

Industrial Technology Institute - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Industrial Technology Institute (“Institute”) 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 Finance Act No. 38 of 1971. 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 Institute as at 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 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 Institute’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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

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

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 Institute'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 Institute'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 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute,
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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 the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

| Non-compliance with Reference to Relevant Standard | Comments of the Management | Recommendation |
|--|---|--|
| (a) Although the amount of Rs.1,241,165 received on disposal of assets should be recorded under cash flows generated from investment activities as stated in Paragraph No. 25 of Sri Lanka Public Sector Accounting Standard No. 02 , the figure had not been included in the cash flow statement and although the loss of Rs.1,027,097 on disposal of property, plant and equipment should be added and shown under adjustments in the cash flow statement, it had been shown deducted. | Actions will be taken to avoid such matters in the future. | The cash flow statement should be prepared in accordance with Accounting Standard. |
| (b) Although the useful lives of the assets should be accurately identified and corrections should | This has been difficult to do due to the practical difficulties | The useful lives of assets should be accurately identified |

be made to the accounting estimates in terms of Sri Lanka Public Sector Accounting Standard No. 03, due to the failure to act accordingly, actions had not been taken to review the useful lives of fixed assets which were fully depreciated and still in use amounted to Rs. 955,400,832 and include in the financial statements.

(services of technical experts) for revaluation of these assets and the prevailing situation in the country. Nevertheless, actions are being taken to get the services of a committee made up of experienced service providers for that.

and entered into financial statements.

(c) Although, either the first-in-first-out method (FIFO) or the weighted average costing method (WAC) should be chosen to value the cost of inventory in terms of Paragraph No. 35 of Sri Lanka Public Sector Accounting Standard No. 09, without doing so, the Institute had computed the inventory at Rs.40,866,599 using average cost method as at 31 December 2022 and accounted for.

Stock computation will be done using weighted average method from the year 2023.

The cost of inventory should be calculated as per Accounting Standards.

1.5.2 Accounting Deficiencies

| Audit Observation | Comments of the Management | Recommendation |
|---|---|--|
| (a) Although the debtor balance as at 31 December of the year under review was Rs.66,113,733 as per the age analysis of debtors, as the debtor balance had been shown as Rs.61,441,660 in the financial statement (Note 18A), a difference of Rs.4,672,073 was observed between age analysis of | This is a computer software error. The computer software company has been notified to correct this identified difference. This is a situation existing from previous years and necessary preparations are being made to find the reasons for this difference. | The relevant balances should be maintained in the manner of reconciling the balance of the age analysis of debtors with the debtor balance in the financial statement. |

debtors and debtor balances in financial statement.

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| <p>(b) Unidentified Direct Bank Credits as at 31 December 2022 amounted to Rs.6,068,370 had been shown in the financial statements as accounts payable under current liabilities without being identified by the Institute even in the year under review.</p> | <p>The value of this unidentified deposit has been reduced to Rs.6,068,370. Arrangements are being made continuously to identify the respective depositors.</p> | <p>Actions should be taken to properly identify unidentified direct bank credits.</p> |
| <p>(c) In accounting for the value receivable on breach of terms of overseas scholarship agreements, although the reserve account so identified should be settled at the time of settlement of receivables and also the value of Rs.653,058 received at the end of the year under review out of the balance on breaching of such conditions had been removed from the receivable balance, it had not been removed from the reserves account.</p> | <p>The values to be received from the officers who have breached the agreements should be properly accounted for and a breached reserve account is being maintained for a similar value. Although the receipt of money after receiving money back from the officers who breached the agreements and the account of the relevant officers who breached the agreements have been properly recorded, the removal of the relevant receipt from the reserve account has been omitted. This will be corrected next year.</p> | <p>Actions should be taken to carry out the accounting activities properly.</p> |
| <p>(d) Although the depreciation value related to the assets disposed of during the year was Rs.41,356,730 and Rs.1,854,560 respectively for machinery and furniture and office equipment, the net value of fixed assets had been understated by Rs.1,327,243</p> | <p>This situation has occurred due to the difficulty in calculating depreciation on property, plant and equipment asset by asset. However, actions will be taken to adjust this difference properly in the next year.</p> | <p>Actions should be taken to enter accurate depreciation values.</p> |

due to the fact that the depreciated value of machinery and furniture and office equipment used in the financial statements were Rs.42,200,231 and Rs. 2,338,302 respectively.

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| <p>(e) Vehicles and computer software had been depreciated annually at 20 per cent and 33 1/3 per cent respectively and vehicles and computer software had been depreciated exceeding Rs.7,808,500 and Rs.468,062 respectively as per the financial statements.</p> | <p>The current computer system does not support the calculation of depreciation and the Institute calculates depreciation manually from the date of purchase of the asset and since there is a very large amount of assets, this situation has arisen by the difficulty of calculating depreciation on an asset-by-asset basis. Actions will be taken to adjust this difference in the next year.</p> | <p>Actions should be taken to carry out depreciation calculations properly.</p> |
| <p>(f) Although it had been disclosed the value of fully depreciated final fixed assets as Rs. 903,701,556 at the end of the year under review in the notes to the financial statements the actual value of the fully depreciated assets was Rs.995,400,832 .</p> | <p>The value of the fully depreciated asset in the notes to accounts should be corrected as Rs. 995,400,832 and this has happened because of failure of updating the accounting note.</p> | <p>Notes of the financial statement should be accurate.</p> |
| <p>(g) (i) The value of Rs.55,317,026 capitalized from work in progress during the financial year had been shown in the cash flow statement as purchases of property, plant and equipment during the year .</p> | <p>This has happened because this value was adjusted as purchase when data was linked while processing the cash flow statement. Further, actions will be taken to avoid such things in the future.</p> | <p>Cash flow statement should be prepared accurately.</p> |

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| (ii) | Although the value of investment interest income of Rs.23,093,882 received to the Institute in cash in the year under review should be shown under cash flows generated from financial activities in the cash flow statement, the value had not been entered in the cash flow statement. | This has been omitted to mention under financial activities in the preparation of cash flow statement. | -do- |
| (iii) | Although the value of gratuity and incentives paid in cash during the year to be indicated under working capital changes was Rs.26,495,232, that value had been stated as Rs. 20,670,566 in the cash flow statement. | This has been shown as Rs. 20,670,566 by a mistake when preparing cash flow statement. | -do- |
| (h) | Actions had not been taken to issue invoices for the amount of Rs. 4,597,274 receivable for the reports provided by the institution from the year 2019 to the year 2022 on the certification provided to quickly and independently tested within a short period of 10 days and that relevant payments are made within 03 days from that date as per requirement of National Fertilizer Secretariat and to receive to income and recover that money. | SS numbers are not issued for samples provided by the National Fertilizer Secretariat to protect its confidentiality. Until the relevant reports are given to the National Fertilizer Secretariat, our Institute is not informed about the third party to which the samples belong. Actions have been taken at present to account for the relevant values for revenue by making National Fertilizer Secretariat as debtor. | Actions should be taken to enter all the values to be included as income and collect the income as soon as possible. |
| (i) | A balance of Rs.15,053,200 payable to a contractor in the year under review had been credited to the purchase advance account and a total of Rs.1,064,654 payable to 11 | This amount is related to China Sri Lanka Project and it has now been corrected. The 11 credit balances totalling to Rs.1,064,654 have been corrected so far. | Financial statements should be prepared as shown in the accurate values. |

creditors had also been credited to the same advance account. As a result, current assets and current liabilities had been understated by Rs.16,117,854 in the financial statements.

- (j) The total cost of Rs.23,451,126 including a sum of Rs.15,743,200 which was the contract costs and paid for the consultancy services for the construction of the laboratory from the year 2019 to the year under review for the China Sri Lanka Biotechnology Research Laboratory Construction Project and a sum of Rs.7,707,926 spent as port charges and cost of carriage inwards and other expenses to clear the machinery and equipment received as donations from the Chinese Government in the year 2019 had been shown as a receivable balance without being included under work- in- progress in the financial statements.
- Since this is a Chinese Sri Lankan project, transactions are recorded in a separate ledger account and transferred to the respective accounts at the end of the Project.
- do-
- (k) Out of the amount of Rs. 9,015,676 received to the Institute for 09 projects, the remaining balance of Rs.3,490,800 furthermore after completion of 8 projects and a total of Rs.4,226,357 as Rs. 735,557 remained from the abandoned project had been shown in the financial statements under balances
- Actions are being taken to adjust FP-126 Minamata Initial Assessment Project balance to adjust to revenue of 2023 .
- do-

payable without being identified as an excess.

1.5.3 Documentary Evidences not made available for Audit

| Item | Amount | Audit Evidence Unavailable | Comments of the Management | Recommendation |
|------------------|---------------|--|---|--|
| Balances Payable | Rs. 8,039,067 | Information/ Schedule to be verified for 08 balances payable | <p>The balances such as Sri Lanka Telecom, Bank Rejection, Maintenance Expenditure Coir Project, Re-Banking are more than 12 years old and obtaining related information is difficult.</p> <p>Refund customer over payment, and 2015 VAT Over payment, these balances are taxes paid when VAT tax percentages change and all the values so paid had been allocated so for the refund on request of respective customers.</p> <p>The value of DMS30 Resigned/Present Eemployee value is a provision made for payment of arrears which may be payable on change of grade of</p> | Actions should be taken as the balance confirmations shown in the financial statement to be received to the Institute. |

the posts of the then officer as per the circular.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

| Audit Observation | Comments of the Management | Recommendation |
|---|--|--|
| (a) Actions had not been taken even in the year under review to recover the sundry debtor balances which had remained old 1 year to 8 years within receivable balances totalled to Rs.14,535,683 and the amount of Rs.16,599,429 receivable from 20 officers who had breached the conditions of foreign scholarship agreements had not been recovered even by 31 December 2022. | Requests have been made several times in writing to provide Rs 11,300,214 rent receivable from the State Ministry of Science and Technology. Actions are being taken to write off the balances remaining for 10 years in the future years. The respective institution has informed that the actions can be taken to offset this amount in case of future air ticket purchase for refundable air tickets. The amount of Rs.4,020,392 receivable was unable to collect from 17 officials because those officials had left the island. Many of their guarantors, too, have left the island and some are not even alive. Necessary actions for the two officers who broke the contract valued at Rs.12,541,165 is still being done with the Attorney General's Department. One of officers out of that has arranged to pay this amount as per the agreement. | The balances receivable should be collected as soon as possible. |

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| <p>(b) Actions should be taken to recover a balance of Rs.381,376 receivable from an inactive test project from the year 2014 and a balance of Rs. 728,932 receivable from two completed research projects in 2020 and 2021 .</p> | <p>Actions are being taken to adjust the balance of Air Quality Monitoring and FP-83 EU Project through the financial statements of 2023. The GIZ & ITI-SME Developments Project is a project to be carried out with 70% and 30% contribution from GIZ and ITI respectively and the work was carried out to the extent expected by the Project and a sum of Rs. 2,770,722/- was invested for that, from GIZ. This balance should be borne by ITI and arrangements will be made in the year 2023 to finalize by applying the necessary accounting records for this purpose.</p> | <p>Balances receivable should be recovered as soon as possible.</p> |
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1.7 Non-compliance with Laws, Rules, Regulations, and Management Decisions etc.

| Reference to Laws, Rules, Regulations etc. | Non-compliance | Comments of the Management | Recommendation |
|--|--|---|---|
| <p>Paragraph 6.6 of the Operational Guidelines Manual on Public Enterprises No. 01/2021 dated 16 November 2021</p> | <p>(i) Although a copy of the Draft Annual Report for the year under review should be submitted to the Auditor General within sixty (60) days after the end of the accounting year, the said report had not been submitted even by the date of audit, 05 June 2023 .</p> | <p>Due to the temporary suspension of new recruitments for vacant positions due to the current economic difficulties in the country, the year-end accounting activities have so delayed due to the employee crisis.</p> | <p>Reports should be submitted on due date.</p> |

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| <p>(ii) Although the accounts should be submitted to the Auditor General within sixty (60) days after the end of the current accounting year, the accounts for the year ended 31 December 2022 had been submitted on 15 May 2022, with a delay of 02 months and 15 days.</p> | <p>-do-</p> | <p>Reports should be submitted to the Auditor General on due date.</p> |
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1.8 Cash Management

| Audit Observation | Comments of the Management | Recommendation |
|--|--|---|
| <p>Although there was a balance of Rs.2,443,512 in 03 inactive bank accounts as at 31 December of the year under review, actions had not been taken to utilize or invest the balance for more than 06 years.</p> | <p>The Account 000-2876-229- is the account related to the Coir Project jointly conducted by the Institute and the Coconut Research Institute and the respective institution has not requested to recover this money till now. Accordingly, actions will be taken to transfer this amount to the institution in the near future.</p> <p>The account 000 -9283-122 is Rupee Account used for EEPEX Project. This Project has currently been suspended.</p> <p>The Account 76175979 is the Rupee Account used for the GIZ project. This will be used again from this year.</p> | <p>Actions should be taken to utilize or invest inactive bank account balances.</p> |

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 27,510,988 and, the corresponding surplus of the preceding year was Rs. 47,679,836. Accordingly, a deterioration of Rs. 20,168,848 was observed in the financial result. Although other income had increased by Rs.33,433,968, decrease of research and development income by Rs.36,105,423, decrease of service income by Rs.12,238,835 and increase of total expenditure by Rs.16,803,936 had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Comments of the Management | Recommendation |
|---|--|--------------------------------------|
| (a) Actions had not been taken by the Institute even by the date of audit to settle 20 retention balances for the construction amounting to Rs. 5,251,549 for more than 02 years as balances to be paid in the financial statements as at the last date of the year under review. | Arrangements are being made to take necessary actions to be refunded these retention balances on confirmation of respective officers who have engaged with the relevant work or to adjust to income. | Balances payable should be settled . |
| (b) Although 08 debit balances totalling to Rs.1,801,630 within the purchase advance balance had been carried forward for more than two years, actions had not been taken to identify and settle them. | All the 4 credit balances mentioned here PA-C020, PAL-011, PA-P030 and PA-S008 have been settled by now. Actions will be taken to receive the goods for the advance paid for the remaining supplies or to recover the advances paid. | Balances should be settled. |
| (c) Actions had not been taken to settle the balance of Rs.1,938,400 for the contract projects of the Food Technology Research Laboratory from the years 2018, 2019 and 2020 even by the end of the year under review. | Actions have been taken to adjust these contract project balances in Food Technology Division to income and accumulated fund in the year 2023. | -do- |

- (d) An accredited advanced pharmaceutical laboratory in developed countries laboratory, including GLP status, with facilities at par with advanced pharmaceutical laboratories in developed countries, was run in the institution from 2019 at a cost of Rs. 99,423,972 from Treasury allocations and the National Drug Regulatory Authority had not made arrangements to obtain the comprehensive services of the above Laboratory in the procurement and distribution of all western medicines including the hospital system on the island. Therefore, this laboratory had not been used so far as an independent accredited third party laboratory for the development of the pharmaceutical sector in Sri Lanka, which was the main objective of establishing the laboratory. Further, it had not achieved the objectives of converting a locally/internationally recognized centre of excellence for drug analysis, chemical and physical analysis of all required traces of field pharmaceuticals, solving national problems related to drug quality and strengthening local regulations and guidelines on drugs which were within its expected main objectives .
- The Pharmaceutical Laboratory was established based on the guidance and financial support of the government to streamline the inspection of pharmaceutical products imported by manufacturing companies. It was expected that policy changes would be made in the Ministry of Health to mandate third-party, independent testing of the quality of pharmaceutical products for initial registration and subsequent annual registration of the National Medicines Regulatory Authority. The National Medicines Regulatory Authority of the Ministry of Health is the organization with regulatory powers over drug testing. As third party testing is not mandated, pharmaceutical manufacturers and importers do not visit ITI to test their products. Therefore, it is necessary for the relevant regulatory authority to implement the state third-party independent investigation which is a mandatory requirement, the Industrial Technology Institute will receive only a very small portion from the actual drug testing requirements to the Industrial Technology Institute until the above changes in the regulatory framework are implemented.
- Actions should be taken to fulfill the main objectives of establishing the laboratory.

- (e) Because lack of a method of obtaining petroleum samples had been developed, for the Mineral Oil and Lubricant Laboratory which was installed at a cost of Rs.117.7 million to acquire and install equipment to carry out third party testing of mineral oil production in accordance with the Public Utilities Commission of Sri Lanka (PUCSL) regulations as per the Decision of the Cabinet of Ministers dated 31 August 2016, AMA/16/1576/19/96, it was observed that the basic tasks of establishing the laboratory are not being fulfilled and the relevant activity had not been completed from the laboratory established for the same purpose when there is a public opinion in the country that there are problems regarding the state of the mineral oil imported into the country.
- As there is no regularity authority for this petroleum laboratory of ours, all samples are not received to our laboratory. This process is within the primary objective and, as it is a national interest, actions are being taken with the full commitment of the Ministry of Energy and the Public Utilities Commission of Sri Lanka to implement as soon as possible as decided by the Cabinet of Ministers for that. The Industrial Technology Institute will receive only a very small portion of the required lubricant testing until the above changes in the regulatory framework are implemented.
- Actions should be taken to prepare a method of obtaining samples and fulfil the main objectives of establishment of the laboratory.
- (f) Although the Institute had 486 technologies at the end of the year under review, such technologies had not yet been physically documented or archived in software or in a specific vault and some of technologies out of these were identified as a knowledge possessed by researchers or research groups and, there is a risk of losing those technologies to the institute in the event of those researchers leaving the institute /retiring/ dying/moving to another institute/going abroad
- A report containing the technology measures for the purchasers are issued in carrying out technology transfers and, they have been saved in the respective sections. The data about the techniques prepared for exchange are saved in the officers' record books and at the time of retirement or their leaving from the institution, the record books should be handed over to the Head of the Department. However, as per your proposal, it is very
- Technological inventions should be preserved properly and necessary measures should be taken to transfer technology so that new technologies can be used for the welfare of the country.

and, although this is an intangible asset owned by the Technology Institute, quantitative information had not been maintained to identify the value of new technological findings. Further, it was also observed that the results of the above research conducted using public money and grants were lost to the people, and the results of the technologies were not used for economic development.

timely to maintain a technology bank to store technology data specifications.

3.2 Idle or Underutilized Property, Plant and Equipment

| Audit Observation | Comments of the Management | Recommendation |
|--|---|---|
| (a) Ten machinery worth Rs.28,092,463 including 02 UV Viewing Cabinet machines which are essential at present for the Institute to provide testing services related to medicines in Malabe Herbal Technology Section valued at Rs. 765,717 had been inactive and the machines had not been identified for renewal or proper disposal even by 16 June 2023 which was the date of audit. | PUMP CHILLER part of Gas Chromatograph Mass Spectroscopy has been repaired and used from 04/07/2023 and the Steam & Hydro Distillation Plant 50L has also been repaired and in use from 10/07/2023. Repair of Pilot Freeze Dryer and a part of GR Microwave System is being done by the Procurement Division. Actions are being taken to remove all other assets from the Register of Assets. | Repairs should be carried out properly and the machinery should be restored to working condition and the assets to be disposed should be properly identified. |
| (b) An area of 2,242 square feet of the PILOT PLANT Building located in the Malabe premises of the Industrial Technology Institute and 47 office furniture, 02 laptops, a fax machine and installed fire extinguishers had been in idle since 2019. | Room No. A7-27126 (191 square feet) on the first floor of the PILOT PLANT Building is prepared to be used for the ongoing training activities of the Food Technology Division when there is insufficient space. Nevertheless, after the construction as planned, the rooms could not be used as | Assets owned by the Institute should be used to achieve the objectives. |

expected due to the difficulty in hiring the staff and other capital equipment required to maintain the pilot plant in a proper manner. Further, it was impossible to start the activities properly due to the prevailing situation in the country from the year 2020. These respective laptops are two unusable computers that are proposed for disposal. Plans have been made to identify it as obsolete equipment in the Annual Board Survey and update the records.

**3.3 Human Resources Management
Audit Observation**

Although the approved cadre of the Institute was 392 in the year under review, the actual cadre was 292 and there were 100 vacancies related to 39 posts.

**Comments of the
Management**

Due to the issuance of National Budget Circular No. 03/2022 by the government by suspending new recruitment in the year 2022, all the recruitments had to be stopped. Nevertheless, although several requests have been made from the Department of Management Services to get permission for new recruitments, the approval was not received. Subsequently, requests were made to the Officers Committee appointed by the Cabinet of Ministers to review the recruitment process in the public service and the approval for some new recruitments have been received. Recruitments for the relevant post is currently being done.

Recommendation

Actions should be made to maintain the number of employees required.