

**1. Financial Statements**

**1.1 Unqualified Opinion**

The audit of the financial statements of the Colombo Lotus Tower Management Private Company for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, 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 Opinion**

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

**1.4 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 skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special 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 Non-compliance with Laws, Rules, Regulations, and Management Decisions etc.

	<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Section 6.7 of the Operational Manual for State-Owned Enterprises issued under Public Enterprises Circular No. 01/2021 dated 16 November 2021.	Even though annual assets verification should be carried out on fixed assets and stores and the reports should be submitted, those reports had not been submitted for audit as at the date of this report.	The calculation of fixed assets is currently underway and the annual survey on stores will be conducted before 31 December 2025.	Actions should be taken in terms of the Section 6.7 of the Operational Manual for State Owned Enterprises issued under Public Enterprises Circular No. 01/2021 dated 16 November 2021.
(b)	Public Enterprises Circular No. PED 01/2015(ii) dated 14 January 2022.	(i) Rs. 4,554,364 had been paid to 22 officers in 2024 in contravention of the fuel allowance due to officers at the higher management level (HM1).	The fuel allowance had been paid or managers and assistant managers in the year 2024 due to the nature of the duties assigned to officers serving in the positions of manager and assistant manager who do not belong to the category of higher management level officers, and due to the fact that they have to report for duty at night in addition to holidays.	Action should be taken in terms of the Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022 as per the decision of the Board of Directors dated 16 March 2023.
		(ii) A sum of Rs. 4,324,949 had been paid as vehicle allowance of the year 2024 to 21	The fuel allowance and vehicle allowance had also been paid due to the reasons mentioned in the	Action should be taken in accordance with the Board

officers who are not eligible for official vehicles.

above paragraph.

of Directors' decision dated 16 March 2023 and Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022.

- (c) Management Services Circular 05/2017 of the Ministry of Finance and Mass Media dated 25 October 2017
- Even though the maximum professional allowance that can be paid per month is Rs. 3,000 Since the active service period of all the officers of the company is less than 06 years, Rs. 3,315,416 had been overpaid for 22 officers of the company in 2024.
- Only the types of allowances to be paid out of the types of allowances approved by the government should be determined and the amount to be paid for each allowance had been decided and approved by the Board of Directors, and accordingly, the relevant allowances have been paid to officers entitled to professional allowances due to the reasons mentioned in the paragraph 1 above.
- Action should be taken in accordance with the decision of the Board of Directors dated 16 March 2023 and in accordance with the Management Services Circular 05/2017 of the Ministry of Finance and Mass Media.
- (d) Paragraph No. 5.3 of the Operational Manual for State Owned Enterprises dated 16 November 2021
- Even though a minimum of 30 percent of after-tax profits should be remitted to the Treasury as dividends, this had not been done in 2022, 2023 and 2024. Furthermore, the remaining dividend in addition to the aforementioned 30 percent dividend should also be remitted to the Treasury since the entire capital of the company is owned by the Treasury, this had not been done.
- No answers had been given.
- Action should be taken in accordance with paragraph 5.3 of the Operational Manual for State Owned Enterprises dated 16 November 2021.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 314,203,685 and the corresponding profit in the preceding year amounted to Rs. 170,064,342. Therefore an improvement amounting to Rs. 144,139,343 of the financial result was observed. The reason for the improvement is increase in total income during the year under review as compared to previous year.

## 3. Operating Review

### 3.1 Management Inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	An action plan prepared for the period from 01 January 2024 to 31 December 2024 for the year 2024 had not been submitted to the audit, and it was not possible to examine the performance for the year 2024 due to the failure to submit progress for the year 2024 also.	The answer is not applicable.	An action plan should be prepared for the year and the performance should be submitted for audit by 31 December.
(b)	The Aqua-Bay project had been halted midway due to a lack of accurate identification of its objectives. Payments of Rs. 8,797,923 had been identified for this project during the year under review, out of which Rs. 6,459,902 had been made as final payments for the works of 03 projects, and the expenses already incurred had been wasted due to the non-implementation of the said project.	A feasibility study has been initiated, and following this process, plans are underway to launch the 'Diyatra Boat' service as soon as possible.	The project should be implemented expeditiously.
(c)	Other receivables include amounts due from banks for credit card promotions operated by the company. The amount of Rs. 991,299 due as at 31 December 2024 had not been received by 22 May 2025.	The controversial money could be collected by the end of this month, and if unsuccessful, a demand letter will be issued.	Action should be taken to recover the money due from the banks.
(d)	The outstanding balance of the company between 01 - 02 years was Rs. 2,445,475 as at 31 December 2024	Letters had been sent through the company's legal officer, and the relevant money had not been	Action should be taken to recover the outstanding

and the outstanding balance above 02 years was Rs. 1,038,058, i.e. a total outstanding balance of Rs. 3,483,533, had not been collected as at 16 August 2025.

identified as bad debt and further actions are being taken to recover the relevant money.

balances as soon as possible.

### 3.2 Procurement Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though the approval of the Telecommunications Regulatory Commission of Sri Lanka is required for the construction work carried out in connection with the Lotus Tower premises in Colombo, the construction of the elevator had been carried out without obtaining such approval, at a cost of Rs. 35,194,969.	Agreed.	Approval from the Telecommunications Regulatory Commission of Sri Lanka should be obtained for construction and alterations to the Colombo Lotus Tower premises.
(b) Even though the bidding documents for the procurement of computer equipment for Citrus Leisure Private Company stated that the goods should be received within 30 days from the date of submission of the bid, the company received the goods after a delay of between 14 and 83 days according to the goods receipts. Furthermore, a letter of acceptance had not been issued to the selected bidders in terms of the 7.1(b) of the Procurement Guidelines. A formal contractual agreement had not been entered into between the two parties in accordance with Article 8.9.1.	No formal contract agreement can be found as mentioned in 8.9.1 and 8.9.1 will be adhered to in relation to the procurements currently being carried out.	Action should be taken in accordance with Section 8.9.1 of the Government Procurement Guidelines.
(c) During the examination of the Citrus Agreement and its performance, it had been agreed to pay a management fee of 3.5 percent of gross revenue, 20 percent of gross operating profit and 10 percent of total staff costs in accordance with Article 8.1 of the agreement entered into between the Company and Citrus Leisure Private Limited on 31 May 2023, and in	That agreement is being revised.	Agreements should be entered into in a manner that is beneficial to the Colombo Lotus Tower Management Private Company.

accordance with Article 8.2 of the same. It had been observed by the audit that the agreement did not include provisions on how to act when a gross operating loss was incurred in a particular year, and that if a net loss was incurred in a particular year, it would have to be borne by the company.