

Construction Industry Development Authority - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Construction Industry Development Authority for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it 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 scepticism 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 Authority'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 Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority ;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to the provisions of Section 15 of Sri Lanka Public Sector Accounting Standard No. 09, the closing stock should be valued at the lower of cost or net realizable value, although a closing stock counting schedule of Rs. 155.83 million was not submitted to the audit, so the accuracy of that stock value could not be verified. Further instructions given in the Committee on Public Enterprises (COPE) meeting held on 06 August 2012 to separate training tools, spare parts and dispose of unused items, non-moving and slow-moving items by a committee, the Authority had not acted accordingly even by 10 May 2023. Hence, the audit had not satisfied the accuracy of the stock included in the financial statements as at 31 December 2022.	The fixed asset revaluation process is expected to be completed on 30 September 2023, and immediately after the completion of the process, the stock balance assessment process is expected to be started and the related adjustments are expected to be made through the Financial Statements of 31 December 2023. According to the recommendations given in the COPE meeting, the Director General has been informed to appoint a committee to separate training materials such as spare parts and tools from the main stocks and reassess those items annually, and this task will be carried out immediately after the appointment of a committee.	The stock values should be calculated according to Sri Lanka Public Sector Accounting Standard No. 09 and should act according to the instructions given in the Committee on Public Enterprises.

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| <p>(b) According to paragraph 65 of the Sri Lanka Public Sector Accounting Standard No. 07 - Property, Plant and Equipment, the residual value and useful life of an asset should be reviewed at least once in every year and if the expected values differ from previous estimates, correct the estimation error in accordance with Sri Lanka Public Sector Accounting Standard No. 03- Accounting policies Changes in accounting estimates and errors. However, no such review had been done in respect of property, plant and equipment amounting to Rs. 683.7 million included in the financial statements as of 31 December 2022. Further, fixed assets including furniture and office equipment, tools and communication equipment costing Rs.101.83 million were fully depreciated and continued to be used. The effective life and fair value of those assets had not been adjusted according to Public Sector Accounting Standards No. 7 and 3.</p> | <p>The Authority has done the initial work related to the revaluation of fixed assets in the year 2022. At the end of the fixed asset revaluation process, arrangements are made to follow the provisions of the standard.</p> | <p>The useful economic life of the fully depreciated assets should be assessed annually without further delay after the relevant disclosures and accounting procedures should be made.</p> |
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1.5.2 Unauthorized Transactions

Description of unauthorized transaction	Management Comment	Recommendation
<p>There was a hostel with 08 rooms for the residential facilities of the students undergoing training at the housing planning center belonging to the Authority located in Battaramulla. As revealed during the physical audit conducted on this hostel on 20 March 2023, it was observed that on that date 05 rooms had been given to the staff of the Authority and the staff of the line ministry without proper approval and without charging fees. Meanwhile, it was observed in the audit that the electricity and water expenses have increased due to the employees doing unauthorized work such as cooking in these rooms, and since the rooms have to be repaired, additional expenses will have to be incurred for that. Furthermore, it</p>	<p>The management decided to allocate several rooms for the accommodation of the staff on the basis of charging so as not to interfere with the training activities.</p>	<p>The hostel should be utilized for the intended purpose.</p>

could not be ruled out that the opportunity to provide lecture hall facilities for training courses may be lost due to the lack of residential facilities.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Effective actions had not been taken during the year under review to recover the debtor balance of Rs.4.72 million outstanding more than 04 years.	<p>Actions are being taken to recover the outstanding balances and confirmation letters, reminders had been sent in 03 times regarding the outstanding amounts between 6-10 years.</p> <p>For this outstanding debtors fully bad debts provision have been made and there were not source documents for many of the debtors, since that it was a problematic situation to carry out the related legal proceedings, so the audit and management committee held on 14 June 2023 had received recommendations to write off the debts without source documents. Other original documents have been forwarded to the Authority's legal department to reduce the outstanding debt.</p>	Prompt legal action should be taken for recovery of debtor balances with source documents and write-off should be done only with a formal approval.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
(a) There was a balance of Rs.4.70 million in other payable balances, which had passed between 05 and 10 years, but the Authority had not taken action yet to settle the balance or take appropriate measures.	Action will be taken in this regard, based on the recommendations of the Audit and Management Committee and the decisions of the Board of Directors.	Actions should be taken to find out about this and to settle the balances to be paid specifically and identify other balances to the income of the Authority.

- (b) The land on which the construction equipment training center located in Pelawatta, Battaramulla, run by the Authority is a land belonging to the Urban Development Authority, and the cost of the buildings constructed by the Authority was Rs. 306.15 million as at 31 December 2022. In 2019, the Urban Development Authority had asked to pay Rs. 54.9 million and a late fee of 07 percent to enter into a formal lease agreement regarding this land, but the Authority had sent a letter of request to the secretary of line ministry to get relief regarding the interest and an agreement was not reached until 31 December 2022. Also, no provisions were made in the financial statements for the lease due from the year 2019.
- An accounting provision was not made for the amount of Rs. 54.9 million in the year 2022 because our Authority did not have a legal agreement in this regard on that date. The only written confirmation for this is the letter sent by the Urban Development Authority.
- Urgent attention of the Authority should be given to this matter and accordingly relevant disclosures and adjustments should be made in the final accounts as appropriate.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a) Financial Regulation of the Government of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 571 (2)	Although the payable deposits that have expired for 02 years should be settled or credited to the income of the Authority, the amount of Rs. 2.20 million retained during the period from the year 2000 to 2019 had not been settled even during the year under review.	This will be discussed in the Audit and Management Committee and on the approval of the Board of Directors; deposits that have exceeded 02 years will be recognized as income.	Deposits of more than two years should be credited to income as per the provisions of the Financial Regulations.
(ii) Financial Regulation	Shortages and excesses indicated in the board of	Actions will be taken in this regard after the	After the completion of the board of survey,

756	survey reports for the years 2020 and 2021 had not been rectified until 15 June 2023.	revaluation of fixed assets and calculation of stock balance is completed.	Shortages and excesses mentioned in the reports should be identified and necessary action should be taken.
b) Paragraph 06 of the Ministry of Finance, Economic and Policy Development Circular No PED/01/2020 dated 27 January 2020	A citizen's charter should be prepared and displayed to the public/customers in the office premises and websites, including the charges and time for each service. However, as at 15 June 2023, the Authority had not been complied as per this circular.	Necessary actions will be made to display the Citizen Charter within the month of July 2023.	The Citizen Charter must be prepared and displayed in order to enhance public accountability and governance of the Authority.
c) Public Enterprise Circular No 1/2015 dated 25 May 2015	06 officials exceeded the approved fuel limit and used 12,789 liters of fuel between 2019 and 2021. Accordingly, the overspent value of Rs. 1.6 million has not been recovered so far.	The vehicles assigned to the directors have exceeded the approved fuel limits since the assignment of those vehicles was not done in accordance with the State Enterprise Circular No. 01/2015 and the vehicles were used for the needs of the Authority's reserve duties. And currently, the relevant circular is being implemented and arrangements are being made to recover the excess money given.	Fuel should be given without exceeding fuel limits mentioned in the relevant circular and arrangements should be made to recover excess use.
d) Comptroller General's Circular No. 10/2022 dated 09 September 2022 and Asset Management Circular No. 05/2020 dated 02 October 2020.	Although the vehicles that are not in running condition and not suitable for repair and use should be disposed even though a jeep and a car costing Rs. 3.825 million had not been disposed.	A committee has been appointed to dispose of these two vehicles. These tasks are scheduled to be completed in this year.	The Authority must dispose of unusable vehicles as per the circular.

1.8 Cash Management

Audit Issue	Management Comment	Recommendation
A sum of Rs. 307 million had been kept idle in the current account number 0077454975 maintained by Bank of Ceylon Torrington branch in head office for over 5 years. Due to this, it was observed that the authority had lost an interest income of approximately Rs.149 million when calculated on the basis of the average interest rate.	Necessary actions are being carried out to promptly utilize the remaining treasury allocations to fulfill the desired objectives of the respective projects. The approval of the board of directors has been obtained for using this short-term surplus money in a short-term investment and as soon as other approvals are received, it will be invested.	Surplus money should be used immediately for the relevant works. If the related activities take some time, the money should be used to earn income by making short-term investments subject to proper approvals.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.43,145,508 and in contrast surplus in the preceding year amounted to Rs. 38,129,480. Therefore a deterioration amounting to Rs. 81,274,988 of the financial result was observed. The reason for the deterioration was decrease the main income of the Authority due to the downturn in the construction industry and economic crisis in the country.

2.2 Trend Analysis of major Income and Expenditure items

Description	2022 (Rs.)	2021 (Rs.)	Deference Favorable/(Unfa vorable) (Rs.)	Deference (%)
Income				
Registration Income	139,858,225	191,818,197	(51,959,972)	(27.1)
Income from training course	25,162,899	13,431,917	11,730,982	87.3
Hiring of machinery	1,058,460	4,682,725	(3,624,265)	(77.4)
Registration of foreign contractors	4,951	13,965,105	(13,960,154)	(99.9)
Sales of Publications	3,738,821	5,705,653	(1,966,832)	(34.5)
Seminar fees	5,729,100	-	5,729,100	100
Interest from fixed deposits	15,069,798	3,938,014	11,131,784	282.7
Hiring income from auditorium and lecture halls	6,483,941	1,741,792	4,742,149	272

NVQ Training courses	12,233,000	454,000	(11,779,000)	2,594
Expenses				
Attendance allowance	6,879,314	9,000,334	2,121,020	23.6
Monthly allowance	13,546,146	-	(13,546,146)	100
Other allowance	4,157,224	6,287,630	2,130,406	33.9
Fuel allowance	3,227,366	776,160	(2,451,206)	(315.8)
Bonus payments	5,770,144	3,106,332	(2,663,812)	(86)
Office equipment maintenance	3,720,280	1,830,354	(1,889,926)	(103.2)
Vehicle maintenance	4,033,805	2,569,639	(1,464,166)	(56.9)
Maintenance of machinery	165,780	2,166,894	2,001,114	1207.1

Following observations are made in this regard.

- Due to the bad economic situation in the country, the main income of the Authority had decreased during the year under review as follows, the contractor's registration income by 27 percent, hiring of machinery income by 77 percent and publication income by 35 percent.
- Further, income from training courses increased by 87 percent and interest income increased by 282 percent.
- The significant increase in Monthly allowances, fuel allowances, bonus payments and maintenance expenses included in the operating expenses of the Authority had caused the increase in the financial loss of the year.

2.3 Ratio Analysis

Ratio	Year	
	2022	2021
Current ratio	2.75:1	2.37:1
Quick ratio	2.11:1	1.92:1
Return on assets (percent)	(3.17)	2.47

Following observations are made in this regard.

- During the year under review, the current ratio and quick ratio had increased. Due to the bad economic situation in the country, the profit contribution had decreased due to the decrease in income and increase in expenses of the Authority.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
<p>According to a board paper presented by the former chairman of the Authority, the director (human resources) of the Authority had been sent on compulsory leave effective from 20 September 2022. An amount of Rs. 0.19 million was paid to a preliminary investigation officer on 20 January 2023 through voucher number PC 123010090 for the related disciplinary investigation, contrary to the circular number 18/2018 dated 31 July 2018 issued by the Ministry of Public Administration. About 421 kilometers of transportation facilities were provided by vehicles owned by the Authority for the transportation needs of this investigating officer. Nevertheless, according to the Director General's letter dated 08 June 2023, with the approval of the Board of Directors, it was decided to cancel the charge sheet and terminate the disciplinary proceedings and give all the allowances and benefits that the officer was deprived of for the time he was on compulsory leave. It was observed during the audit that the Authority had incurred a loss of around 8 lakh rupees.</p>	<p>The preliminary investigation officer was appointed and after he provided the preliminary investigation report and the charge sheet, the relevant payments were made. However, the approval of the Ministry Secretary was not obtained before the payment of Rs.0.19 million for the preliminary inspection cost as mentioned under this point.</p>	<p>Actions should be taken to recover this loss from the responsible parties.</p>

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>03 scrap vehicles owned by the Authority had been sold for Rs. 5.78 million and 03 vehicles had obtained under the finance lease method in the year 2019. According to the Public Finance Circular No. 2/2015 dated 10 July 2015, the amount of Rs. 5.78 million, which was the sales recovery, should be remitted to the Treasury, but the Authority had not remitted this amount to the Treasury even by 30 June 2023.</p>	<p>According to this circular, the amount of Rs. 5.78 million will be remitted to the Treasury soon after getting the necessary approval.</p>	<p>As per the circular, the sale proceeds should be remitted to the Treasury.</p>

3.3 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
a) During the year 2019 and 2020, an amount of Rs.35.7 million was provided by the Treasury for the issuance of craft ID cards to craftsmen engaged in the construction industry. Out of this, an amount of Rs.11.3 million had been given to the Information and Communication Technology Institute (ICTA) in 2019 for the implementation of this project. But due to the suspension of the project by the Authority, Rs.9.6 million had been recovered from the amount paid to the Institute of Information and Communication Technology. Details had been presented for the remaining Rs. 1.7 million was spent on various tasks related to the development of this system. Accordingly, the amount had become an idle expense. However, the Authority had been awarded a contract of Rs.3.35 million to Sri Lanka Telecom on 11 March 2022 to obtain consultancy services to develop an information technology system as required. The entire project proposal indicating the date to start and the time to complete these works was not submitted to the audit.	Advance of Rs.1.70 million had been settled up to now further supporting documents for the settlement of advance are attached herewith. An agreement with Sri Lanka Telecom for providing craftsmen ID cards also attached herewith.	Information technology system development project should be completed with good supervision in order to accomplish the desired task.
b) A total of Rs.7.30 million had been given to the Authority in the years 2020 and 2021 for the development of the infrastructure of the Galkulama Operator Training School. However, by the date of audit, 15 June 2023, the intended work had not been completed and the money remained idle.	According to the Public Enterprise Circular 04/2022 of the year 2022, uncommitted purchases and projects were not implemented and necessary plans and initiated actions were continued to be completed. Accordingly, the remaining Rs.7.3 million will be completed promptly with the planned actions.	Funds received should be utilized and done upon to accomplish the purposed work promptly.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
Nearly 400 square feet of space in the housing planning center building was identified for rent out in 2022. But the building had not been rent out and remained idle.	The space of nearly 400 square feet on the upper floor will be used to test the skills of the builders and give them a license in the field of construction.	Action should be taken to generate income by using the existing idle resources.

3.5 Procurement Management

Audit Issue	Management Comment	Recommendation
According to the Ministry of Finance and Economic Policy Development Circular No. 08/2019 dated 17 December 2019, instructions have been given to register in the government's electronic procurement system for the procurement activities before 31 January 2020. The Authority had not registered in this system up to now.	It is expected to be implemented from this year.	Procurement should be done through this system as per the relevant circular.

3.6 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
a) The Authority had been built buildings amounting of Rs.34.73 million without acquiring the land belongs to the government at Galkulama, where the Operator Training School is conducting. Further, the building value of the circuit bungalow at Kataragama and ownership of the land was not included or disclosed in the financial statements.	The land where the Operator Training College is located is belongs to the government and started work with Tirappane Divisional Secretariat to get long-term right of use for it. Furthermore, Regarding the land where the Kataragama circuit bungalow is located, steps have been taken to get the right of use on the basis of long term lease.	Action should be taken to enter into proper lease agreement regarding this property.

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| <p>b) The land where the head office of the Authority is located belongs to the Tower Hall Theater Foundation and a lease agreement of Rs.6 million for 30 years had been entered into in 1986. After the termination of that lease agreement, a new lease agreement had been entered into in 2019 to use the land again for a period of 30 years from 2016. Nevertheless, entering into the agreement including the same rental value of Rs. 6 million in the year 1986 without revaluation of the rent, including unfavorable conditions such as the possibility of interim leases, negotiations had been held at the ministerial level to amend or cancel the agreement. In the last discussion held in this regard on 04 January 2023, the two parties had been decided to amend the agreement reached for the second time for a period of 30 years. A new agreement was not entered into because the Authority did not agree on the monthly rent amount of Rs.3.6 million given by the government assessor. Thus the risk to the Authority could not be excluded as regards payment of fair rent.</p> | <p>The building in which the head office of the Authority is located; used on 30-year long term lease.</p> | <p>Should be entered into a fair lease agreement with the consent of two parties.</p> |
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3.7 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>a) In 2021 and 2022, due to the presence of significant problematic situations in the human resources management of the Authority, negative matters were observed such as dismissals of officials, compulsory leaves, resignations, legal actions against the Authority, compensation payments, increase in legal expenses, etc. Accordingly, from the year 2021 to 25 May 2023 which is the date of audit, the post of Director General in 5 times, the post of Director (Human Resources and Administration) in 5 times and the post of Director (Finance) in 4 times had appointed on the basis of</p>	<p>These appointments have been made to fill the vacancies in key positions required to maintain the essential services of the authority since the government expenditure restriction circulars 03/2020 dated 26.04.2022.</p>	<p>Recruitment should be done after obtaining Treasury approval for essential posts.</p>

permanent, acting, attend to duties and covering up duties etc. These posts were changed from time to time in short intervals. Below are some related observations.

A former Director General had filed a case in the Labor Court on 05 March 2021 stating that the termination of his service was illegal, and for this the Authority had spent an amount of Rs. 0.375 million as legal expenses. According to the decision of the Labor Court, the Authority had deposited an amount of Rs.1.70 million in the Labor Court on 13 June 2022. However, the Authority appealed to the High Court, Accordingly, the former Director General had filed an appeal to the Supreme Court against the decision of the High Court as the decision of the Labor Court had been rejected. Therefore, the related legal proceedings had not yet completed.

- b) The then Director (Finance) officer of the Authority on 08 October 2021, had taken legal action against the compulsory leave and according to the judgment given by the Court of Appeal on 29 July 2022, 14 related parties were ordered to reinstate the officer with all allowances legally entitled to him and under existing working conditions without prejudice to the service period. A loss of Rs. 2.60 million was incurred by the Authority due to this reason. It had also observed that, since the Authority has submitted an appeal to the Supreme Court, further legal proceedings in this regard are ongoing.
- These appointments have been made to fill the vacancies in the position of Director Finance, which is a key position required to run the essential services of the institution.
- The Authority should manage the human resource in a way that preserves the legality.
- c) The Chairmen of the Authority had appointed two acting officers as Director General without a board approval for the period 1 ½ years from 15 February 2021 to 31 March 2022. It had been spent a sum of Rs 0.31 million as acting allowances and no arrangements had been made to obtain the
- Since the Director General is the Chief Operating Officer and Administrative Officer of the Authority it was essential to appoint officers to work in that position in administrative affairs, these officers have
- The Authority should manage the human resource legally and properly.

approval of the Board of Directors for these appointments.

been appointed on acting basis for that position.

d) An amount of Rs.0.2 million had been spent in the year 2021 for the recruitment of the Director General and Director Human Resources positions, which had been vacant for several years, but the expenditure had been idle due to non-evaluation of the applications received due to various reasons.

We accept that the relevant vacancies have not been filled as per this newspaper advertisement.

Suitable persons should be recruited evaluating the applications.

e) While a female officer was formally appointed to the post of Assistant Director (Registration and Supervisor Property Development / Raw Material Supply), another officer was appointed to the same post on covering up duty basis from 13th August 2021 to 28th July 2023 and thus two officers were working in the same post. Furthermore, a disciplinary action had been initiated against the officer who had been appointed on the basis of covering up duties, and it was observed that the appointment to covering up duties was contrary to the establishment's code. An allowance of Rs.8,862 each was paid to this officer from 13 August 2021, and accordingly, it was observed in the audit that an overpayment of Rs.0.19 million had been made by appointing a permanent post without a vacancy.

Actions are being taken to correct this appointment.

Recruitment should be done in accordance with the approved carder.

As per recruitment procedure of the Authority, the post of Assistant Director (Registration and Supervisor Property Development/Supply of Materials) was a post requiring qualification in the field of Civil/Mechanical Engineering; it is a controversial issue on appointing an officer with a post-graduate degree and a first degree in library science to covering up the duties. And another duty list was given to this officer which was not in accordance with the duty list.

- f) According to the information submitted to the audit, the legal expenses from 2020 to 2022 and as at 31 August 2023 were respectively Rs. 0.074 million, 0.10 million, 3.39 million and Rs. 5.56 million, and it was observed in the audit that this increase in expenses was mainly due to the human resource administration problems of the authority.
- A sum of Rs.325,000 had been estimated for Legal fees at the beginning of the year 2022, but since several new cases were added to the Authority during the year, legal fees expenses have increased by this amount. A revised budget for this had been submitted to the board of directors and approved.
- The attention should be focused to expenditure management through good human resource management.

4. Accountability and Good Governance

4.1 Annual Report

Audit Issue	Management Comment	Recommendation
According to Chapter 6.6 of the Operational Manual of Public Enterprise Circular No. 01/2021 dated 16 November 2021, the Authority's annual report for the year 2021 had not been tabled in Parliament so far.	The Board of Management had approved the annual report for the year 2021 and it will be sent to the line Ministry for submission to the Cabinet approval within the second week of July.	According to the circular, the annual reports should be tabled in the Parliament on due date.

4.2 Annual Action Plan

Audit Issue	Management Comment	Recommendation
In order to carry out the functions of the Authority throughout the island, 15 district coordination offices are operated under the offices of the district secretariat, provincial chief secretary engineering services and building departments. But according to the action plan for the year 2022, the tasks to be performed by those offices, the targets to be achieved, the time frames and the performance indicators were not specified. Since no progress report related to the year under review of the Authority was also submitted for audit, it was not possible to check the performance of the regional offices.	Necessary action will be taken to include the targets to be achieved, the time to be achieved and performance indicators in the action plan from the next year.	The details related to the tasks to be performed in the regional offices should be included in the action plan and the monthly progress should also be shown in accordance with the action plan.

4.3 Effectiveness of Management Information System

Audit Issue	Management Comment	Recommendation
As per paragraph 4.3(iii) of Public Enterprise Circular No. 01/2021 dated 16 November 2021, no arrangements had been made to establish a stock management system.	In the computerized accounting system currently used by the Authority, it has not been possible to fulfill many of the accounting requirements in fulfilling the accounting requirements, in the performance of limited tasks. Taking into consideration these facts, the new computerized accounting system has been focused and it is expected that this requirement will be fulfilled by a new computerized accounting system.	As per the circular formal stock management system should be established.