others and other related employee’s accounts were remained unsettled for a longer period without being taken any action to settle them. However, reasons for not settling these balances for a longer period were not ascertained in audit. 2020-1.2.5 (e), 2019-1.2.5(e)	Appropriate action to be taken to clear all the outstanding balances and maintain proper and updated records of transactions.	Long outstanding payable amounts are settled after getting individual employee’s request. Some balances are retained in the financial statements as a provision for such future claims.	These balances still remain in the accounts.
11.	At the end of the year under review, under receivables and advances in the statement of financial position, Rs. 455.53 million had been shown as Value Added Tax (VAT) and out of the balance Rs. 326.4 million had been continuously brought forward since 2011. Further, tax	Prompt action to be taken to clear all the outstanding balances with IRD.	Based on the decision of the Board of Directors No. 08 / 1252 dated 22.07.2021, the outstanding amount due from the Inland Revenue Department amounting to Rs. 326.4 million has already	An unrecognized value added tax (VAT) balance remains and without proper verification of recoverability, Rs. 326.4 million had already been

	<p>invoices and other relevant documents were not provided to the audit in this regard. Hence, the existence and recoverability of those accounts is doubtful.</p> <p>2020-1.2.5 (f), 2019-1.2.5 (f), 2018-1.2.4 (d)</p>		<p>been charged in the 2021 income statement.</p>	<p>charged in the income statement for the year 2021</p>
12.	<p>Although no overpayments or tax balance brought forward have been shown in any of the tax returns submitted to the Inland Revenue Department, a sum of Rs. 376 million was stated in the financial statements as a receivable from the Inland Revenue Department from the year 2010. However, this amount had been written off against the tax provision for income tax in the year under review without any clear rationale or evidence.</p> <p>2020-1.2.5(g), 2019-1.2.5(g), 2018-1.2.4(e)</p>	<p>Necessary steps should be taken immediately to clear all arrears due to the Inland Revenue Department.</p>	<p>The Inland Revenue Department agreed to set off the receivable income tax amount of Rs. 376 million against the income tax liability for the year 2002/2003 and accordingly the amount of Rs. 376 million has been transferred to the income tax payable account.</p>	<p>Due to lack of sufficient evidence, this balance has been written off from the accounts for the year 2021, but is not acceptable.</p>
13.	<p>Due to non-availability of sufficient and appropriate audit evidence as mentioned in the earlier reports, Rs. 749.66 million shown under trade and other payments, was not able to be identified during the audit.</p>	<p>Appropriate action to be taken to maintain proper and updated records of transactions.</p>	<p>Arrangements have been made to settle the balances other than the following balances.</p>	<p>By 31 December 2021, a balance of Rs.193.217 million remains to be settled.</p>

Accordingly, the existence and correctness of the balance could not be confirmed during the audit. 2020-1.2.5(h) 2019-1.2.5(h)			The seller	Balance	Reason	
			SIAD Machine Impairment	145,1 77,18 4	The ongoing work was delayed due to Covid-19. The supplier's technicians must complete the installation before 30.03.2022. So, the payment is still shown as a debit balance.	
			PV oil Singapore	130,9 40,88 6	Legal action has been taken against PV oil Singapore and the public and the trial has	

					started.	
14.	<p>Due to the non-submission of written evidence regarding the stock in transit of Agro products amounting to Rs. 7,651,679 remained since 2017, accuracy and existence of them are doubt in the audit.</p> <p>2020-1.2.5(i)</p> <p>2019-1.2.5(i)</p>	<p>Appropriate action to be taken to maintain proper and updated records of transactions.</p>	<p>Investigations & Court case has not been finalized to clear outstanding under stock in transit of Rs. 7,651,679 as per the system. However, the total has been accounted under closing stock and a provision has been made for same amount. There is no material impact for the financial statement for the year 2020.</p>	<p>This stock balance has not been cleared.</p>		
15.	<p>As indicated in previous reports, SAP system reports show that 7,718.7 kilo liters of petroleum products (Petrol 92 octane) are available as of the balance sheet date. This stock was neither valued nor physically verified during the annual physical stock verification.</p> <p>2020-1.2.5 (j)</p>	<p>Appropriate action to be taken to maintain proper and updated records of transactions.</p>	<p>This has been already informed to CPSTL to clear this stock. It cannot be considered in preparing of financial statements since this stock is not physical available.</p>	<p>This stock balance has not been cleared.</p>		

	2019-1.2.5(j) 2018-1.2.4(c)			
16.	<p>Un-reconciled Control Accounts</p> <p>(i) According to the financial statements of the corporation, the national building tax and net income tax payments due to the Inland Revenue Department by 31 December 2020 were Rs. 3,242.5 million and Rs. 351.6 million respectively. However, those payments are Rs. 560.8 million and Rs. 9,272.3 million. Accordingly, a difference of Rs. 2,681.60 million and Rs. 8,920.6 million between the reports of the Inland Revenue Department and the financial statements of the corporation was observed.</p> <p>2020-1.2.6 (a), 2019-1.2.6 (b), 2018-1.2.5(c)</p>	<p>Appropriate action to be taken to clear all the unreconciled balances with Inland Revenue Department (IRD).</p>	<p>Differences have arisen due to assessments not included in the financial statements. A disclosure has been made in the financial statements until the assessment is clear.</p> <p>The assessment has been disclosed in the financial statement for 2021.</p>	<p>Unreconciled balances remain with the Inland Revenue Department.</p>
	<p>(ii) According to the reports of the Inland Revenue Department, the PAYE tax payable to the Inland Revenue Department was Rs. 46.9 million and at the end of the year under review it was Rs. 139,132.</p>	<p>Prompt action to be taken to clear all the unreconciled balances with IRD.</p>	<p>The Corporation does not prepare assessments and disclosures are made in the financial statements. The assessment has been</p>	<p>A reconciled balance of Rs. 13.9 million continues to exist.</p>

<p>Accordingly, a difference of Rs. 46.8 million was observed.</p> <p>2020-1.2.6(b)</p> <p>2019-1.2.6(c)</p>		disclosed in the 2021 financial statement.	
<p>(iii) According to the age analysis provided to the audit, 74 debit balances totaling to Rs. 930,193,687 and credit balances totaling to Rs. 5,048,644 relating to the trade receivables shown in the financial statements as at the end of the year under review were remained unrecovered/ unsettled over 05 years. Further, subsequent transactions with these debtors have been carried out without being settled the existing balances.</p> <p>2020-1.2.6 (c)</p>	Prompt action to be taken to clear all the outstanding balances.	Balances are monitored periodically and sent to concerned parties for corrective action.	Outstanding balances still exist.
<p>Debit balance of Rs. 930,193,687 relating to 74 customers.</p> <ul style="list-style-type: none"> • Sales representatives - Rs.23, 086, 145 		The balance of Rs. 20, 645,424.68 shown in the accounts of 12 customers have been referred to legal proceedings and there are four cases which have been decided in	

			<p>favor of the Corporation and others are pending for finalization. An amount of Rs.644, 232.81 for transactions such as rental of sales booths and equipment and monthly rent is due from three customers. Out of this amount, Rs. 226,784.57 has been recovered from one customer. This balance has been adjusted with the recommendation of marketing and legal department.</p> <p>Total payable for maintenance and repair charges of 19 customers was Rs. 1, 796, 487. 51 and out of which the respective invoices have been canceled for most of the balance. As these balances have been a long-standing internal issue, arrangements are being made by the</p>	
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			Marketing Division to obtain the recommendations and approvals of the Management and Audit Committee and the Board of Directors respectively for preparing these balances in the books. Further, balances of Rs. 95, 334.31 to be paid by 4 sales representatives have been adjusted.
	<ul style="list-style-type: none"> • Aviation Services - Rs.3, 708,345 due from 02 Air Lines customers 		Recovery from PETRONAS Aviation SDSDN – BHD is in progress.
	<ul style="list-style-type: none"> • Ceylon Electricity Board (CEB) - Rs.753,610, 830 		Rs. 18,406.62 million has been adjusted in the accounts scores. In order to reach a decision in this regard, discussions are being held with the participation of CEB, Ceylon Petroleum Corporation, Ministry of Power, Ministry of

			Energy and Treasury officials.
	<ul style="list-style-type: none"> Ceylon Transport Board - Rs. 3, 243, 486 		The balance has been written off with the approval of the Board of Directors.
	<ul style="list-style-type: none"> Other Government Institutions - Rs. 24,796, 800 due from Ministry of Economic Development 		<p>As a result of follow-up, Rs.17,056,800 was recovered from the treasury.</p> <p>The current outstanding balance is Rs. 7,740,000.</p>
	<ul style="list-style-type: none"> CCD Rs.392,383 due from 05 customers 		<p>These changes have occurred due to changes in government. The budget allocation for the new ministry does not allow them to settle the previous arrears. A solution is being worked on with the Treasury.</p>
	<ul style="list-style-type: none"> Private Customers - Rs. 114,285,813 from 05 customers 		Maga Neguma Construction Company has agreed to pay 10% of every purchase.

	<ul style="list-style-type: none"> From 11 agrochemical customers - Rs.4,589,049 		<p>Out of 04 legal cases, one case was decided in favor of the Petroleum Corporation.</p> <p>The other 07 cases have been brought up for discussion with the Management and Audit Committee. The Management and Audit Committee has advised us to take further action with the concerned institutions and submit the result for further work.</p>	
	<ul style="list-style-type: none"> Bunkering Business - Rs. 746,242 from one customer 		<p>LMS (Lanka Marine Service), this amount is disputed and we need to discuss a solution for this with the Management and Audit Committee.</p>	
	<ul style="list-style-type: none"> Rs. 1,065,271 due from 10 estate customers 		<p>There were outstanding balances in the State institutions, Sri Lanka State Plantation Corporation (SLSPC) and Janatha Estate Development Board</p>	

			<p>(JEDB). Since the recovery follow-up was unsuccessful, we brought this up to the management and the Audit and Management Committee and instructed to follow-up these two institutions as they are operating. So, we corresponded with them and also visited to their premise for recovery. They informed us that there are no documents in this regard and they asked for time to verify this information.</p>	
	<ul style="list-style-type: none"> Rs.669,323 from 03 other customers 		<p>This Rs.373,337.80 has arisen during the transition period from the Corporation to LMS (Lanka Marine Services). LMS does not accept this amount and we have submitted this matter to the Management and Audit Committee for</p>	

			<p>resolution.</p> <p>Rs. 189, 788.44 is due from Ministry of Petroleum Resources Development and negotiations are in progress for a settlement.</p> <p>Rs. 106,196.97 is an amount payable for supply of kerosene for the agro-chemical operations of the Corporation. Action is being taken to clear this balance.</p>	
	<ul style="list-style-type: none"> • The debit balance of 19 customers was Rs.5,048, 614 • Sales Representatives - Rs. 1,124,251 from 3 Representatives 		<p>The invoice on petrol was inadvertently canceled instead of the M & R invoice. This was identified by the marketing department and communicated to the distribution manager for adjustment. Although the distribution manager has agreed to do this, no action has been taken so far. The</p>	

		<p>relevant document is with the Marketing Bureau and they will take steps to correct it.</p> <p>Two customers belonging to these incentives are inactive. These balances have already been adjusted in 2021.</p>
	<ul style="list-style-type: none"> Aviation services local - Rs. 579 from one customer 	<p>This balance is adjusted in the year 2021.</p>
	<ul style="list-style-type: none"> Rs. 1,081,249 from private customers 	<p>Rs.1, 080, 584.65 should be paid to Navaloka Construction Company. This balance will be adjusted after analyzing the accounts of this year.</p> <p>The balance of Rs. 664.35 has already been adjusted to the accounts.</p>
	<ul style="list-style-type: none"> Agro Chemical Consumers - Rs. 665, 111 	<p>Rs. 543, 343.78 is due from a customer in Ampara, this has been legally referred and the</p>

			<p>case is still pending.</p> <p>The remaining loan balance of Rs. 121, 767.22 should be received from a one-time customer and this has already been adjusted in this year accounts.</p>	
	<ul style="list-style-type: none"> Estate Customers - Rs. 2, 113 from one customer 		<p>This balance has been adjusted in the 2021 accounts.</p>	
	<ul style="list-style-type: none"> Other - Rs. 2,175,341 from 5 customers 		<p>The loan balance of the Rotunda property development limited is Rs.2, 103, 240.83 which will be adjusted in the accounts in the year 2021 after analyzing the transaction.</p> <p>The remaining credit balance of Rs.72,100.17 will be adjusted to the accounts after analyzing the account.</p>	
17.	20 debit balances totalling to Rs. 154.59 million over 05 years,	Appropriate steps should be taken to	The total amount due from PV Oil	Balances that have remained

	<p>and 27 debit balances totalling to Rs. 1,448.29 million over 01 year to 05 years shown under trade and other payables were remained unsettled as at the end of the year under review. Further it was observed that the Corporation had made subsequent transaction with these vendors who were having debit balances without being settled the existing debit balances. Therefore, the accuracy and existence of those balances are critically doubt in audit.</p> <p>2020-1.2.6(d), 2019-1.2.6(d)</p>	<p>maintain proper and updated records of transactions.</p>	<p>Singapore PTE Ltd was Rs. 154.587 million out of Rs. 130.94 million was balances over 5 years. Legal proceeding is in progress for this customer.</p>	<p>unsettled for a long time continue to exist.</p>
18.	<p>In the absence of sufficient and relevant audit evidence, the actual value of late charges incurred by the Corporation during the year under review could not be verified during the audit.</p> <p>2020-1.2.6(f)</p> <p>2019-1.2.6(i)</p>	<p>Appropriate steps should be taken to maintain proper and updated records of transactions.</p>	<p>Late charges for the year under review are based on estimates provided by the Commerce Department. The actual cost of late charges will be determined by a committee. Details of allocations are available with the Finance Bureau.</p>	<p>At the end of 2021, the cumulative late charges payable was Rs. 726 million and USD 1,474,396 was paid in the year 2021. However, the actual late charges incurred by the corporation was not disclosed in the financial statements for the</p>

				year 2021.
19.	Non-compliance with Laws, Rules, Regulations and Management Decisions etc.			
	<p>Public Enterprises Circular No. PED/12 of 02 June 2003 - Guidelines for Good Governance.</p> <p>(i) Guideline 7.2 - Corporation had not prepared procedure manuals including all major activities for the Lubricant Business, Bitumen Business, Bunkering Business and Agro Business of the Corporation.</p> <p>2020-2.2.2(a) –(ii)</p> <p>2019-2.(a) (iv)</p>	It should be complied with the relevant guidelines	The Procedure manual is being prepared. It is scheduled to be completed by November this year	The procedure manual had not been prepared in accordance with the guideline.
	<p>(ii) Guideline 9.3 - The Corporation did not have a Scheme of Recruitments and Promotions which should have been approved by the appropriate Ministry with the concurrence of the Department of Public Enterprise, General Treasury.</p> <p>2020-2.2.2(a) (iii)</p>	It should be complied with the relevant guidelines	Preparation of the proposed new recruitment and promotion procedure is almost complete and it is expected to be completed within the next three months.	Even now, the corporation does not have a promotion procedure.

	2019-2.(a) (v) 2018-2(a) (v)			
	<p>(iii) Finance Circular No. 124 dated 24 October 1997 of the Ministry of Finance and Planning.</p> <p>Covering up duties of a vacant post should be limited to a period of 03 months. Nevertheless, officers had been assumed for cover up duties of the vacant posts including Grade A posts, for more than 03 months.</p> <p>2020-2.2.2(b),2019-2(b), 2018 2(b)</p>	It should be complied with the relevant guidelines	There had been 37 covering up arrangement from 06.10.2020 and this number had been reduced to 21 by 14.07.2021. Filling of vacancies could not be done efficiently due to the pandemic situation prevailed in the country. However, you are kindly informed that vacancies will be filled with immediate effect and all the acting arrangements will be cancelled.	By 31 December 2021, 12 officers were observed covering duties for more than 03 months.
	<p>(iv) Public Enterprises Department Circular No. FP/06/35/02/01 dated 04 November 2013 and No. PED 03/2016 dated 29 April 2016</p>			

<p>The Corporation had borne the Pay As You Earn (PAYE) tax of its employees amounting to Rs. 173.7 million without deducting it from their personal emoluments for the year under review.</p> <p>2019-2(c), 2018-2(c)</p>	<p>It should be complied with the provision in the circular.</p>	<p>The PAYE amount added to the employee's salaries as additional benefit will be deducted in terms of the Inland Revenue Act No. 24 of 2017.</p>	<p>The relevant circular had not been complied with.</p>
<p>(v) Financial Regulation 396</p> <p>Issued Cheques passes six months from the date it had been dated should be considered as stale and reverse the original transaction. However, 64 cheques worth Rs. 34,911,295, which had been issued but not presented, were remained without being reversed.</p> <p>2020-2.2.2(c) 2019-2(e)</p>	<p>It should be complied with the relevant guidelines.</p>	<p>In the process of reversing un presented cheques.</p>	<p>The relevant regulations have not been complied with.</p>
<p>(vi) Guideline 4.2.3(b)</p> <p>The Board had not periodically reviewed the performance of its Subsidiary in order to ensure the achievement of targets of the Subsidiary.</p> <p>2018-2(a)(i)</p>	<p>It should be complied with the relevant guideline</p>	<p>Action will be taken complying with the guideline.</p>	<p>The relevant regulations have not been complied with.</p>

20.	<p>As iterated in previous audit reports, it was observed that there was no any agreement or a Memorandum of Understanding between the Corporation, CPSTL and LIOC with regard to their individual responsibilities in respect of the involvement of the Enterprise Resource Planning (ERP) System introduced by the CPSTL. It was observed that this system was not adequately utilized, especially for the fuel stock reviewing purposes and refinery function.</p> <p>2020-2.2.3(a) 2019-2(b) 2018-2(h)</p>	<p>The Corporation should enter into an agreement expeditiously with the consent of all parties concerned.</p>	<p>There is no agreement signed between CPC, LIOC & CPSTL for SAP ERP System. However, as per the decision taken by the Board, a bi-party agreement between CPC and CPSTL was drafted. Thereafter, as directed at the ERP Steering Committee meeting, we have requested observations for the draft Tri-party agreement and for the SAP software End User Value License Agreement.</p>	<p>Agreements had not been entered into with the relevant parties.</p>
21.	<p>Prompt action had not been taken by the Corporation to rectify the following observations which iterated in previous audit reports with regard to Common User Facilities</p> <p>The Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003 entered into</p>	<p>The Corporation should enter into an agreement expeditiously</p>	<p>An Agreement has been signed between CPC and CPSTL to determine the</p>	<p>Agreements had not been entered into with the</p>

	<p>between Government of Sri Lanka (GOSL), the Corporation and LIOC had been expired on 31 December 2008 in terms of section 15 of the Agreement. Therefore, the common user facilities covered under such agreements including the Governance procedures of entities and the pricing formula used for the purpose of determining the throughput charges and transport expenses including slab charges (last revised in 2011) had not been revised with the agreement of all related parties.</p> <p>2020-2.2.3(b) (i)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>	<p>with the consent of all parties concerned.</p>	<p>throughput charge and the transport expenses. Separate Committees have been appointed to submit the agreed formula. The Secretary, Ministry of Energy has discussed this matter with CPC and CPSTL. The final decision will have to be incorporated to the agreement.</p>	<p>relevant parties.</p>
22.	<p>The Corporation had entered into an Agreement with CPSTL on 13 May 2019 without LIOC and accordingly, terms and condition in relation to storage and transport of petroleum products and the way of deciding the throughput between CPC and CPSTL were agreed. However, the terms and condition relating</p>	<p>Corporation should enter into an agreement expeditiously with the consent of all parties concerned.</p>	<p>The agreement signed in 2019 is between CPC and CPSTL for the services rendered to CPC by CPSTL. Discussions have been initiated between the parties with the intervention of the Secretary, Ministry of</p>	<p>Agreements had not been entered into with the relevant parties.</p>

	<p>to the same subject affected to the LIOC, a main user and a party who were in the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003, were not defined. Therefore, it was observed that any impact on unfavorable conditions and cost had to be borne by the Corporation in any event of LIOC refusing the terms and condition entered between the Corporation and CPSTL.</p> <p>2020-2.2.3(b)(ii), 2019-2(b),2018-2(i)</p>		<p>Energy in order to amend certain terms. The terms and conditions between CPSTL and LIOC cannot be included to this agreement. CPC is entitled to appoint 06 Directors as the 2/3rd shareholder of CPSTL and the quorum of the Board is 03 Directors, two of which shall be from CPC and one shall be Lanka IOC.</p> <p>Therefore, CPSTL cannot enter into any agreement with LIOC where CPC will have any adverse impact.</p>	
23.	<p>According to the Board Decision No. 43/1227 dated 03 May 2019, approval to increase the throughput charges was granted with effect from 01 April 2019. As a result of backdating the effective date, CPC had to pay extra amount of Rs. 173.77 million for the</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>Revision of throughput charges along with salary revision was requested from January 2019. But as per board decision, it has been increased with effect from 01 April 2021. However, according to</p>	<p>The additional payment of Rs. 173.77 million had failed to be recovered even now.</p>

	<p>month of April 2019. However, Corporation had failed to recover such amount up to date.</p> <p>2020-2.2.3(b) (iii)</p> <p>2019-2(b), 2018-2(i)</p>		<p>the audit paragraph, efforts were made to recover this amount from the CPSTL, but it was not successful.</p>	
24.	<p>According to the Common User Facilities Shareholders' Agreement (among CPC, LIOC and GOSL) dated 30 December 2003 and the agreement between Corporation and CPSTL dated 13 May 2019, maintenance of the pipelines or portions of pipelines to the accepted standards and provide storage facilities to maintain 02 months fuel stock is a responsibility of CPSTL. However, as a result of delaying in unloading fuel from a vessel due to blockages in the pipeline and inefficiencies in the storage system, the Corporation had paid demurrages over USD 2.7 million during last 06 years without shifting such cost to the service provider.</p> <p>2020-2.2.3(b) (iv)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>Agree with the content.</p>	<p>Necessary measures had not been taken to minimize the cost of the corporation.</p>

25.	<p>The Corporation had paid Rs. 250 million to the Urban Development Authority in relation to the rehabilitation of 12" diameter and 5,500m long pipeline from Colombo Port to Kolonnawa Oil installation in the year 2019. According to the information made available to audit, the Corporation had not entered into any agreement or had any negotiation with CPSTL in order to recover the paid amount in future. Therefore, bearing total cost of a capital improvement of CPSTL, subsidiary, by the Corporation without any contribution of other shareholder is questionable to audit.</p> <p>2020-2.2.3(b) (v)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>At the Cabinet Sub-Committee meeting dated 03.07.2019 in the subject of "Providing houses for the squatter families in order to proceed with replacement of fuel transfer pipelines from Colombo port to Kolonnawa Oil Installation" it was decided Ministry of Highways & Road Development and Petroleum Resources Development to direct CPC to bear 50% of the relocation cost considering the financial benefits that could be gained by CPC upon replacement of the said pipelines and the remaining 50% by General Treasury. Based on that commitment given by the Line Ministry, CPC Board of Directors have decided to make</p>	<p>Necessary measures had not been taken to minimize the cost of the corporation.</p>
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			<p>the payment of 50% of the actual cost to UDA.</p> <p>CPC made this advance payment of Rs. 250 million with the intention of obtaining a downward reduction of the throughput charge to recover the advance payment. Accordingly, negotiations are in progress with CPSTL to recover Rs. 250 million from the throughput charges.</p>	
26.	<p>According to the agreements, throughput charges consist of Storage Terminal cost and profit margin. Storage Terminal Cost includes personal cost, overhead and maintenance cost and depreciation of the assets of CPSTL. It implied that all the transport charges of CPSTL should be excluded when determine the throughput charges. However, audit was unable to ensure whether the transport related cost of the CPSTL had been excluded when deciding the</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>Throughput charge has been increased by 27% in 2019 April considering cost component excluding hired bowser transport of CPSTL. However, CPC had already retained 5% of throughput charge in order to recover duplicated transport expenses paid for CPSTL owned bowser fleet.</p>	<p>Necessary measures were not taken to minimize the cost of the corporation.</p>

	<p>storage terminal cost of throughput charges. As a result, reimbursement of transport charges to CPSTL could be duplicated. According to the information available, an amount of Rs. 2,506 million had been paid as transport charges to CPSTL during the year under review.</p> <p>2020-2.2.3(b) (vi)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>			
27.	<p>According to the definitions of the Common User Facilities Share Holders' Agreement (among CPC, LIOC and GOSL) dated 30 December 2003, Storage terminal Cost defined as "Interest at the rate of twelve per centum (12%) per annum on the loans being vested in the Company and forming a part of the storage assets and liabilities as well as further loans taken to bridge the cash deficit". This agreement was expired on 31 December 2008. However, the Corporation had paid over Rs. 2,183 million as the</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>Noted.</p>	<p>Necessary measures had not been taken to minimize the cost of the corporation.</p>

<p>interest portion for the period from 2009 to 2016 relating to the loans obtained from People’s Bank in 2009 by CPSTL after the expiry of the agreement. It was observed that such payment had been made without proper evaluation and confirmation about the real amount to be paid in terms of the agreement.</p> <p>2020-2.2.3(b) (vii)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>			
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Major audit observations

28.	<p>Maintenance of the pipelines to the accepted standards and provide sufficient storage facilities is the main role of the subsidiary company, CPSTL. Accordingly, a considerable amount of funds had been transferred to the CPSTL as throughput charges to the development of infrastructure relating to the storage and terminal facilities of the fuel supply in the country. CPSTL has charged over Rs. 1,000 million as depreciation during the year under review and the amount for the last 11 years was</p>	<p>Appropriate action to be taken by the management as minimize the cost to the Corporation.</p>	<p>Agreed with the Content.</p>	<p>Necessary measures had not been taken to minimize the cost of the corporation.</p>
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	<p>over Rs. 11,000 million. In addition, an amount of Rs. 2,738 million had been charged by the CPSTL as profit margin during the year under review and the total amount that was charged for the last 11 years was Rs. 43,540 million from both CPC and LIOC. However, there were no appropriate evidences to ascertain that the CPSTL had taken proper action to design and develop new infrastructure facilities and maintain the existing facilities promptly.</p> <p>2020-2.2.3(b) (viii)</p> <p>2019-2(b)</p> <p>2018-2(i)</p>			
29.	<p>Total amount of USD 250,925,169 is to be paid to the National Iranian Corporation, Tehran in relation to purchase of Petroleum Products by the Corporation which is equivalent to Rs. 32,343.52 million in the year 2013. According to the information provided to the audit, payment of such outstanding balance was stopped due to sanctions enforced to Iran by the United State. Such balance has been showing as a payable amount from the inception,</p>	<p>Appropriate action to be taken by the Corporation to minimize the related cost and other consequences in this regard.</p>	<p>Several attempts were made in the year 2019 to settle National Iranian Corporation outstanding balance. But due to Covid-19 situation in during 2020, the payment could not be made.</p>	<p>This balance remains in the accounts further.</p>

	<p>at the exchange rate as at the end of each year and the difference of the adjustment transferred to exchange gain or loss of the respective year. Accordingly, payable balance and accumulated exchange rate variance loss (from 2012 to 2020) at the end of the year under review had been increased to Rs. 47,933 million and Rs. 15,193 million respectively. The exchange rate variance loss for the year under review was Rs. 2,122 million. Further, it was also observed that the payment of this balance had not been done due to uncontrollable external factors. However, there were no sufficient and appropriate evidence to ascertain whether the Corporation had taken effort to settle that amount by alternative forms and evaluate the financial feasibility of keeping the balance unsettled in a situation where gradually depreciating the LKR over USD for a longer period.</p> <p>2020-2.3(a), 2019-1.2.6(f)</p>			
30.	<p>Indian Oil Corporation Limited (IOC) had been registered as a supplier to supply Petroleum-related product by the Corporation on 26</p>	<p>A proper evaluation of suppliers to be made prior to accept as a</p>	<p>Due to the objection raised by Special Standing Cabinet Appointed Procurement</p>	<p>Indian Oil Corporation company has been removed</p>

	<p>June 2020 for a period of one year and IOC had applied for tenders of the Corporation for 05 months. However, LIOC is a fully own subsidiary of IOC and LIOC hold 1/3 ownership of CPSTL that is the subsidiary of the Corporation. In other hand, LIOC is the sole competitor of the Corporation and a related party through the CPSTL. Therefore, audit was unable to justify the reason to allowing sole competitor to supply of petroleum product for a one-year period. Further, audit was unable to ensure the suitability of existing supplier registration process of the Corporation.</p> <p>2020-2.3(b)</p>	<p>registered supplier. The supplier registration process of the Corporation should be streamline as to prevent any undue access from third parties.</p>	<p>Committee (SSCAPC) held on 26/11/2020, IOC has been removed from the registered list of suppliers with CPC and No Cargo has been purchased other than the emergency cargo purchased in 2017 (Ref. BK/88/2017 – Jet A1).</p> <p>The process followed by CPC is with the approval obtained from the SSCAPC with the recommendations of Standing Technical Evaluation Committee. (STEC).</p> <p>Recommendations are welcomed by CPC to change the existing registration process and new suppliers who are willing to apply for registration are allowed to apply without any specific period. This is done to increase the competition of the suppliers.</p>	<p>the from the supplier registration list.</p>
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31.	<p>As stated in previous year audit reports, the formal agreements for fuel supply had not been entered into with major customers including CEB even at the end of the year under review.</p> <p>2020-2.3(c) 2019-3(a) 2018-3(k)</p>	<p>The Corporation should take necessary action to enter into proper agreements with major customers.</p>	<p>Signing a Fuel Supply Agreement (FSA) with CEB is in progress with the intervention of both Ministry of Energy and Ministry of Power. However, CPC has already entered into FSA's with major Independent Power Plants such as M/s. Westcoast Power (Pvt) Ltd. for the Yugadhanavi Power Plant & M/s. Sojitz Kelanitissa Private Limited for the Sojitz Kelanitissa Power Station. Further, CPC has entered into FSA with Sobadhanavi limited on 19.07.2021 for the upcoming 350 MW Combined Cycle Power Plant in Kerawalapitiya.</p> <p>As informed by CPC Commercial Function, CPC has entered into FSA with Sri Lankan</p>	<p>Necessary steps had not been taken to enter into proper agreements with major customers.</p>
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			Airlines.	
32.	<p>Recovery of Duties and Taxes</p> <p>As stated in previous audit report, Rs. 1,617.2 million paid as Custom Duties and taxes before discharging the cargo of rejected shipment, which includes excise duty of Rs. 648 million, had not yet been recovered or settled at the subsequent payments by the Corporation since January 2017.</p> <p>2020-2.3(d)</p> <p>2019-3(b)</p> <p>2018-3(b)</p>	<p>Appropriate action to be taken to recover or settle all the outstanding balances.</p>	<p>Auto Diesel Shipment (Gas Oil 0.05% on board M/T Swarana Kalash of 16/01/2017-BK 03/2017) rejected in month of January 2017 due to major deviation of quality and CPC paid Rs. 1,617,202 as Customs Duties & Taxes before discharging the cargo. According to the instruction issued from Director General of Customs by the letter reference No. I/RLV/2015/01 dated 26/11/2015 which stated duties to be paid before clearance of the cargo. Further as per the directive given by the Ministry of Petroleum Resources Development letter reference No. MPI/DEV/3/6/4(ii) dated 28/12/2015, CPC</p>	<p>Even now, this amount has not been recovered.</p>

			<p>has been informed to clear the Petroleum Oil Consignments only after the payment of relevant import taxes imposed by Sri Lanka Customs. The ship was allowed to birth after payment of duties and other taxes on the orders of the Director General of Customs. After birthing the ships, the samples are sent to laboratories for testing. Due to this reason, CPC had to pay import duties & taxes before verifying the quality of this shipment. Necessary action had been taken to recover the amount.</p>	
33.	<p>Storage and Distribution of Petroleum Product</p> <p>My special report which assessed the adequacy of the existing petroleum storage capacity that is currently utilized in Sri Lanka, evaluate the appropriateness and productivity of the fuel transport pipeline system,</p>	<p>The corporation should be properly evaluated the recommendations of the report and appropriate action to be taken for the</p>	<p>Agreed with the Content.</p>	<p>Adequate measures have not been taken for smooth and safe operation of fuel transportation</p>

	<p>railway and bowser transport system currently in operation in Sri Lanka and make recommendations on measures to be taken for the smooth and safe operation of the petroleum storage complex and fuel transport systems in the country had been tabled in Parliament. It can be downloaded from the official websites of the National Audit office of Sri Lanka.</p> <p>2020-2.3(e)</p> <p>2019-3(c)</p>	<p>smooth and safe operation of the petroleum storage complex and fuel transport systems in the country.</p>		<p>system and petroleum storage.</p>
<p>34.</p>	<p>Trincomalee Tank Farm</p> <p>The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m³) (10,000 MT) and other associated facilities, had been constructed in 1930. The land with an extent of 358.553 hectares belong to the Tank Farm had been given on lease basis by the Government of Sri Lanka to the Commissioners of the Lord High Admiralty of the British Government for a period of 999 years before gaining independence to Sri Lanka. In 1961 at the request of the Government of Sri Lanka, the Corporation had paid Sterling Pounds</p>	<p>It should be paid immediate attention to clear the ownership of farm and initiate petroleum related business using the available resources in the farm.</p>	<p>Agreed with the Background Content. However, since 2016 CPC has prepared several development plans for the Trincomalee Upper Tank Farm and still directive has not been received to those CPC development plans for the usage of the tanks.</p>	<p>Even now, the ownership of the Tank Farm had not been cleared and there was no focus on initiating petroleum related business using the available resources in the Tank Farm.</p>

	<p>250,000 in three instalments and taken over the possession of Land, Tank Farm, Buildings and other equipment with effect from 01 April 1964. Nevertheless, no legal documents had been obtained up to date from the Government for the above land.</p> <p>In 2003, the Government of Sri Lanka had entered into an agreement with the Lanka Indian Oil Company (LIOC) and the Corporation to lease out the storage facilities and the land to the LIOC for a period of 35 years and lease agreement should be executed within 6 months from the date of the agreement. The Corporation had not yet entered into any lease agreement or uses the tanks. However, LIOC is using those assets from the year 2003.</p> <p>2020-2.3(f)</p> <p>2019-3(d)</p> <p>2018-3(n)</p>			
35.	<p>Payment of Penalty</p> <p>As stated in previous year audit reports, a sum of Rs. 57.7 million paid to the Department of Customs to settle the amount outstanding since</p>	<p>Appropriate action to be taken to get reimbursed the</p>	<p>The payment of Rs. 57,736,913 to Custom Department to settle the outstanding was done as</p>	<p>No action had been taken to recover this</p>

	<p>2002 in respect of the bunkering operations on the basis of reimbursement that amount from the General Treasury. However, this amount had not been reimbursed even up to the date of this report.</p> <p>2020-2.3(g), 2019-3(f)</p>	<p>amount early.</p>	<p>per the instructions of General Treasury to remove outstanding liability in Sri Lanka Customs. CPC has done the payment in 2014 with the intention of recommencing the bunker operations. Letter has been sent General Treasury to intervene on this matter.</p>	<p>amount.</p>
<p>36.</p>	<p>Sapugaskanda Oil Refinery</p> <p>As stated in previous audit reports, the existing Refinery which had been constructed five decade back (commissioned in 1969) is a basic Refinery and is not being able to cater the increasing demand of petroleum products in the country and this Refinery is operating with low margin when compared with refineries operating with advanced technologies including facilities to produce petroleum products at lower cost and capabilities to upgrade bottom products to high value products such as petrol and diesel, where by maximizing its operating efficiency. However, the CPC was unable to implement the proposed</p>	<p>It should be given a greater attention to upgrade the existing refinery and build a new as to satisfy the country demand at lowest cost.</p>	<p>Sapugaskanda Refinery is 49 years old but running even today using the available best suited crude oil at the moment with the modifications and minor upgrading work carried out in the past with change of product specifications and legal requirements. The refinery is not equipped with modern technologies in the world to convert bottom of the barrel to high</p>	<p>No expansion and modernization of Sapugaskanda Oil Refinery has been done so far.</p>

<p>Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project or alternative project in order to ensure supplying of its products to the market in a cost-effective manner. Further, the land acquired by incurring of Rs. 1,003 million for that purpose had been laying idle even up to the date of this report.</p> <p>2020-2.3(i) 2019-3(h) 2018-3(g)</p>		<p>value products which can increase the profit margin. In addition, with the restricted refinery configuration, the refinery cannot process heavy, sour cheap crudes in the world to increase the profitability.</p> <p>In the expectation of meeting the country demand, Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) project was initiated around 12 years ago with a comprehensive feasibility study. The project was attractive having the payback period of less than 8 years after USD 2.1 billion investment, but never materialized due to unavailability of funds from the government. As the project delayed, the increasing product</p>	
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			demand of the country has been fulfilled by imported products which finally incur additional costs to the country.	
37.	<p>Idle or underutilized Property, Plant and Equipment</p> <p>Halgaha Kumbura Land at Wanathamulla -This land had been acquired for Rs. 10.6 million for the purpose of LP Gas Project and a Playground. However, this land had not been utilized for the intended purpose and it had been occupied by more than 700 squatters.</p> <p>2020-2.3(j) ,2019-3(i), 2018-3(f)</p>	Steps to be taken to evict the unauthorized occupants and utilize the property for the betterment of Corporation.	This statement is correct. Due to the social impact on about 700 families, no decision was made to prosecute.	The corporation had failed to evict the unauthorized occupants and utilize the property.
38.	<p>Mahahena Land – According to the correspondence made available, the Corporation had acquired this land by spending Rs. 0.625 million, and it had not been accounted for. However, this land is being utilized by the previous owner even after the acquisition in 1986.</p> <p>2020-2.3(j) 2019-3(i), 2018-3(f)</p>	Steps to be taken to evict the unauthorized occupants and utilize the property for the betterment of Corporation.	Kolonnawa Divisional Secretary is taking necessary measures to evict the squatters and give the land to the Corporation, and as previously informed, 06 plots have been given from the main land.	The corporation had failed to evict the unauthorized occupants and utilize the property.

39.	<p>Procurement Management</p> <p>According to the decision No.12/0295/510/003/TRB of 22 March 2012 taken by the Cabinet of Ministers, the line Ministry should make endeavor to enter into term contracts for supply of petroleum products with extended credit facilities, as opposed to the spot buying on weekly basis. However, 52 contracts (shipments) out of 78 valid Contracts (14 contract had been cancelled) were entered during the year 2018 on the basis of spot contract contrary to the above decision.</p> <p>2018-2(a)</p>	<p>It should be adhered with the decisions from Cabinet of Ministers.</p>	<p>CPC has no sufficient storage capacity to absorb the stock variation with the demand fluctuation in the country as well the term tender quantities are fixed and not able adjusts the quantities. In such occasions, if CPC do not use the single tenders (Spot Purchases), either product shortage or incurring vessel demurrages could not be avoided.</p>	<p>Spot purchases are still available.</p>
40.	<p>Hedging Transactions</p> <p>As per the audit examination carried out pertaining to the hedging transactions taken place in respect of procurement of oil during the period of 2007 to 2009, the total loss incurred to the country on those transactions as at 31 December 2020 was Rs. 14,028 million. Moreover, the Commercial Bank had filed a case at the Commercial High Court, Colombo against the Corporation by</p>	<p>Appropriate action to be taken to settle the matter early</p>	<p>The Supreme Court case is still pending in this regard.</p>	<p>The case is still pending in this regard.</p>

	<p>claiming US\$ 8,648,300.</p> <p>2020-2.3(h)</p> <p>2019-3(g)</p> <p>2018-3(p)</p>			
41.	<p>Lubricant business</p> <p>It was observed that the number of units sold and sales value of lubricant products of the Corporation has been gradually declined. According to the record of Public Utilities Commission of Sri Lanka, the Market share and market place in Sri Lankan Lubricant Market of the Corporation also had been gradually deteriorated. Market place of the Corporation up to third quarter of the year 2019 had been further deteriorated from 5th place to 6th place. However, net profit of the Lubricant sales of the Corporation had been increased. Therefore, it seems, the lubricant business is a profitable business in Sri Lanka for which less attention had been given by the Corporation.</p> <p>2019-2(d)(i)</p>	<p>Appropriate action should be taken to improve the lubricant business.</p>	<p>The Lubricant Sale Volume had decreased from 2016 and the Market Positions fell from 5 to 6, while securing a Market Share below 6%. However, the total market volume of the country has increased slowly. This lower sales volume was resulted by year dispute over the agreements had between CPC and M/S Hyrax Oil Sdn Bhd. The orders placement was delayed due to the indecision.</p> <p>Further to the comment (1) above, the net profit percentage had slightly increased. The demand for Lubricant Products marketed by CPC</p>	<p>The corporation seemed to be paying less attention to the lubricant business.</p>

			<p>prevailed. However, there was not enough products in the market for the loyal customers, due to disruptions and delays in the approval procedure, due to the disputed state of affairs between CPC and M/S Hyrax Oil Sdn Bhd. It is correct that lubricant business is a core area for CPC to invest and develop. The management, after finding out certain areas of the agreements, wanted to rectify those prior to producing and marketing lubricant products under CEYPETCO brand name.</p>	
42.	<p>The Corporation has a highest sales network covering all part of the country consisting over 1,200 filling stations managed by the Corporation. In additions, the transport mode, billing process, stock control and monitoring of entire operation of Lubricant</p>	<p>Appropriate action should be taken to increase the efficiency and effectiveness of the lubricant business.</p>	<p>In April 2020, the commercial production at the new lubricant plant constructed and operated by M/S Hyrax was slowly commenced. The Covid-19 epidemic related situation created</p>	<p>Appropriate measures have not been taken to increase the efficiency and effectiveness of the lubricant</p>

<p>business could be easily managed in line with existing well established fuel storage and distribution network of the Corporation at minimum effort and cost. As a public entity, Corporation has a higher opportunity to be the lubricant provider of the government agencies including the government entities which widely use the lubricant products such as Tri-Forces, Police, the Electricity Board, the Water Board, the Road Development Authority, Railway, Sri Lanka Transport Board, etc. The Corporation has developed all infrastructure facilities in relation to storage and supply of lubricant product in Sri Lanka. In addition, the Corporation had entered into an agreement with Hyrax Oil SDN BHD (HOSB) to build a Lubricant Blending Plant in Sri Lanka under a Build, Operate and Transfer (BOT) basis on 06 May 2016 for a period of 20 years. Further, a separate Lease Agreement and a Supply Agreement (enable to purchase the products from HOSB) had been signed with the HOSB on</p>		<p>delays in production plant employee attendance and there were several problems due to raw material supply chain disruptions as per plant operator of M/S Hyrax.</p> <p>From July 2020, the management plan to carry out marketing of lubricants through 1200 Filling Stations under the direct supervisor of the Area Managers and related Area Supervisors. Further, the pricing of CEYPETCO lubricant produced at the new blending plant were reduced considerably to improve competitiveness in the Sri Lanka market. The new prices were announced on 01 August 2020 and the wholesale Network was interested to keep the supplies to CPC Filling Stations</p>	<p>business.</p>
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	<p>the same date by the Corporation. The construction works of the Lubricant Plant had been completed and ceremonially opened on 24 June 2019. However, Corporation has not commenced the operation with a feasible strategic business plan.</p> <p>2019-2(d)(ii)</p>		<p>without products scarcity.</p> <p>In the meantime, a corporate discount of 20% was granted to Government Corporations and other Government institutes. At percent Sri Lanka Army, SL Navy, STF, SLTB and other Government entities are corresponding with CPC to by CEYPETCO lubricant products. CPC presently carrying out its marketing activities with a view to achieve around 1 million liter/kg per month sales volume, which would correspond to around 20% market share by December 2020.</p>	
43.	<p>There are 04 lubricant depots including the main depot located at the Muthurajawela Terminal. However, proper records including stock levels of each product were not maintained in the depots.</p>	<p>Proper records should be maintained and stock should be handled in a manner that minimize stock</p>	<p>There is only one lubricant storage maintained by CPC to store CEYPETCO lubricant products. The stockiest are supposed to</p>	<p>Adequate measures had not been taken to minimize stock losses.</p>

	<p>Irregular storing of stocks, storing without considering the environmental factors such as temperature and a large damaged lubricants stocks were observed at the audit inspection. Further, action had not been taken to identified the stock loss of over Rs.6 million, at the special physical inventory verification carried out in October 2018.</p> <p>2019-2(d)(iv)</p>	<p>damage.</p>	<p>maintain sufficient stocks to supply the demand in Filling Stations. CPC storage at Muthurajawela is furnished with safe storage facilities under controlled temperature and are fitted with heavy industrial fans around its walls. The skilled staff handled storage of products and forklifts and designated storage plane is use. The stock loss referred to has been due to problems in accumulating the damage stocks, salvaged stocks and other in transit products. This has been studied and another stock of salvaged products are to be sent to new blending plant to rework.</p>	
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