Central Engineering Consultancy Bureau and its Subsidiary - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Central Engineering Consultancy Bureau ("Bureau") and the consolidated financial statements of the Bureau and the Subsidiary (the Group) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including 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 consolidated financial statements of the Bureau and the Group give a true and fair view of the financial position of the Bureau and the Group as at 31 December 2024, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka 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 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 Bureau and the Group'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 intend to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau and the Group's financial reporting process.

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

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 Bureau and the Group'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 Bureau and the Group'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 Bureau and the Group 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 Bureau and the Group, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Bureau and the Group have complied with applicable written law, or other general or special directions issued by the governing body of the Bureau and the Group ;

- Whether the Bureau and the Group have performed according to its powers, functions and duties; and

- Whether the resources of the Bureau and the Group 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 Accounting Standards

	Non-compliance with the reference to particular Standards	Management Comment	Recommendation
(a)	The fully depreciated Property, Plant and Equipment costing Rs. 419.92 million as at 31 December 2024 are being continuously used by the Bureau for last several years without reassessing the useful economic lifetime of those assets as per the provisions in paragraph 51 of Sri Lanka Accounting Standards 16.	The assets of the Engineering Procurement Construction (EPC) Division had already been re-assessed and accounted for, and the useful lives of the Consultancy Division and Base Offices had been re-assessed and estimated, and those values will be adjusted in the accounts in 2025.	Action should be taken to reassess the useful economic life of the fully depreciated assets and adjust in the financial statements according to Sri Lanka Accounting Standard.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The Bureau had written off an old balance of Rs. 14.85 million receivables from 8 government institutions on behalf of 10 projects against the profit for the year under review as error corrections. As a result, the profit for the year under review had been understated by that amount.	These accounting errors have been corrected as per the decisions of the Audit and Management Committees.	Corrections to the debtor balances included in the impairment loss provision should be adjusted to retained earnings and disclosed in the financial statements after obtaining the approval from the Board of Directors.

1.5.3 Unreconciled Control Accounts or Record

Item	Value as per Financial Statements Rs. million	Value as per corresponding record Rs. million	Difference Rs. million	Management Comment	Recommendation
(a) The debtor balances regarding 12 construction projects receivable from the Sabaragamuwa University of Sri Lanka, the Anti-Doping Agency and the Ministry of Sports and Youth Affairs and a loan balance receivable from the Department of Sports Development and the Ministry of Sports and Youth Affairs in respect of 40 consultancy projects.	205.16	42.14	163.02	Separate comments were made regarding each of the outstanding balances and in 30 instances, reminders were sent to the client institutions regarding the balances, but no response was received.	Steps should be taken to submit acceptable evidence and details to confirm the accuracy and existence of the receivable balances and effective action should be taken to recover the outstanding balances without delay.
(b) (i) Trade Receivable Balances	53.20	62.16	8.96	Trade payables balances have not been adjusted properly by the subsidiary, resulting in a difference in trade receivable balance of Rs. 8.9 million.	Reconciliation of receivables and payables between related parties should be carried out.
(ii) Receivable Mobilization Advances	2,239.57	2,242.95	3.38	Reconciliation of payable mobilization advance balances has not been adjusted properly by the subsidiary, resulting in a difference in receivable mobilization	Reconciliation of receivables and payables between related parties should be carried out.

			advances Rs. 3.3 million.

1.5.4 Preparation Consolidated Financial Statements

The Qualified Opinion on the financial statements of the Subsidiary {Central Engineering Services (Private) Limited} for the year ended 31 December 2024 had been expressed by me based on the following observations.

	Audit Issue	Management Comment	Recommendation
(a)	As per paragraph 51 of Sri Lanka Accounting Standard 16, the estimated useful lives of Property, Plant and Equipment (PPE) should be reviewed annually and according to Note No. 2.3.6 to the financial statements, it was stated that the Company reviews the estimated useful lives of Property, Plant and Equipment (PPE) annually. However, the Company continued to use property, plant, and equipment with a total cost of Rs. 883.88 million that had been fully depreciated as of 31 December 2024, without reassessing their useful economic life and without rectifying the estimation error and showing the accurate carrying value in the financial statements in accordance with Sri Lanka Accounting Standard No. 08.	It has been planned to revalue the assets based on the change in estimated useful life and the assets are planned to be assessed appropriately by category.	The useful economic life of assets should be reviewed annually in accordance with Sri Lanka Accounting Standards.
(b)	The Company's trade payables, retention payables, and trade receivables amounting to Rs.64.85 million, Rs.28.42 million, and Rs.26.54 million respectively had been recorded by the company's own name. Accordingly, the management had not paid its attention to the fair presentation of the financial statements by comparing and correcting the transactions curried out between the internal units of the Company when preparing the final financial statements.	Those items will be further examined and properly accounted for in the forthcoming year.	Transactions and balances between the company's base offices and divisions should be adjusted when preparing the financial statements.
(c)	Although the internal transactions between the company's base offices should have been eliminated in	It will be properly accounted for in the following year.	Transactions and balances carried out between the

	Audit Issue	Management Comment	Recommendation
	preparing the financial statements, the income was overstated by Rs. 27.71 million due to internal transactions had been recorded under other income.		company's base offices and divisions should be adjusted during the preparation of financial statements.
(d)	According to the annual inventory and asset verification conducted in January 2024, it was revealed that there was an excess of several stock and asset items belonging to the 03 project units in Galle and Matara in the Southern Province. Further, the fixed assets removed through auctions and other activities had been included in the Enterprise Resource Planning (ERP) system. Moreover, there were shortages in several asset items. However, the financial value of those excesses and shortages had not been adjusted in the system and included in the financial statements even as at the reporting date.	The relevant items will be accounted for in the future, subject to the approval of the Board of Directors.	The financial value of the excesses and shortages should be identified and adjusted within the ERP system.
(e)	The Asset disposal gain of Rs.2.74 million reported under other income for the year under review included Rs.1.69 million of excess depreciation relating to the disposal of prior years, resulting in the other income for the year being overstated by same amount.	Since this adjustment is a very small amount relative to the total depreciation expense, it has been adjusted in the relevant year.	Asset disposal gains not related to the year under review should be accounted for under the adjustments pertaining to prior years.

1.6 Receivable and Payable Accounts

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	The total outstanding debtor balance due to the Bureau as at the end of the year under review was Rs. 5,188.58 million, which included outstanding balances of Rs. 200.29 million and Rs. 1,342.39 million dues between 3-5 years and over 5 years respectively relating to the Engineering Procurement Construction (EPC) division, and outstanding balances of Rs. 658.45	Long-term outstanding balances of Rs. 987.56 million in the EPC Division and Rs. 497.69 million in the Consultancy Division, respectively regarding the temporarily suspended projects and invoices submitted by the Bureau, which have been requested to be offset against the mobilization advances, have	All measures should be taken to recover the outstanding balance in a timely manner by identifying the exact amount of outstanding debtors and continuously verifying the balance

	million and Rs. 130.94 million dues between 3-5 years and over 5 years respectively relating to the Consultancy sector. Accordingly, proper arrangements had not been made to collect the receivables to the Bureau in a timely manner, and since the supporting documents of the receivables were not submitted to the audit, it was not possible to satisfactorily examine the existence and values of the receivables.	been identified. Despite continuous awareness of this issue by the Board of Directors of the Bureau, no positive response has been received yet from the Ministry Audit Committee, and the Bureau Audit Committee. Due to this, we have recorded Rs. 1,790.79 million as bad debt as at 31 December 2024 as the outstanding balance should be presented correctly in the accounts.	annually.
(b)	The Bureau had not taken proper steps to release the retention money in a timely manner by conducting proper follow-up regarding construction projects. As a result, sums of Rs. 691.21 million and Rs. 944 million out of the retention receivable balance of Rs. 2,712.45 million at the end of the year under review, were outstanding between 3 to 5 years and for more than 05 years respectively.	Construction projects are being delayed due to issues such as contract terminations, suspension of work and financial issues, with many projects continuing to run for more than five years, resulting in the retention money remaining in the accounts receivable. Another issue is that it will take time to obtain the approval of the Standing Technical Committee (STC) for the final bill.	The Bureau should follow up on the projects on a timely basis and take appropriate action to release the retention money after making the relevant adjustments.

1.6.2 Payables

	Audit Issue	Management Comment	Recommendation
(a)	The total creditors balance as at the end of the year under review was Rs.2,103.68 million and the creditor balances between 3-5 years and more than 5 years in the Engineering Procurement Construction (EPC) division were Rs.162.76 million and Rs.696.83 million respectively and the creditor balances between 3-5 years and more than 5 years in the Consultancy Division were Rs.3.89 million and Rs.40.08 million respectively. Accordingly, it was observed that the	Our payable account balance can be verified by invoices. Out of the total payable balance, Rs. 1,592.09 million is due to the Subsidiary, and after offsetting this amount with the receivable balance from our customer, the net payable balance will be reduced to Rs. 500 million.	All measures should be taken to timely settle the payable balances by identifying the correct creditor values and verifying the balance continuously on an annual basis.

	Bureau had not taken action to settle the outstanding creditor balances on timely manner.		
(b)	The retention payable balance shown under current liabilities as at the end of the year under review was Rs. 2,392.75 million and according to the age analysis submitted to the audit, Rs. 756.86 million and Rs. 574.52 million had not been settled between 3 to 5 years and more than 05 years respectively.	The current payable balances are Rs. 2,712.45 million, of which Rs. 2,107.28 million is due to the subsidiary. Therefore, more than 90 percent of the retention money is shown as a liability to the Subsidiary. We have recorded an amount equal to this amount as a retention money due from the customer.	All measures should be taken to identifying the balances correctly and timely settle the payable balances of retention money in accordance with the Bureau's Financial Procedures Manual.

1.7 Related Parties and Related Party Transections not disclosed

Audit Issue	Management Comment	Recommendation
A balance of Rs. 1,569.4 million receivable from the Subsidiary as at the end of the year under review and proper and updated agreements had not been maintained between the two parties in this regard. Furthermore, no fruitful action had been taken to settle this balance or to manage the future transactions and this balance had been continuously increased since 2017.	Since the Subsidiary commenced its activities with a very small capital of Rs. 2 million, the Bureau, as the parent institution, had to provide financial support to the subsidiary to commence the Subsidiary and carry out the projects without any hindrance. The parent institution is to recognize these balances as capital for the subsidiary and discussions will be held with the management of the subsidiary for this purpose.	Clear and formal agreements should be made regarding the transactions between the Bureau and the subsidiary and steps should be taken to disclose and settle the relevant receivable balances.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 83 of the Inland Revenue Act, No. 24 of	The Department of Inland Revenue has confirmed that a total of Rs. 24.94 million in	The outstanding balance excluding surcharges is	Necessary steps should be taken immediately to

2017, Section 114 of the Inland Revenue Act, No. 10 of 2006 and Section 26 (1) of the Value Added Tax Act, No. 14 of 2002	arrears of Value Added Tax (VAT) and Pay As You Earn (PAYE) etc. and a total of Rs.33.89 million surcharges thereon, aggregating Rs. 58.83 million as at 31 December 2009, remained unpaid by the Bureau as per the information submitted to the audit on 18 September 2024. However, as per the information submitted to the audit on 31 May 2025, a balance of Rs. 42.07 million as total arrears of taxes and surcharges were still due to be paid to the Department of Inland Revenue.	Rs. 8.18 million as at 31 May 2025 and the balance will be paid by the end of September this year. A letter has already been sent to the Advisory Committee requesting a waiver of the surcharges.	remit the unpaid taxes to the Inland Revenue Department in accordance with the Inland Revenue Act No. 24 of 2017 and the Value Added Tax Act.

2. Financial Review

2.1 Financial Result

The operating result for the year under review amounted to a pre-tax net profit of Rs. 607.50 million and the corresponding pre-tax net profit in the preceding year amounted to Rs. 747.54 million. Therefore, a deterioration amounting to Rs. 140.04 million in the financial result was observed. The main reasons for this deterioration are the provision of impairment losses for a debtor balance of Rs. 40.99 million, correction of accounting errors in old debtor balances of Rs. 14.85 million, an increase in distribution expenses for the year by Rs. 56.00 million and a decrease in finance income by Rs. 453.00 million due to the decrease in bank interest rates.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are shown below.

Description	Value for the year under review Rs. million	Value for the preceding year Rs. million	Variance Increase/ Decrease Rs. million	Percentage of difference %
Operating Income				
Construction	7,157	4,009	3,148	79
Consultancy	1,777	1,494	283	19
Other Income				
Miscellaneous Income	57.95	57.19	0.76	1
Hiring income	61.22	55.04	6.18	11
Finance Income	443.19	896.77	(453.58)	51
Expenditure				
Administration Expenses	562.15	577.79	(15.64)	3

Selling and Distribution Expenses	56.57	0.60	55.97	9,328
Finance Cost	3.91	3.65	0.26	7

(a) The attention of the management should be paid to increase the revenue of the Bureau by efficiently utilizing its financial resources and fixed assets worth Rs. 4,414.55 million and Rs.4,211.40 million respectively.

2.3 Ratio Analysis

The gross profit ratio was 7 percent in the year under review, compared to 4 percent in the previous year. However, the operating profit ratio, which was 3 percent in the previous year, decreased to 2 percent in the year under review.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The service of an executive officer of the subsidiary was suspended from 11 January 2021 due to alleged misconduct at the Anuradhapura Base of the subsidiary from 01 January 2016 to 22 June 2020. Subsequently, this officer was reinstated as an employee of the Bureau with effect from 11 January 2021 by the Chairman of the Bureau in his letter dated 24 May 2021. It was observed in audit that the failure of the Bureau or the subsidiary to conduct any investigation in this regard led to further financial irregularities and misuse.	Since this officer was an Additional General Manager of the Bureau and served as the Chief Operations Engineer at the Anuradhapura Base Office of the Central Engineering Services (Pvt.) Ltd, the Central Engineering Services (Pvt.) Ltd has been informed to provide further details regarding this misconduct.	The Bureau and the Subsidiary should take appropriate disciplinary/legal action after expeditiously completing the joint investigation.
(b)	Twelve (12) Base Offices belonging to the Engineering Procurement Construction (EPC) Division of the Bureau had provided temporary loans to the Base Offices of the Subsidiary on 15 occasions and out of the total loan amount of Rs. 766.34 million at the end of the year under review, a total of Rs. 526.80 million was to be recovered in between 2 to 4 years and a total of Rs. 260.14 million was to be recovered for more than 5 years. No action had been taken to recover interest on these loans,	The main objective of providing this loan was to identify the projects that needed to be completed and handed over expeditiously and hand them over to the relevant client institutions. Also, at the time of taking over this base office, it was making losses and payments to external parties were also more than Rs. 700 million. Since it will take a considerable amount of	Steps should be taken to design a suitable contractual mechanism to recover the debtor balances in a timely manner.

	and no plan had been prepared to recover the loans.	time for the loss-making base office to return to a profitable state and for external parties to settle the debtor, it has not been possible to present a specific plan to settle this debtor balance.	

3.2 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	As per the financial statements, the operating profit of the Engineering Procurement Construction (EPC) division for the years 2023 and 2024 was Rs. 74.73 million and Rs. 86.49 million respectively. However, 7 divisions out of its 13 divisions sustained an operating loss of Rs. 34.34 million for the year under review.	Several construction divisions have incurred losses due to administrative costs, such as depreciation of vehicles and other assets, exceeding net profit. The maximum net profit of the construction division is less than 2.5 percent. This is because the projects are assigned to the subsidiary. However, the Bureau has had to bear this cost as the assets owned by the construction division have not been fully transferred to the subsidiary.	The Engineering Procurement Construction (EPC) division, which continues to incur losses, should be brought to a profitable position through cost management.
(b)	According to the financial statements submitted by the Consulting Division, an operating profit of Rs. 72.50 million was shown for the year under review. Whereas 8 divisions out of its 20 divisions had sustained an operating loss of Rs. 130.47 million.	The consultancy division has been classified by service for ease of identification and since the service divisions are making losses, the project management divisions are making profits, so they should be calculated as an overall profit. However, the loss-making divisions will be restructured and made profitable in the future.	Restructuring should be carried out in a systematic manner, and steps should be taken to bring loss-making cost centers in the consultancy sector into a profitable position.
(c)	A contract for the construction of a new building complex for the Ministry of Health, with a total area of 230,000 sq. ft. and 10 storeys was awarded to the Bureau by letter dated 27 October 2014 for a value of Rs. 3,896.55 on a Design & Build basis based on the approval of		

the Cabinet of Ministers No. අමප/14/1447/509/066 dated 25 October 2014. The Bureau was awarded the consultancy, and the construction work was awarded to the Central Engineering Services (Pvt) Ltd. The following observations are made in this regard.		
(i) Although the work was to be completed within 24 months as per the plan, the work was not completed within that period, and no agreement had been entered into between the two parties.	According to the second Cabinet decision given in 2017, an agreement was reached between the Ministry of Health and the Bureau on 22 June 2018. According to the Cabinet decision of 2014, the advance payment for this project commenced from the end of 2016 and after the second Cabinet decision, the remaining amount was paid on several occasions until the end of 2017, which has greatly delayed the implementation of the project due to irregularities.	Since delays have led to high costs, construction should be completed promptly according to accurate estimates and agreements to prevent losses.
(ii) The contract was awarded for the second time on 30 January 2018, and the project was to be completed within 36 months as per the agreement signed on 22 June 2018. Although more than 10 years had elapsed since the commencement of the construction work by the end of the year under review, the 16-storey concrete structure of the building had been completed, and the physical progress of the entire project had not been identified. In accordance with the requests made for extension of time for completion of the construction work, extensions of time had been approved only up to 15 December 2023. After that, the relevant approvals for extension of time had been sought but the relevant approvals had not been	At present, the physical part of the construction (Structure) and Masonry Works have been completed, and steps have been taken to commence the System Installation. The delay in obtaining approval for the partition arrangement plans until August 2021, the delay in approving the preliminary plans and the delay in receiving the advance payment are the reasons for the delay in the completion of this construction. The relevant letters have been given to the Ministry to extend the construction period of this project, and the letters have been forwarded to the Cabinet	Plans should be prepared and approved promptly according to the agreement and the risk of price increases should be minimized by completing the construction within the stipulated time.

	received from the Ministry of Health.	for approval. Due to the Covid 19 pandemic and the economic crisis, the construction works of the project had been abundant by August 2022. Therefore, the work related to that estimate has not been carried out.	
(iii)	According to the Cabinet Memorandum prepared for submission to the Cabinet in July 2024, the total cost approved for this project in the year 2017 was Rs. 5,979.29 million (inclusive of tax) and the financial value of the works completed in the project was around Rs. 2,752.65 million (inclusive of tax) and the bills related to those works have been provided by the contracting company and the total amount paid to that company so far (including the 20% advance payment) was Rs. 2,669.82 million (excluding tax). Accordingly, due to the high price fluctuations in the prices of goods related to the remaining works of this project, it is not possible to carry out the works at the unit prices of 2016 and the gross estimate prepared using the current prices for the remaining works of this project (Balance Work) is Rs. 14,722.54 million (including tax). Accordingly, since an additional cost of Rs. 11,835.4 million (including tax) will have to be incurred to complete this project, requests have been made to allocate the necessary provisions and accordingly, no steps have been taken to complete the construction till now.	Since all the construction of this building is proposed to be completed by the end of the year 2026, the estimate has been forwarded to the Ministry for obtaining Cabinet approval for the entire estimate. The officials of the Ministry of Health are currently working on it.	The Bureau should provide advice to the subsidiary to prepare estimates that include reasonable and realistic prices and to complete the construction without delay as soon as the provisions are allocated.
(iv)	The Bureau had submitted a revised estimate to the Additional Secretary as "Stage-2" through a letter dated	As of the end of March 2025, 49 bills had been submitted, and accordingly, the total value of	After obtaining the necessary approvals for the completion of

	03 October 2024, and thus an estimate of Rs. 7,965.27 million had been submitted in relation to the works/tasks to be completed up to the 4th floor. During the physical inspection conducted by the audit on 18 December 2024, it was observed that the completion up to the 4th floor was being carried out as per the estimate, but the estimate had not been approved even by the end of 2024. By the end of 2024, 47 bills had been submitted and accordingly the financial value of the works completed in the project was Rs. 2,818.06 million and the total value was Rs. 2,836.71 million. In addition to that, this amount will be Rs. 3,416.67 million with a Design & Project Management fee of 4 percent and a Price Escalation of Rs. 466.49 million. Although Rs. 2,041.32 million has been paid for these bills as it is within the project amount approved by the second cabinet paper (Rs. 5,979.9 million), there was uncertainty regarding future payments as the cabinet approval for these increased rates and price variations has not been received so far.	the works completed in the project is Rs. 3,619.34 million. These payments are not contingent upon the Cabinet approval of the construction estimate submitted for Cabinet approval (with 4 percent planning and project management fees and price variations). As stated above, they are working on this. With the Cabinet approvals that have been submitted so far, we will be able to implement up to a value of Rs. 5,979.29 million (including tax).	the building, construction should be implemented promptly based on accurate estimates.
(v)	The total cost estimate prepared for this had increased from Rs. 3,896.55 million to Rs. 14,722.54 million, i.e. by Rs. 10,825.99 million or 278 per cent due to the inability to complete the construction works of the building even though more than 10 years had passed since it was handed over. However, the approved project value so far is only Rs. 5,979.29 million. According to the Cabinet Memorandum submitted on 26 May 2017, since several departments of the Ministry of Health are located in private	This project is currently being completed in 2026, and the Ministry of Health officials are working very fast for it. If the payments and other requirements are met, this project will be completed in 2026 and the existing offices on a rented basis will be able to be moved to this complex by the end of 2026.	Action should be taken to complete the project promptly through discussions with the relevant parties and provide the opportunity for the use of the building.

	locations on a lease basis, it was proposed to increase the height of the building to 16 floors instead of 10 floors with the aim of bringing those departments to the main building which under construction. However, it was observed that since only 04 floors out of the 16 floors are currently being completed, this would not be able to minimize the lease payments expected in the above Cabinet Memorandum.		
(vi)	The Subsidiary i.e. the construction contractor of this project, had purchased 11,500 Bar Couplers on 20 June 2018 at a cost of Rs. 6.93 million. Due to the incorrect calculation of the quantity of Bar Couplers required for this project, 7,628 Bar Couplers worth Rs. 4.63 million were purchased more than the required quantity. No steps had been taken to sell these excess materials so far. As such, it had an adverse effect on the working capital/liquidity of the company.	However, during the construction work, due to a change in the basic design (Structural Design) of the building, there was a reduction in the value of wires to be used. This reason has led to an excess in the amount of the Bar Couplers	Since the main contracting party related to the construction project is the Consulting Bureau, the activities of the subsidiary company should be constantly monitored.
(vii)	The 500 Sheet Piles purchased for this project at a cost of Rs. 69.39 million had been laid down at the project site for nearly 1000 days after being used. They had become perishable condition due to being idle on the project site without being used for a long time, and no steps had been taken to sell them before they became perishable.	This situation was identified in the year 2023 and approval was obtained through the Board papers on 23.08.2023 to resell these raw materials. Accordingly, although an attempt was made to resell the above Sheet Pile stock by calling for tenders, the company did not have a proper procedure for that at that time. This Sheet Pile stock is available for sale.	Since the main contracting party for the construction project is the Bureau, the activities of the subsidiary must be closely and constantly monitored.

3.3 Transactions of Contentious Nature

	Audit Issue	Management Comment	Recommendation
(a)	Although 4 tractor trailers bearing the numbers RV-1537, 46-2726, RV-1493	Very old files are currently being examined to investigate regarding	After promptly completing the

	Audit Issue	Management Comment	Recommendation
	and RV-1346 owned by the Bureau were listed under the Bureau's vehicles, they were not physically available during the audit. Proper investigations had not been conducted and necessary action had not been taken in this regard.	the tractor trailers. An investigation will be conducted regarding the relevant vehicles, and the relevant report will be submitted to the Auditor General in the future.	investigation, the relevant reports should be submitted for audit and the financial statements should be adjusted in a proper manner.
(b)	A total of Rs. 29.9 million was paid as transportation allowances during the year under review to 186 professionals employed by the Bureau for using their personal vehicles to travel to and from their personal residences without the approval of the Treasury.	These payments will be made in accordance with an institutional circular approved by the Board of Directors.	The Bureau must comply with the Public enterprises circulars and Treasury approval must be obtained without delay for any necessary amendments.

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Issue	Management Comment	Recommendation
(a)	According to the information submitted to the audit, 43 vehicles owned by the Bureau have been parked in various places without being used and they were not repaired and made available for use or disposed of. Also, the Crew Cab vehicle bearing number PE-7599 owned by the Bureau was given to the Polonnaruwa Base Office of the subsidiary (MKDP) on 04 June 2021 and it had been parked without being used for more than a year. However, the present status of this vehicle had not been reported to the Bureau by the subsidiary, and the Bureau has not acted to regularly follow up on the vehicles provided to its subsidiary.	The Board of Directors has decided to dispose of or sell the 43 unusable vehicles, and a committee has already been appointed in this regard, and necessary actions are being taken and it is expected to be completed this year. The subsidiary is currently carrying out repairs in relation to vehicle PE 7599 and will hand it over to the Bureau in the future.	Vehicles that are not repaired and cannot be used should be sold at a reasonable price so as not to cause financial loss to the Bureau and regular follow-up should be carried out regarding the vehicles provided by the Bureau to its subsidiary.
(b)	The Ministries and other government institutions should not use the resources of public enterprises to carry out their functions. However, the land with a high value located at T.B. Jaya Mawatha (Dali Road) with an extent of	This matter was further discussed at the Audit and Management Committee meetings of the Ministry of Agriculture, Livestock, Lands and Irrigation, where we	The resources of State-Owned Enterprises should be used in accordance with paragraph 6.8 of the

02 roots and 24.5 perches which was purchased by the Bureau for Rs. 3 million in the year 1990 is being used by the Ministry of Irrigation free of charge for the parking purpose.	requested that we be provided with a lease or other suitable land for this high value land and the Ministry has requested that an alternative scheme be prepared while continuing to maintain the Mahaweli premises on this land.	Operations Manual for State-Owned Enterprises introduced by the Public Enterprises Circular No. 01/2021 dated 16 November 2021.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) An approved recruitment scheme and recruitment and promotion plan for the middle management level and senior management levels of the Bureau had not been prepared and approved even up to 31 March 2025.	The proposed recruitment and promotion scheme was submitted by the Ministry of Irrigation for the approval of the Department of Management Services on 31 October 2022. In response, the Director General of the Department of Management Services, vide letter No. DMS/1712/Voll. II dated 15 February 2023, had been instructed to prepare and submit it in accordance with the recruitment and promotion scheme published by the Department of Management Services. However, the institutional issues that may arise from preparing the recruitment and promotion scheme according to that model in operating as a consultancy firm related to engineering work were discussed with the Department of Management Services. Furthermore, the recruitment and promotion scheme related to the middle management level will be submitted for approval to the Department of Management Services.	Urgent action should be taken to obtain approval from the Department of Management Services for a scheme for recruitment and promotion to senior and middle management positions in the Bureau.

(b)	13 officers had entered into bond agreements with the Bureau for foreign leave without paying Rs. 17.09 million and a total of Rs. 6.56 million was still due from 08 officers as at the end of the year under review.	Letters have been submitted to recover the money through the relevant foreign embassies.	Immediate action should be taken to recover the outstanding money from the officers who have breached the bond agreements or from the guarantors.