Central Engineering Consultancy Bureau – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Central Engineering Consultancy Bureau ("the Bureau") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, 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 Bureau as at 31 December 2018, and of its financial performance and its 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau'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's financial reporting process.

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

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 misstatements, 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’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’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 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 whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bureau has complied with applicable written law, or other general or special directions issued by the governing body of the Bureau;
- Whether the Bureau has performed according to its powers, functions and duties; and
- Whether the resources of the Bureau had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Reference to particular Standard	Management Comment	Recommendation
Fully depreciated assets approximately costing Rs.797,204,821 are being continuously used by the Bureau without reassessing the useful economic lifetime of those assets and accounted them accordingly as per the provisions in Section 51 of **LKAS 16 – Property, Plant and Equipment.**	We are in the process of reviewing the requirement for reassessing the remaining useful life of fully depreciated fixed assets.	The residual value and useful life of an asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
An investment of Rs. 4,700,083 made by the Consultancy Division (SP 02) of the Bureau had not been brought to the financial statements.	Currently we are checking the completeness of above fixed deposits with the bank and will do the needful early.	Due attention to be paid to bring all balances to the financial statements in order to avoid possible material misstatements

1.5.3 Unreconciled Control Accounts or Records

Audit Issue	Management Comment	Recommendation
An unexplained difference of Rs.59,115,711 was observed between the Value Added Tax payable shown in the financial statements for the year under review and the corresponding amounts shown in the detailed schedules presented for audit by respective Bases and Divisions of the Bureau.	CECB has settled all VAT liabilities pertaining up to date. These balances are carrying forward from previous years thus a certain period of time is needed to review the ledger accounts. We are currently in the process of analyzing and scrutinizing the VAT accounts.	Attention to be paid to reconcile the ledgers balances with schedules before preparing the financial statements

1.5.4 Suspense Accounts

Audit Issue	Management Comment	Recommendation
Eleven items of account aggregating Rs. 14,677,379 had been continuously brought to the financial statements since for more than five years as unidentified balances without being taken fruitful actions to identify and clear this amount after conducting a proper investigation.	Action will be taken to scrutinize these balances and make necessary adjustments in future. Please note that, there are both receivables & payables and hence the net impact is Rs 7,683,985 and not Rs.14,677,379 as mentioned in the query.	Action to be taken to clear this suspense nature balances from the books of account without any delay.

1.5.5 Documentary Evidences not made available for Audit

Item	Management Comment	Recommendation
It was not received the direct confirmations from the respective banks with regard to three investment balances totaled Rs.5,831,509 made in the fixed deposits as at 31 December 2018 by three Bases of the Bureau.	Currently we are checking the completeness of above fixed deposits with the bank and will do the needful early.	The direct confirmations should be provided for audit to satisfactorily verify and accept the investments made in the fixed deposits

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The recoverability of debtor aggregating Rs. 655,563,218 shown in the financial statements is doubt in audit since these balances had remained outstanding for more than five years as 31 December 2018. Further, a provision of Rs.1,995,087,360 had been made for impairment as at 31 December 2018 for the total outstanding debtor balance of Rs. 6,645,594,183 on that date and there was an increase of Rs.625,807,115 in provision for impairment as compared with the previous year.	All our clients are government Ministries, Departments and other State Owned Enterprises and CECB's recovery action on collection of Accounts receivables is highly limited as the matter is beyond our control. However, debt collection efforts are being continued to clear long outstanding dues. We have been currently involved in analyzing and reviewing the recoverability of all the debtor balances and periodically report the status to the Board. In addition to specific provision, a general provision of Rs. 315 million had been made in Accounts for 2018 as per SLFRS 9.	Outstanding balances should be recovered without any delay or to be take proper actions in this regard to ensure the reliability of those outstanding balances
(b) It was a reasonable doubt in audit about the recoverability of retention receivables with regard to completed or abandoned projects amounting to Rs. 393,792,692 and Rs.427,749,743 due to long outstanding of those balances i.e. between 3 to 5 years and over five years respectively.	As mentioned above, our clients are government Ministries, Departments and other State-Owned Enterprises. Balances pertaining to these long outstanding debtors such as Retention will be released by client with debtor settlements. However, as mentioned earlier we are in the process of analyzing these balances and necessary action will be taken in future.	A proper mechanism should be introduced to recover the retention receivables relating to projects which completed long ago without further delay.

1.6.2 Payables

	Audit Issue	Management Comment	Recommendation
a)	Mobilization advances received amounting to Rs. 21,532,259 with regard to fully completed and suspended construction projects of 02 Base Offices had remained in the accounts as at 31 December 2018 without being settled. Hence, the possibility for settlement of these advances is doubt in audit.	This issue is mainly due to following reasons. • Mob advances were recorded based on client's payment certificates and not recovered by the client. • Some projects were suspended and all the relevant invoices sent to client but the work done is not finalized yet. • Some projects were cancelled by the client.	Actions to be taken to settle the all possible long outstanding mobilization advances without delay and to treat others as income
b)	According to the age analysis made available for audit, creditors amounting to Rs.778,005,275 and Rs.107,234,223 and retention payables amounting to Rs.509,580,894 and Rs.66,828,831 had remained unsettled between 3 to 5 years and over five years respectively. Further, accrued expenses amounting to Rs.13,657,292 had remained outstanding for over one year without being settled.	We are presently reviewing all long outstanding balance sheet items under current liabilities and current assets. Initiative steps are already taken and presently review debtors and submit report to the board in every month. Decision will be taken to adjust the financial statements for long outstanding debtors and creditors balances which are appearing under current assets and current liabilities in near future.	Creditors should be settled within the stipulated time period and actions should be taken to release the amounts which can be released and others to treat as income

1.6.3 Advances

Audit Issue	Management Comment	Recommendation
Advances given for various purposes totaling Rs.6,859,457 had not been settled or recovered for more than three years as at 31 December 2018 as per the provision in Financial Regulation 371 as amended by Public Finance Circular No. 03/2015 of 14 July 2015 and Delegation of Financial Authority of the Bureau	Action will be taken to recover those advances early as possible	Actions to be taken to comply with the provisions in the Financial Regulations 371 as amended by Public Finance Circular No. 03/2015 of 14 July 2015 and Delegation of Financial Authority of the Bureau.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Sections 10 and 11 of the Finance Act, No. 38 of 1971 and Public Enterprises Circular No. 02/2018 of 14 November 2018	(i) Although all sums remaining out of the net surplus revenue of a public corporation in any year after the appropriations should be paid to the Consolidated Fund, the Bureau had not complied with this. Meanwhile, only a sum of Rs.25 million out of the retained earnings of Rs.76 million for the year under review (Retained Earnings as at 31 December 2018 was Rs. 5,676 million) had been remitted to the General Treasury although the General Treasury has requested Rs. 100 million.	CECB is a self-financing organization, engaged in consultancy & construction projects. Financial Statements are prepared on accrual basis and profits reported are not always in the form of cash. Further, please note that, there's a total trade receivables balance of Rs. 10.1 Billion and Trade payable balance of Rs. 12 Billion as at 31.12.2018. And also, we need adequate working capital for operations. Hence, there are no surplus funds available to remit to the treasury.	Actions to be taken to adhere with these provisions in the Finance Act and respective Circulars.
	(ii) A sum of Rs. 3,254,129,245 had been invested in short term and long term investment sources such as call deposits and fixed deposits etc. without obtaining the required approvals	Although the CECB is a government body covered by finance Act and financial regulations, it is an organization relating to Consultancy & construction industry operating in a highly competitive market. Most of instances funds are being received as mobilization advances which are invested in short term investments mainly in the form of fixed or call deposits	Due attention to be paid to comply with Laws, Rules and Regulations

	and will be subsequently utilized for the required purpose. As this is a process taking place very frequently it is not practically possible to obtain approval from government authorities in each and every time. Also, these kinds of decision are made as practice of proper financial management which will finally benefit to the organization.	
(iii) It was further observed that, in contrary to provisions in the PED Circular No.02/2018, the Bureau had invested an amount of Rs. 30,010,280 in the fixed deposits of a private bank.	Some of the Fixed deposits have already been withdrawn and actions will be taken to withdraw other Fixed Deposits on its maturity	The Bureau should not invest its excess money other than the entities listed in the Circular.

1.8 Cash Management

Audit Issue	Management Comment	Recommendation
A sum of Rs.8,944,607 had remained idle in eighteen non-operative bank current accounts since the previous year without being utilized for any purpose. Hence, an estimated loss of approximately Rs. 1,788,920 had been sustained to the Bureau.	Action will be taken to get the Board approval and close this non operative bank accounts in 2019	The Management of the Bureau should pay its attention to mitigate the financial loss and enhance the profitability of the Bureau by utilizing it idle fund.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a pre-tax net profit of Rs. 526,192,483 and the corresponding pre-tax net profit in the preceding year amounted to Rs. 756,651,538. Therefore, a deterioration of Rs. 230,459,055 in the financial results was observed. Decrease of construction revenue by Rs. 3,735,717,628 was the main reason attributed for this deterioration.

2.2 Trend Analysis of major Income and Expenditure items

Description	For the year ended 31 December 2018	For the year ended 31 December 2017	Variance Favourable/ (Adverse)	Percentage
	Rs.	Rs.	Rs.	%
Operating Income				
- Construction	7,032,813,248	10,768,630,876	(3,735,817,628)	35
- Consultancy	2,634,457,798	2,427,006,622	207,451,176	9
Other Income				
- Hiring income	21,261,899	38,144,281	(16,882,382)	44
- Miscellaneous Income	18,464,616	71,082,503	(52,617,887)	74
- Finance Income	303,565,802	316,507,931	(12,942,129)	4
Expenditure				
Depreciation	134,083,957	188,697,441	54,613,484	29
Administration Expenses	689,012,073	718,018,736	29,006,663	4
Selling and Distribution Expenses	279,559,063	131,766,570	(147,792,493)	112
Finance Cost	12,740,273	9,753,126	(2,987,147)	31

2.3 Ratio Analysis

According to the information made available, some important accounting ratios of the Bureau for the year under review and the preceding year are given below.

Ratios	2018	2017
Profitability Ratios		
Gross Profit Ratio (GP) (%)	10.83	8.49
Operating Profit Ratio (%)	2.43	3.41
Return on Assets (ROA) (%)	2.72	3.46
Liquidity Ratios		
Current Assets Ratio (Number of times)	1.25	1.21

The following observations are made in this regard.

(a) The Bureau had earned a pre-tax net profit of Rs.526 million during the year under review by utilizing its total assets base of Rs. 19,373 million. Hence, the return on total assets was only 2.72 per cent. However, it was 3.46 per cent in previous year, thus indicating that the return on total assets was far below as compared with generally accepted ratio in the similar industry.

(b) Gross profit margin and net profit margin of the year under review were 10.83 per cent and 2.34 per cent respectively and as compared with the previous year, the gross profit margins had increased by 1.48 per cent while net profit margin had slightly decreased by 0.98 per cent. Although it was expected to maintain the net profit margin at a rate of 3.57 per cent in the year under review, it was not achieved.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
a) The construction income of Rs. 11,295.09 million earned during the year 2012 by the Bureau had drastically decreased to Rs. 492.64 million in the year 2018 due to subcontract of entire construction projects to its Subsidiary. As a result income earned per Engineer and per employee also had been significantly decreased from Rs. 23.58 million and Rs. 8.97 million respectively in the year 2012 to Rs. 7.11 million and Rs. 2.47 million in the year 2018. Hence, the deployment of approximately 1142 employees including 457 engineers to earn only the consultancy income is questionable.	During the period from 2012 to 2018, CECB has gradually transferred its construction services business to the fully owned subsidiary - CESL. The transfer of activities commenced in 2012 and by 2018 it has been fully complete. Therefore CECB is not directly engaged in any new construction activities at present. What is reflected in financial statements under CECB since 2016 as income from construction activities is the percentage retained with CECB before assigning the construction work to CESL and not based on any revenue generated from actual construction work. Therefore the reduction of construction income from 2012 to 2018 as seen and mentioned in the query is pre-planned and deliberate. Principle lines of business of group which includes CECB and CESL are engaging in Construction and Consultancy services. Therefore, a better way of looking at the productivity of Construction and Consultancy activities is to consider income	The Bureau should reconsider the necessity for deployment of 1142 employees including 457 engineers to earn only the consultancy income of approximately Rs. 2,600 million

		generated by the group by engaging in the two different lines of business and comparing them against the staff engaged in each type of business within the group. When using simplified indicators such as per employee and per Engineer productivity in assessments, caution has to be exercised as they are highly sensitive to nature of work. For example productivity figures of one large value project are more than that of many small projects of same cumulative value.	
b)	Even though the Bureau had not engaged any construction activities in the year under review and previous year, a sum of Rs. 3,254.13 million had been invested in short-term and loan-term investment sources as at 31 December 2018 without any justifiable reason and this was Rs.3,044.58 million as at 31 December 2017. Further, a net interest income of Rs.290.82 million earned in the year under review is by exceeding the operating profit of Rs. 235.36 million shown in the financial statements and this was representing 68.18 per cent of the operating profit for the previous year.	CECB is an organization engaged in consultancy & construction nature projects and it is mentioned as core business in our objectives. Hence, we receive mobilization advances and they are effectively utilized in short term deposits until they are used for intended purpose. (Mobilization Advances as at 2018 isRs. 3.8 Billion).When most of the projects are received it is required to secure FDs against Mobilization advance and performance guarantees.	The Management of the Bureau should pay its attention to enhance the operating income by utilizing its financial resources economically and efficiently
c)	The Bureau had deposited an amount of Rs. 3,000,000 in a seven days call deposits during the year 2016 at an interest rate around 5 per cent and this amount remained unchanged even up to the date of this report. If this money was invested in a fixed deposit or other proper investment sources, the Bureau could have been earned more gain on this deposit.	As a practice head office maintains 7 days call deposits for the purpose of urgent cash requirements arise when making tax payments and salary payments. However above mentioned deposits had been remained around two years without rotate and in January 2019 this has been withdrawn. Further we will take necessary action to avoid this type of issues in future.	The Management of the Bureau should pay its attention to mitigate the financial loss and enhance the profitability of the Bureau by utilizing it idle fund.

d) Ninety one construction works valued at Rs. 99,127 million to be completed before the year 2018 which consultancy services provided by the Bureau had not been completed even up to the date of audit on 04 June 2019 and these projects were delayed the period ranging from 01 to 05 years. Further, as consultant fruitful actions with regard to these significant delayed projects had not been taken by the Bureau in order to complete the projects works within the agreed project periods.	The Bureau has undertaken the consultancy work on above the mentioned projects and the construction works relating to those projects have been performed by outside construction firms. The delays in construction of those projects are beyond the control of CECB.	As a consultant it is the responsibility of the Bureau to ensure the completion of projects works within the stipulated time period by taking appropriate actions with regard to any significant delay.

3.2 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
a) Although the Bureau is fully equipped with all necessary physical and human resources to perform in all types of constructions works and engineering consultancies, at present the Bureau is subcontracting all the constructions works undertaken by itself to its Subsidiary (the CESL) after retaining a profit margin of 2.5 per cent on contract prices. Accordingly, 66 project works to the total value of Rs.5,813 million had been subcontracted to its Subsidiary after retaining a profit of Rs.145 million during the year under review. However, as per the audit test check it was revealed that while entering into contract agreements with the clients, the Bureau had not disclosed this procedure in the contract agreements.	CECB retains 2.5% with it when assigning Construction contracts it secures to the fully owned subsidiary – CESL which exclusively undertakes only the construction work. Slightly higher margins ranging from 10% to 5% were held from March 2013 till November 2014 but since assigning all construction work secured by CECB to CESL commenced in full in November 2014, a margin of 2.5% has been held. Construction contracts awarded to CECB by the Clients have been assigned to CESL with the approval of the Board after retaining a margin with CECB. As the contracts are entered between CECB and the Clients, the 'contractual obligations' on the contracts lie with CECB. All the Invoices have been issued to Clients by CECB and have enforceable right to payment, thus Clients directly settle payments to CECB. CESL raises invoices to	Actions should be taken to include this procedure in the contract agreements when entering into contract agreements with the clients.

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<tr><td></td><td>CECB for their work done periodically and they are settled subsequently by CECB.</td><td></td></tr>
<tr><td>b) According to the financial statements of East Base of the Bureau, there was an investment of Rs.4,245,891 made in fixed deposits during the year 2017 and it had remained unchanged as at 31 December 2018. However, no investment income had been shown in the financial statements for the year 2017 and 2018 thereon. It was further observed that only a sum of Rs. 7,308,323 or 3.64 per cent had been shown as return on fixed deposits aggregating Rs. 200,415,975 made in the years from 2014 to 2016 thus showing a very low level return as compared with prevailing interest rates.</td><td>Interest Income on Fixed Deposits have not been correctly calculated, action will be taken to rectify it in 2019</td><td>The Management of the Bureau should pay its attention to mitigate the financial losses and enhance the profitability of the Bureau by utilizing it idle fund.</td></tr>
<tr><td>(c) Six official residences located at Sarana Mawatha had been provided to three Members of Parliament, Secretary to the Ministry of Megapolis & Western Development (Retired on 09 June 2019), the Director General of the Mahaweli Authority and the Secretary to the Ministry of Mahaweli Development and Environment during the period of 2004 to date of this report. However, no agreement had been entered into between the Bureau and respective parties in this connection and no rental had been recovered from Secretary to the Ministry of Megapolis & Western Development, the Director General of the Mahaweli Authority and the Secretary to the Ministry of Mahaweli Development and Environment. As a result of these irregular activities, at least an amount equal to 12.5 per cent of the</td><td>No agreement was entered into between the parties and the details of recovery of rental are as follows.
<table>
<tr><th><u>Designation</u></th><th><u>Monthly Rental</u>
Rs.</th></tr>
<tr><td>Member of Parliament (Salinda Dissanayake)</td><td>25,000</td></tr>
<tr><td>Member of Parliament (Premalal Jayasekara)</td><td>12,440</td></tr>
<tr><td>Member of Parliament (Keheliya Rambukwella)</td><td>24,315</td></tr>
<tr><td>Director General (Sri Lanka Mahaweli Authority)</td><td>Nil</td></tr>
<tr><td>Secretary to the Ministry of Mahaweli Development and Environment</td><td>Nil</td></tr>
</table></td><td>- Agreements between the parties should be entered before rent out the residences.
- Proper valuation should be conducted to determine the monthly rental.
- A proper mechanism (policy) should be introduced to allocate the official residences to outsiders.
- The provisions in Chapter X of the Administrative Codes of the Bureau should be strictly followed in this connection.</td></tr>
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salary of the above officers had been lost to the Bureau. Further, the details of actually recovered rental from the Members of Parliament were not made available for audit.	Secretary to the Ministry of Megapolis and Western Development)	Nil
(d) Once the projects work undertaken by the Bureau is completed, there should not be a due from customers or due to customers. However, the balances of Rs.271,387,642 and Rs.231,509,660 relating to 63 completed projects were shown as due from customers and due to customers respectively in the accounts.	All our clients are government Ministries, Departments and other State Owned Enterprises, hence there’s a considerable time delay in certifying our invoice by clients. Therefore, these differences will appear in Accounts until final invoices are certified, due to non-adjusting of contract sum in Accounts until client certify variations/extra works etc. Once the final bills are certified these balances will be cleared from Accounts.	A proper work plan should be introduced to clear these long outstanding balances by preparing an age analysis without a delay.

3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
Even though a Procurement Plan had been prepared by the Bureau for procurement of various items of assets to the estimated value of Rs.308,233,955 during the year under review, only the item worth Rs.29,074,573 or 9 per cent of the estimated value had been procured in the year under review. Hence, it was observed that the Procurement Plan had been prepared on ad-hock basis without considering the actual requirements of the Bureau.	Capital Budget for 2018 had been prepared and approved in October 2017. Out of the total Budgeted cost of capital items around 50% allocated for purchase of motor vehicles which was budgeted considering requirements for Motor Vehicles. With the restriction by the treasury for capital expenses on purchasing of vehicles the Bureau was not able to achieve a significant portion of the budget. Also the Bureau had to strictly restrict or delay budget on other capital assets considering financial constrains in 2018. However, concerns rose above will be taken into consideration and we will adhere to prepare more accurate budget on capital items in future.	Efficient planning of the entire procurement process is vital to ensure timely completion of the activities and to obtain the best market value for it.

3.4 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
According to the information provided for audit by the Bureau 180 employees had been released to the Subsidiary as at 31 December 2018 contrary to the provisions in Section 9.4 of the Public Enterprises Circular for Good Governance No. PED/12 of 02 June 2003. However, it was reported by the Subsidiary that 209 employees had been attached from the Bureau as at that date and the reasons for this significant difference was not explained to audit.	DGM HR of CECB has confirmed that the above numbers given for the audit by CECB are correct.	An employee of an enterprise should not be released to a Ministry or any other institution, without the approval of the Cabinet of Ministers.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) The Bureau had recruited 306 excess employees for 16 posts such as Technical Assistants, Engineering Assistants, Draughtsman, Secretarial Assistants and Office Aide etc. as compared with the approved cadre of the Bureau and the necessity for these excess recruitments is not cleared in audit.	In addition to the approved carder of 476 above the additional 306 has been recruited on contracts depending on the requirement of each section/units of the Bureau. Contract of such employees can be terminated upon fulfilment of the assigned task. Therefore, permanent carder of the Bureau is within the approved limit.	Information on the employees recruited under different categories exceeding the approved cadre of the Bureau should be submitted to the Department of Management Services for consideration
(b) In addition to the above the Bureau had outsourced 158 employees from a manpower company during the period from July 2017 to February 2019 and a sum of Rs. 54,412,965 had been paid as salaries, overtime and service charges to that Manpower Company without being assessed the requirement for recruitment.	The audit query referred in above is based on Good Governance related to Public enterprises in Sri Lanka. As per our understanding there is no hard rule or specific circular with regard to hiring of manpower etc. The employees hired through manpower by the Bureau is done time to time based on	The Bureau should reconsider the necessity for deployment of outsourced manpower in addition to 1142 fixed term employees to earn only the consultancy income.

	urgent requirement of each project which mainly includes hiring of labours. Approval for manpower need of Bureau has been done following proper procurement guidelines	

3.6 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
(a) According to the information provided for audit 30 vehicles had met with accidents in 32 instances during the year 2018 and Rs. 2,507,075 had been incurred for repair those vehicles. However, no inquiries had been instituted to ascertain the extend and causes of the loss and to fix responsibility. Further, preliminary reports and final reports with regard to these vehicle accidents had not been submitted to the auditor General.	We were not aware about the reports that should be sent to the Auditor General in case of vehicle accidents.	The preliminary report should be sent immediately if a delay of more than 7 days is envisaged for making a full report and after inquiry, the full report should be submitted within 3 month from the date of loss.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue	Management Comment	Recommendation
Updated copies of the Corporate Plan approved by the Board had not been presented to the Auditor General even up to the end of the year under review.	No comment	Updated copies of the Corporate Plan approved by the Board together with the updated Annual Budget should be forwarded to the line Ministry, Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of each financial year.