

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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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 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 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
<p>(a) Sri Lanka Public Sector Accounting Standards (SLPSAS) 9 – Inventories; 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 items held as at 31 December 2021 valued at Rs.149,490,346 due to the absence of independent confirmations. This amount included the values of spares & tools, unsold publications and other stationary items.</p> <p>In the meantime, the Committee on Public Enterprises (COPE) held on 06 August 2012 had instructed the officials of the Authority to take action to differentiate the training items such as spares & tools etc., from the main stocks and revalue those items yearly. However, the Authority had failed to comply with these instructions even as at 31 December 2021. Further, although it was promised at the COPE meeting to dispose the unnecessary items by identifying them by a team, the Authority had not been acted accordingly even by 31 March 2022.</p> <p>In view of the above, it was unable to express an opinion on the accuracy and the fair value of the stocks amounting to Rs.149 million shown in the</p>	<p>Authority is planning to carry out a stock verification and a Board of Survey simultaneously and will take necessary steps to identify training items from the stocks and revalue the Inventory items separately.</p> <p>Further, Authority will dispose the damaged and unusable inventory items once the stock verification process is completed.</p>	<p>Authority should be carried out physical inventories counting at the end of the each year and to take immediate action to comply with the COPE’s instructions.</p>

statement of financial position as at 31 December 2021.

- (b) Action had not been taken to reassess the useful economic life of the fully depreciated assets costing Rs. 101,113,140 which are continuously used by the Authority as per the paragraph 65 of the **Sri Lanka Public Sector Accounting Standards (SLPSAS) 7 – Property, Plant and Equipment**.

Further, the estimation error of the useful life of the above fully depreciated assets had not been rectified and made adjustments in the financial statements as per the provisions in **SLPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors**.

At present the Authority is planning to carry out a Board of Survey identifying, and categorizing assets and updating the fixed assets register. Simultaneously the assets will be valued and reassessed once the valuation is completed by the Department of Valuation.

Once the process is completed the Authority will be able to re-asses the useful life time of the fully depreciated assets of Rs. 101 million.

Action should be taken to reassess the useful economic life of the fully depreciated assets without further delay and after completing the revaluation process relevant disclosure and accounting treatment should be done.

- (c) According to the financial statements submitted for audit, an amount of Rs.154,045,468 had been invested in fixed deposits, call deposits and treasury bond by stating that those investments are withheld for the payment of Gratuity. However, these investments (including the call deposits of Rs. 50 million) had remained unchanged for more than 4 years and the interest income received on these Gratuity investments amounting to Rs. 7.5 million during the year under review had been treated as income to the Authority without being credited to the provision for gratuity payments as per the **Sri Lanka Public Sector Accounting Standards 19 - “Employee Benefit”**. As a result, the revenue for the year under review had been overstated by that amount while understating the gratuity provision by similar amount.

Payments for Gratuity were released from the Authority’s own funds, fine early withdrawals, the Authority will had losing the expected interest income.

Further, existing deposits has been forwarded to the Board of Management to reschedule investment plan and these will be rescheduled by capitalizing the interest component.

The investments should be rescheduled after analyzing the actual contingent liabilities of the Authority and proper action to be taken in respect of investment amounting to Rs. 50 million made on call deposit 04 years back.

1.5.2 Accounting Deficiencies

Audit Issue

Management Comment

Recommendation

- (a) The Authority had not properly coded its fixed assets worth Rs. 745,463,465 as at 31 December 2021 and those codes were not

The updated fixed assets register with proper coding and identification with cost and

The Authority should be coded the Property, Plant and

included to the fixed asset register as enable to correctly identify the value of Property, Plant and Equipment (PPE) shown in the financial statements and carry out the annual asset verification accordingly. It was further observed that Authority had not updated its fixed asset register in line with the values shown in the financial statements by removing disposed items and adding the newly procured items.

(b) The Urban Development Authority (UDA) has requested the Authority in the year 2019 to settle the arrears lease rental of Rs.54,890,701 with the delayed charge of 7 per cent for granting the title deed for the leasehold land located at Pelawatte, Battaramulla which the Construction Equipment Training Centre (CETRAC) of the Authority functioning in that land. However, the Authority had failed to resolve this issue even up to the date of this report and no provision or disclosures had been made to the financial statements in this regard.

(c) Sums of Rs. 10,000,000 and Rs.35,844,000 have been received during the year 2020 and 2021 respectively from the Ministry of Education in order to conduct 13 years Guaranteed Continues Education (NVQ) Training Program. Subsequently, these amounts had been recognized as income for the year 2020 and 2021 instead of being credited to a separate fund account. Out of that, a sum of Rs. 13,458,544 only was incurred as expenditure for this training program up to 31 December 2021. As a result, the retained earnings had been overstated by Rs. 32,299,656 while understanding the accounts payable as at 31 December 2021 by similar amount. Meanwhile, the progress report on the above Training Program had not been presented to audit.

location will be made available after completion of the Board of Survey.

The Authority has made a request through the Line Ministry to grant a concession on the payment dues to the UDA since the Authority does not have funds to make this payment.

Thereafter, Secretary to the Ministry of Urban Development has sent a letter on 01.02.2022 to the UDA requesting to consider to grant this concession.

The Authority's management has now realized there had been a shortfall in carrying out proper financial, monitoring and upon recognition. Remedial rectifications are in progress and it is expected that procedure will be put in place for proper accounting documentation by the end of this year.

Equipment (PPE) items before conducting the Board of Survey as enable to correctly identify the physical existence of the PPE that shown in the financial statements.

The Authority should pay its immediate attention to resolve this issue and relevant disclosures and adjustments should be done in the final accounts accordingly.

The correct and appropriate accounting entries to be made in the books of accounts in order to ensure the fair presentation of financial statements.

(d) An unexplained difference of Rs.11,470,290 was observed between the Accumulated Depreciations shown in fixed asset register and in the financial statements with regard to 5 categories of assets of Authority as at 31 December 2021. However, no action had been taken to rectify the differences by making the reconciliations.

The corrected amount of accumulated depreciation was shown on financial statement in 2021. The detail schedule was already submitted to National Audit Office. There is no accumulated depreciation difference between financial statements and fixed asset register.

A reconciliation should be submitted to audit by rectifying these differences.

(e) According to the information made available, 56 vehicles have been owned by the Authority as at 31 December 2021. Nevertheless, the cost, depreciation and accumulated depreciation with regard to 46 vehicles only had been recognized in the financial statements as at 31 December 2021. Further, the physical verification had also not been conducted during the year or in previous years to ensure the physical existence of these vehicles. Hence, the value of remaining 10 vehicles had not been identified and brought to the financial statements even for the year under review.

Certain vehicles were categorized under Machinery (eg: bowser). This was subjected to a critical evaluation and it was identified that heavy machinery was also as vehicles. The Authority's administration now has recognized the changes to be made in the format with proper clarification and this should be systematized in forthcoming Board of Survey.

All vehicles belonging to the Authority should be identified and valued after conducting the physical verification and accounted them accordingly.

1.5.3 Documentary Evidences not made available for Audit

Item	Amount	Evidence not made available	Management Comment	Recommendation
	Rs.			
i. Land	77,000	Title Deed	Such details are not available at present. However, I shall take steps to consult the organizations such as UDA which are engaged in granting title deeds of lands in order to obtain details in this regard.	

ii. Library Books	2,294,871	Verification Reports by indicating cost of each book	The details of relevant library books are not available in the fixed asset register. Action has been taken to revalue all of the Authority's fixed assets. The fixed asset register will be able to be made after the revaluation process.	The management should provide required evidence for audit in order to verify the accuracy and reliability of these balances.
iii. Receivable Stock Sales Income	16,485	Supporting Documents	Details will be forwarded in the future	
iv. Rent Income	4,547,050	Register of rent income, valuation reports and details of renters etc.	The detailed schedule has already been submitted to the National Audit Office.	The management should provide required evidence for audit in order to verify the accuracy and reliability of these balances.
v. Expenditure on Skills Development Programmes (PPP Model)	79,956,244	Relevant files, detailed plan and progress of the Program	A file is forwarded to the National Audit Office.	
vi. Fuel, Oil and Running Expenditure of Vehicles	9,815,791	Fuel consumption test reports related to the year 2021	Fuel test was not carried out since staff limitation due to Covid-19 pandemic.	
vii. Payments of Value Added Tax (VAT)	13,874,360	VAT returns and reconciliation statement for the taxable supplies and revenue which considered for output VAT computation.	The VAT returns have already been provided to the Department of Inland Revenue manually and online. The proper system has established to reconcile with VAT payment and VAT return details with effect from 01 January 2022.	The management should provide a statement by reconciling the taxable supplies and revenue which considered for output VAT computation in order to ascertain the accuracy and completeness of VAT payments.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue

The confirmations were called from 82 debtors with regard to total debtor balances aggregating Rs. 10,753,391. However, the confirmations were received only from 14 debtors to the value of Rs.3,652,559. Further, according to the age analysis furnished to audit, the debtor balances aggregating Rs. 3,787,238 were remained outstanding for more than five years as at 31 December 2021 and this amount had not been recovered even up to the date of this report. While the debtor balances aggregating Rs.1,488,531 had remained unchanged in the year 2020 and 2021. Accordingly, the audit observed that there was an uncertainty regarding the recovery of the debtor balances.

Management Comment

Actions have taken to write-off the long-term outstanding amount in the debtors' clearance account in 2021. Effective actions have taken to recover long term outstanding from sundry debtors. The balance confirmations letters and reminder letters sent to the relevant debtors in 2021. Letter of demands are being processed by legal division of the Authority.

Recommendation

Authority should take effective action to recover the outstanding debtor balances and the recoverable debtor balances only should be disclosed in the final accounts.

1.6.2 Payables

Audit Issue

According to the financial statements, the retention payable as at 31 December 2021 was Rs. 3,141,125 and out of that a sum of Rs. 2,274,459 or 72 per cent had been outstanding for more than 05 years without being settled even as at 31 May 2022.

As well, sundry creditors tattled to Rs.4,660,622 had been outstanding for more than 05 years as at 31 December 2021 and out of that Rs.687,517 had remained unsettled for over 10 years as at the reporting date. Meanwhile, these balances were remained unchanged even as at 30 April 2022.

Management Comment

We will submit the recommendations of the Audit and Management Committee (AMC) to the board and take the necessary action in the future.

Recommendation

Action should be taken to settle all possible dues without any delay and others are to be considered as income to the final accounts. As well, action should be taken to treat the retention balances remained outstanding more than two years as income.

1.6.3 Advances

Audit Issue	Management Comment	Recommendation
Sixteen advances and prepayments totaling Rs. 1,347,357 given for various purposes to the several parties had been continuously brought to the accounts for more than five years without being identified and recovered those balances.	We will submit the AMC recommendations to the board and take the necessary action in the future.	Action should be taken to get settle the advances immediately after the completion of the purposes which the advances given.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Sections 11 of the Finance Act, No. 38 of 1971	The draft annual report for the year 2021 had not been submitted to the Auditor General together with the financial statements even up to the date of this audit report.	This will be made available to you after submission to the Board	The draft annual report should be submitted together with the financial statements.
(b) Part II, Section 7(1) of the Construction Industry Development Act, No. 33 of 2014.	It is very crucial to conduct the National Advisory Council (NAC) meeting once in every 03 months in order to propose measures to address the current issues such as huge devaluation of rupee value against the US dollar, fuel shortage, huge price hikes of construction materials and shortage of materials etc. which facing by the construction industry. However, no NAC meeting had been held in the year under review or in the previous year in order to amend the national policy on construction and propose measures that are necessary for the development and sustenance of the construction industry. It was further observed that the	The 15 th Meeting of NAC was held at the Auditorium of the Line Ministry headed by Secretary to the Line Ministry, on 04.01.2022. Thereafter, the Authority has prepared the Minutes of this NAC Meetings as per the instructions of the Secretary and sent such Minutes of the NAC Meeting with the covering letter dated 04.03.2022 of Director General of Authority. Thereafter, the officials of Technical Division of the Line Ministry which is involved in organizing the NAC Meetings in coordination with Authority, has informed	National advisory council meeting should be conducted to address the current issues facing the construction industry and advise the government to take proper policy decisions in this regard.

present Authority's indices also do not reflect the actual price fluctuations of the country.

that the next NAC Meeting will be scheduled soon, having obtained a date from Secretary to the Line Ministry. This has been discussed with the secretary to the ministry and taken measures to obtain assistance to convene the meeting once in 3 months.

(c) Section 7(1) (a), (b) and (c) of the National Audit Act No. 19 of 2018

The minutes of the Board meetings held during the year under review had not been submitted to audit even they were called for twice on 11 January 2022 and 18 March 2022.

Minutes of the Board Meetings of the Authority held during the year under review (2021) could not be handed over to the Government Audit Office on due date, and they were submitted on a later date, due to an oversight. Actions will be taken to avoid future recurrence.

Minutes of the Board Meetings should be presented to audit when they were called for.

(d) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 571 (2)

Although all deposits over a period of 2 years should be credited to the Authority's income, without doing so, unidentified and lapsed deposits such as retention payable and tender deposits aggregating Rs.2,955,273 had been kept in the deposits by the Authority even as at 31 December 2021.

The Audit Management Committee has instructed to send reminders to tender deposit holders. Accordingly, reminders were sent to the tender deposit holders' and necessary action will take to settle the retention payable account.

All deposits over a period of 2 years should be credited to the Authority's income.

(ii) Financial Regulations 756, 757, 758

- Although the annual board of survey pertaining to each reporting period should

Board of Survey 2021 will be carried out by the Authority and will be

and 759 and
Public
Finance
Circular No
05/2016
dated 31
March 2016

be carried out in order to ensure the physical availability of non-current assets and store items which shown in the financial statements as at the end of each reporting period, this survey had not been carried out for the year under review and a report thereon had not been submitted to the Auditor General.

complied with the financial regulations.

Action to be taken to comply with these Financial Regulations.

- The deficiencies (shortages and excesses) pointed out in the previous years' board of survey reports had not been rectified even up to the date of this report.

Action to be taken to comply with these Financial Regulations.

- According to the board of survey report presented for audit for the previous year, it was revealed that those board of survey had not been conducted properly by using the Forms prescribed in the Financial Regulations (T.& A. 66 and General 47)

Board of Survey 2021 will be carried out by CIDA and will be complied with the financial regulations

(e) Paragraph 06 of the Ministry of Finance, Economic and Policy Development Circular No. PED/01/2020 dated 27 January 2020

The Chairman and Board of Directors should make sure that the Citizen Charters including charges, estimated time periods for each service etc. must be displayed to the public / customers in office premises and websites. However, the Authority had not complied for with this instruction even up to 31 May 2022.

The Citizens charter is currently being drafted.

The Citizen Charter must be prepared and displayed in order to enhance the public accountability and governance of the Authority.

(f) Public Enterprises
Circular No.
PED/12 of 02 June
2003 on Public
Enterprises
Guidelines for
Good Governance.

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|----------------------|--|--|---|
| (i) Paragraph 4.2.5 | Although it is required to present the inventory age analysis to the Board meeting on monthly basis for their review and discussions, the Authority is not in a position to generate an inventory aging report from their accounting system. Therefore, the Authority is facing difficulties in identifying slow moving, non-moving and obsolete items based on the inventory aging. | The inventory age analysis report will be provided to the board once the software developer (Accsoft) develops the report. | The slow moving, non-moving and obsolete stock items should be identified based on the inventory aging before preparing the financial statements. |
| (ii) Paragraph 6.5.3 | The Annual Reports of the Authority for the years 2019 and 2020 had not been tabled in Parliament even up to the date of this report. | The Cabinet had approved 2019 annual report and accelerated action had been taken to table in parliament. The Annual report of the year 2020 had been sent to State Ministry on 08 February 2022 for receiving Cabinet approval. | The annual reports should be tabled in Parliament within the specific time period. |
| (iii) Paragraph 9.14 | Even though there should be a Manual of Procedure providing rules and regulations on all matters relating to management of human resources, the Authority did not have such approved manual for the smooth and effective administration of human resources of the Authority. | Manual of Human Resources and Administration Procedures of the Authority has been approved by the BOM Meeting No. 01/2019 held on 30 January 2019. | A properly approved Manual of Procedure should be made available for the smooth and effective administration of human resources of the Authority |

(g) Assets Management Circular Nos. 01/2017 of 28 June 2017 and No. 01/2017(1) of 03 January 2020	Although the updated information of land and buildings owned, rented or leased properties should be submitted to the Comptroller General's Office on or before 15 March 2021, the Authority had not complied with this even up to 30 April 2022.	No comment	Authority should submit the required details as per the Provisions in the circular.
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1.8 Cash Management

Audit Issue	Management Comment	Recommendation
<p>An average bank balance approximately ranging from Rs. 202 million to 410 million received from the General Treasury in time to time for various purposes had been idly withheld in a current account maintained by the Head Office of the Authority in every month since the year 2018 to 2021 without being utilized for any purpose and this balance had continued to increase up to Rs.414.8 million as at the end of February 2022. The Government has sustained a financial loss approximately Rs.98.3 million by allowing the above money to remain idle in a bank current account during the period of January 2018 to December 2021.</p>	<p>The Authority's average monthly cash requirement is Rs. 31 million after deducting depreciations of Rs 7.7 million and monthly working capital requirement is Rs. 29.3 million. According to PED 56 Circular dated 27 January 2011, the Authority can retain 6 months working capital requirements. Therefore, 6 months working capital requirements of the Authority is around Rs. 175.8 million. Moreover, the Authority has not received approved treasury impresset for recurrent expenditure for the year 2022. Therefore, the Authority has utilized this balance to pay salaries up to April 2022.</p>	<p>The excess money should be remitted to the General Treasury without withheld idle in the bank current account.</p>

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 38,129,480 and the corresponding surplus in the preceding year amounted to Rs.25,998,627. Therefore, an improvement amounting to Rs.12,130,853 of the financial result was observed. The main reason for the

improvement is significant decrease in operating expenditure of the Authority i.e. Rs. 67,262,252 during the year under review as compared to the previous year.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
<p>A surcharge of Rs. 7,488,762 had been imposed by the Employees Provident Fund (EPF) due to non-payment of arrears EPF amounting to Rs.14,977,525 related to the period from 01 January 2006 to 31 May 2011. However, this payable amount of Rs. 22,466,287 had not been remitted to the EPF even as at 30 April 2022.</p>	<p>The Employees Provident Fund is carrying out the investigation and they have not sent letter of request to make the payment. Once the letter received, this will be settled.</p>	<p>Arrears amount should be settled immediately to avoid imposing further surcharges.</p>

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>A sum of Rs. 35.7 million was received from the General Treasury during the year 2019 and 2020 in order to provide the Craft Identity Card to the skill craftsmen who deploying in the construction industry. Out of which Rs. 11.3 million had been given as an advance to the Institute of Information and Communication Technology (ICTA) in 2019 for the implementation of this project. Subsequently, the ICTA had repaid a sum of Rs. 9.6 million of that advance during the year 2021 to the Authority without performing the agreed tasks and the entire money had remained idle in a bank current account even up to the end of April 2022 without being used for intended purpose. Further, the reasons for unsettled advance payment of Rs. 1.7 million which withheld with ICTA had not been provided for audit.</p>	<p>The ICTA has sent a report detailing the amount of Rs.1.67 million spent on the project out of the advance amount of Rs.11.3 million that was given to ICTA. Information about this will be forwarded for the audit.</p>	<p>Action to be taken to issue craft identity card to the skill craftsmen without further delay and the unsettled advance should be recovered from ICTA.</p>

3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>The Authority had not performed the following activities which set out in the Construction Industry Development Act, No. 33 of 2014 for the effective</p>	<p>Report has been submitted to the Board in this regard.</p>	<p>The Authority should be accelerated these activities in order to</p>

and smooth operations of the Authority even though it was elapsed more than seven (07) years after establishment of the Authority.

- Maintain a directory of importers, manufactures and suppliers of construction materials and construction components used in the construction industry;
- Register and issue of craft identity cards to the skilled workers in construction trades;
- Establish the Construction Industry Development Fund;
- Promote and facilitate locally registered contractors undertaking construction works in other countries;
- Review and monitor any material, plant and machinery requirements of the construction industry and encourage the develop and use of local products in the construction works; and
- Maintain a national data base on construction industry etc.

uplift and increase the contribution of the Construction Industry to the GDP of the Country.

3.4 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
<p>According to the available information two employees of the Authority had been released / attached to then line Ministry during the year 2002 and 2021 respectively in contrary to the provisions in Section 9.4 of the Public Enterprises Circular for Good Governance No. PED/12 of 02 June 2003. Further, the salaries and other allowances paid to this officer by the Authority up to 31 December 2021 had not been computed and reimbursed from the line Ministry even up to 30 April 2022.</p>	<p>No comment</p>	<p>The employees of the Authority should not be released to the line Ministry without the approval of the Department of Public Enterprises.</p>

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>(a) Service of the Director (Finance) of the Authority has been terminated with effect from 08 October 2021 by informing that he was involved in serious misconduct and misappropriation of public funds while</p>	<p>Those documents will not have to be disclosed outside the institution on the instructions of the Secretary to the Line Ministry as a legal case is pending in the Court against</p>	<p>The formal inquiry should be conducted for the misconduct and misappropriation of public funds committed by the</p>

servicing the Authority. However, the Auditor General had not been informed about the misconduct and misappropriation of public funds committed by this officer. Furthermore, the Chief Internal Auditor of the Authority has resigned from his post with effect from 8 April 2022. However, the Authority had not taken action to fill those vacancies up to the date of this report.

the termination of the service of the former Director (Finance).

officer and competent persons with required qualifications and experience should be recruited for these vacant post without any delay.

(b) The then Director General of the Authority had filed a legal case at the Labour Tribunal owing the termination of his service during the month of January 2021 by claiming a compensation approximate amount of Rs.1,956,538. It was observed in audit that this is an identified lost to the Authority due to improper and illegal management decision taken to terminate his service and this post too have been vacant up to 31 March 2022.

Board of Management of the Authority has indicated that they have acted according to the Manual of Human Resources and Administration of the Authority in this regard. Therefore, an opinion may be obtained from HR & Admin Division in this regard.

The Authority should resolve this issue after getting advice from the Attorney General's Department and proper action to be taken to recover the loss sustained to the Authority from the person responsible for taking the improper and illegal management decision.

3.6 Management of Vehicle fleet

Audit Issue

Four (04) vehicles of the Authority costing Rs. 6,412,500 had been allowed to perishable condition for more than 03 years at the premises of the CETRAC building belongs to the Authority without being utilized, repaired or disposed even as at 31 March 2022 as per the instructions specified in Assets Management Circular No. 05/2020 of 02 October 2020 issued by the Ministry of Finance.

Management Comment

Actions are being taken to repair the vehicle No 56-5735. The vehicle No 61-4630 has planned to send OTC, Galkulama even had been planned to dispose. Vehicle Nos. HA-1283, GB-9123 - the disposal comity had not issued report on these vehicles.

Recommendation

Immediate action to be taken to comply with circular instructions in order to obtain maximum benefits from these idle vehicles.

4. Accountability and Good Governance

4.1 Strategic Plan and Annual Action Plan

Audit Issue

Management Comment

Recommendation

A Strategic Plan for the period of 2021 – 2025 and 2022 – 2026 had not been prepared and submitted to audit as per the paragraph 2.3 of the Guidelines on Corporate Governance for State Owned Enterprises in order to ensure that clearly defined Key Performance Indicators (KPIs) are in place and continuously review the execution of that plan and take corrective measures wherever necessary, so as to achieve the set objectives. Further, an action Plane for the year under review and for the forthcoming year had not been prepared and submitted to Audit even as at 30 April 2022 as per the format given in Annexure 1 to the Guidelines on Corporate Governance for State owned Enterprises.

No Comment

A strategic plane and action plane should be prepared and presented to the audit as per the directions given.

4.2 Internal Audit

Audit Issue

Management Comment

Recommendation

The Chief Internal Auditor of the Authority has resigned from his post with effect from 08 April 2022. Therefore, the Authority is being functioned without an internal auditor and at present only one management assistant attached to the internal audit branch of the Authority.

No Comment

Action should be taken to fill the vacancy immediately.