

Sri Lanka Land Development Corporation - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Land Development Corporation for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance statement, 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 Financial 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 Urban Settlement Development Authority and its subsidiary 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 on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAUS). 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (Auditors Responsibility with regard to 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 Corporation'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 Corporation'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 Corporation 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 Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation 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 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non – Compliance with Sri Lanka Accounting Standards (LKAS)

Audit Observations	Management Comment	Recommendation
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(a) According to the LKAS - 01, the assets, liabilities, income, expenditure should be shown in the financial statements at their fair value. However, the fair value Property, Plant and Equipment, cost of Rs.2,671.81 million, had not been ascertained by the Corporation and shown in the financial statements.	It had been proposed by the Auditor General’s report in several time to shown the fair value of the Property, Plant and Equipment at their fair value. Hence, action going to be taken accordingly.	According to the LKAS, the fair value should be shown in the financial statements.
(b) According to the report submitted by the evaluation committee of asset’s useful life of the Corporation, further unusable machines and motor vehicles valued at a cost of Rs.10.79 million. It had been	Action would be taken to classify those machine and motor vehicle as current assets when Preparing of financial statement for the year 2019, as	According to the LKAS, the assets should be shown in the financial statements.

identified that However, contrary to the Sri Lanka Financial Reporting Standard No.5, those unusable assets had been shown in the financial statements as non – current assets.

per the Sri Lanka Financial Reporting Standard No.5.

(c) According to LKAS 40, without being ascertained the fair value of an investment property had been shown in the financial statements at the cost of Rs.92.48 million. Further, the land leased out by the Corporation to the external parties had not been shown in the financial statements as investment properties. The details relating to the values of those lands had not been furnished to audit.

After being evaluated the fair values in future for another purpose, action will be taken to shown the fair values in the financial statements based on that evaluation.

According to the LKAS, the fair value of the investment properties should be shown in the financial statements.

(d) The useful life of the assets belonging to several categories, the cost of Rs.587.49 million and written down value of Rs.304 million, had been reassessed by the Corporation during the year under review. The accumulated depreciation of those assets, amounting to Rs.160.34 million had been deducted from the depreciation expenditure of the year under review instead of being adjusted to the retained earnings. As a result, the profit of the year under review, had been overstated by that amount. Further, without being obtained the services from the of specialists to ascertain the useful life of the assets, three officers of the Corporation had been done the assessment. Hence, the accuracy of the assessment is a questionable issue in audit.

As this was a changes of accounting estimates, it had been adjusted prospectively in the financial statements and it had not been violated the Accounting Standards. A group of experienced mechanical engineers of the Corporation had involved to the assessment. Hence, it is believed that the assessment of useful life of the assets was done fairly and accurately.

The result of the assessment of useful life of the assets should be shown in the financial statements according to the LKAS.

1.5.3 Accounting Policies

Audit Observation

According to Accounting Policies No.2.5.1 (e), the contract revenue of the Corporation for the year under review to be identified based on the performance obligations of the Contracts. However, without having the Engineers' certificate, the contract revenue amounting to Rs.951.05 million for 21 contracts had been identified based on the work done values and that had been shown in the financial statements. This value was represented 75 per cent of the total contracts revenue.

Management Comments

Entire accounted revenue of the projects for the year under review had been certified by the clients and any uncertified income had not been accounted as the income. In most of the instances, the payments had been made for the submitted bills and therefore, it was indicated that the certification of the revenue.

Recommendation

According to the Accounting Policies/ LKAS the contract revenue should be shown in the financial statements based on the performance obligations.

1.5.4 Accounting Deficiencies

Audit Observation

- (a) Action had not been taken to update the stock books of the Corporation. As a result, the actual balance of the slow moving stocks as at end of the year under review, and variances in the slow moving stock balance as at end of the preceding year amounting to Rs.267.32 million, could not be identified in audit.
- (b) The Corporation had decided to give an exemption to the Waththala Mabola Urban Council, for the payment of fee for disposing of garbage to the garbage management site at Kerawalapitiya. However, action had not been taken to write – off the receivable balance from that council as at end of the year

Management Comments

The details of the variances in slow moving stock balances could be identified in details and accurately through the new computer data processing system (SAP Business one) which is being implemented now.

The balances shown in the ledgers are related to the accounted bills for preceding periods and action will be taken to write – off those balances in future.

Recommendation

The slow moving stock value of the Corporation should be accurately identified.

Actions should be taken to write – off the receivable balances from the books.

under review amounting to Rs.13.04 million and the provision for doubtful debts thereon amounting to Rs.6.69 million.

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| (c) | Even though a deposit amounting to Rs.100,000 had been made by an environmental services firm during the year under review for disposing of garbage to the Kerawalapitiya garbage management site, that deposit had not been brought to the financial statements. | Action will be taken to make the corrections in the financial statements in the year 2019. | Entire transactions of the year and related liabilities thereon should be included to the financial statements. |
| (d) | The cafeteria located at the Head Office the cost of Rs.1.30 million had been demolished 9 years ago. However, without being removed that value from the accounts, it had been shown in the financial statements of the year under review. | Agree with the Para. The necessary adjustments will be made when preparing the financial statements for the year 2019. That building had been totally depreciated in the year 2002. | Action should be taken to accurately identify the assets shown in the financial statements and only the existing assets should be shown in the financial statements. |
| (e) | Even though the certified value for the year under review of the contract for water purification project at Daduru Oya amounted to Rs.26.41 million, that value had been shown in the financial statements as income of Rs.27.96 million. As a result, the contract income had been overstated by Rs.1.55 million. | Agreed with the audit observation and corrective actions will be taken in future. | The income should be correctly identified and only the accurate income should be shown in the financial statements. |
| (f) | The grants amounting to Rs.123.84 million, received from the President's Fund for the construction of Kerawalapitiya garbage site had been accounted under the advances instead of being accounted for as a deferred income. | This will be corrected in 2019. | The grants should be correctly identified and shown in the financial statements. |

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| (g) | Even though 05 land plots belonging to the Corporation and situated at Orugodawa had been rented out on lease basis, the rent agreements had not been signed with the lessees since the year 2012. Further, the new rent value of 5 land plots had been given by the Valuation Department on 15 May 2018. Hence, the rent should have been charged based on the new valuation since 24 February 2017. Action had not been taken by the Corporation to recover that money and also action had not been taken to account the receivable income. | It had been informed the relevant parties to make the payments of rents and the remainders also have been sent. If they further default the payments, legal actions will be taken. | The agreements should be signed with the lessees and the income should be identified according to the agreements, and action should be taken to account the income. |
| (h) | The value of an Excavator machine and 2 Boats which have been used since the year 2012 had not been valued and shown in the financial statements, Further, 4 Tractor Taylors belonging to the Corporation had been modernized as Browsers in the year 2010. However, the value of those Browsers had not been estimated and accounted even up to end of the year under review. | Agreed with the observation. Actions will be taken to value the Excavator machine, 2 Boats and 4 Browsers in order to account them in 2019. | Actions should be regularly taken to value the assets belonging to the Corporation and to show those value in the financial statements. |
| (i) | Even though the entire receivable amount from the Kurunegala Water Supply Project had been received from the client during the year under review, a sum of Rs.1.54 million had been shown in the financial statements as a further receivable amount as at end of the year under review. As a result, the debtor balance shown in the financial statements had been overstated by that amount. | Due to an accounting error this had been occurred and action will be taken to make the corrections in this year. | Before accounting the balances shown in the financial statements, the accuracy of the values should be confirmed. |

1.5.5 Unreconciled Control Accounts or Records

Item	Amount as per financial statements	Amount as per corresponding records	Difference	Management Comments	Recommendation
	(Rs.mn)	(Rs.mn)	(Rs.mn)		
(a) The expenditure incurred for 64 General Treasury Projects conducted by the Corporation as at end of the year under review.	1,559.62	1,432.55	127.07	According to the approved rates, the recommended amount for the year 2018 only a sum of Rs.1,348 million. Accordingly, the gross loss incurred by the Corporation from the projects' conducted under the General Treasury Provisions amounted to Rs.112 million.	The amount shown in the financial statements should be reconciled with the corresponding schedules and corrected values should be shown in the financial statements.
(b) The compensations payable to the lands acquired by the Corporation.	41.86	42.87	1.01	The cost amounting to 1.01 million that expected to be incurred to give the deeds of the lands to resettlement had not been included to that amount.	The amount shown in the financial statements should be reconciled with the corresponding schedules and corrected values should be shown in the financial statements.

1.5.6 Unauthorized Transactions

The details of the unauthorized transactions	Management Comment	Recommendation
(a) Even though the fixed deposits amounting to Rs.1,533 million had been withdrawn in the year under review, the approval of the Board of Directors had not been obtained.	Action will be taken to obtain the approval of the Board of Directors to withdraw the fixed deposits and to make the fixed deposits.	In order to withdraw the material fixed deposits, the approval of the Board of Directors should be obtained.

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| <p>(b) A cricket ground, extent of 2 hectares had been constructed by the Corporation, incurring a sum of Rs.173.70 million, in the land acquired to reserve as a water basin under the Grater Colombo Flood control and Environment Improvement Project. However, required approval had not been obtained thereon and the cricket ground had not been made use up to end of the year under review.</p> | <p>The surrounding area of the grounds has been used as water basin. The cricket ground had been developed as a dry weather play ground with a view to use it during the dry weather conditions. This developed play ground has been used by employees of the Corporation and the affiliated institutions in order to improve their sport abilities.</p> | <p>The acquired land for water reservation areas should be used for the expected purpose.</p> |
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1.6 Accounts Receivables and Payables

1.6.1 Account Receivable

Audit Observation	Management Comment	Recommendation
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<p>(a) The receivable amount as at end of the year under review from 25 garbage depositing institutions to the Kerawalapitiya garbage disposal site amounting to Rs.301.12 million. Out of that outstanding balance, a sum of Rs.110 million was outstanding less than one year and a sum of Rs.191.06 million was remained as receivable for a period from 1 to 2 years. Due to not entering into formal agreements stating terms and conditions, with the respective institutions, recovering of those outstanding balances had been become a difficult task.</p>	<p>The garbage management subject was not come under the purview of the Sri Lanka Land Development Corporation. Hence, entered into the agreements with the Local Government Authorities for handing over of garbage is a problematic issue. Thus, a sum of Rs.3,000 had been charged per metric Ton of garbage. However, many Local Government institutions stated that their inability to pay Rs.3,000 per MT of garbage. Requesting to make the payments, the letters had been sent to the respective institutions and outstanding balances had been recovered.</p>	<p>Action should be taken to recover the receivable balances.</p>

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| (b) | The receivable amount from the Waters Edge Company as at end of the year under review for the Railway carriage cafeteria amounted to Rs.88.42 million and interest thereon amounted to Rs.14.50 million. Further, an agreement had not been signed by two parties relating to that transaction. Furthermore, Action had not been taken by the Corporation to recover a sum of Rs.37.02 million which had been incurred under the Treasury Provision for that project. | Further actions to be taken to recover that amount from the Waters Edge Company. | Prompt actions should be taken to recover the receivable amounts. |
| (c) | Even though the final bills amounting to Rs.266.84 million had been furnished relating to 5 projects after being completed the works as at end of the year under review, a sum of Rs.73.35 million incurred by the Corporation for those projects could not be recovered even after lapse of 5 to 11 months after being furnished the final bills. | Under the “regaining of Polonnaruwa” programme the projects had been given by the president office. The payments was delayed due to not reimbursement of funds by the Treasury for the payment made although the Polonnaruwa District Secretariat Office. | The receivable amount for the contracts should be immediately recovered. |
| (d) | Even though the bills amounting to Rs.210.08 million had been furnished by the Corporation relating to the completed works of 4 contracts valued at Rs.254.92 million up to end of the year under review, any amount had not been received by the Corporation thereon. Out of that, a sum of Rs.165.97 million should be receivable for the contract works completed in the preceding year. | The delays for the payments had been occurred due to the delays in making the payments by the president’s officer for the submitted bills. The outstanding bills had been settled up to end of this year. | The receivable amount for the contracts should be immediately recovered. |
| (e) | The receivables up to end of the year under review from 12 contracts carried out by the Corporation amounted to Rs.52.90 million and the Board of Directors had decided to write – off that receivables as bad debts. Disapproving of the rates in the Bills of Quantities, suspending | The considerable amount of unrecoverable debtor balances had been identified and it is expected to be taken suitable actions in future. | Recovering activities of the receivable contract debts should be efficiently carried out and the recovering activities should be accelerated. |

of contract activities, not applying of retention money on time had been directly attributed for that situation. Further, the receivable amount as at end of the year under review from the clients to the Corporation for over 5 years amounted Rs.40.89 million and the receivable balance for a period from 5 to 10 years amounted to Rs.14.34 million. It was observed in audit that, if the Corporation had not taken prompt actions to recover those receivables there is a risk to loss those balances by the Corporation.

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| <p>(f) According to the financial statements of the Corporation, a sum of Rs.47.36 million should be receivable for the construction activities of the Madamulana D.A.Rajapaksa memorial centre. However, as per the balance confirmation given by that institute, it had been informed that no payment to be made to the Corporation.</p> | <p>A Court case is proceeding in that regard. Hence, after the finalizing of the Court case, the receivable amount would be confirmed.</p> | <p>After being discussed with the related institute, recovering of dues should be accelerated.</p> |
| <p>(g) A cafeteria belonged to the Corporation situated at Kibulawala had been rented to a Company. However, the Corporation had failed to recover the rent receivable thereon amounted to Rs.24.58 million since the preceding year up to end of the year under review.</p> | <p>The Corporation had made requests to recover the expended money. However, the Company had mentioned that after transferring of the ownership of the land the outstanding balance could be settled.</p> | <p>Prompt action should be taken to recover the outstanding balance after being discussed with the respective Company.</p> |

1.6.2 Accounts Payable

Audit Observation

The Corporation had not taken action to settle the payables amounting to Rs.49.62 as at end of the year under review to the Land Commissioner, with regard to payables to be made in terms of section 3a(1) of the Corporation Act for the disposed land after being acquired to the Corporation.

Management Comment

Action has been taking to refer that to the Divisional Secretaries.

Recommendation

Prompt action should be taken to settle the payables to external institutions.

1.6.3 Advances

Audit Observation	Management Comment	Recommendation
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(a) The advances received by the Corporation as at end of the year under review amounted to Rs.413.80 million. Out of that, an advance balance for over 4 to 5 years amounted to Rs.55.9 million and the balance between 2 – 3 years amounted to Rs.55.7 million.	Due to the delays in the approving of price rates, settlement of final bills also were delayed. Settlement of the final bill is in the last stage and therefore, that balance could be settled.	The mobilization advances should be settled when submitting the interim bills, according to the agreements.
(b) The mobilization advance given to the Corporation in the year 2014 for construction of a Services Centre in Hambantota amounted to Rs.68 million. However, action had not been taken to settle the advance and the construction activities of the Project had been suspended up to end of the year under review.	The proposed consultancy institute, the Building Department, and the Ministry of Provincial Council and Local Government had not entered into a consultancy agreement in order to certify the bills of that contract. As a result, the Building Department had refused to certify the bill, as per the information received.	The mobilization advances should be settled when submitting the interim bills, according to the agreements.

1.7 Non – Compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations etc	Non – Compliance	Management Comment	Recommendation
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(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Amended Financial Regulation 371(2)(b)	<ul style="list-style-type: none"> • Contrary to said regulation, the ad-hoc advances amounting to Rs.14,297,500 had been paid in 67 instances exceeding Rs.100,000 limit. Even though it had been stated that the approval of the General Treasury would be 	A letter had been forwarded to the General Treasury to obtaining the approval to exceed the payment limits of advances.	Action should be taken to release the advances according to the requirements of the Financial Regulations.

obtained for the payment of advances exceeding the limit in the preceding year, such a approval had not been obtained even in the year under review.

- The ad-hoc advances should be given only for the specified activities. However, the ad-hoc advances had been given for the normal activities of the Corporation such as contract and procurements, which should be performed following the procurement procedure, in 57 instances amounting to Rs.12,731,000.

(ii) Amended
Regulation
371(5)

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Action had not been taken to settle 03 ad-hoc advances amounting to Rs.270,000 released during the year under review, up to 31 December of the year under review. Further, although the ad-hoc advances should be settled within 10 days after being completed the desired work, the ad-hoc advances released in 26 instances amounting to Rs.5,749,000 had been settled after been delayed 31 to 94 days. Furthermore, ad-hoc advances released in 14 instances amounting to Rs.776,000 had been banked the entire advance

Action had been taken now to surrender the ad-hoc advances within 10 days. Further a letter for remaindering had also been prepared.

Action should be taken to release the advances according to the requirements of the Financial Regulations.

after being delayed 01 to 59 days keeping by the officers without being expended for the desired functions.

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| (b) | Section 11 (b) of the Finance Act No.38 of 1971 | Without being obtained the consent of the Minister of Finance and only the approval obtained from the Director Board, a sum of Rs.3,737.85 million had been invested in the Fixed and short term deposits. | The excess money had been invested in the fixed deposit accounts in the Peoples' Bank or in the Bank of Ceylon in order to earn additional income. | To invest the excessive money, the consent of the Minister of Finance and the approval of the Treasury should be obtained. |
| (c) | Section 8(a) of the Urban Development (amended) Act No.04 of 1982 | Without obtaining the approval from the respective Local Government institute, the Head Office building complex of the Corporation had been constructed. Therefore, in order to obtain the approval in the coming years, a liability of Rs.12.04 million has to be incurred. | According to the instructions given by the Urban Council, action had been taken to obtain the approval from the following Institutions.
<ul style="list-style-type: none"> • Fire Security Department • Central Environment Authority • Urban Development Authority | According to the provisions in the Urban Development Act, action should be taken to obtain the required approvals from all respective institutions. |
| (d) | The Government Lands Divesting Guideline No.SE1/A/4/34 dated 12 June 1995. | (i) Contrary to the requirements in the Guideline, when leasing the Corporations lands, the valuation made by the Government Chief Valuer had not been reassessed by a special committee to reconsideration of the estimated value. | No such a committee is being operated new. | The land divesting guidelines should be followed. |
| | | (ii) As well, even though a land belonging to the Corporation had been given to a private Company on | Action is being taken to repossess the land according to the legal consultations given by the Attorney General. | The instruction of the Guideline should be followed. |

sale agreement in the year 2007 for commencement of a housing project, the housing project had not been started by that Company up to end of the year under review. However, action had not been taken to repossess the land to the Corporation.

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| (e) | Section 9.7 of the public Enterprises Circular No. PED/12 dated 02 June 2003 | Without being obtained the Treasury approval, the incentive payments for the staff amounting to Rs.41.10 million had been made only on the approval of the Board of Directors. | In order to motivate staff members, the incentive payment had been made according to the decision made by the management and having the approval of the Board of Directors. | According to the circular instructions, the Treasury approval should be obtained to pay the incentives to the staff. |
| (f) | The Public Enterprises Circular No. PED1/2015 dated 25 May 2015 | Exceeding the stipulated fuel limit in the Circular and without obtaining the relevant approvals, 9,537 fuel litters valued at Rs.1,173,051 had been paid to 12 officers during the year under review. | Action had been taken to obtain the approval of the Board of Directors in that regard. | Action should be taken to control the fuel expenditure of the Corporation by following the circular instructions. |

2. Financial Review

2.1 Financial Results

According to the Consolidated Financial Statements, the profit before tax of the Group and the Corporation for the year under review had been Rs.1,683.74 million and Rs.1,620.29 million respectively as against the profit before tax for the preceding year amounting to Rs.1,541.94 million and Rs.1,500.01 million respectively. Thus, as compared with the preceding year, the financial result of the Group and the Corporation for the year under review had indicated an improvement of Rs.141.80 million and Rs.120.28 million respectively. Increase of sand selling income by Rs.432 million and financial income by Rs.161 million of the Corporation had been mainly attributed to the said improvement.

2.2 Trend Analysis of the main income and expenditure items

According to the financial statement presented, the following matters were observed in analyzing the financial result of the year under review and preceding 4 years.

- (a) Compared to the year 2014, the direct expenditure of the year under review had been increased by 39 per cent during the last 4 years period.
- (b) Compared to the preceding year, the Directors' remuneration had been increased by 207 per cent in the year under review.
- (c) Out of the total income of the Corporation for the year under review, 67 per cent of income had been earned from the operations of the Corporation and 33 per cent generated from the Government Grants.
- (d) Compared to the preceding year, income from the land sales and construction activities had been decreased by 65 per cent and 15 per cent in the year under review.

2.3 Ratio Analysis

- (a) As compared with the preceding year, the not profit ratio of the Corporation was increased by 4 per and increase of sand sales and financial income had been mainly attributed for that improvement.
- (b) The current liabilities as at end of the year under review, had been represented as high value as 40 per cent and 60 per cent of the total assets and total liabilities respectively

3. Operating Review

3.1 Identified Losses

	Audit Observation	Management Comment	Recommendation
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(a)	The US\$ bank account opened for the payments of sea sand mining project of the Corporation in the year 2010 had been kept as an idle account after operating it up to February 2012. The balance of that account as at end of the year under review amounted to US\$ 2.05 million or equivalent to Rs.375.51 million.	Even though a proposal had been furnished to the Board of Directors to make the payment for sea sand mining project using that bank account, the Board of Directors had decided to keep that account in US\$, as it was more suitable to keep that bank account in US\$.	Action should be taken to make use of foreign currency bank account for the opening purpose of that account.

However, for the subsequent payments made to a foreign company for sea sand mining, that account had not been used. Making of those payments by exchanging Rupees in to US\$ was a problematic issue in audit.

Further, due to that reason the Corporation had to incurred an exchange loss and an additional bank charge.

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| (b) | Due to the insufficiency of income to recover the operating cost of the Boat Service, conducted by the Corporation at the Diyatha Uyana premises since the preceding year, a loss of Rs.16.96 million had been sustained by the Corporation in the year under review. | Even though it was made a loss, the Board of Directors had approved to continue the service as a pilot project in order to popularise it among the general public. | The Project expenditure should be managed in fruitful manner in order to operate it as a profitable project. |
| (c) | Even though a sum of Rs.1,559.62 million had been expended by the Corporation during the year under review for 64 Treasury projects, only a sum of Rs.1,348.73 million had been received by the Corporation for those projects. Hence, a loss of Rs.201.89 million had been sustained by the Corporation from those projects. Although the Corporation had received 17 per cent service income from the Treasury for those project, sustaining of such a loss is a questionable issue in audit. | The loss incurred by the Corporation from the projects carried out under the Treasury Provisions amounted Rs.112 million. | Being prepared the realistic and accurate estimates, action should be taken to obtain those funds from the Treasury and by managing the projects efficiently, action should be taken to minimize the costs. |

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
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<p>(a) Due to inadequacies in the provisions of the Act, a cabinet memorandum had been furnished to the Cabinet of Ministers in the year 2012 in order to make necessary corrections by amending the Act. However, action had not been taken to make amendment to the Act up to end of the year under review.</p> <p>Furthermore, due to such kind of weaknesses in the Act, adequate steps had not been taken against the complaints received an authorized land fillings.</p>	<p>Non – violating certificate relating to the provisions in the Constitution and the draft amended Act, will be issued by the Attorney General Department.</p>	<p>Prompt actions should be taken to amend the Corporation Act, with the support of the Ministry.</p>
<p>(b) Out of the competitive contracts in the market, the Corporation had submitted bids for 6 construction contracts valued at Rs.801 million. Out of that, only 3 contracts valued at Rs.296 million had been received. According to that situation, it was observed that the Corporation had not paid adequate attention to obtain the contracts from the open market. Due to performing of contracts, conducted under the Treasury provisions, the market share that could have been achieved to the Corporation and market share of the Corporation had been lossed.</p>	<p>Out of 6 competitive contracts, 3 contracts had been received in the year 2018. Action will be taken to improve that trend in future.</p>	<p>In order to achieve one of the objectives of the Corporation Act, to be a competitor in construction field, the contract management activities should be carried out in fruitful manner.</p>
<p>(c) Due to sale of a land belonged to the Corporation on 06 April 2000 to an external party for Rs.5.83 million by providing misleading information, that customer had filed a court case against the Corporation. According to the court decision, the Corporation had</p>	<p>Even though the plan No.100/SLLRDC had been prepared, when constructing of houses the plan No.42/SLLRDC had been used. Hence, according to the information in the file, it was observed that the tenders</p>	<p>Action should be taken to proceed the disciplinary actions against the officers those who responsible to submit erroneous information and recover the loss.</p>

to pay a sum of Rs.12.28 million to the Customer. Further, the Corporation had not taken any action against the responsible officers in that regard.

had been called based on the said plan.

- (d) The loss of the Mechanical Division of the Corporation for the year under review amounted to Rs.97 million. In the annual cost of the Division, amounting to Rs.568 million, the labour cost of Rs.373 million had been included and it was represented 66 per cent of the total cost. The excessive staff of the Division had been directly attributed for that situation.

Exceeding 400 permanent employees work in the Mechanical Division. Hence, the salary cost of the Division had been represented higher value.

The excessive employees in the Corporation should be allocated among the Divisions in fruitful manner.

3.3 Operating Inefficiencies

Audit Observation

- (a) The lands vested to the Corporation under the Grater Colombo Flood controlling and Environment Improvement Project extent of 378 hectors had not been leased by the Corporation on short term lease basis according to the decision made by the Cabinet of Ministers, No.96/1760/111/125 dated 15 August 1996. As a result, the rent income receivable over 20 years to the Corporation had been lossed. The sole responsibility for the removal of unauthorized settlers and reclamation is vested with Corporation. However, about 76 acres had been acquired by the unauthorized settlers and another 81 acres also had been divested by the Corporation. As such, the Corporation had failed to achieved the expected objectives determined by the Cabinet of Misters.

Management Comment

As per the observation made by audit to rent out the small land plots situated in the out side of boundary canals, the instructions from the Ministry going to be taken. Accordingly, it had been decided to taken future actions. In order to redemartate the boundary lines of the acquired land to the Government since the year 2014, 1519 boundary pools had been erected under the project of unauthorized acquisition in the areas of Kotte, Kollonnawa, upper catchment area of the Parliament and Heen Ela wetlands.

Recommendation

The lands vested to the Corporation according to the decision made by the Cabinet of Ministers, should be used for the expected objectives.

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| (b) | <p>According to the decision of the Cabinet of Ministers No.16/0204/724/014 dated 22 January 2016, the approval had been granted to introduce a transport network for the passengers in the Water canals, to introduced entertainment boat services and construction of floating markets. However, only 3 Jetties had been constructed by the Corporation using the Treasury Provisions. Thus, the Corporation had failed implement a passenger service as per the decision of Cabinet of Ministers since the year 2016 to end of the year under review.</p> | <p>After being conducted the pilot programme via the Beire Lake, actions had been taken to introduce a Boat service via Wellawaththa Baththaramulla cannel, having the experience from the pilot project.</p> | <p>Being implemented the functions highlighted in the decision of the Cabinet of Ministers, the actions should be taken to provide expected service to the General Public.</p> |
| (c) | <p>In terms of Section 2(b)1 of the Sri Lanka Land Development Act No.15 of 1968, the Corporation had been authorised to publishing of the marshy lands situated in the Island wide through the Gazette after being identified, in order to control the unauthorized land reclamations and conduct the supervision. However, Gazetting of such Regions as at end of the year under review was limited to 06 Regions. Further, according to Section 8 (a) of the Act, the lands acquired to development, should be develop to construction of buildings, industrial, commercial and agricultural activities. Nevertheless, out of the acquired lands in the Muthurajawela and Mudun Ela area in the year 1995, extend of 800 acres, had been developed only 522 acres or as low as 65 percent even after lapsed of 23 years.</p> | <p>A part of the Mithurajawela area, which expected to be developed, had been used for the laying of sea sand and for the garbage management project. Due to the shortage of soil to fill the remaing land area, it has been planned to pump the sea sand.</p> | <p>Actions should be taken to use the acquired lands for the expected objectives according to the provisions in the Act.</p> |
| (d) | <p>Even though 1,321 unauthorized constructions and reclamation of lands had been identified by the</p> | <p>Action has been taken to remove the possible unauthorized reclamations and</p> | <p>Prompt action should be taken with regard to the unauthorized land reclamations and</p> |

Corporation within the water retention areas belonging to 5 Divisional Secretariats Divisions by the end of the year under review, no substantial measures had been taken to remove those constructions identified.

constructions by the Corporation. It is unable to remove the every identified unauthorized reclamations and constructions, due to the insufficient power of the Corporation. Hence, those activities should be conducted based on the Court order.

constructions in terms of the authority given by the Act.

(e) Due to the carrying out of construction activities at the Diyasaru Park in the sanctuary of Sri Jayawardenapura, without obtaining the approvals from respective institutions, the Wildlife Conservation Department had informed to the Corporation to stop the construction activities. As a result, the Corporation had stoped the development activities after being incurred a sum of Rs.3.48 million up to end of the year under review. The construction works had not been restarted up to August 2019.

A primary environment report had been furnished to the Wild Life Department in August 2019. After receiving the approval, the construction activities will be commenced as early as possible.

After being obtained the prior approvals for the construction works should be commenced.

(f) The Corporation had entered into a contract on 10 April 2018 valued at US\$ 19.97 million with a Foreign Company for extracting of 4 million cubic meters of sea sand, according to the MOU signed, it had been agreed extract 4 million cubic meters of sea sand up to 30 June 2019. However, only 2,120,480 cubic meters of sea sand was received by the Corporation up to that date. Further, to charge the delay charges, the provisions had not been included to the agreement. Furthermore, in order to obtain the receivable sea sand cubic meters of 1.88 million, an amended time period had not been fixed.

Due to the mou soon weather conditions and maintenance activities in the drajer machine, the vessel had been went back on 20 March 2019. However, without being extracted the sand, the demand can be fulfilled using the remaing stocks. After coming back the Drajer machine, the sand stock can be collected according to the terms and conditions of the agreement.

The sand stock should be collected according to the agreement.

(g) Without being carried out a

In order to implement the

Before commencement projects,

feasibility study, a sum of Rs.112 million had been expended up to end of the year under review for the construction of an entrance Road at Madinnagoda. However, after being commenced the project, a problematic situation was occurred in the lands acquisition process, due to commencement of the project before land acquisition. As a result, the project had been suspended. Hence, it was observed that the expenditure incurred thereon had been become fruitless expenditure.

Project, the entrance road had been constructed. To minimize the future traffic conditions, this road had been constructed as a byroad and the road to be connected to the Buthgamuwa Road. The unrest situation was created when it going to acquire the lands.

the feasibility studies should be conducted, in order to identify the possible problems of the projects and actions should be taken to minimize such problems.

- (h) Without being conducted an initial study and without preparing a plan, a project for development of the Bolgoda. Cannel's banks project had been started. As a result, the cannel banks had been collapsed. Hence, the project had been abandoned and thereafter, the Corporation had incurred a sum of Rs.15.23 million to rehabilitate the cannel banks.

Only the minimum risk areas and possible areas of the cannel banks had been developed. Without continuing the development of more risk areas of the cannel banks, the development activities had been abandoned.

Before starting the projects, the possible risk factors should be minimized by conducting feasibility studies and technical studies.

3.4 Transactions in contentions

Audit Observation	Management Comment	Recommendation
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(a) Even though in terms of the provisions in the Corporation Act, the loans can not be given to other parties. However, the Corporation had agreed to provide a loan amounting to Rs.200 million to its subsidiary Company, to commence sea sand packeting project, and a sum of Rs.118.75 million had been provided to that Company up to end of the year under review, out of the agreed loan. An agreement had been signed in that regard only on 04 April 2019. Further, the loan repayment ability of the Company	The loan had been given for the construction of works of the sea sand washing and packeting project carried out by the REDECO Company, a subsidiary Company of the Corporation. That loan of Rs.200 million had been provided having the approval of the Board of Directors on the commercial interest rates, on the basis of repayment the loan within 12 years. After the failure of that project, the released loan amount and	When providing of loan by the Company, the ability to repay the loan should be evaluated and the activities should be performed according to the provisions in the Act.

had not been assessed by the Corporation. Furthermore, that situation was violated Section 8.1.4 of the Good Governance Guideline No.PED/12 dated 02 June 2003. interest thereon and other receivable to the Corporation from the REDECO Company, expected to be recovered.

3.5 Idle or underutilized Properties, Plan and Equipment

Audit Observation	Management Comment	Recommendation
Six stalls belonged to the Corporation situated at Bellanwilla had been closed since the year 2016 without being taken actions to rent out. Due to that reason, an income about Rs.21. 60 million had been lost by the Corporation.	The Corporation is being considered evaluate the possibility to use of 6 stalls and the upper flow as a Gymnasium or other business activities.	Actions should be taken to generate the revenue by efficiently utilising the Corporation's assets.

3.6 Projects and Capital works Delays

Audit Observation	Management Comment	Recommendation
(a) The construction works of the Kirimandala Mawatha, flood control and water management centre construction project, had scheduled to be started in the preceding year and to complete as at end of the year under review. However, the financial and physical progress of the contract as at that date were as low as 10 per cent to 15 per cent respectively. Lack of a proper management system relating to the contract activities of the Corporation had been affected to that situation. Further, a loss making risk of that contract can not be ruled out rented out in audit.	Those estimates had been prepared in 2017. Hence under those rates the contract can not be continued and it May unprofitable. Hence, a request had been made to the Ministry to amend the contract rates. Also, another time period had to be taken to made the Procurements following the Government Procedures and to made the amendment for plans. Further, a labour shortage was in the country. Although the applications had been called for the recruitment of Labours, it was unable to recruit sufficient Labours for the contract activities. That situation had been directly affected to achieve the targets of the contract.	The contracts taken over by the Company should be completed in timely manner, under a proper contract management system and approval time period.
(b) The physical progress of seven	Out of 8 consultancy contracts	The contract activities which

consultancy contracts as at end of the year under review taken over by the Corporation for Rs.51.10 million, were ranging from 65 per cent to 100 per cent. However, No any financial progress had been achieved. Further, the consultancy works relating to 10 co consultancy contracts valued at Rs.26.76 million and the works had been commenced in the preceding year had not been completed up to end of the year under review.

valued at Rs.24.16 million, 5 contracts had been completed as at end of the year under review and the works relating to 3 contracts could not be completed.

related to the contract taken over by the Corporation should be immediately completed.

- (c) Following the decision of the Cabinet of Ministers No.13/1144/503/087 dated 30 August 2013, a loan amounting to Rs.14,227 million had been approved to grant to the Corporation through the National Savings Bank (NSB) under the guarantee given by the Treasury. Accordingly, the Corporation had entered into a loan agreement with the NSB on 14 July 2014 being agreed to repay the loan within a of 14 ½ years. The main objectives of the project include; controlling the floods accruing during the rainy seasons in the area of Nugegoda, Raththanapitiya, Boralasgamuwa, Piliyandala and Werahera widening the existing system of canals, protecting the banks of the canals, construction of reservations by protecting the flood refection areas, and construction of new culverts and bridges. Further, according to the Cabinet Decision No.අම/17/2561/724/112 dated 07 December 2017, it had been proposed to cancel the loan agreement on Rs.14,227 million and to sign a new loan agreement for the loan amount already obtained amounting to Rs.2,550 million and to make provision that required for the payment of loan installments and the

Due to the political unrest prevailed in the country in final 6 months of 2018, the required approvals for the procurements could not be obtained and as a result the project functions could not be performed. In order to acquire the land, the Corporation had to spent significant time period and had to make considerable effort. That reason also had been affected for the delays. The delaying period of advances for over one year, had also been caused the land acquisition delays.

In order to achieve the objectives of the obtained loan, the project should be completed within the scheduled time period and actions should be taken to provide expected benefits of the project to the target beneficiaries.

interest and to provide the expenditure that required to continue the project. Nevertheless, a new implementing programme had not been introduced by the management with a view to complete the project by avoiding considerable delays. It was further observed that the mobilization advances given to the contractors amounting to Rs.71.60 million had been kept by the contractors abnormal period of time.

3.7 Procurement Management

Audit Observation	Management Comment	Recommendation
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(a) A master procurement plan had not been prepared including Procurement activities relating to the Company for 3 years period (2017-2020) in terms of section 4.2 of the Government Procurement Guideline. Further, without being prepared a detailed Procurement Plan for the year under review, a Procurement Plan had been prepared only for the procurements on sub – activities. Furthermore, the estimated value of the activities, the Procurement Committees that should be appointed based on the value of the activity and suitable procurement time table had not been included to the plan prepared for sub – activities. As well, the Procurement Plan had been prepared only for the procurements on Government grants and the procurements related to the projects of the Corporation. The service projects had not been included to the plan.	According to this report, action will be taken to prepared the Procurement Plans in future.	A Procurement Plan should be prepared following the Government Procurement Guideline and all the procurement activities should be carried out according to the relevant plan.
(b) According to section 8.9.1 of the Government Procurement Guideline, immediately after issuing of the accepting letter, two parties should be	The granting letter had been used as the legal documents by two parties.	Being followed the instructions in the Government Procurement Guideline, actions should be taken to entered into

entered into a contract agreement. However, when awarding of 3 contracts valued at Rs.19.52 million, the contract agreements had not been signed so.

agreements.

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| (c) | According to section 3.4 of the Government Procurement Guideline, in procurement of goods following the shopping method, after being evaluated minimum of 3 quotations, the procurement should be made. However, 6 procurements performed by the Corporation in the year under review valued at Rs.11.09 million had been made by evaluating only one quotation contrary to above requirement. | For those Procurements, invitations had been sent to over 5 registered suppliers in yellow pages. | Following the instructions in the Government Procurement Guidelines, the procurement activities should be performed. |
| (d) | Even though 2 water pumps had been purchased and installed at the Oliyamulla pump station for Rs.82.90 million in the year under review, due to the lack of a service station to the supplier, a risk for the maintenance activities had been prevailed. Although it had been mentioned the requirement for service centre in the bid documents, without considering that requirement, the procurement had been made and that was a questionable issue in audit. | The water pumps purchased for the pump station under the Oliyamulla strom water drain and environment improvement project, are durable and have minimum maintenance requirements according to the guarantees. | When purchasing the machines, attention should be drawn to the after sales facilities. |
| (e) | Even though a separate Procurement Division had been established by the Corporation in order to carry out all procurement activities, 19 procurements valued at Rs.523.3 million had been conducted under the Warasgaga strom water design and environment improvement project without being informed to that Division. | A considerable time period had been taken by the Procurement Division of the Corporation due to its heavy daily work load. Hence, in order to complete the sub – activities come under the project, within the given time period, those procurement had been conducted separately with a view to mitigate adverse effect for performance of the project. | The procurement activities should be conducted in transparent manner adhering to the procedures of the Corporation. |

3.8 Deficiencies in contract Administration

Audit Observation	Management Comment	Recommendation
(a) Without being obtained the mobilization advances, 04 client's projects valued at Rs.545.06 had been commenced by the Corporation during the year under review. Commencement of contract works without obtaining the mobilization advances was a problematic issue in audit. Further, the formal contract agreements had not been signed with the related parties to the projects.	The Urban Development Authority had several time requested to make amendments to the mobilization payment guarantees and final amended documents had been furnished on 03 July 2018. In such a ground, as it had been furnished the first interim payment certificate, without paying mobilization advance, money related to the first bill had been settled to the Corporation.	According to the Government Procurement Guideline, the mobilization advances should be obtained before commencement of the contract works. Also it should be entered into formal agreements with the related parties to the contracts.
(b) The unrecovered work done value of 7 client's projects conducted by the Corporation during the year under review amounted to Rs.232.21 million. That was represented 74 per cent of the work done. The reasons such as not submitting of invoices in timely manner, carrying out of additional works without having the approval, not obtaining the approval for the rates in Bills of Quantities, Problems in the construction activities had directly attributed for that situation.	Considerable delays were occurred to get the certifications for the interim bills furnish relating to the Work – in Progress. That was happened due to the delays of either the client's or the consultants.	The contracts handed over by the Corporation should be properly managed and the necessary actions should be taken to minimize the construction problems.
(c) The work done value of 98 contracts conducted by the Corporation up to end of the year under review amounted to Rs.5,110 million and out of that, the work done value amounted to Rs.1,076 million had not been certified by the clients. Further, out of the certified value, the receivable balance to the Corporation amounted to Rs.391 million and a sum of Rs.258 million had been retained by the clients.	Not commented	The contract activities should be properly supervised and actions should be taken to get the certifications for the work done.

Not drawing of attention to manage the

contracts properly, had been attributed to that situation.

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| <p>(d) Even though the Corporation had planned conduct the works which estimated value of Rs.1,340.60 million, in the Weragaga strom water drain and environment improvement project during the year under review, the actual work done only amounted to Rs.871.97 million. Accordingly, the contract works valued at Rs.468.63 million had not been conducted by the Corporation and a sum of Rs.1,205 million had been obtained from the Treasury in that regard.</p> | <p>The contract works had been carried out according to the plan in first three quarters of 2018. However, due to the political unrest occurred in the final quarter of the year, it was unable to get the approvals to obtain the funds on scheduled dates. Hence, it was unable to complete the work according to the scheduled time targets.</p> | <p>Actions should be taken to complete the contract works on scheduled time periods.</p> |
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3.9 Human Resource Management

Audit Observation	Management Comment	Recommendation
<p>(a) The approved cadre of the Corporation as at 31 December 2018 had been 1,875 where as the actual cadre as at that date had been 1,431. Thus, 405 vacancies had been existed in each posts, and an excess cadre of 39 had also been existed.</p>	<p>Out of the approved cadre, the required vacancies are being filled based on the service requirements. Due to made permanent appointments based on the Public Administration Circular No.25/2014 dated 12 November 2014, 39 excess posts had been existed in the actual cadre.</p>	<p>According to the approved cadre of the Corporation, the vacant posts and excess posts should be re amended.</p>
<p>(b) On the basis of reimbursement of salaries as at end of the year under review from the Land Development Company and the LRDC services Company, 126 and 800 employees had been respectively recruited by the Corporation and the salaries paid those employees as at end of the year under review amounted to Rs.173.64 million. However, the provision for that expenditure had not been provided through the annual budget. Further, action had</p>	<p>Salaries of the recruited employees from the LRDC Services Company, Land Development Company and Civil Security Department, were included to the BOQs of the relevant Projects. This expenditure had been shown under the project expenditure in the Annual Budget.</p>	<p>The approved cadre of the Corporation should be amended according to the service requirements and including the most essential employees for the jobs.</p>

not been taken by the Corporation to revise the cadre including those employees. Furthermore, in addition to the above staff, 175 employees had been obtained from the Civil Security Services Department by paying Rs.750 per day, to work at the sites of the Corporation.

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| <p>(c) Based on a decision made by the Board of Directors, the Ex-General Manager of the Corporation had been transferred to the Ministry on temporary basis. The decision for the transfer was included that the reason to the transfer was internal disciplinary inquiry. However, no any disciplinary inquiry had been conducted up to August 2019 even after being lapsed of 1 ½ years and that was a questionable matter in audit. Further, without obtaining any service from the officer, a sum of Rs.2.29 million had been paid as salaries without including other benefits.</p> | <p>Having the consent of the Board of Directors and the Ministry of Western Development and Megapolis, the General Manager had been temporarily transferred to the Ministry on 29 December 2017. As there is a court case at the High Court against the officer, after the finalizing that court case, necessary actions going to be taken by the Board of Directors. The Corporation had not paid salaries to the Ex – General Manager since April 2019.</p> | <p>The internal disciplinary inquiry should be carried out in formal manner and within a specified time period and disciplinary actions against the officer should be taken.</p> |
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3.10 Management of Motor vehicles Flit

Audit Observation	Management Comment	Recommendation
<p>(a) Hundred and two motor vehicles had been made use by the Corporation during the year under review and 36 rented motor vehicles also had been made use. Out of the motor vehicle owned by the Corporation, 18 motor vehicles had been allocated to officers and 19 motor vehicles had been used as pool motor vehicles. Accordingly, 65 motor vehicles which should be in the pool, had been allocated to various Divisions of the Corporation without having the supervision of the Transport officer. As those</p>	<p>Action will be taken to run all motor vehicles, in the transport pool and rent out vehicles, under the supervision of the Transport Manager.</p>	<p>The motor vehicles belonging to the Corporation should be made use under the proper supervision of the Transport Division and action should be taken to minimize the made use of rental motor vehicles.</p>

motor vehicles had been made use without controlling the transport Division, it was observed in audit that those motor vehicles had not been properly made use. As a result, the Corporation had to obtain the motor vehicles on rent basis. Meanwhile, a sum of Rs.28.15 million had been paid in the year under review for fuel expenditure and a sum of Rs.51.54 million had also been paid for rented motor vehicles.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation

A Corporate Plan had been prepared by the Corporation for 5 years period from 2018 – 2022. However, the stipulated key activities in the Corporation Act, i.e identification the marshy lands, muddy and burren lands situated in the Island wide and controlling the unauthorized land reclamations and conduct the supervision, identification of the embankment area of a canal as the reservation lands and publish in the gazette such lands in order to avoid the temporary and other constructions, had not been included to the Corporate plan.

Management Comment

Publishing of activities relating to 3 provinces have been carried out. Actions have been taken to gazette the embankment area of canals and to include such activities to Corporate plan when making the amendments to the plan.

Recommendation

Substantial action should be taken to achieve the stipulated objectives in the Corporation Act.

4.2 Annual Action Plan

Audit Observation

A sum of Rs.3.86 million had been incurred by the Corporation for 3 projects which had not been included to Action Plan of the year under review. Whereas, the Corporation had failed to conduct 4 project valued at Rs.34.51 million that included in the Action Plan.

Management Comment

Three projects, had not been included the Action Plan, of the year 2018, as those projects had not been expected to carry out in the year 2018.

Recommendation

The project should be implemented according to the annual Action Plan of the Corporation.

4.3 Budgetary Control**Audit Observation**

Significant variances ranging from 9 per cent to 67 per cent were observed between the estimated and actual income and expenditure for the year under review, thus observing that the budget had not been made use of as an effective instrument of management control.

Management Comment

Management not commented

Recommendation

The budget should be made use of as an effective instrument of management control.

4.4 Tabling of Annual Report**Audit Observation**

According to section 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Annual Report of the Corporation should be tabled in Parliament within 150 days after closing of the financial year. However, the Annual report of the year 2016 had not been tabled at Parliament even up to 31 August 2019.

Management Comment

Management not commented

Recommendation

Action should be taken according to the Circular instructions.

4.5 Sustainable Development Goals

Audit Observation

Every Government entity should take action in accordance with the Circular No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the “2030 Agenda of the United Nations” on Sustainable Development. Nevertheless, as the Corporation not aware about how to act in respect of the functions coming under the scope of the Corporation relating to the year under review, Sustainable Development Goals, targetes and manner how to reach those targets and the indicators to measure the targets had not been identified.

Management Comment

Out of the sustainable development goals which had been issued by the Ministry of Sustainable Development and Wildlife, the functions come under the scope of the Corporation had been identified and plans had been prepared to implement the functions in a coming few months period.

Recommendation

Every actions should be taken to identify the sustainable Development Goals and whereas steps to be taken to achieve the planned Goals.