

Central Environment Authority - 2022

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Central Environment Authority for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity and cash flow statement 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 and the Financial Act No. 38 of 1971 . My comments and observations which I consider should be reported 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 Authority as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 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 qualified 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 Public Sector 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 Authority'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 intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, it 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 Authority.

1.4 Audit Scope (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 internal control;
- Evaluate the appropriateness of the accounting policies adopted by the management and the fairness of the accounting estimates used the related disclosures;
- 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 Authority'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 Authority to cease to continue as a going concern; and
- 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 Authority, and whether such systems, procedures, books, records, and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether it has performed according to its powers, functions, and duties; and
- Whether the resources had been procured and utilized economically, efficiently, and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Basic principles for the implementation of common policy

Audit Observation	Management Comment	Recommendation
<p>The stocks purchases of the authority were accounted as expenses instead of debiting the respective stocks accounts. The stocks issue accounts had also not been reconciled. The remaining stock balance in the stock accounts had been adjusted by debiting or crediting the differences to the expense accounts as per the physical verification on stock at the end of the year. The total of the values credited to the expense accounts had been adjusted to the accumulated fund in the following year and thus the value credited to the accumulated fund after deducting the expenses payable in the year under review for the previous year was Rs.9,959,382. Due to adoption of this type of method instead of proper adjustment made in the accounts of stock purchases and issues, the accuracy of the balance of expenditure, payables, and accumulated fund for the year under review could not be confirmed.</p>	<p>No clear comments have been made regarding the stock accounting.</p>	<p>Actions should be taken to properly account for stock purchases and issues.</p>

1.5.2 Non-compliance with the Sri Lanka Public Sector Accounting Standards

Non-compliance with the reference to particular standard	Management Comment	Recommendation
(a) According to paragraph 24 of Sri Lanka Public Sector Accounting Standard No. 01, budgeted figures and actual figures had not been included in the financial statements.	At the end of the year budgeted figures and actual figures are compared and any variances observed are reported to the board of management and audit.	Budgeted figures and actual figures should be compared and included in the annual financial statements.
(b) Although there are 08 items in property, plant and equipment that have already been fully depreciated, and the cost of use is Rs. 374,750,208, the estimated error on the effective life of those assets had not been reviewed and adjusted in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard No. 03.	The useful life of those assets will be reviewed and adjusted in the financial statements for the year 2023.	Actions should be taken to review and adjust the effective life in the financial statements according to the standard.
(c) The cost related to the indoor air quality improvement project included in the cost value of Property, Plant and Equipment was Rs. 11,605,308. The measuring equipment remained inactive since 2016 and according to paragraphs 92 (a) and (b) of Sri Lanka Public Sector Accounting Standard No. 07. This had not been disclosed in the financial statements.	The comments provided was inaccurate.	Should be disclosed in financial statements as per accounting standards.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) The balance of seven (7) stock items totalling Rs.9,596,172 recorded in the goods in Transit and work in progress account at the end of the previous year had been brought to the ledger accounts for the year under review as opening	It was stated that this has been revised based on the information provided by the administrative department. However, no clear comment had been made.	The balances at the end of the previous year should be accurately recorded as the opening balance for the year under review and balance be with the schedules. Relevant

<p>balance of Rs.10,657,132 overstating an amount of Rs.1,060,960. A difference of Rs.261,828 had been observed when compared the opening balance with the respective schedule submitted.</p>	<p>adjustments should be made through approved journal vouchers.</p>	
<p>(b) It was observed that the amount of Rs.1,708,574 shown as an over-allocation in the work in progress and goods in transit account were balance shown in the suspense account. Therefore the accuracy of the work in progress and goods in transit balance of Rs.18,251,035 included in the financial statements at the end of the year under review could not be verified.</p>	<p>An incorrect comment had been made as the work in progress and goods in transit account is correct.</p>	<p>Expenditures related to work that have not been completed should be properly included in the work in progress account.</p>
<p>(c) Property, plant and equipment valued at Rs.906,692 purchased during the year under review and the expenses of Rs.4,168,141 incurred on completion of construction of <i>Randeniya Soba Khetha</i> Centre had not been capitalized. Instead, these had been accounted for under good in transit and work in progress. Accordingly, the depreciation related to those assets had also not been calculated, which had caused an understatement of depreciation expense and accumulated depreciation in the financial statements for the year under review.</p>	<p>Action will be taken to capitalize during the year 2023 subsequently scrutinizing the files completely.</p>	<p>Assets which had been completed and used should be capitalized and calculations of the depreciation should be made and accounting adjustments should be made accurately.</p>
<p>(d) According to an order valued at Rs.3,475,005 given to a private company in 2018 for supplying and installing the Firewall software of the Environment Authority, a sum of Rs.3,127,505 had been paid at the end of the review year. However, the value shown in the</p>	<p>In the year 2023 this total amount had been paid and this total value is removed from the work-in-progress and goods-in-transit account in 2023.</p>	<p>All payments made in respect of incomplete work should be included in the work-in-progress account.</p>

respective work-in-progress and goods-in-transit account has been stated as Rs. 1,563,877 leading an understatement of Rs. 1,563,628.

- (e) According to the library book verification report given in December 2022 related to 31 December 2021, accounts had not been adjusted in respect of 1,024 books which had been written off and 2,746 books lost.

The stock verification on Library book for the year 2021 had been carried out on 23 December 2022. The collection of books has been maintained in this library since 1984. According to the report on stock verification carried out in 2022, a survey will be carried out again to get an accurate report on the lost books and the value of the books lost since 1984 will be calculated yearly and the correct adjustment will be in the account.

According to the stock verification, the accounts should be reconciled as per Financial Regulations 104 on the books written off and lost.

- (f) Work-in-progress and goods-in-transit could not be clearly identified as these had been shown under one ledger account without action being taken to account separately.

Action will be taken in future to disclose the balances of work-in-progress and goods-in-transit account separately in detail in the final accounts.

Work-in-progress and goods-in-transit should be disclosed separately in the financial statements.

- (g) The Environmental Assessment License income identified and confirmed by the Environmental Impact Assessment Unit for the year under review amounted to Rs. 22,028,440. However the income transferred to the ledger account amounted to Rs. 568,877 only. The amount of Rs. 21,459,563 which should have been accounted as income had been shown under current liabilities as payable expenses.

Action is being taken to adjust the environmental assessment project expenses as reimbursed income in the accounts during the year 2023. By considering the amount deposited by the project proponents to obtain the project report with this consideration of the continuity of the balance project along with the completion of the

Action should be taken to allocate the Environmental Assessment Project Expenses needed annually from the budget and to identify the income accurately considering the action completed and the amount spent during the year.

Environment Assessment Report and reimbursement of administrative expenses of the authority.

1.5.4 Un reconciled Control Accounts or Records

Subject	Value according to the Financial Statements Rs.	Value according to corresponding reports Rs.	Deviation Rs.	Management Comment	Recommendation
Environmental Impact Assessment Permit value payable at the Uva Provincial Office	14,377,105	8,256,157	6,120,948	The balance had been shown correctly in the final accounts.	The balance payable should be correctly identified by comparing with the accounts of the provincial office.

1.6 Accounting Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation

An aggregate sum of Rs. 2,740,930 being the total recoverable amounts of Rs. 1,427,728 and Rs. 1,313,202 from Biyagama Pradeshiya sabha and Colombo Municipal Council respectively for the Dompe Sanitary land fill allowing to dispose garbage until 2018 had not been recovered for more than 04 years.

Management Comment

In the year 2021, the Chairman of the Biyagama Provincial Council and the Municipal Commissioner of the Colombo Municipal Council have been informed and copies sent to the Chief Secretary (Western Province) and the Commissioner of Local Government (Western Province) to make the payment immediately.

Audit Observation

Action should be taken to recover the amount promptly.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
<p>The land allotted to the Authority under the 30-year lease agreements had not been disclosed in the financial statements and no action had also been taken to reserve a sum of Rs. 792,044 from the accounts being the lease amount payable for the period since 2010 to 31 December 2022, for the leased land at Kanthale.</p>	<p>Lease amounts will be paid in the future. There is no comment on non-disclosure of lease amounts in the financial statements.</p>	<p>Action should be taken to disclose the Land given on lease agreements in financial statements and to reserve the lease amount payable.</p>

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

Reference to Laws, Rules, and Regulations etc	Non-compliance	Management Comment	Recommendation
<p>(a) National Environment (Amendment) Act, No. 56 of 1988 (i) Section 24(d) - 2(1).</p>	<p>Although the Authority is responsible for the preparation of physical planning of an environmental protection area, environmental protection area management committees had not been established for the Muthurajawela Environmental Protection Area, Thalagama Environmental</p>	<p>In the technical process of declaring environmental protection areas, establishing management committees for those five (5) environmental protection areas had not been considered as a legal requirement.</p>	<p>Management committees should be established and environmental protection areas should be properly managed and action should be taken to protect those areas.</p>

Protection Area,
 Gregory Lake
 Environmental
 Protection Area,
 Valauwatta Waturana
 Environmental
 Protection Area and
 Bolgoda
 Environmental
 Protection Area.
 Thereby, it could not
 be confirmed that the
 issues arising from
 human activities and
 natural events are
 solved and those
 ecological zones are
 protected properly.

(ii) Sections 23
 (a) and (b)

Even though the
 discharge of wastes
 that may cause
 environmental
 pollution should not be
 disposed to the
 environment unless an
 authorized license
 issued by the
 Authority, with any
 other certain standards
 and other regulations
 as may be prescribed
 under the Act, the
 activities had been
 carried out without
 obtaining an
 environmental
 protection license since
 the date of
 commencement of
 usage of the waste
 water treatment system
 of the Central
 Environment Authority

Action is being
 taken to seek legal
 advice on issuing
 license to its own
 institution by the
 Central
 Environmental
 Authority itself,
 being the authority
 issuing
 environmental
 protection licenses
 as per the Gazette
 Notification No.
 18/2264 of 27th
 January 2022
 issued under the
 National
 Environmental Act.

Being an
 environmental
 regulatory body,
 it should function
 as a precedent to
 other institutions
 and take
 necessary legal
 Compilation.

till 23 March 2023, the date of audit.

- (b) Chapter V, Paragraph 4.1 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka
- An officer who was recruited as Environmental officer Grade III and attached to the Environmental Assessment unit on 06 November 2017, had left the service from the Authority and has taken over a post as a Research Assistant officer Grade III of the Sri Lanka Technological service in the Department of Agriculture on 01 October 2018 without one month prior notice or payment of one month salary. However, the authority had not taken any disciplinary action against the said officer.
- Since this officer was allowed to pay the dues to the Authority on instalment basis and she has made arrangements to pay the amount continuously through her current employer, no legal action had been taken against her.
- Action should be taken in accordance with the Establishments Code in respect of the officers who left from the service.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 372(2)
- The total amount of Rs.4,095,600 being the purchase advances of Rs.3,469,331 and miscellaneous advances of Rs.626,269 had not been settled as at 31st December 2022. This consisted of advances exceeding 05 years of
- It was informed to settle these advances properly.
- Advances should be settled as soon as the work is completed in accordance with the Financial Regulations.

		Rs.791,900, advances exceeding 02 years of Rs.202,225 and advances up to 01 month and 10 months of Rs.1,814,544.		
(ii)	Financial Regulations 104 (1), (3) and (4)	Although investigations should be instituted to determine the extent, causes and responsible persons for the loss, no investigation had been carried out on nine vehicle accidents occurred since 2018 to 2022 and to recover the losses of 12 vehicle accidents and to take disciplinary actions.	Necessary actions are being carried out to take disciplinary action against the officers responsible for such accidents and recover the losses.	In accordance with the Financial Regulations, Investigation should be carried out as soon as a loss or damages are incurred and action should be taken to recover the loss.
(iii)	Financial Regulations 1641 to 1647	From the following fact it was observed that due attention had not been paid on the safety, maintenance and efficient usage of vehicles. Proper investigations had not been carried out by the authority on vehicle accidents, no documentation on petrol and belongings, procurement guidelines had not been followed when undergoing repairs on vehicles, same repairs repeated and confirmations had not been obtained from the Technical Officer, the vehicle log notebooks, daily running charts and	I wish to inform that action have been taken according to the instructions given in the report in this regard by the Internal Auditor at the Ministry. The recommendations will be followed properly and the above issues and shortcomings will be resolved.	A strong internal control should be established on vehicles.

travel summaries had not been updated, the parts removed from the vehicles had not been handed over to the stores, vehicles parked in one place for a considerable period.

1.8 Cash Management

Audit Observation	Management Comment	Recommendation
<p>The interest income that could have been earned on investment had been lost due to the fact that during the year under review an amount of Rs.333,488,686 had been retained in the District Office Bank Current Account for several months without being transferred to the Head Office Account as scheduled and an average monthly deposit balance of Rs.129,209,300 maintained in excess of the expenditure requirement in the Head Office Current Account.</p>	<p>Money in the Bank of Ceylon collection accounts at offices of Badulla and Hambantota as at 31 December 2022 was credited to the head office current account on 27 March 2023 and on 2 May 2023 respectively and Rs. 300 million had been invested on fixed deposits.</p>	<p>Proper financial management should be maintained and actions should be taken to take money to the collection accounts of head office promptly and not to allow money to be retained beyond the monthly requirement in the current accounts.</p>

1.9 Non-compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
<p>According to the financial statements for the year under review of the Authority, the supplies subject to Value Added Tax had been Rs. 416,488,904. Whereas according to the Value Added Tax reports submitted to the Inland Revenue Department for the year under review, the taxable supplies amounted to Rs.394,686,528. Therefore, the taxable supplies and the respective</p>	<p>The comment is in correct.</p>	<p>The taxable supply should be correctly entered in the tax return and the Value Added Tax should be accurately calculated and reported to the Inland Revenue Department.</p>

15 percent Value Added Tax amounting to Rs. 21,802,376 and Rs. 3,270,356 respectively, had been under-stated and reported to the Inland Revenue Department.

2 Financial review

2.4 Financial Results

The operating results of this year under review amounted a deficit of Rs. 48,482,055 and the corresponding deficit in the preceding year amounted to Rs.22,121,759. Therefore a deterioration amounting to Rs. 26,360,296 of the financial result was observed. The reason for this deterioration was that even though there was an increase on government recurrent grant by 7 percent and expenses on program had decreased by 78 percent the operating income of the Authority declined by 19 percent and operating expenses increased by 10 percent.

2.5 Trend analysis of major income and expenditure items

The income of the authority declined by 19 percent due to increase of the operating income included in the Dompe sanitary landfill income increased by 315 percent compared with the previous year and due to the increase of 45 percent of hazardous waste income. The Fuel and transportation expenses included in operating expenses had been increased by 77 percent, and when compared with the previous year the stationery and office requirement expenses had been increased by 79 percent and maintenance and repair costs increased by 47 percent.

2.6 Ratio Analysis

Net loss on operations was 1.62 per cent in the previous year and it increased to 3.6 percent in 2022, mainly due to a 70 per cent decline in treasury fund receipts due to restriction of funds.

3 Operational Review

3.4 Identified Losses

Audit Observation	Management Comment	Recommendation
Due to failure in proper monitoring on fuel receipts, issues and documentation, 1660 litres of diesel valued at Rs. 713,800 purchased and stored for the electricity generator of the Authority during the period since 08 June 2022 to 16 August 2022 had been lost and action had not	The total loss and a 25 percent surcharge of Rs.892,250 had been recovered from the security firm. A complaint had been lodged with the police in this regard and an internal	The relevant investigations should be completed immediately and action should be taken to recover the loss and disciplinary action taken against the responsible

been taken to finalise the investigation and to recover the losses.

investigation is being carried out and action will be taken in the near future based on the investigation.

parties.

3.5 Management inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Even though the 129.88 perches of land acquired in excess in the year 2000 on a 50-year lease for the head office premises of the Central Environment Authority has been benefited for more than 19 years and 109.88 perches of land benefited for more than a year, no action had been taken to take over these land legally by paying the relevant lease amount. Out of this land a portion of 20 perches had been given to another institution by the Urban Development Authority.	Action is being taken to take over the 109.88 acres of land legally by payment of cash.	Legal acquisition of the land should be expedited.
(b) The National Environment Act No. 47 of 1980 had not been amended after 1988.	Having the Attorney General informed that there were 30 items of the final draft of the proposed National Environment (Amendment) Act were contrary to the Constitution, the observations of this Authority for those 30 items had been sent to the legal Draftsman Department through the Ministry of Environment on 18	Prompt action should be taken to amend the Act.

- (c) A sum of Rs.18,527,257 being a balance from project grants received from the Treasury and foreign aid, had been disclosed as a non-current liability in the financial statements without any action been taken for a period of four to nine years to settle.
- (d) The agreement period of the mobile air quality laboratory No. LK-8428 provided to the Authority in 2013 for a period of five years by the Department of Motor Traffic for testing had expired in July 2018. However, action had not been taken to extend the agreement or to acquire the asset to the Central Environment Authority.

April 2023.

Accounts of the previous years will be scrutinized and relevant adjustments will be made in the financial statements for the year 2023.

Action should be taken to settle the balance amount.

There is no consent given to finance for the repair of this mobile air quality laboratory which is currently out of order or to renew. Action is being taken to hand over it to the Department of Motor Traffic.

Action need to be taken considering the necessity and the possibility to repair.

3.6 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) An electric cart had been purchased at a cost of Rs. 2,030,000 from the provision which was not in line with the objectives of the <i>Surakimu Ganga</i> Programme and had been at the Kataragama religious premises.	An incorrect comment had been given stating that this activity is linked to the objectives of the <i>Surakimu Ganga</i> Program.	Funds should be utilized in compliance with program objectives.
(b) In contrary to the conditions of the Environmental Protection License, the non-recyclable materials collected in the organic fertilizer production yard within the Akuressa Provincial Council of Matara had been disposed in an open area in an unsafe manner instead of taking steps to dispose them in a hygienic way. It was also observed that there is a risk of leachate generated during the	Follow up action of violation of the conditions specified in the Environment Protection License at the Akuressa Provincial Council will be carried out and will be instructed to rectify within a specified period and failing	Necessary action should be taken to maintain the respective waste yard according to the prescribed standards.

compost production process, which should be managed in a way that it does not mix with the ground water or the external environment, pits get filled and exposed to the external environment. Further, upgraded fire extinguisher and facilities had also not been maintained in the premises.

which legal action will be taken against them.

- (c) For the purpose of collecting information when carrying out environmental management activities a drone equipment had been purchased for Rs. 1.39 million on 15 December 2020 and in order to launch the drone, an agreement was signed with the Sri Lanka Air Force (SLAF) on 15 July 2022, with a delay and it was observed that it had not been used efficiently even thereafter.

The relevant activities are being carried out considering the priority.

Action should be taken to utilize the relevant assets with maximum efficiency.

3.7 Transactions of Contentious Nature

Audit Observation	Management Comment	Recommendation
<p>(a) A Library Committee had not been established for the activities of the National Environmental Information Centre of the Authority and when there was a change in the executor, board of survey had not been conducted. As a result, the officials responsible for the loss of 2,746 books lost which had been identified in the final board of survey report for the year 2021 submitted on 23 December 2022 could not be identified. Further 1,983 books had been removed from the access book subscription</p>	<p>A Library Advisory Committee had been appointed for the year 2023. Since the missing books are related to the period from 1984 to date and arrangements had been made to appoint an independent committee to conduct the board of survey again and obtain a report. Based on the relevant recommendation action will be taken to maintain the access</p>	<p>Action should be taken to identify the officers responsible for the losses and the proper action need to be taken on removal of books from access books.</p>

list without following any procedure and approval.

book.

- (b) Out of the 60 brush cutters purchased for Rs. 1,083,333 for the *Surakimu Ganga* Programme, five machines valued at Rs. 98,484 had been lost and the investigations had not been completed.

Five machines had been found missing in the distribution process and a complaint had been lodged with the Thalangama Police. An investigation is also being conducted by the Internal Audit Unit of the Authority. Further action will be taken accordingly.

Action should be taken to identify the parties responsible and to take necessary action to recover the loss.

3.8 Idle or Underutilized Property, Plant, and Equipment

Audit Observation

The Dusk Track DRX Desktops Model 8553 and two Micro mate Instant shock analysis devices purchased in 2016 and 2017 for Rs. 3,577,108 and Rs. 8,028,200 respectively had not been calibrated within the stipulated time. Hence, the respective machinery remained idle till the end of the year 2022.

Comments of the Management

These two equipment had been handed over to the relevant agency on 11 May 2023 for calibration and the relevant calibrations will be conducted and these items will be returned to the Authority on 31 May 2023.

Recommendation

Action should be taken to calibrate the equipment and used efficiently.

3.9 Project or capital works delays

Audit Observation

Even though a sum of Rs. 1,675,350 had been paid to the State Engineering Corporation of Sri Lanka in 2018 for the preparation of plans and estimates on the construction of Rathnapura provincial office building of the Authority, the

Management Comments

The construction work of the building had to be temporarily suspended due to non-receipt of capital grants. When construction is completed, this will

Recommendation

Construction work should be carried out as per the requirement and accounted for under the prescribed classification.

construction had not been carried out. Although the amount paid had to be shown under the work-in-progress account, it had been shown in the financial statements as an accounts receivable.

be identified as a capitalized asset.

3.10 Procurement Management

Audit Observation

An agreement had been signed on 08th August 2014 with a private company, within a short period of one year of its establishment, without having any idea on its prior activities and performance of the company and without obtaining a performance security for the contract. However, the project had not been started and there was an issue with the continuity of the company. As a result, the amount of Rs.64,356,400 spent and the amount of Rs.13,071,372 spent for the construction of the compost yard in the year 2009 by the *Pliisaru* project and the machinery purchased to generate electricity from the garbage had become unutilized.

Comments of the Management

The delay in the construction of the Matara Kotawila Waste to Power Generation Project has been forwarded to the Attorney General on 10 May 2023 seeking legal advice to take legal action.

Recommendation

Payments should be made in accordance with the government procurement guidelines and with the approval of the appropriate authority. Necessary action should be taken against the officers who had acted without obtaining the prior approval.

3.11 Utilization Resources of Other Organizations

Audit Observation

16 cabs valued at Rs. 27,630,000 registered under the Ministry of Environment and given by the Ministry in 2001, 2003 and 2012 for the use of the Authority had accounted under fixed assets without transferring the legal ownership.

Management Comment

Documents relating to the acquisitions of 16 cabs given for the use will be handed over to the Ministry of Environment enabling to transfer the legal ownership.

Recommendation

Action should be taken to transfer the ownership of vehicles that are accounted for and are being used.