Central Engineering Services (Private) Limited - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Central Engineering Services (Private) Limited ("Company") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. 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 Company as at 31 December 2019, 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 (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 Company'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 Company'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 Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company 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 (SLFRS/LKAS)

Reference to the Standard	Management Comment	Recommendation
(a) LKAS 2 - Inventory: It was not possible to observe the physical inventories counting at the end of the year and even not satisfied alternative methods to verify the availability of inventory held as at 31 December 2019 valued at Rs. 727,114,715 due to absence of proper stock verification reports or any independent confirmations.	Annual stock verification is a well-planned process which follows strict guidelines issued at the beginning. It is handling by independent team which appointed by the Chairman. To ensure the independence, any employee of a same base cannot appoint to the verification team of the same base. Unserviceable items are identified at the verification and after the end of verification process that items are forward to an annual auction. Hence, at every year unserviceable items are written off from the system after that auction process. We are following this standard procedure since beginning of the company. At the next time hopes to inform the government auditors to oversee the verification process.	Physical inventories counting should be carried out at the end of each reporting period as per the provisions in LKAS 2 and the physically verified inventory values should be brought to the financial statements after making proper adjustment for the unserviceable and other stock items.
(b) LKAS 16 – Property, Plant and Equipment: Fully depreciated assets	As per Standard, we are applying cost model for initial and subsequent recognition of property, plant &	The Company should reassess the useful economic lifetime of

approximately costing Rs.639,329,113 are being continuously used by the Company without reassessing the useful economic lifetime of those assets as per the provisions in paragraph 51 of the Standard and rectifying the estimation error and showing the accurate carrying value in the financial statements as per the LKAS 8.	equipment. Therefore, revaluation model is not applying by the company and record at cost. However, as per the LKAS 16 we have disclosed the details of fully depreciated assets held at 31st December 2019.	fully depreciated assets as per the provisions in LKAS 16 and estimation error should be rectified as per the LKAS 8.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
The value of Rs. 110,084,729 shown under trade debtors consists of an amount receivable from the Central Engineering Consultancy Bureau ("the Bureau") However, it had not been shown as payable to the Company in the financial statements of the Bureau. In addition to that, as per the financial statements Company debtor balance amounting to Rs. 513,455,828 are shown as receivables from the Bureau. However, as per the financial statements of the Bureau it was shown as Rs. 382,181,782 as at the end of the reporting period. Hence, there was an unexplained difference of Rs. 131,274,046 between those two balances.	Some amounts payable to the Company have not been recorded by the Bureau as creditors by oversight and some other balances are available under different object codes. These will be corrected in 2020.	Action should be taken to reconcile the balances.

1.5.3 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
Lease agreement entered into between the Company and Urban Development Authority with regard to the value of leasehold property amounting to Rs.15,175,926 shown in the financial statements for the year under review had not been presented for audit. Hence, it was unable to ascertain the accuracy of the lease property in audit.	Please note there is a delay from Urban Development Authority to issue the Lease Agreement. We have fulfilled all the payments and requirements requested by UDA and already sent reminder letters on dated 16th January 2020 and 24th July 2020.	The lease agreement or any other documentary evidence should be made available for audit to ascertain the value and ownership of the leasehold property.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	Out of debtor balances aggregating to Rs.4,151,195,129 as at 31 December 2019, debtors amounting to Rs.363,966,179 were outstanding over 03 years and out of that debtors amounts aggregating to Rs.110,359,922 had remained outstanding over 05 years without being recovered. In the meantime, debtor aggregating to Rs.405,740,472 which relates to completed projects had not been recovered even up to 31 December 2019.	Some amounts receivables have not properly communicated for the settlement. We will take necessary action to obtain due amounts from client within this financial year. Further, some projects are discontinued by client and these balances created based on revenue recognition. However, these balances are not certified and client has not provided any conformation regarding of settlement of these outstanding balances.	Action should be taken to recover the outstanding balances without delay.
(b)	As per the age analysis furnished to audit, receivables such as retention receivable, mobilization advances paid, refundable deposits, other advances and prepayments etc.	Mainly, our clients are government Ministries, Departments and other State-Owned Enterprises. Balances pertaining to long outstanding debtors such as Retention will	Action should be taken to recover the outstanding balances without delay.

aggregating to Rs.296,863,647 and Rs.154,860,693 are outstanding over 03 years and 05 years respectively as at 31 December 2019. Nevertheless, the responsible officers of the Company had not taken actions to recover these long outstanding balances. Further, no provision for impairment had also been made on these long outstanding balances for the year under review.	be released by client with debtor settlements. However, we are in the process scrutinizing of long outstanding retention receivables and action will be taken accordingly.	

1.6.2 Payables

	Audit Issue	Management Comment	Recommendation
(a)	Mobilization advances received amounting to Rs.22,183,953 and Rs.77,147,582 with regard to fully completed projects and more than 90 per cent completed projects respectively of the 07 Base offices had remained in the accounts as at 31 December 2019 without being settled. Further, no fruitful actions had been taken in this regard to settle or treat as income of the Company.	The reason for this unsettled mobilization balances payable for fully completed projects is that the final bills have not been recognized or certified by the STC. Once they certified, the mobilizations advance balances will be settled.	Actions should to be taken to settle the all possible long outstanding mobilization advances without delay and to treat others as income
(b)	Creditors and retention payables as at 31 December 2019 were amounting to Rs.2,591,988,113 and Rs.569,162,641 respectively. Out of those balances, sums aggregating Rs.185,990,335 and Rs.40,617,741 had remained unsettled over 03 years and 05 years respectively.	More than 90% of the creditors and retentions are comprised of amounts payables on behalf construction projects received from Central Engineering Consulting Bureau (the mother company). Meantime, the above-mentioned creditors & retentions will only be settled once debtors & retention are recovered from Central Engineering Consultancy Bureau	Action should be taken to settle all possible long outstanding creditors balances without delay and to treat others as income.

1.6.3 Advances

Audit Issue	Management Comment	Recommendation
The advances (sub-imprests) obtained should be settled immediately after the completion of the purposes for which it was granted. However, purchase advances aggregating to Rs. 93,263,606 given to various parties by the Base Offices of the Company during year under review and in previous years had not been settled even as at 15 August 2020. Meanwhile advances aggregating to Rs.1,847,631 and Rs.1,266,401 had remained without been settled over 03 years and 05 years respectively as at the end of the year under review.	Invoices and GRNs details not submitted by officers for advance settlement. However, immediate actions executed to settle the said advances before 2020.	Action should be taken to get settled the advances without delay.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.			
	(i) Paragraph 4.2.5	Age analysis of stocks by identifying slow moving and obsolete stocks had not been reviewed by the Board on a monthly basis.	It is very rear to have slow moving or obsolete items due to BOQ based procurement. If there is any it can be identified through annual stock verification and necessary actions are taking with necessary approval.	Should be adhered to the Circular provisions.
	(ii) Paragraph 8.8	Approval of the Board should be obtained for	We have submitted new delegation of authority for	Delegation of authority should

		the delegation of authority, including limits of expenditure and no expenditure should be authorized, incurred or paid outside of the limits of such delegation of authority. Further, such delegation of authority should be updated and approved by the Board at the beginning of each year. However, such practices have not been implemented by the Company for the year under review.	2020 to the Board. It has approved and it is effective from 01st August 2020.	be updated and approved by the Board at the beginning of each year.
(b)	Guideline 4.2 of the Government Procurement Guidelines 2006	The Company had failed to prepare a Master Procurement Plan and Procurement Time Schedule for the procurement activities by envisaging at least for a period of three years by including the procurement activities for the year under review in detail.	We have prepared Master Procurement plan for property, plant & equipment. It is not practical to prepare master procurement plan for all the items due to nature of the business.	Company should comply with the prevailing Government Procurement Guidelines.
(c)	Section 03 of the Public Administration Circular No.30/2016 of 29 December 2016.	The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 Km or after carrying out a major repaired to the engine whichever occurs first. However, this procedure had not been carried out in respect of 89 vehicles of the Company.	We have circulated the instructions to the staff & comply with the provisions of the said circular in this regard	The consumption of fuel must be tested periodically as per the provisions in said Circular in order to ensure the economical use of fuel consumption.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the operating results of the Company for the year under review amounted to a pre-tax net profit of Rs.206.85 million and the corresponding pre-tax net profit in the preceding year amounted to Rs.173.09 million. Therefore, an improvement of Rs.33.76 million of the financial results was observed. Increase of finance income and miscellaneous income by Rs. 41.56 million and Rs.32.80 million respectively was the main reason attributed for this improvement in the financial results.

2.2 Trend Analysis of Major Income and Expenditure Items.

Description	For the year ended 31 December 2019	For the year ended 31 December 2018	Variance {Favorable/ (Adverse)}	Percentage
	Rs. Mn.	Rs. Mn.	Rs. Mn.	(%)
Construction Revenue	10,474.7	11,189.1	(714.3)	6
Hiring Income	38.2	58.2	(19.9)	34
Miscellaneous Income	60.2	27.4	32.8	119
Finance Income	191.7	150.1	41.5	27
Depreciation	155.6	165.6	10.0	6
Salaries & Wages and Employee Benefit	240.7	211.5	(29.1)	13
Over Time, Incentive, and Other Allowance	81.1	59.4	(21.6)	36
Finance Cost	40.4	44.2	3.8	8

The attention of the management to be paid to control the un-necessary controllable operating expenditure such as overtime and holiday pay etc. while increasing main revenue source of construction income.

2.3 Ratio Analysis

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

Ratios	2019	2018
Profitability Ratios		
Gross Profit Ratio (GP) (%)	7.05	7.03
Operating Profit Ratio (%)	0.53	0.60
Return on Assets (ROA) (%)	1.63	1.37

Liquidity Ratios		
Current Assets Ratio (Number of times)	1:1.2	1:1.5
Quick Assets Ratio (Number of times)	1:1.1	1:1.0

The following observations are made in this regard.

(a) The Company had earned a pre-tax net profit of Rs.206 million during the year under review by utilizing its total assets base of Rs. 12,681 million. Hence, the average rate of return on total assets was only 1.5 per cent during last three years, thus indicating that the return on total assets was far below as compared with generally accepted ratio in the construction industry.

(b) Although it was expected to maintain the net profit margin at a rate of 2.18 per cent in the year under review, the Company has unable to achieve it.

3. Operating Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Projects conducted with significant losses According to the information provided for audit, the Company has sustained a gross loss of Rs.722,817,538 from 152 completed construction projects during the year under review as compared with the previous year loss amounting to Rs. 724,162,239 due to inefficiencies in bidding procedures and implementation of those project works by ten Base Offices of the Company. In addition to that, a further loss of Rs.196,680,925 was reported from 21 ongoing projects in the year under review. Details are shown below. **(a) Projects completed with significant loss**	Those projects were delayed due to adverse weather condition, shortage of construction materials, design changers and other simultaneous delays occurred during the construction period. But Price escalation amount did not approve by the clients. Due to those reasons' losses were occurred on projects.	The Company should take effective measures to mitigate the losses of construction projects.

Name of the Base Office	**Number of Projects**	**Contract Amount**	**Cumulative Cost**	**Project Loss**
		Rs.Mn.	**Rs.Mn.**	**Rs.Mn.**
South East	06	414.6	460.5	45.9
WP2	08	125.1	138.7	13.6

WP1	04	85.9	92.0	6.2
Central	06	317.6	339.7	22.2
North	01	367.4	397.1	29.7
Sabaragamuwa	01	26.7	28.5	1.8
South	15	1,466.0	1,635.3	169.2
Uva	2	46.8	55.4	8.6
North Central	72	2,524.6	2,840.0	315.3
MKDP	35	1,344.5	1,454.8	110.3
	152	**6,719.2**	**7,442.0**	**722.8**

Out of the above 152 complete projects, 43 per cent of the completed projects were belonged to the North Central (Anuradapura) Base of the Company and those projects represent a total loss of Rs.315 million as at the end of the year under review when compared with the previous year loss amounting to Rs.255 million.

(b) Ongoing Projects with Loss

Name of the Base Office	**Number of Projects**	**Contract Amount**	**Cumulative Cost**	**Project Loss**	**Stage of Completion**
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		Rs. Mn.	**Rs. Mn.**	**Rs. Mn.**	**%**
South East	03	201.3	214.7	13.4	96
WP2	04	1,366.9	1,465.8	98.6	99
Central	09	239.8	286.6	46.8	98
Sabaragamuwa	02	423.7	458.8	35.1	98
Uva	01	36.7	36.8	0.1	89
North Central	02	10.6	13.0	2.3	99
Total	**21**	**2,279.0**	**2,475.7**	**196.7**	

Out of the above loss-making ongoing projects, 04 projects are being carried out by the Western Province Base 2 (WP2) of the Company with a total loss of Rs.98 million as at 31 December 2019.

Those projects were delayed due to adverse weather condition, shortage of construction materials, design changers and other simultaneous delays occurred during the construction period. But Price escalation amount did not approve by the clients. Due to those reasons' losses were occurred on projects.

The Company should take effective measures to mitigate the losses of construction projects.

3.2 Operational Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The Company had earned an interest income of Rs.191,743,215 during the year under review from its short-term investments of Rs. 1,759,981,590 as at 31 December 2019 which is not main business activity of the Companyand this represent 93 per cent of the pre-tax net profit of the year under review.	The company is taking actions to improve operating performance but due to some adverse conditions affects to the construction industry such as inflation, Tax increases etc. our operating results were diminishing. Sametime material cost also increased due to this. It also severely affects to the operating performance of the company.	The Management of the Company should pay attention to utilize the financial, human and other physical resources efficiently in order to enhance the operating income of the Company.
(b)	A loss of Rs. 11,443,725 was sustained by the Badulla Base Office of the Company under manufacturing and sales of Asphalt during the year under review.	To cover up the overhead component of the plant we had to work minimum of Rs. 5 million worth of works. But we couldn't achieve that target due to not receive permit from Department of Forest, Geological Survey and Mines Bureau and Environmental Authority. Even though we received permits on April we couldn't carry out quarry activities due to April terrorist attack as explosives not issued. This problem effects another 5 months production of plant. Therefore, only few months we had to carry out plant operation.	The Management of the Company should pay attention to utilize the available resources efficiently in order to mitigate the financial loss of the Asphalt Plant.

3.3 Items of Contentious Nature

	Audit Issue	Management Comment	Recommendation
(a)	Once the projects work undertaken by the Company are completed, there should not be a due from customers or due to customers. However, the balances of Rs.106,719,232 and Rs.65,850,320 relating to 39 completed projects were shown as due from customers and due to customers respectively without take proper actions to clear these account balances.	Though shown in revenue sheet as projects 100% completed, there may be final bill certification issue, extra work certification issue, mob recovery issue like wise. Therefore, we can't assure that 100% completed projects must have shown zero due from or due to balance.	Action should be taken to clear the long outstanding balances with regard to completed projects without delay and to make proper adjustments in the accounts.
(b)	According to the statement of financial position of the Company, an amount of Rs.1,600,196,675 had been shown as due to related companies under non-current liabilities as at 31 December 2019 while an amount Rs.1,588,871,721 had been shown as at31 December 2018 and this balance had gradually increased from year to year without being settled. Further, out of that a sum of Rs. 722,491,190 or 45 per cent was remained unchanged for over 05 years.	Currently we are in the process of reviewing long outstanding balances and proposal for settlement plan will be negotiated with CECB (Mother Company).	A settlement procedure should be introduced by the management without further delay to settle the dues to CECB.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
In the absence of a centralized procurement method, the Base Offices of the Company had procured the construction materials, such as cement, sand, steel, bricks, paints etc. during the year under review aggregating to Rs. 4,306,101,476 at various rates from several suppliers in time to time	Centralized procurement is not practical in many incidents in organizations like CESL because of the rigid procurement procedures and financial difficulties. Due to long debtor settlement period, it is difficult to purchase material in advance and invest money on bulk purchases.	The Management of the Company should take effective measures to enhance the economy and efficiency of procurement process in order to obtain best services and supplies for the Company.

	without being procured on bulk basis by selecting proper suppliers after determining the entire requirement for the period in consultation with relevant authorities in an economical and efficient manner.	But we have taken some action to procure Cement in bulk. At present the said proposal has been submitted to the Board.	

3.5 Human Resources Management

	Audit Issue	Management Comment	Recommendation
(a)	Without an approved Scheme of Recruitments and Promotions, 792 officers had recruited for various posts under fixed, fixed term contract, job contract and assignment basis by the Company as at 30 June 2020 while 71 officers for 06 posts had also been promoted without an approved Scheme of Recruitments and Promotions.	Since there was no SOR at the inception, Board of Directors has granted approval to follow the SOR of the CECB until a separate SOR for CESL ratified. CESL has been following the CECB SOR for all recruitments and promotions to fulfil the cadre requirements. However, at present a SOR intrinsic to CESL has prepared and approved by Board of Directors.	The Company should have a properly approved Scheme of Recruitments and Promotions for all level of the approved cadre to ensure the transparency in human resources management.
(b)	In addition to the above recruitments, the Company had obtained 185 and 180 employees from the CECB as at 31 December 2019 and 31 December 2018 respectively without the concurrence of the Department of Management Services. Meanwhile, the CECB has reported to audit that they have released 167 and 209 employees to the Company as at that dates. Hence, there were significant difference between those two figures and the reasons for this significant difference was not explained to audit	As guided by you, we had a discussion with CECB official to find out reasons for such differences. Under mentioned reasons are revealed for such differences; - Duplicated figures in both the Company and CECB. - Omitting of some figures by both parties.	The Company should take actions to update its approved cadre by including the actual staff obtained from the CECB after consultation with the Department of Management Services.

(c)	Further, the Company had recruited 62 excess employees for 10 posts such as Engineer-Electrical, Accountant, Legal Officer, Analyst Programmer, Technical Assistant, Network Technician, Works in Charge, Charge Hand, Tractor Driver and Operator etc. However, the information of this excess cadre had not been remitted to the Department of Management Services as requested by Management Services Circular No. 03/2018 of 18 July 2018.	Provisions for increasement of above post in the cadre is incorporated in the new cadre proposal. There are relevant board approvals.	The Company should take actions to update its approved cadre by including the actual staff after consultation with the Department of Management Services.
(d)	Staff allowances such as retaining allowance and medical allowance aggregating to Rs.100.43 million had been paid to the staff of the Company during the year under review on the approval of the Board of Directors contrary to Section 9.7 of the Department of Public Enterprises Circular No. PED/12 of 02 June 2003.	In view of retaining Professionals, the Retaining Allowance was introduced with necessary Board approvals. Construction works are hazardous by nature and accidents are frequent and often severe. In opinion of taking care of staff in their health-related needs the Medical payment Scheme was introduced with Director Board Approval.	The approval of the Department of Public Enterprises should be obtained before payment of any special allowances to staff of the Company.
(e)	An attendance base incentive at a rate of 25 per cent on the basic salary had been paid to the staff of the Company since year 2014 without an approved scheme of recruitment and promotion. Further, a sum of Rs. 83.68 million had been paid as incentive in the year under review."	An attendance-based incentive scheme has introduced in the Company as a proactive approach to encourage good attendance. It also motivates employees to retain in the company which indirectly reduce cost of recruitment and training.	The approval of the Department of Public Enterprises should be obtained before payment of allowances to staff of the Company.

3.6 Management of Vehicle Fleet

Audit Issue	Management Comment	Recommendation
According to the information provided for audit 15 vehicles had met with accidents in 07 instances during the year 2019 and the details	When an accident was reported to the Company, the Mechanical Engineer pays special attention on the incident and do the necessary actions. The	The preliminary report should be sent immediately if a delay of more than 7 days is

of expenditure incurred for repair of those vehicles had not been presented for audit. Further, no insurance claim had been received with regard to 09 accidents and inquiries on these accidents had not been instituted to ascertain losses and causes and the persons responsible for the losses. Meanwhile, preliminary reports and final reports with regard to investigation of vehicle accidents had not been submitted to Auditor General.	incident and the damage are documented in the log book of the particular vehicle. Subsequently insurance is claimed about the accident thereby claims are following up closely & repair the vehicle. As a result, all the claims recovered from the insurance thereby The Company mitigate the financial loss of these accidents.	envisaged for making a full report. After inquiry, the full report should be submitted to the Auditor General within 3 months from the date of accident/loss.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
According to Action Plan and the Progress Report submitted by the Company for the year 2019, sixty-three targeted activities belong to six goals were not full achieved. While, another fifteen targeted activities set out under above six goals were shown only the progress ranging between from 01 per cent to 50 per cent as at that date.	No Comments.	The management should take actions to achieve the targets which set out in Action Plan by assigning the responsibilities to the respective officers.

4.2 Budgetary Control

Audit Issue	Management Comment	Recommendation
Significant variances ranging from 4 per cent to 205 per cent were observed between the budgeted and actual figures, thus indicating that the budget had not been used as an effective management tool.	It is obvious; anyone cannot predict the next year construction revenue exactly. Main reason is that lack of information regarding upcoming tenders. All other expenditure predicted based on that forecasted revenue. Hence when expected revenue vary all the other direct and overhead expenditure may vary.	Proper actions should be taken to use the budget as an effective management tool.