

Central Environment Authority - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Central Environment Authority for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the, National Audit Act No. 19 of 2018 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 Authority as at 31 December 2023, 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 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, the Authority 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

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 Authority's 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 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 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 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 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 the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public sector Accounting Standards

Audit Observation	Comments of the Management	Recommendation
(a) Although dissimilar line items should not be recognized together in accordance with Paragraph 90 of Sri Lanka Public Sector Accounting Standards 01, the balance of Rs.73,573,243 in the Accumulated Fund Account of the Authority and the balance of Rs.607,981 in the KOICA Surplus Account as at 31 December 2023 had been added and shown in the financial statements as Rs.74,181,224 of Central Environment Authority fund.	This has been shown in the financial statements as Central Environment Authority funds since 2017 and actions will be taken to transfer balance of KOICA surplus account to Central Environment Authority Fund through journal entries in the year 2024.	Dissimilar line items Should be separately shown in the financial statement in accordance with the Accounting Standards.
(b) Although prior year errors identified in the financial statements should be corrected retrospectively in accordance with Paragraph 47 of that Standard, in terms of Paragraph 46 of Sri Lanka Public Sector Accounting Standards 03, since the Authority had accounted for the prior year adjusted debit balance of Rs.16,318,474 in relation to the current year, it was observed that the retained	Actions will be taken to show the corrections of errors related to prior years in the accounts properly in the future in accordance with Paragraphs 46 and 47 of Sri Lanka Public Sector Accounting Standards No. 03.	This should be retrospectively corrected in accordance with the Accounting Standards.

earnings and liabilities of the current year were understated by Rs.16,318,474 and Rs. 3,407,742 respectively and assets were overstated by Rs.19,726,216 .

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| <p>(c) The Centre with Real - Time Water Quality Monitoring Equipment in the Kelani River, which was a private grant cost at Rs.48,397,500, which was handed over to the Authority on 01 June 2020 was identified in the year 2023 as assets according to Paragraph 14 of Sri Lanka Public Sector Accounting Standards 07 and accumulated depreciation related to prior period had been accounted for by understating Rs.397,788 as prior year adjustments. Further, due to failure of adjusting differed income valued at Rs. 12,517,052 pertaining to the previous 03 years of the asset which should be recognized to the income statement in proportion to the lifetime of the asset as per the accounting policy of the Authority, it was observed that the capital grants had been overstated and the accumulated profit had been understated by that value. Actions had not been taken to disclose in respect of the Centre remaining in idle from April 2023 in the financial statement in accordance with Paragraph 92 (a) of Sri Lanka Public Sector Accounting Standards 07.</p> | <p>Real - Time Monitoring Site has been accounted for as an asset with effect from 01 June 2020. Actions will be taken to correct the understating of Rs.397,788 related to this asset in the year 2024 and to make proper adjustments to the deferred income related to the missed depreciation value of this year. Similarly, actions will be taken to inquire about the inactive assets of the respective divisions of the Authority and disclose them in the financial statements in accordance with the Sri Lanka Public Sector Accounting Standards in the future.</p> | <p>Depreciation and differed income should be accurately adjusted by accounting for as asset from the date the asset comes into use, in terms of Accounting Standards.</p> |
| <p>(d) Actions had not been taken to estimate the Rumassala Nature Field Centre which is administered under the Authority and to account for the property plant and equipment in accordance with Paragraph 14 of Sri Lanka Public Sector Accounting Standards 07 and to capitalize Rs.825,534 received as donation to repair the roof of the Centre</p> | <p>To be recognized as an asset, the relevant work should be completed and submitted as per the Completion Report in accordance with Sri Lanka Public sector Accounting Standards 7. Since this Completion</p> | <p>Because of the receipt of the completion report dated 27 December 2023 certified by the Technical Officer, it should be recognized as</p> |

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| <p>amounting to Rs. 650,000 and Rs. 175,534 spent by the Authority in accordance with Paragraph 22 of Sri Lanka Public Sector Accounting Standards 7, and to account for the donation as capital grant.</p> | <p>Report was not received until the date of certification of the financial statements, recognition as an asset has not been done in the financial statements 2023. After receiving the relevant report, it is stipulated to account for as assets in the future.</p> | <p>an asset in the year 2023.</p> |
| <p>(e) Current liabilities had been understated by Rs.44,242,811 and the profit and retained earnings for the year had been overstated by Rs.5,920,200 and by Rs.38,322,611 respectively in the financial statements due to failure to take actions to identify 03 plots of land acquired from the Land Reform Commission for Rs. 3,852,000 on a thirty-year lease basis during the period ranging in between 2009-2017 in terms of Paragraph 14 of Sri Lanka Public Sector Accounting Standards 07 and to account for the outstanding tax amount of Rs.37,615,811 and the 10 per cent surcharge amounting to Rs.6,627,000 as at 31 December 2023 in relation to that.</p> | <p>Since two of these plots of land have not been handed over to the Authority so far it has not been recognized as an asset. The approval of the Board of Management has been received for the acquisition of these plots of land and the leased amount of Rs. 9 million which is part of the leased amount to be paid, has been paid so far. Approval of Cabinet of Ministers was received to hand over the other land back to the Land Reforms Commission and the necessary actions are being done accordingly.</p> | <p>Leased lands under the control of the Authority should be recognized as an asset in accordance with Accounting Standards.</p> |
| <p>(f) Even though there had been a profit of Rs. 8,009,959 in making adjustments while disposing of 03 vehicles of the Authority in accordance with Paragraph 84 of Sri Lanka Public Sector Accounting Standards 07, due to the disposal was not properly adjusted to the motor vehicle disposal account, it</p> | <p>The net receipt of Rs 8,610,349 received from disposal of the asset has been omitted in the calculation of the gain on disposal of the asset. Accordingly, actions will be taken to correct this</p> | <p>Disposal of assets should be accurately accounted for in accordance with Accounting Standards.</p> |

had been shown as a loss of Rs. 600,390 in the financial statements and when remittance of net cash receipts of Rs. 8,610,349 from the sale of vehicles to the Treasury the vehicle disposal account had been debited without debiting the retained earnings of the Authority.

mistake in the accounts of the year 2024.

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| <p>(g) Rs. 1,675,350 spent in the year 2018 for the preparation of Bill of Quantity for construction of an office building in Ratnapura had been included in the statement of financial position as payments in advance and it had not been disclosed in accordance with Paragraph 86 of Sri Lanka Public Sector Accounting Standards 07, regarding the temporary suspension of the said construction on a policy decision of the government in the financial statements.</p> | <p>A further explanation will be entered in the year 2024.</p> | <p>It should be disclosed in accordance with Accounting Standards.</p> |
| <p>(h) It had not been disclosed in respect of 08 items within property, plant and equipment for which fully depreciated but already in use cost at Rs.383,860,426 in terms of Paragraph 92 (b) of Sri Lanka Public Sector Accounting Standards 07 .</p> | <p>The work of evaluating the useful lives of fully depreciated assets and revising the value of the assets again could not be done till the preparation of final accounts in 2023 due to not being able to properly carry out the Board of Survey related to the year 2022 and it is stipulated to carry out related activities in this year.</p> | <p>It should be disclosed in accordance with Accounting Standards.</p> |
| <p>(i) Although capital and recurrent grants should be recognized as revenue immediately upon receipt as per Paragraph 49 of Sri Lanka Public Sector Accounting Standard 11, out of Rs.24,915,789 received as capital grants to the Authority in the year 2023, only</p> | <p>Actions will be taken to review the capital and recurrent grant account balances currently shown in the financial statements and make adjustments as applicable in the</p> | <p>Adjustments should be made in the financial statements in accordance with Accounting Standards.</p> |

Rs. 2,465,872 were identified as revenue and the balance of Rs.22,449,917 had been stated under accumulated funds. Similarly, recurrent grants of Rs. 544,982 received in the year 2023 for 5 projects and Rs.11,788,543 received for 15 projects in previous years also had not been accurately accounted as a revenue in the relevant year. As a result, the income of the year under review had been understated by Rs.22,994,889 and recurrent grants to be further recognized as revenue amounting to Rs. 12,333,525 had been shown under non-current assets.

accounting year 2024 in accordance with Paragraph 49 of Sri Lanka Public Sector Accounting Standards 11.

(j) Although provisions for employee gratuity should be determined using actuarial techniques as a post-employment benefit - a defined benefit plan in terms of Paragraph 61 of Sri Lanka Public Sector Accounting Standards 19, without determining so, gratuity provision of Rs.396,976,735 for 853 employees of the Authority as at 31 December 2023 had been included in the financial statements. Further, since an amount of Rs.2,913,900 was calculated as gratuity provision regarding two retired officers as at 31 December 2023, the profit for the year had been understated by overstating gratuity provision by the same amount.

It is informed that steps will be taken to use actuarial techniques for calculation of gratuity allocations from the year 2024 and the gratuity will be allocated accordingly.

Actions should be taken in terms of Accounting Standards.

(k) Actions had not been taken to account for a software valued at Rs.650,000 installed in the year 2021, a software obtained free of charge in the year 2011 and 03 software/data systems developed by the Authority in the years 2013, 2018 and 2020 as intangible assets in accordance with Paragraphs 17 and 18 of Sri Lanka Public Sector Accounting Standards 20.

Actions will be taken to be recognized EPP System valued at Rs.650,000 as an asset in the year 2024. Attention will be drawn on doing the necessary activities to recognize such systems received from other parties as assets

Actions should be taken in terms of Accounting Standards.

after recognizing them as capital grants.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As the interest income receivable amounted to Rs. 28,120,575 had not been accounted for, the income and interest receivable in the financial statements of the year under review had been understated by that value.	Accounting for the interest income receivable had been mistakenly missed and actions will be taken to correct in the year 2024.	It should be accounted to the accurate accounting period.
(b) It was observed that stock values were not accounted under the accurate methodology as electrical stock was taken into 02 accounts as the opening stock was entered into the building repair and maintenance account and closing stock was entered into office equipment and maintenance account.	Actions will be taken to reset the values of these expenditure heads in the preparation of final accounts 2024 and to avoid such omissions in the future.	Actions should be taken to account for the stock values under accurate methodology.

1.5.3 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
Even though there was no entitlement under Management Services Circular No. 02/2016 dated 25 April 2016 to any allowance other than the approved salaries and allowances for non-executive officers of the	This payment is made under the approval of the Board of Management to reduce the salary disparity that has occurred under 02/2016 for the junior staff of the Authority. Although this payment is directly related to the salary paid to the lower level employees, the provision is made annually under	Other allowances should not be paid in addition to the wages and allowances approved by the circulars.

Authority, an allowance of Rs. 200 per day had been paid from August 2019 to the date of audit according to the decision of the Board of Directors and the allowance paid only for the year 2023 was Rs.27,849,400.

travelling expenses based on the fact that this allowance is paid from the earnings of Authority and no provision is requested from the Treasury.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
Adequate arrangements had not been implemented in respect of the recovery of Rs.141,856 for more than 5 years within the amount of Rs.119,306,403 as at 31 December 2023.	This balance consists of advances paid for purchase of air tickets for officers of the Authority, a loan balance receivable from a retired employee and other advances and necessary actions are being taken to recover.	Actions should be taken to recover balances receivable promptly.

1.6.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
There were Rs.208,486,003 for more than 05 years, Rs. 49,488,942 for 03-05 years, and Rs.33,518,659 for 02-03 years that were not settled within the statement of financial position of the Authority, within the payables amounted to Rs.422,794,332 in the Statement of Financial Position of the Authority as at 31 December 2023. Further, instead of showing payables as a single line item according to Paragraph 89 of Sri Lanka Public Sector	Although the balance of accounts payable should be shown as a line item, accrued expenses have been shown as a separate figure until now on ease of use. From the deposit for obtaining of project reports by EIA project proponents included in the balance payable, it is stipulated to be adjusted to the accounts in the year 2024 after taking into consideration of ongoing projects and to inquire through accounts with tender deposits, performance bonds and miscellaneous deposits retained	Arrangements should be made to promptly settle the outstanding balances and it should be shown as a single line item as per Accounting Standards.

Accounting Standards 01, from various parties by the Rs.283,520,408 as accounts Administration Division. payable and Rs.139,273,924 as accrued expenses had been included in the statement of financial position under 02 line items.

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
(a) National Environment Act No. 47 of 1980 as amended by Acts No. 53 of 2000 and No. 56 of 1998 and Gazette No. 1534/18 dated 01 February 2008	It was observed that the necessary activities to publish and update the areas that need to obtain environmental protection licenses but not covered by the existing gazette had not been carried out in a timely manner by the gazette and a follow-up activity or a regulatory activity were not done in respect of the institutions assigned responsibility by the Local Authorities in relation to the issuance of Environmental Protection Licenses.	The comments and suggestions given by various parties are currently being collected and analyzed for updating the gazette. Although the special economic centers are not mentioned by name in the Gazette Notification, Environmental Protection Licenses can be issued on the basis of the number of workers available for work shifts in the processes taking place there. A computerized	Necessary updates should be done promptly and adequate follow-up should be maintained.

data system has been established and carried out in relation to the industries that have obtained Environmental Protection Licenses of category "d" assigned to the Local Authorities and relevant industries are regulated and monitored by it as per the requirement.

(ii)

Although Environmental Protection Licenses should be obtained for discharge/deposit of such waste in accordance with the prescribed standards prior to commencement of any business activity or emission/discharge related to emission of air and noise, without obtaining a license as above, 272 businesses were observed as 32 and 11 businesses under the supervision of the North Central and Western Provincial Offices respectively, and 203 and 26 under the supervision of the Kandy and Monaragala District Offices respectively and, due to the existing of businesses that have been in business for a period of 1 ½ to 28 years, and businesses

Most of these business activities include in the environmental protection process and action in progress on Environmental Protection Licenses is being issued.

Actions should be taken in terms of the law in respect of businesses which operates without obtaining Environmental Protection Licenses.

whose starting year of business has not been identified, lack of taking necessary actions by the authority timely was observed.

- (iii) Although the Environmental Protection Licenses should be requested 03 months before the expiration of the validity period and renewed, 396 businesses belonging to Matale, Dambulla, Colombo, Kandy, Monaragala and Anuradhapura Divisional Secretariats had not renewed their licenses even by 20 May 2024 and even reminders had not been sent to 101 institutions. Further, 10 businesses have been doing business for a long time from 03 months to 02 years without renewing their licenses and the licenses were later renewed.
- The officer in charge of the office data system has been instructed to forward the Register of Industries expiring within the next 03 months to all the officers in the last week of every month. Accordingly, information is updated through the EPL Data System and related reminders are also being made within the prescribed period while the industrialists are being informed through the telephone.
- Necessary monitoring should be done continuously to renew Environmental Protection Licenses.
- (iv) The Authority had not taken necessary steps regarding breach of terms and conditions by the industries which did not comply with the terms and conditions stated in the environmental
- Officers were made aware about how to operate in the instances where environmental pollutant control is not done in sufficient time and to maintain the Environmental Protection Licenses
- Necessary actions should be taken timely in respect of industries which do not carry out activities in accordance with the terms and conditions stated

protection license, such as 10 granite dolomite mining industries belonging to Matale and Dambulla Divisional Secretariats, 03 industries that discharged out waste water into water sources, 02 industries that had discharged waste into the external environment without treatment, 07 industries in Colombo District that had not complied with the prescribed standards and measures and 25 industries that had not submitted the reports that should be submitted in advance such as analysis reports, mining permits etc.

System efficiently and arrangements will be immediately made in respect of industries to take legal action on responses of industrialists with reminders as necessary.

in the licence, as per the laws.

- (b) Section 26 of the Value Added Tax Act (Amendment) No. 14 of 2002
- It was observed that a fine of Rs. 15,846,897 had been imposed due to non-payment of Value Added Tax during the period from 2018 to 2022 amounted to Rs.59,642,609 within the prescribed period.
- Due to deficiencies in completion of assessment reports for Value Added Tax during 2018 to 2022, this situation has arisen and an appeal has been made to the Commissioner of Inland Revenue.
- Value Added Tax should be paid within the prescribed period.
- (c) Section 1:2 and Paragraphs 13, 14, 21 and 24 of Chapter XLVIII of the Establishments Code
- Although the disciplinary authorities shall act as immediately as possible in accordance with the disciplinary rules in respect of all acts of
- As the relevant preliminary investigation did not recommend that formal disciplinary inquiry should be carried out by issuing charge
- Institutions should act in accordance with the Establishments Code in respect of the allegations that had been revealed

misconduct or mistakes by the officers which should have resulted in punishment, without proceeding to determine the punishments applicable to the allegations that were revealed by preliminary investigations regarding an Acting Director in the year 2008 as well as the Director in the year 2016, he had been promoted to the post of Deputy Director General of Human Resources, Administration and Finance.

sheets in respect of this incident which took place in the year 2016 when this officer, who retired from 30 March 2024, was the Director of the North West Provincial Office, the Disciplinary Authority has issued a strong warning letter. This officer has been promoted as per the Scheme of Recruitment of the Authority.

by the preliminary investigation.

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

(i) Financial Regulation 103 and 104

Actions had not been taken to recover an amount of Rs. 257,984 from those responsible in relation to 04 vehicle damages, to complete the investigation on fuel lost from a cab parked in the Authority premises even though 05 months had elapsed and to submit the full report regarding 06 cases of vehicle damage and to record

Actions are being taken to determine the liability regarding losses. Recommendations are being implemented regarding accidents that have been completed investigations.

Arrangements should be made to collect the losses expeditiously, to complete the investigations expeditiously and to submit the full reports in due course and to enter the relevant records in the Register of Losses and Damages in accordance with

		the relevant damages in the Register of Losses and Damages.		the Financial Regulation.
(ii)	Financial Regulation 388 (3)	Two cash cheques totalling Rs. 3,364,297 had been issued on 16 August 2023 in the name of the Commissioner General of Inland Revenue after cancelling the crossing "To the account of the Payee".	Comments had been given in a manner that it was not accurate that the cheques are properly crossed.	Cheques should be issued only to the account of the payee in terms of Financial Regulation.
(e)	Financial Regulations 756 (6) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	Although the appointment of Board of Survey for each financial year should be done before 15 December of the relevant financial year, the Board of Survey had been appointed on 19 May 2023 for the year 2022 and actions had not been taken to complete the related Board of Survey activities and to appoint the Board of Survey for the year 2023.	The shortage of staff has directly affected the completion of Board of Survey activities on the due date.	The Board of Survey should be completed by the due date and proper internal control should be established regarding the inventory items.
(f)	Public Administration Circular No. 22/2023 dated 17 December 2023	A special advance of Rs. 896,400 had been paid to the officers of the Authority for the year 2023 based on this circular which has not been addressed to the statutory bodies. Similarly, although the amount should be recovered within the	Necessary actions are being taken to identify the respective officers and recover the money immediately.	Special advances should be paid only under the circular provisions and actions should be taken to recover the outstanding amount promptly.

year 2023 itself as per the provisions of the circular, Rs. 99,600 was still to be recovered and actions had not been taken to recover a special advance amount of Rs. 75,058 which had been outstanding for more than 05 years.

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| (g) | Budget Circular No. 01/2023 dated 27 January 2023 and Public Enterprise Circular PED 02/2023 dated 14 March 2023 | Although 6 per cent of recurrent expenses should be saved, for the year 2023, an overspend of Rs.1,148,000 had been incurred 02 expenditure votes of supplies and maintenance expenses. | Rising costs of fuel and travel expenses and rising prices of stationery, unexpected expenses for vehicle repairs has caused for this. | Savings should be maintained as per circular provisions. |
| (h) | Public Enterprises Circular No. 02/2022 dated 18 January 2022 | By paying the actual bills in full without paying the allowance to be paid for personal mobile phones, land lines and internet facilities for Ex-chairman and 65 officers from January 2022 to July 2022, a total of Rs.918,255 had been overpaid exceeding circular provisions. | A memorandum of Board of Directors is to be forwarded to obtain the approval to write off telephone expenses. | Payments made in excess of the circular provision shall be recovered. |
| (i) | Public Enterprises Circular No. PED 08/2022 dated 21 December 2022 | Even though the authority had received treasury allocations and inspite of audit query issued showing that Rs.34,342,812 was paid for the remaining | The payment for reaming medical leave to the officers of this Authority is based on the special approval given by the department of | Unentitled payments as per the circular provisions, should be recovered. |

leaves in the year 2022, management services the allowances of dated 16 January 2013. Rs.30,947,878 were This is paid, subject to also paid for the leaves a maximum of 21 days in the year remaining of remaining medical 2023. leave, from the Authority's earnings.

- (j) Scheme of Four senior and junior It had conducted Recruitments Recruitment of management level preliminary competitive should not be done staff of the officers who did not examinations and apart from the Authority meet the basic interviews on eligibility approved Scheme of Recruitment that was as applicable and of Recruitment. entitled on the date of selected for all these appointments on the approval of the Board of Directors as per Scheme of Recruitment. recruited between the year 2008 and 2017 and are being employed at present.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 100,819,908 and the deficit for the preceding year as against to that was Rs.48,482,055. Accordingly, an increase of Rs. 149,301,963 was observed in the financial result. The increase of the income of the Authority by 47 per cent had mainly attributed for this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs. 50 million had been given in the year 2018 as asset and maintenance cost for the first phase project as per the agreement entered into to provide a capital grant of Rs. 150 million for a period of 03 years for environmental and social projects as 03 phase projects	The Memorandum of Understanding has been sent to the Authority on 13 June 2023 after signing it by the respective company with the approval of the Board of Directors for the extension of this Memorandum of	The relevant projects should be implemented successfully by signing the new agreement and receiving all the provisions as

in terms of Memorandum of Understanding entered into by the Authority with a private company dated 21 December 2016 and due to the failure of the Authority to extend the contract period that ended on 20 December 2019 the balance of Rs.100 million that could have been received had been lost.

Understanding. However, since there was a suggestion for a need of deployment in other essential projects under water quality management and follow-up processes from the remaining allocation of Rs. 100 million, further activities are being implemented to revise the relevant Memorandum of Understanding for the new agreement that includes the necessary projects.

agreed.

(b) Even though 05 years had elapsed after providing Rs.369,000 as an advance by the year under review for the installation of a human resource information system within 03 months according to the agreement entered into with a private company on 27 December 2018 for Rs.1,845,000, the relevant system had not been established and the related bank guarantee and performance security had also expired. Arrangements had not been made to collect the related late fee of Rs.184,500.

Due to certain delays in preparing the modules to suit the Central Environment Authority and to enter the data during the last epidemic period, as the relevant activities were done based on the agreement between the supplier and the Authority late fees have not been charged. Due to problematic conditions in this system it is stipulated to decide whether this system will continue to be carried out as per the agreement with the supplier.

Necessary arrangements should be made to renew the bank guarantee and performance security and establish the system as required.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
A number of 3,511 units of 46 types of non-moving stock items had remained in the stores of the Head Office as 382 units valued at Rs.803,444 belonging to 15 types of items purchased during the period 2003-2019 and 3129 units belonging to 31 types of	It is stipulated to dispose of unusable stock in the future and issuing of remaining stock considering the requirements.	Actions should be taken to use or remove the non-moving stock as required.

items for which the value could not be ascertained.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
It was observed that the chemicals used for the operational activities of the North Central Provincial Office Laboratory had been removed from use and stored in the laboratory for more than 06 years without making arrangements to dispose in a scientific method and actions had not been taken to repair and re-utilize or properly dispose of 03 equipment and 30 laboratory equipment which were given about 10 years ago but not used for many years.	All the chemicals used in the laboratory have been sent to the Head Office and arrangements have been made for formal disposal. Arrangements are being made to send unused lab equipment to the Head office.	Necessary actions should be taken immediately to repair and re-utilize or dispose properly.