

Sri Lanka Tourism Development Authority - 2016

The audit of financial statements of the Sri Lanka Tourism Development Authority for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20 of the Tourism Act, No. 38 of 2005. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14 (2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Authority on 17 January 2018.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of income and statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following instances of non-compliance were observed in audit.

(a) Sri Lanka Public Sector Accounting Standard 2

Even though a sum of Rs.19,701,609 had been stated as paid income tax in the financial statements, a difference of Rs.7,364,766 indicated on the income tax paid in cash being a sum of Rs.12,336,843 in the year under review.

(b) Sri Lanka Public Sector Accounting Standard 3

- (i) The nature and amount of change in an accounting estimate that could make an effect in the current period should be disclosed in the financial statements by the Institution, in terms of paragraph 44 of the Standard. However, the sum of Rs.7,285,607 received exceeding the tourism development tax amount estimated for the year 2015 had not been disclosed in the financial statements.
- (ii) Even though the prior period errors should be rectified by reinstating the comparative amounts presented for the period in which the error occurred in the first set of financial statements authorized for issuing after the discovery of the prior period errors in terms of paragraph 47 of the Standard, action had not been taken accordingly relating to income tax amounting to Rs.2,589,072 payable for the year 2015.

(c) Sri Lanka Public Sector Accounting Standard 7

All property, plant and equipment should be revalued in the entire class in which the relevant assets belong to, if property, plant and equipment are revalued in terms of paragraph 49 of the Standard. However, the revaluation value amounting to Rs.1,378 million had been stated in the financial statements by revaluating only the land and the building in which the Head Office is located in the year 2008 without revaluating all the lands and buildings belonging to the Authority. The fair value of the lands and buildings of the Authority had not been indicated on not revaluating the other lands and buildings.

(d) Sri Lanka Public Sector Accounting Standard 8

- (i) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the reporting date, in terms of paragraph 44 of the Standard. However, the Institution had considered only the debtors time analysis in allocating bad debts and doubtful debts amounting to Rs.4,845,979 and it had not been considered on the individual debtors balances.

- (ii) Provisions should be made when an entity has a present obligation (legal or constructive) as a result of a past event in terms of paragraph 22 of the Standard. However, it had been informed by the Employees' Trust Fund even by 16 February 2017 that a total sum of Rs.8,481,931 is payable as contribution money amounting to Rs.5,695,393 and the Fines relating thereto Rs.2,786,538 on not considering the cost of living allowance and the special budget allowance in making payments of contribution money to the Employees' Trust Fund from January 2006 to June 2016 and provisions had not been made relating to this matter in the financial statements of the year under review.
- (iii) A brief description of the nature of every contingent liability remaining as at the reporting date should be disclosed in terms of paragraph 100 of the Standard. It was revealed that a total sum of Rs.67,573,667 remained further payable to the Employee Provident Fund as a sum of Rs.18,129,721 as clients' contribution money a sum of Rs.27,194,581 as employees' contribution and a sum of Rs.22,249,365 as surcharges for the above amounts due to making payments without considering the cost of living allowance and the special budget allowance in calculating the Employee Provident Fund from January 2006 to June 2016. It had not been disclosed in the financial statements of the year under review in this connection.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The surplus of the year under review had been overstated by that amount due to including the license and administration fees amounting to Rs.2,809,068 relating to the preceding years in the financial statements considering it as the income of the year under review.
- (b) The surplus of the current year had been overstated by that amount on crediting over-provisions of the accrued expenditure relating to the preceding years amounting to Rs.8,325,722 to the Other Income of the current year instead of bringing to account as adjustments of the prior years.
- (c) According to the financial statements presented as at 31 December 2016, 09 types of assets that are currently in use costing Rs.99,821,327 that had been stated under non-current assets and action had not been taken to reevaluate them and include them into Accounts.
- (d) The expenditure incurred for the construction activities carried out in other institutions by the Authority had been identified as development expenditure and had been brought to account under property, plant and equipment and had annually depreciated 10 per cent each. However, the Authority did not acquire legal ownership or possession relating to those assets and sums of Rs.184,592,443 and Rs.33,016,065 had been stated in the financial statements as the cost relating to those assets and as their net value respectively. As such, an Accounting Policy for the Development Expenditure incurred relating to the assets not being owned and possessed by the Authority had not been prepared and had not been disclosed in the financial statements.

- (e) Even though the lands and Resorts belonging to the Authority had been leased to other parties, it had not been disclosed in the financial statements relating thereto.

2.2.3 Unexplained Differences

The following observations are made.

- (a) A sum of Rs.24,448,523 had been stated as Miscellaneous Debtors Balances receivable from the Sri Lanka Tourism Promotion Bureau in the financial statements of the Authority and an unexplained difference of Rs.5,698,219 observed due to stating that balance as a sum of Rs.18,750,304 in the Accounts of the Sri Lanka Tourism Promotion Bureau.
- (b) The closing stocks balance of the Head Office as at 31 December 2016 had been a sum of Rs.1,974,930 according to the Boards of Survey Reports and it had been a sum of Rs.1,597,783 according to the financial statements and as such, a difference of Rs.377,147 was observed.

2.2.4 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched or accepted due to non- submission of evidence for audit indicated against each item.

Item -----	Value -----	Evidence not made Available -----
	Rs.	
(a) Investments	55,570,268	Certificates of Investments or other written evidence of confirmation.
(b) Debtors	152,421,620	Letters of Confirmation of Balances.
(c) Property, Plant and Equipment	2,735,922,843	Register of Assets, Title Deeds/ other registers of confirmation of ownership.
	----- 2,943,914,731 =====	

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Sums of Rs.5,070,248, Rs.2,633,997, Rs.7,260,519 and Rs.30,365,685 of the receivable trade debtors balance consisted of outstanding balances remained for periods of over 4 years, over 3 years and less than 4 years, over one year and less than 3 years and less than one year respectively.
- (b) A total sum of Rs.8,348,414, of miscellaneous debtors consisted of outstanding balances including a sum of Rs.2,888,105, Rs.3,572,047 and Rs.1,888,262 remained for periods of over 4 years, over one and less than 4 years and year and less than one year respectively.
- (c) A sum of Rs.6,945,855 receivable for the recovery of the Pasikuda Sewage Services Maintenance and sums of Rs.37,117,725 and Rs.34,032,995 consisted of outstanding balances remaining for periods of over 3 years, over one year and less than 3 years and less than one year respectively.
- (d) The balance over 3 years, over one year and less than 3 years and the balance of less than one year recoverable from Pasikuda Water Consumer Debtors had been sums of Rs.3,295,560, Rs.5,029,290 and Rs.2,922,314 respectively.
- (e) The creditors' balance which had lapsed over 3 years amounted to Rs.176,063 of the balance amounting to Rs.193,181 payable to Miscellaneous Creditors.
- (f) Deposits and other payable balances shown valued at Rs.40,895,614 consisted of payable retention money amounting to Rs.6,446,012 and Rs.9,120,936 remaining for periods of over 3 years and less than 4 years and over 4 years respectively.

2.4 Non - compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed in audit.

Reference to laws, Rules and Regulations

- (a) section 26 of Chapter IV of the Tourism Act No.38 of 2005

Non- compliance

Orders had not been prepared assigning the tourism activities, commercial and other activities that could be carried out within a declared and a tourism development area.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 169(2) It had not been able to recover money relating to 21 cheques valued at Rs.585,221 due to providing services before cheques are being realized.
- (ii) Financial Regulation 757 A Board of Survey had not been conducted in terms of library books valued at Rs.1,880,781.
- (iii) Financial Regulation 757(2) Even though surpluses in 67 goods and deficits in 133 goods had been identified, action had not been taken in terms of Financial Regulations relating thereto.
- (c) Sections 9.14.1 and 9.14.2 of Chapter 9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 Even though a Handbook on Human Resources Management including all information on the rules and regulations relating to Human Resources Management should be prepared and should be approved by the Board of Control with the approval of the Secretary to the Treasury, action had not been taken by the Authority in compliance with those requirements.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Authority for the year ended 31 December 2016 had indicated a surplus of Rs.373,897,908 as compared with the corresponding surplus of Rs.308,312,524 for the preceding year, thus indicating an improvement of Rs.65,585,384 in the financial result in the year under review as compared with the preceding year. The increase of the Embankment Levy by a sum of Rs.54,166,025 and the tourism development tax revenue by a sum of Rs.36,651,648 had been the main reason for the improvement of the above financial result.

In analyzing financial results of the year under review and of 04 preceding years, an improvement in the financial result had been indicated from the year 2012 to the year 2014. However, a deterioration had been indicated in the financial result in the year 2015 as compared with the year 2014 and it had again improved in the year under review. However, in adjusting personnel emoluments and depreciation on non-current assets and government tax again to the financial result, the contribution of the Authority amounting to Rs.286,603,801 in the year 2012 had been continuously improved and had been a sum of Rs.527,420,576 in the year under review.

3.2 Analytical Financial Review

The revenue of the Authority for the year under review amounted to Rs.678 million as compared with the revenue of Rs.545 million for the preceding year representing an improvement of 24.4 per cent. The expenditure for the tourism development activities during the year under review amounted to Rs.236 million as compared with Rs.294 million of the preceding year thus indicating an improvement of 24.6 per cent.

3.3 Legal Actions instituted against and by the Institution

Lawsuits had been filed in Court against 11 external persons by the Authority relating to the misuse of Government Property and 08 lawsuits had been filed in Court by external institutions and persons against the institution.

4. Operating Review

4.1 Performance

The objectives of the Tourism Act No.38 of 2005 are as follows:

- (a) Developing Sri Lanka as a tourist and travel destination both in Sri Lanka and abroad;
- (b) Advising the Minister in charge of the subject of Tourism on matters relating to travel and tourism industry, within the policy formulated by the Cabinet of Ministers, in relation to this sector;
- (c) Providing guidance to the Sri Lanka Tourism Bureau to develop, promote and market Sri Lanka as a tourist and travel destination both in Sri Lanka and abroad;
- (d) Providing guidance to the Sri Lanka Institute of Tourism and Hotel Management to undertake human resource training and development activities;
- (e) Working towards the enhancement of the tourism and travel sectors in order to secure a contribution for the expansion and development of Sri Lanka's economy;
- (f) Developing and promoting adequate, attractive and efficient tourist services, inclusive of the hospitality industry in a sustainable manner;
- (g) Licensing and accrediting tourist enterprises in order to develop, enforce and maintain locally and internationally accepted standards in relation to the tourism industry and other related industries;
- (h) Encouraging persons or bodies of persons in private sector to participate in the promotion of tourism industry and the promotional and training activities connected with such industry;

- (i) Doing all such other acts as may be necessary to conductive to the attainment of all or any of the above objectives.

The following observations are made.

- (i) Four Tourist Holiday Resorts and 03 Tourist Resorts remained under the ownership and management of the Authority. A deficit amounting to Rs.28,848,309 had been generated in 05 Holiday Resorts due to the excessive cost overhead and the net loss of all the Resorts in the year under review amounted to Rs.3,900,279.
- (ii) Only 49 activities or 91 per cent had been implemented in the year out of 54 activities intended to be implemented in the year according to the Annual Action Plan. Three projects of which less than 10 per cent of the amount allocated and 03 projects of which less than 50 per cent of the amount allocated, for the projects initiated in the year being spent, was observed. Even though a sum of Rs.687.62 million had been allocated for the execution of the projects under 7 strategies of the Annual Action Plan, only a sum of Rs.355.99 million or 52 per cent had been spent in the year.
- (iii) Even though any amount whatsoever had been spent out of the sum of Rs.158.80 million allocated for 18 activities, the physical progress of those activities ranged from 05 per cent to 100 per cent as at 31 December 2016.

4.2 Management Activities

(a) Management of Lands and Properties

The following observations are made.

- (i) Action had been taken to develop only land less than 50 per cent in extent even by the end of the year under review out of the land 510 acres in extent acquired by the Authority few years ago, from Kuchchaweli area in Trincomalee.
 - (ii) Out of the land of the Yala Palatupana Wild Life area of 448.3 hectares in extent vested with the Sri Lanka Tourism Development Authority, only an extent of 26.8 hectares in extent had been given on lease basis to investors up to 31 December of the year under review.
 - (iii) Even though the Gazette Notification had been issued to acquire 56 Guest Houses and 166 plots of land with an area of 6,495 acres, according to the audit test check conducted by the audit, only a portion of it had been acquired up to the end of the year under review.
- (b) Even though a sum of Rs.1,166,349 had been paid for the repair activities of the Nuwara Eliya Holiday Resort, it had not been ensured that the repair activities had been properly carried out and it was revealed at the audit test check that the repair activities being carried out, had not been carried out in terms of the agreement.

- (c) Action had not been taken to acquire the land 22 acres, 1 rude, 17.23 perches in extent in which the Bandarawela Holiday Resort is located, to the Authority and action had not been taken to protect about 200 trees with high price and value in the Resort premises by entering into inventories.
- (d) Even though a sum of Rs.65,104,138 had been paid to the Urban Development Authority in the year 2015 for the acquisition of a land 11 acres, 03 rude, 13 perches in extent located in Sri Jayawardanepura Kotte, the land had not been acquired and that money had been returned to the Authority in the year 2017. However, a sum of Rs.843,772 for security expenses of this land and a sum of Rs.551,155 for the boundary fence of the land, clearing the shrubs, installing name boards and for obtaining a copy of the plan of the land, had been spent by the Authority.
- (e) An agreement had been entered into with a Service Providing Institution for the maintenance of the Drainage System of the Pasikuda Holiday Resort and, the fees charged from the Hotels of which the service had been obtained accordingly should be paid to the Service Providing Institution within a month. However, a difference of Rs.8,209,019 was observed on the amount receivable from Hotels for the above service being a sum of Rs.78,096,574 and the amount payable to the Service Providing Institution being a sum of Rs.86,305,593 as at 31 December 2016 and reasons for that difference were not revealed.

Moreover, it had been stated that a sum of Rs.95,323,810 remained receivable from the Authority as at 31 December 2016 according to the confirmations received from the Service Providing Institution and it had been a sum of Rs.86,305,593 according to the Payable Account of the Authority. As such, a difference of Rs.9,018,217 was observed.

4.3 Transactions of Contentious Nature

The Authority had granted a sum of Rs.5,738,075 to the Sri Lanka Tourism Welfare Association on 03 September 2014 for the implementation of Tourism Promotion Programmes. A sum of Rs.4,302,468 had been spent out of that amount for the implementation of the above Promotion Programme in Balangoda, Dehiatthakandiya, Padiyathalawa, Hasalaka, Lunugam Wehera and Nuwara Eliya and the remaining amount of Rs.1,435,607 had been left to be held under the custody of the Welfare Society without taking action to be received by the Authority even up to the date of this report.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) Out of the land of approximately 94 acres in extent belonging to the Bentota Tourist Resort vested in the Ceylon Tourist Board in the year 1969 and afterwards in the Tourism Development Authority for the tourism industry, only an extent of a land of approximately 54 acres had been utilized up to 31 December in the year under review. As such, an extent exceeding 40 acres of land had remained idle for over a period of 46 years.

- (b) Building space of approximately 2880 square feet located in the Bentota National Holiday Resort premises remained idle without being utilized for any economic activity whatsoever from the year 2006 to the end of the year under review.

4.5 Uneconomic Transactions

A sum of Rs.9,940,380 approximately had been spent for the security services of 7 Holiday Resorts from a period of 04 years in the areas of Bibila, Ragala, Horowpathana, Mahiyanganaya , Weeraketiya, Batthuluoya and Nikaweratiya. However, action had not been taken to earn income by effectively utilizing these resorts.

4.6 Procurement and Contract Process

The following observations are made.

- (a) It was observed in the audit that water had retained in the drainage system due to not carrying out constructions considering the geographical aspects of the relevant land, in physically examining the construction of the rainwater Drainage System in the Pasikuda Tourist Resort Project and it was observed in audit that a sum of Rs.3,792,420 had been overpaid to the contractor in comparing the actual measurement sheets calculated, with the amounts of payment in the bills.
- (b) A sum of Rs.699,300 had been overpaid relating to the designing of the Web Site for the promotion of “One Stop” investments of the Authority and that amount had not been recovered up to the end of the year under review.
- (c) The labour contract of the implementation of the Bentota Sewage System had been handed over to a private institution from the year 2009 to 31 December of the year under review without the procurement procedure, contrary to the recommendations for awarding contracts in Paragraph 8 of the National Implementation Agencies Circular dated 25 January 2006.
- (d) The contractor had been selected without following the procurement procedure by fraudulently preparing the Cost Estimate of carpeting the Entrance Road stretching 1.126 kilometers in the National Holiday Resort in the Pasikuda Tourist Zone, for 04 Phases and a sum of Rs.22,013,564 had been overpaid to the contractor for constructions. This amount had not been recovered up to 31 December of the year under review.

4.7 Delayed Projects

The following observations are made relating to the Kalpitiya Integrated Tourist Project of which the estimated cost being a sum of Rs.5,521 million initiated for the construction of Holiday Resorts with 4,000 additional rooms and for making available infrastructure facilities.

- (a) Even though approval had been obtained from the Cabinet of Ministers and from the Department of National Planning of the Treasury in the year 2008 for the completion of the project within 5 years, any construction whatsoever had not been carried out even by 31 December of the year under review.
- (b) A Detailed Budget had not been prepared in a manner that covers a plan for the Implementation of the project and the management expenditure, consultative and Capital Work of the project.
- (c) It had been entrusted under the Authority to give 14 islands to the investors under the project and only 3 islands had been given to the investors up to the year under review.
- (d) Even though Advances amounting to Rs.71 million had been provided in the year 2007 to the Divisional Secretariat Offices in the areas of Kalpitiya and Dedduwa for the acquisition of lands in those areas relating to the implementation of the project, those lands had not been acquired even up to 31 December of the year under review.

4.8 Personnel Administration

The staff of the Authority had been approved as 218 posts under 19 names of posts by the Department of Management Services and the actual cadre of the year under review and of the preceding year had been 177 and 180 respectively.

5. Accountability and Good Governance

5.1 Action Plan

Even though an Action Plan had been prepared for the year under review, a procedure had not been introduced for timely examining the progress of the execution of those functions.

5.2 Internal Audit

Even though audit activities had been planned in 18 Items according to the Internal Audit Plan, an audit had not been carried out in 11 Items out of them.

5.3 Procurement Plan

A Master Procurement Plan had not been prepared in terms of the Guideline 4.2.1(a) of the Government Procurement Guidelines 2006.

5.4 Budgetary Control

As variances ranging from 20 per cent to 368 per cent between the budgeted and the actual figures were observed in 23 Expenditure Objects in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.5 Tabling of Annual Reports

The Annual Report of the year 2015 of the Sri Lanka Tourism Development Authority had not been tabled in Parliament up to date in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.6 Unresolved Audit Paragraphs

The following observations are made.

- (a) The Authority had paid a sum of Rs.7,382,305 of the interest from the year 2011 to the year 2013 relating to the loan amounting to Rs.100 million provided to a Private Hotel from a State Bank without the approval of the relevant Minister in terms of Section 12(4)(iii) of Chapter 1 of the Tourism Act, No.38 of 2005.
- (b) The following observations are made relating to the construction of the Thoraiadi Jetty in Kalpitiya and for the supply of granite, gravel and ABC for applying tar nearby the Wannimundalama Lagoon.
 - (i) A sum of Rs.824,000 had been incurred more than the estimated amount on purchasing 1648 cubes of granite on an excessive price an external person instead of the supplier selected to supply granite on the discretion of the Project Director, under the Shopping Method and that amount had not been recovered even up to 31 December of the year under review.
 - (ii) Action had not been taken to recover a sum of Rs.2,549,000 overpaid on making payments considering that materials were supplied 4 cubes each, despite the capacity of the Tipper Vehicle that had been mentioned as being deployed for the supply of granite, gravel and ABC to the Kalpitiya Site being 3 cubes.
 - (iii) Payments had been made by the Authority for the value of the materials not physically accepted as 1648 cubes of granite, 368 cubes of ABC and 40 cubes of gravel, being a sum of Rs.10,196,000.
- (c) A sum of Rs.11,089,228 overpaid for the repair activities carried out in the Kataragama Holiday Resort had not been recovered from the officers responsible up to date.
- (d) A sum of Rs.3,226,950 had been paid for 941.7 hours based on three letters furnished by the suppliers that dozers were supplied for the construction activities of the Mohottuwarama Jetty in Kalpitiya. However, these payments had been made without noting the working hours by reading the meters daily that the service of these dozers were obtained and without getting certified those Reports on Working Hours by an officer of the Authority. However, the Supervisor had certified in the above three letters that the service of the tractors was satisfactorily obtained.
- (e) Sixty- five and half no- pay leave had been obtained in the years 2012 and 2013 by the Manager of the Bentota Holiday Resort without being documented and had obtained a sum of Rs.80,960 as allowances for saved leave in those two years without informing the Management.

- (f) A total sum of Rs.608,226 had been paid contrary to the laws, rules and regulations by the Manager of the Bentota Holiday Resort as a sum of Rs.480,000 as the vehicle rent and a sum of Rs.128,226 for fuel respectively to two institutions for a period of one year for a vehicle with a fraudulent number.
- (g) A sum of Rs.2,659,875 had been spent by the Authority to purchase 55 sofa chairs without evaluating the requirement. Even though limited quotations had been called to purchase these chairs, quotations had not been obtained from the Institution which supplied the prototype chair. Fifty per cent of the total supply value had been paid as Advances in purchasing chairs contrary to the Guideline 5.4.4 of the Government Procurement Guidelines and even a fruitless expenditure amounting to Rs.211,000 had been incurred for the transportation of the chairs in several instances. Moreover, 03 chairs valued at Rs.159,803 had been misplaced.
- (h) Action had not been taken to recover the sum of Rs.3,780,253 to the Authority that had been overpaid to the officers from the year 2009 to the year 2011 due to making payments of the salaries and allowances by categorizing the Kalpitiya Integrated Tourist Development Project as a project that had exceeded US\$ 30 million even up to 31 December of the year under review.
- (i) The Building of the Cultural Centre (Dutch Hospital) located in Colombo belonging to the Authority had been transferred to the Urban Development Authority a sum of Rs.7,274,715 less than the value of the value decreased from the depreciation provisions.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of systems and control.

Areas of Systems and Control

Observations

(a) Operating Control

Carrying out in compliance with the Action Plan of the Development Programmes Authority and not preparing a procedure to report on the physical progress.

(b) Control of Projects

Monitoring the projects in the implementation of projects and making payments without examining the Work Done Reports in recommending and approving payments.

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| (c) Assets Management | Not maintaining and updating Registers of Assets and not taking action to acquire the right of the assets. |
| (d) Control of Receivable and Payable Balances | Not taking action to settle the receivable and payable balances. |
| (e) Accounting | Errors remaining in following Sri Lanka Public Sector Accounting Standards, non-disclosure of accounting policies and accounting being carried out without the preliminary documents relating to accounting Capital Assets. |