

Transaction report of the Lanka Cement PLC - 2017 - 2023

The audit of the operational activities of the Lanka Cement PLC (“Company”) for the years ended 31 December from 2017 to 2023 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 the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented to the parliament appear in this report.

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16(1) of National Audit Act No.19 of 2018. The annual financial statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the Annual performance report of such instances as may be specified by the rules in terms of Section 16(2) of the Act. It should be ascertained to prepare annual reports and other financial statements within the required time period in terms of Section 38(1)(d) of the Act and in addition to that the Chief Accounting Officer should be responsible for presenting of the annual reports related to the entity which was being audited to parliament.

2. Financial Statements

2.1 Presentation of Financial Statements

According to section 6.5.1 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, and section 6.6 of the Operational Guidelines for Public Enterprises issued by Public Enterprise Circular No. 01/2021 dated 16 November 2021, the financial statements approved by the Board of Directors for the years from 2017 to 2023, which should be submitted to the Auditor General within 60 days after the end of the financial year, have not been submitted for audit as of the date of this report.

2.2 Assets, Liabilities, Income and Expenses

The details of assets, liabilities, income, and expenses as shown in the financial statements prepared by the company at last for the year ending 31 December 2016, are as follows.

Items of the Financial Statements	Amount Rs.
<u>Assets</u>	
Non-Current Assets	230,229,406
Current Assets	<u>45,021,489</u>
Total Assets	<u>275,250,895</u>
<u>Equity and Liabilities</u>	
Equity	(634,157,397)

<u>Liabilities</u>	
Non-Current Liabilities	833,216,284
Current Liabilities	<u>76,192,007</u>
Total Liabilities and Equity	<u>275,250,895</u>
Total Income	36,019,576
Total Expense	<u>41,338,799</u>
Surplus/(Deficit)	<u>(5,319,223)</u>

3 Operational Review

3.1 Operation of the Company

Lanka Cement Company was established as a limited liability company on 03 September 1982, under Section 145 of the Companies Act, with the objective of manufacturing, supplying, importing, selling, or otherwise dealing in any goods made of cement, cement concrete, or any other cement mixtures.

However, due to the prevailing war situation, the company's factory established in Kankesanthurai completely ceased production activities from the year 1991.

3.2 Liquidation of the Company

Audit Observation	Comments of the Management	Recommendation
Although the company had been instructed to take necessary steps for liquidation by the Cabinet Decision No. CP/19/1399/115/035 dated 19 July 2019, and to expedite the liquidation process by the Cabinet Decision No. CP/21/1576/320/044 dated 25 October 2021, the liquidation activities had not been commenced by the company as of 31 December 2024.	No responses have been provided.	The company should take steps to expedite the liquidation process.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
a. Chairman or board of directors had not been appointed for the company after the year 2023, and employees had not been engaged in service.	No responses have been provided.	Actions should be taken to appoint a chairman for the company.
b. Although 33 years had passed since the production activities at the Kankesanthurai Cement factory owned by the company were ceased, the factory had been completely destroyed due to the failure to take necessary measures to protect its assets.	No responses have been provided.	Steps should be taken to properly protect the assets.

3.4 Non-compliance to the Laws, Rules and Regulations etc.

Reference to the Laws, Rules and Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
Section 16(1) of the National Audit Act, No. 19 of 2018.	Although the company should maintain proper books and records of its income, expenses, assets, and liabilities to prepare annual and periodic financial statements, the company had not been maintained proper books and records since the year 2017.	No responses have been provided.	You should ensure that the books and reports regarding the company's income, expenses, assets, and liabilities are properly updated.