Lanka Electricity Company (Private) Limited - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Electricity Company (Private) Limited("Company") and its Subsidiaries ("Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

1.3 Audit Scope (Responsibilities of Management and Those Charged with Governance for the Financial Statements)

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group'sfinancial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controlof the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documentshave been properly and adequately designed from the point of view of the presentationof information to enable a continuous evaluation of the activities of the Company, andwhether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard.

	Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	According to the paragraph 5.5 of the Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. Simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost for the period of 2017 to 2023 (except 2021) amounting to Rs. 4,658.2 million had been recognized as receivable from Ceylon Electricity Board (CEB) instead of being recognized as cost of sales in respective years, even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result of this, retained earnings, profit for the year and receivable balance had been overstated by Rs. 2,819.6 million, Rs. 1,838.6 million and Rs. 4,658.2 million respectively as at 31 December 2023.	We have noted the comment. However, according to the CEB Act, the license for purchasing electricity is solely vested with the CEB. LECO cannot purchase electricity from any source of power generation. Therefore, LECO initially pays the prosumer and subsequently requests reimbursement from CEB. This process is in agreement with the Ministry. Hence, once CEB reimburses this cost to LECO, it is required to invoice LECO based on the electricity consumption. However, this process has not yet been initiated by CEB. Further please note that after the discussions had with CEB and PUCSL, CEB agreed to reimburse. Accordingly, CEB reimbursed Rs1,544.5 million by deducting from their energy bill of May 2024 as an UNT adjustment for the year 2022. Therefore, we believe that this matter will be solved in near future.	Should be complied with Accounting Standards.
(b)	In terms of paragraph 51 of the Sri Lanka Accounting Standard No 16, the residual value and the useful life of an asset shall be reviewed annually and, if expectations differ from previous estimates, the change shall be accounted for in accordance with Sri Lanka Accounting Standard No 8. However, the assets with carrying value of Rs.11,114.4 million relating to 4 categories as at 31 December 2023 had	Agreed with the auditor's comment. However, please note that the applicable depreciation rates are industry-specific. Furthermore, it is not feasible to review the usable lifetime of an entire asset class, as these assets are spread across a large geographical area along the coastal belt of the Western and Southern provinces. Each asset class may	Should be complied with Accounting Standards.

not been reviewed and accounted as required by the Standards.	encompass different types of assets with varying usable lifetimes within the same asset category.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The balance due from CEB for miscellaneous services as at 31 December 2023 was Rs. 5,777.8 million. Out of that balance of Rs 5,770.6 million had been included as due from CEB for the cost of purchasing energy using net accounting and net plus methods for the period of 2017 to 2023. However, as per the balance confirmation from CEB, the CEB had confirmed that therewere no payable balance to the Company. Further, no formal agreement entered between two parties for purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit and the Company had made provision for impairment of Rs. 5,300.9 million for the above receivable balance.	The cost of purchasing energy using net accounting and net plus was taken into the accounts as per the PUCSL's and Ministry's instructions. We have sent letters to CEB every year, requesting to settle those balances. By considering the risk factor of the receivable balance, the relevant provision was already made in our accounts. Also, there is no formal agreement, and confirmation has not yet been submitted by CEB.	Action should be taken to enter into formal agreement with CEB.
(b)	The Company had not identified retention liability amounting to Rs 41.7 million for six construction contracts as at 31 December 2023. As a result of this works- in-progress and retention liability were understated by Rs 41.7 million as at 31 December 2023.	Noted and agreed with the comment. Rectifications will be made during the year 2024	Should be Complied with Accounting standard.
(c)	A difference of Rs 50.8 million was observed between solar energy purchase cost shown in the financial statements and billing system as at 31 December 2023. However, it had not been reconciled yet.	As of 31.12.2023, the cost of solar energy generation is shown as Rs. 5,638.5 million in the Utility Billing system, however, this amount is shown as LKR 5,770.6 million in the CEB miscellaneous account in the General Ledger, with a difference of LKR 132.1 million. The reasons for the differences are tabulated below.	Action should be taken to minimize the difference.

<table>
<tr><td></td><td></td><td>
<table>
<tr><td>Balance as per the Utility Billing system</td><td>5,638,549,865</td></tr>
<tr><td>As per the GL 74200IA</td><td>5,770,622,853</td></tr>
<tr><td>Difference</td><td>132,072,988</td></tr>
<tr><td>Identified Reasons for the Differences</td><td></td></tr>
<tr><td>Adjustment as per the UNT tariff Adjustment information of PUCSL</td><td>81,075,550</td></tr>
<tr><td>Recording Error in between Branches And Head office</td><td>113,076</td></tr>
<tr><td></td><td>81,188,625</td></tr>
<tr><td>Un-reconciled Differences</td><td>50,884,363</td></tr>
</table>
Relevant remedial actions are already being taken to mitigate the gaps.
</td><td></td></tr>
<tr><td>(d)</td><td>According to the trade debtor impairment report, The provision for impairment of trade debtors of Moratuwa Branch for the year 2023 was Rs. 111.2 million. However, as per the financial statements, it was recorded erroneously as Rs. 64.9 million. Accordingly, there was a difference of Rs. 46.3 million as at 31 December 2023. Therefore, profit for the year under review was overstated by the similar amount.</td><td>Noted and agreed with the comment. This under provision will be rectified in the year 2024 based on the year end debtor impairment adjustment.</td><td>Financial statements should be prepared correctly.</td></tr>
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1.5.3 Consolidation

Audit Issue	Management Comment	Recommendation
Difference of Rs. 398.5 million and Rs. 50 million were observed between the consolidated financial statement and the financial statements of Anti Leco Metering Company (Pvt) Ltd and Leco Project (Pvt) Ltd respectively.	Ante LECO provided their final accounts for consolidation purposes in the final week of February 2024. Based on these final accounts, LECO prepared group accounts and submitted for the LECO board approval in the second week of March 2024. Subsequently Ante LECO found that there were some transactions entries missed in the final accounts they have prepared due to system migration. Hence, they have rectified these accounts and submitted for Auditor's review. This is the reason for this mismatch.	Financial statements should be prepared correctly.

1.5.4 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
Share certificates or any other documentary evidences in respect of the investment amounting to Rs. 5 million made in ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2023 were not made available to audit. Hence, it was unable to ascertained the accuracy and existence of the investment during the audit.	Noted and agreed	Action should be taken to recover the investment.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	There was a long outstanding Value Added Tax (VAT) receivable balance of Kotte branch and head office amounting to Rs. 33.4 million and Rs. 12 million respectively as at 31 December 2023. The recoverability of above balance is uncertain.	Rs. 33.4 million This receivable balance of VAT arose due to input tax claim in 2007. Several times informedInland Revenue Department(IRD) to refund it but not yet paid.	Action should be taken to recover balance receivable having negotiated with IRD.

(b)	Out of total debtors in the billing Systems, Rs. 235.7 million or 4.29 per cent was due for more than 1 year. There were 22 debtors whose outstanding balance was for more than Rs. 0.4 million as at 31 December 2023. Further, Credit balances of trade debtors for more than two years was Rs. 12.2 million as at 31 December 2023.	Noted the comment. Almost all these customer's connections are disconnected except government institutes. We have already obtained recovery actions for the most of these items. All relevant actions are taken at the branch level to recovery of the outstanding amount. We will make special attention on highlighted consumers and will do the needful.	(i) Action should be taken to recover the long outstanding balance. (ii) Action should be taken to refund the balance if required conditions are fulfilled.

1.6.2 Payables

	Audit Issue	Management Comment	Recommendation
(a)	It was observed that, company had not cleared unidentified collection amounts of Rs. 5.2 million transferred to sundry creditors from rejected transaction account as at 31 December 2023.	The comment is noted and these clearing works have already been implemented and discussions have already started with the concerned banks to mitigate the problem.	(i) Appropriate action should be taken to identify and record unidentified collection. (ii) The internal control system should be improved to minimize un-identified collections.
(b)	The Company had not refunded the deposits of temporary connections amounting to Rs. 8.5 million (except Kotte branch) after the disconnection of the temporary connections and these balances have been remained for a long period.	The comment is noted and these refunds are still pending due to customer issues.	Action should be taken to refund if conditions are fulfilled.
(c)	Bill payments of unidentified customers amounting to Rs. 22.8 million in rejected transaction ledger (73204) had not been settled as at 31 December 2023.	The comment Noted. Rejected transactions are occurring due to wrong or non-LECO reference appearing in the text file. Clearance of these rejected transactions is ongoing. During the year 2023, there were rejected transactions amounting to Rs. 40.3 million and cleared during the year amounting to Rs. 25,816,62.	Action should be taken to identify the receipts and adjusted in the relevant customer accounts.

1.6.3 Advances

	Audit Issue	Management Comment	Recommendation
(a)	An unrecovered loan balance from retired, passed away, vacated on post, resigned, interdicted and terminated employees of the Company as at 31 December 2024 was Rs. 8.6 million.	This loan balance consists with 24 employees. Out of those loans ten loans cannot be recovered and actions will be taken to write off, six loans have ongoing legal case andfive employee had been agree to settle.	Action should be taken to recover the loans.
(b)	Five transactions relating to price variance entries of purchases from the Ante LECO Metering Company(ALMC) amounting to Rs. 34.1 million had been debited to the advance ledger instead of recording the purchase provision/ Payables. As a result of this, current assets and current liabilities had been overstated by the same amount as at 31 December 2023.	Agreed with the auditor's observations. These price variance entries were mistakenly treated as advances instead of purchase variance accounts. Relevant action will be taken to correct the matter before the end of the accounting year 2024.	Action Should be taken to record the transaction correctly.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 2.7 of Public Enterprises circular No 04/2022 dated on 08 August 2022	It was suspended all kind of sponsorships, donations, CSR expenses and non-related promotion expenses. However, it was observed that, company had made Rs. 5.2 million as public relation expenses contrary to the above provision.	Although the expenditure has been restricted by the circular, it has been recognized as essential expenditure and the expenditure has been incurred with proper financial Authorization and approval.	Should be complied with circulars.
(b)	As per internal circulars ADM/EST/002 dated 08 September 2017, ADM/EST/017 dated 29 September 2017, ADM/EST/017/GM/ 13/2023 dated 10	According to the circulars, all officers should record their arrival and departure by using finger machine. Sample audit carried out relating to the months of December 2023, December 2022, November 2022 and	A circular had been issued on 21 March 2024 by informing to all executives that, it is mandatory to record arrival and should be use fingerprint machine.	Action should be taken to complied with circulars

July 2023 and ADM/EST/017/GM/13(i)/2023 dated 18 July 2023.	October 2022, it was observed that large no of executive officers never used the finger machine for arrival and departure.	

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit (before tax) of Rs. 6,288.7 million and the corresponding profit in the preceding year amounted to Rs. 1,908.8 million. Therefore, an improvement amounting to Rs. 4,379.9 million of the financial result was observed. The reasons for the improvement were increase of Revenue due to increase in electricity tariff and increase in other operating income.

2.2 Trend Analysis of major Income and Expenditure items

(a) The revenue for the year under review had increased by 89 per cent compared to the previous year. Simultaneously the cost of sales had increased by 105 per cent and gross profit for the year under review had increased by 37 per cent.

(b) Other operating income for the year under review had increased by 96 per cent compared to the previous year.

(c) Finance Income for the year under review had increased by 39 per cent compared to the previous year.

2.3 Ratio Analysis

(a) Net profit margin had increased from 5 per cent to 6 per cent compared to the preceding year.

(b) Return on Equity (ROE) had increased from 5 per cent to 10 per cent compared to the preceding year.

(c) Current ratio of the Company had decreased from 3.6 to 2.3 compared to the previous year.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	There was no formal power purchase agreements entered into between the CEB and the Company for electricity purchase and purchasing electricity using net accounting and net plus method relevant to the Solar Scheme.	The power purchase agreement was drafted by the CEB and sent to LECO for review. It is anticipated that the agreements will be signed before the end of 2024. Regarding the purchasing of electricity using net accounting and the net plus method, there is no formal agreement and will be done with the support of PUCSL	Action should be taken to enter into formal agreements with CEB.

(b)	The Company had invested Rs. 20 million in Lanka Broad Band Network (Private) Ltd and Company had not received any return on the said investments during past few years. Subsequently, investments had been impaired.	We acknowledge the auditor’s observation. An impairment provision was made based on the auditor’s recommendation for that particular year, without a separate board resolution.	Actions should be taken todeveloped the proper investment policy.
(c)	Work in Progress jobs for more than 5 years were amounting to Rs 228.9 million as at 31 December 2023. Action had not been taken to identify and adjust complete jobs.	Out of them, many jobs were identified as physically completed jobs, and relevant remedial actions will be taken to close them.	Action should be taken to identify the completed jobs and adjust in the account.
(d)	Cheques amounting to Rs. 1.2 million received from customers in Kelaniya, Nugegoda, Galle and Moratuwa branches had been returned. However, the Company was unable recover those dues.	Relevant actions were taken at the branch level as well as the Head Office level, further legal actions are pending.	Action should be taken to recover the due balances from relevant customers.
(e)	The company had purchased Gunasekara Park land Plot No. 7200 (51.5 perches) for Rs 18.7 million on 1999 December 31, under Deed No. 2426 for construction of proposed Branch office of Kotte. However, the land had not been used for the intended purpose. Due to non utilization of land till year 2013, The Urban Development Authority had acquired this land on 09 October 2013.	The revalued amount is Rs 219 million, while the acquisition cost was Rs 18.7 million. As of December 31, 2023, LECO does not possess this land, as it has been re-acquired by the UDA. This is the reason for reversing the revalued amount. However, please note that the company is currently negotiating with the UDA to regain possession of this land, and they have provided their consent in a letter dated February 2024. Therefore, there is no financial loss related to this matter, and once the UDA officially transfers ownership, we will make the necessary adjustments in the books of account.	Resources of the organization should be utilized to get the maximum benefit to the organization.
(f)	As per revaluation report dated 20th January 2024, it was mentioned that, Dalugama Consumer Service Center was built on an abandon paddy field and the company spent over Rs. 50 million for the pilling on the building	The building was constructed during the economic crisis prevailing in the country from 2020 to 2022. During this period, material prices were high, leading to contractor variations. However,	Resources of the Company should be utilized to get the maximum benefit to the Company.

	Audit Issue	Management Comment	Recommendation
	construction. Cost of the building as at 31 December 2023 was Rs.210.5 million. However, revalued amount was Rs. 110 million. Accordingly, revaluation loss was 100.5 millionas at 31 December 2023. It was observed that proper decision had not been taken to select suitable land.	the valuer conducted the revaluation on December 31, 2023, based on the prevailing market prices at that time. This is the reason for the revaluation loss.	
(g)	The company had entered into an agreement with Egodauyana Sanasa Society, which is a cash collection agent of the Moratuwa LECO branch in 04 February 2002. According to the agreement, the value of the bank guarantee was Rs. 0.4 million. However, As per the company's standard operating procedures manual, "a third-party cash collection agent (non-corporate) shall give a one year renewable bank guarantee amount equal to the prior year's cash collection to LECO. According to the information received for the audit, it was observed that the cash collected by the Egodauyana Sanasa society for the year 2022 was Rs. 54.2 million. However, conditions of the agreement in relation to bank guarantee had not been changed to comply with the requirement of the standard operating procedures manual.	Egodauyana Sanasa Society on 07.03.2002 has given approval to act as our bill payment collection center and signed an agreement. Furthermore, the value of the bank guarantee had been taken from them was Rs. 0.4 million. It has been renewed annually. However, as per the operational procedures manual, the bank guarantee has not been kept, so it will be done accordingly in the future.	Action should be taken to comply with the company's standard operating procedures manual.

3.2 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	According to system report, the value of non – moving stock as at 31 December 2023 was Rs.109.6 million. Out of that non-moving stock 672 items worth of Rs.75.5 million had been identified as disposable. However, actions had not been taken to dispose them.	Board of Survey was completed and procurement process is started to dispose of the items.	Inventory management system should be strengthening to minimize the disposable stock items.
(b)	There were transformers worth of Rs. 8.9 million among the disposal stock, and they had not been disposed even during the year under review. Further, there were 19 coil-	Board of Survey completed. Disposal procurement process is ongoing. Necessary action will be taken	(i) Action should be taken to protect the resources of the organization

	lost transformers and no action had been taken to conduct an inquiry on the theft of coils and identify the parties responsible for the incident in order to recover the loss to the company.	by the legal division.	and recover the loss. (ii) Disciplinary action should be taken on responsible parties.
(c)	The Value of stock items identified to be disposed by 31 December 2023 was Rs. 13.8 million. Out of that Rs. 8.4 million worth disposal items had been kept in the stores and open yard for more than 3 years. It had taken up a considerable space in storing which could be effectively used in another activity. In addition to that, the stock holding cost of these disposal items was uneconomical to the Company.	Actions are already initiated and all mentioned items will be disposed of with the procurement process.	Recourses of the company should be utilized to get maximum benefit to the company.
(d)	As at the date of Verification, Pole Truck and three lorry trailers had been parked at Ekala stores premises for more than three years without taking proper actions to repair them and use or to dispose.Further, It was observed that 07 vehicle had been parked in the waskaduwa warehouse premises for long period	We will make arrangements to get an expert assessment whether they can be repaired and put back into service or if they should be disposed of.	Recourses of the company should be utilized to get maximum benefit to the company.

3.3 Delays in Projects or Capital Works

Audit Issue	Management Comment	Recommendation
The Company had purchased a land of 73.7 perches situated at No. 508, ElvitigalaMawatha, Narahenpita at a cost of Rs. 53.5 million in the year 2001 for construction of the head office building. The approval of Cabinet of Ministers had been granted at its meeting held on 18 April 2012 to construct the Head Office building for LECO and to obtain the Service of the University of Moratuwa for designing, preparation of tender documents, BOQ documents and etc. However, the land was not used for intended purpose from the date of purchase (22 years). In	The land was purchased to build the LECO head office building in year 2001 and then selected the consultant via cabinet decision in year 2012.Due to the following mentioned facts, the proposed Head office building was delayed in construction, so rent has to be paid for the premises currently used for it. i. The board of directors of the decided in 2013 to cancel the construction work of the Head office building which was developed by University of Moratuwa (UOM) in 2013.	Recourses of the company should be utilized to get maximum benefit to the company.

addition, as the Company had no their own premises for the head office, they had to rent out premises for the said purpose. As a result, the Company had to incur approximately Rs. 409.2 million as rent of current head office premises for the period from 2002 to 2023.	ii. The board of directors decides to appoint the Central Engineering consultant Bureau (CECB) as consultant instead of UOM. iii. In 2015, the board of directors of the company reappointed the UOM as the consultant. iv. Due to the macroeconomic condition in 2018 and later, the government decided to stop the construction of building by public institution, which led to further delay in start of the construction of this building.	

3.4 Human Resources Management

	Audit Issue	Management Comment	Recommendation
(a)	The company had established Scheme of Recruitments and promotions (SORP) for non – executives from the year 2016. Board of Directors had been approved to implement the Proposed Executive staff SORP with effect from 01 January 2016 and approved to apply the same principle as applied at the implementation of Non-Executive Staff SORP in the meeting of Board of Directors dated on 28 April 2022. Accordingly, Company had paid salary arrears from the 01 January 2016 for executive staff as per approvals from the board of directors. Those payments were made in December 2022, June 2023 and October 2023. Total arrears of basic salary and other allowances including bonus had been calculated amounting to Rs. 178.7 million and Rs. 83.4 million respectively for 126 executives and had been paid to executives without taking the approval from the parent (CEB).	Management comment not received.	Approval for the SORP and payment from salary areas should be taken from the parent (CEB).
(b)	The company had paid Rs.8.2 million and Rs, 28.2 million as Annual and Medical allowances respectively to executives in the year 2023 for unused	As a circular letter has been issued, we would like to inform you that we will work to avoid these situations in the future.	Action should be taken to complied with circulars. Investigation should

leaves of the year 2022.It was observed that, company had not considered the arrival and departure records obtained from the fingerprint system in order to calculate leave.		be carried out to collect the unnecessary payment .

3.5 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
All vehicle related matters such as allocating vehicles for duties, record keeping, running charts and log books maintenance, providing fuel, repairs and maintenance, etc. had been separately handled by each division. Therefore, it was observed that the control over the vehicle administration had not been designed and implemented properly by the Company.	Noted and will do the needful in future.	Proper procedures should be implemented in vehicle management.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
In accordance with the "2030 Agenda" of the United Nations of the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. But the Company had not identified the relevant targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.	Necessary actions will be taken to figure out and work on specific actions that correspondingly address and align with these SDGs.	Should be complied with "2030 agenda" of the United Nations of the Sustainable Development Goals.