

## **Construction Industry Development Authority - 2023**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Construction Industry Development Authority (“Authority”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, 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 2023, 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 (Auditor's Responsibilities for the Audit of the Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 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**

| <b>Audit Issue</b>  | <b>Management Comment</b>  | <b>Recommendation</b>   |
|---|--|---|
| (a) According to the annual financial statement, the value of stock balance was Rs. 164.90 million and the training equipment included in it was not distinguished from the main stock. Furthermore, since no proper stock management system had been established to manage stock receipts and issues, it was impossible to identify obsolete slow-moving and non-moving stocks, further it was impossible to ascertain the accuracy of this stock value. | Steps are taken to confirm the accuracy of stock valuation including the provisions mentioned in Section 15 of Sri Lanka Public Sector Accounting Standards No. 9. | Action should be taken to establish a proper inventory management system. |
| (b) Contrary to paragraph 13 of Sri Lanka Public Sector Accounting Standard No. 07, construction equipment, and training equipment worth Rs.12.15 million owned by the  | As an educational institution which primarily provides training courses, the value of relevant assets is Rs.12.67 million belongs to this category.                | Sri Lanka public sector accounting standards should be followed.          |

training center had been accounted as stock.

### 1.5.2 Accounting Deficiencies

| Audit Issue   | Management Comment   | Recommendation  |
|---|--|---|
| (a) In the year 2020, the Well Water Plant capital project had started at a cost of Rs.1.21 million had been used for operational purposes in the year 2023, but it had not been capitalized and accounted under work in progress.  | Those costs are transferred to buildings and fixtures in the amount of finished work.  | As it is currently used for the operational purposes, it should be capitalized. |
| (b) The income declared for VAT was Rs.200.85 million and the income based on VAT as per the financial statements was Rs.207.37 million. Hence, a difference of Rs.6.52 million was observed.   | The reason for this difference is that the income from education services falls under VAT exemptions under the Value Added Tax Act No. 14 of 2002.   | A statement of comparison should be prepared to compare the difference.         |
| (c) The construction equipment training center run by the Authority in the Battaramulla area was established in a land owned by the Urban Development Authority, since in 2019, the Urban Development Authority had informed that Rs.54.89 million and late interest of 07 percent should be given to enter into a formal lease agreement regarding this land. However, the Authority had not entered into a formal agreement or adequate disclosures had not been made in the financial statements until 31 December 2023. | A request has been made to the Urban Development Authority (UDA) through the Line Ministry to transfer this land to our organization on a long-term lease basis. A request has been made to the Urban Development Authority through the line ministry to reduce the amount of tax payable and the interest on the above long-term tax. | Adequate disclosures should be made in the financial statements.                |

## **1.6 Accounts Receivable and Payable**

### **1.6.1 Payables**

| <b>Audit Issue</b>  | <b>Management Comment</b>   | <b>Recommendation</b>                        |
|---|---|--|
| The value of the miscellaneous creditors of the Authority at the end of the accounting year was Rs.4.44 million and out of that the balances of Rs.3.29 million remained outstanding for over 10 years. | These miscellaneous creditors include unsettled employee termination payments and provident funds as well as contingently arising due to various corporate interests. | Creditor balances should be settled on time. |

### **1.6.2 Advances**

| <b>Audit Issue</b>   | <b>Management Comment</b>     | <b>Recommendation</b>   |
|--|-------------------------------|---|
| An advance amount of Rs.0.24 million had been given to the department of building in the year 2018. But it had not been recovered. | Management had not commented. | Actions should be taken to get the work done or withdraw the advance. |

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

|      | <b>Reference to Laws, Rules Regulations etc.</b>                        | <b>Non-compliance</b>   | <b>Management Comment</b>   | <b>Recommendation</b>   |
|------|---|---|---|---|
| (a)  | Financial Regulations of the Democratic Socialist Republic of Sri Lanka |   |   |   |
| (i)  | Financial Regulations 71 (i) (j)  | The Authority had paid incentives of Rs.6.05 million during the year under review without approval. | Necessary arrangements will be made to obtain due approval.       | Payment of allowances should be made after obtaining due approval.    |
| (ii) | Financial Regulations 371 (2) (c)                                       | Advances worth Rs. 0.13 million and training advances of Rs.  | Arrangements will be made to settle those advances in the future. | Mechanisms should be introduced to settle the advance money promptly. |

2.06 million that had been given for various works had not been settled.

- |  |  |  |   |
|--|--|--|---|
| (iii) F.R. 104 (3) and (4)   | In respect of 12 accidents that occurred from the year 2021 to the year 2023, initial and final reports had not been prepared till the date of audit.  | Accepted. Necessary arrangements will be made to report these correctly in the future.   | Preparation of initial and final reports should be done as per the financial regulations. |
| (b) Public Enterprise Circular No. 1/2015 dated 25 May 2015                  | Three officers had used fuel exceeding the approved fuel limit in the years 2019, 2020 and 2021, and the amount of Rs.1.19 million spent in addition to the Authority limits had not yet been recovered. | Assigned of vehicles and payment of monthly fuel allowance in addition to salary has been implemented from 01.03.2022. Until then, the fuel supply for those vehicles has been provided by the organization in the order system as it is provided to the reserve vehicles and the pool vehicles used by the Director General and Directors for public duties and daily running charts have been written. Fuel was also provided for the two vehicles assigned to the Chairman and the Executive Director of the Institute in the same way. However, during the period from 01.06.2015 to 31.12.2018 when this circular came into effect, the provisions of the circular were not acted upon. | Internal controls should be introduced for fuel limits.                                   |
| (c) Public Finance Circular No. 01/2020 dated 28 August 2020 and F.R.756 (6) | In order to ensure the physical existence of the non-current assets  | The annual board of survey related to the remaining stock of the construction machinery training center belonging to   | All goods should be surveyed and the final board of survey report should be submitted to  |

|     |  |   |  |  |
|-----|--|---|--|--|
|     |  | and stock items shown in the financial statements at the end of each financial year, the board of survey was carried out and the final board of survey report has to be submitted to the audit before 31 March of the next financial year, but it had not been done so. | the Authority is currently being carried out and the work will be done promptly.   | the audit.   |
| (d) | Paragraph 06 of 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 showing the time taken and charges for each service. However, by 05 April 2024, the Authority had not acted in accordance with this circular.          | The Citizenship Charter has been published on the Institute's website from 22.11.2023 and at the same time a hard copy of the same has been shown on public display at the Institute's reception desk and Information Centre.                        | Arrangements should be made to display the citizenship charter containing all the necessary information as per the circular. |
| (e) | 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 should be disposed, 03 vehicles bearing numbers GB-   | GB – 9123 vehicle was arranged to be sold in the year 2019 but no buyers came forward at that time. As the two vehicles No. 61-4630 and 61-4631 do not have ownership, a request has been made from the Secretary to the Line Ministry in letter No. | Asset Management Circular should be followed.  |

9123, 61-4630 and 1/4/1/17/2 dated 22.09.2023 to 61-4631 with a transfer ownership. cost of Rs.3.10 million had not been disposed.

(f) Supplement 38 of the Procurement Guidelines

(i) Paragraph 2.14.1 Even though the approval of the Secretary to the Ministry should be obtained for repair expenses exceeding Rs.5 lakhs, it was observed that such arrangements had not been made. Where repairs exceed Rs.0.5 million personal approval of the CAO is obtained as per the guidelines. The approval of the Chief Accounts Officer should be obtained for all repair expenses exceeding Rs.5 lakhs.

(ii) 5.4.8 (b) Although the performance guarantee should be valid up to 28 days beyond the expected date of completion, the completion of the roof repair work of Savsiripaya building was delayed until 27 June 2023, the period of the performance guarantee had not been extended. I acknowledge that the construction date was changed by 27 days due to time lapse as the contractor was assigned to do additional works for the construction. The performance guarantee must be valid for 28 days beyond the expected date of completion of the work.

## 1.8 Cash Management

| Audit Issue  | Management Comment                                       | Recommendation                                    |
|--|--|---|
| The head office of the Authority had maintained an | We recognize the importance of managing surplus funds to | Surplus money should be managed strategically and |



average cash balance of Rs.242.70 million in the current account under the Bank of Ceylon Torrington branch over the past 05 years. Due to this, It was observed that the interest income that could have been obtained by strategically investing the surplus money that exceeded the working capital requirements of the Authority was lost.

invested in short-term investment to earn income.

## 2 Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.26.88 million and the corresponding deficit in the preceding year amounted to Rs. 43.15 million. Therefore an improvement amounting to Rs. 70.03 million of the financial result was observed. The main reasons for the improvement were mainly due to increase of NVQ training course revenue, contractor registration revenue, training course revenue and fixed deposit interest revenue compared to preceding year.

### 2.2 Trend Analysis of major Income and Expenditure items

| Description  | Balance of<br>the year<br>under review<br>(Rs.) | Balance of<br>previous year<br>(Rs.) | Difference<br>Favorable /<br>( Unfavorable )<br>(Rs.) | percentage<br>(%) |
|--|---|--------------------------------------|---|-------------------|
| <b>Income</b>                                      |   |                                      |   |                   |
| Registration Income                                | 160,922,440                                     | 139,858,225                          | 21,064,215  | 15                |
| Income from training course                        | 32,872,385                                      | 25,162,899                           | 7,709,486   | 31                |
| Hiring of machinery                                | 2,194,502                                       | 1,058,460                            | 1,136,042   | 107               |
| Publication income                                 | 5,308,202                                       | 3,738,821                            | 1,569,381   | 42                |
| Seminar fees                                       | 8,779,978                                       | 5,729,100                            | 3,050,878   | 53                |
| Interest Income (fixed deposits)                   | 31,153,373                                      | 15,069,798                           | 16,083,575  | 107               |
| Hiring income from auditorium<br>and lecture halls | 10,422,990                                      | 6,483,941                            | 3,939,049   | 61                |
| NVQ Training courses Income                        | 55,863,603                                      | 12,233,000                           | 43,630,603  | 357               |
| <b>Expenses</b>                                    |   |                                      |   |                   |
| Fuel allowance                                     | 3,339,524                                       | 3,227,366                            | (112,158)   | (3)               |
| Bonus payments                                     | 6,048,836                                       | 5,770,144                            | (278,692)   | (5)               |

|                              |           |           |             |       |
|------------------------------|-----------|-----------|-------------|-------|
| Office equipment maintenance | 4,346,772 | 3,720,280 | (626,492)   | (17)  |
| Vehicle maintenance          | 7,288,045 | 4,033,805 | (3,254,240) | (81)  |
| Maintenance of machinery     | 1,811,908 | 165,780   | (1,646,128) | (993) |

The following observations are made in this regard.

- (a) Due to the gradual decrease in the bad economic situation in the country, the main income of the Authority contractors registered income increased by 15 percent, machinery rental income increased by 107 percent and publication sales income increased by 42 percent during the year under review.
- (b) As a whole, a significant growth in training course income and interest income was observed during the audit.
- (c) It was also observed that the maintenance expenses of office equipment, vehicles and machinery had increased by 70 percent in the year under review.

## 2.3 Ratio Analysis

| Ratio                       | Year                   |                        |
|-----------------------------|------------------------|------------------------|
|                             | 2023                   | 2022                   |
| <b>Liquidity ratios</b>     | <b>number of times</b> | <b>number of times</b> |
| Current ratio               | 3.20:1                 | 2.75: 1                |
| Quick ratio                 | 2.39:1                 | 2.11: 1                |
| <b>Profitability Ratios</b> | <b>percent</b>         | <b>percent</b>         |
| Return on Assets (ROA)      | 2.08                   | (3.17)                 |

Due to the gradual improvement of the poor economic situation in the country, the current ratio and quick ratio had increased during the year under review. Due to the increase in revenue the profitability of the Authority had increased.

## 3 Operational Review

### 3.1 Management Inefficiencies

|     | Audit Issue   | Management Comment  | Recommendation   |
|-----|---|---|--|
| (a) | The land and building where the head office of the Authority is located in Tower Hall Theater Foundation and a 30-year lease agreement had been made since 1986 at a rent of Rs.6.00 million. After the expiry of that lease agreement, | According to the decisions of the Board of Management, the opinion of the Attorney General has been sought and refers the matter to the Cabinet of Ministers to take a decision. According to the instructions, the legal department of the Authority has | Arrangements should be made to enter into a formal lease agreement for the construction equipment training center. |

a new lease agreement had been made since 2019 to use the land again for a period of 30 years from the year 2016 without revaluation of the rent. By letter dated 07 December 2023, moreover the Secretary to the Prime Minister has canceled this informal and unapproved lease agreement at the existing rental value and the secretary of the Ministry of Urban Development and Housing had been informed to enter into a new agreement according to the assessed rental value of the government valuer or shift to the Savsiripaya premises and replace the office premises in the existing building complex in the Battaramulla area belonging to the Authority.

Accordingly, through the letter No. MUDH/HC/AD/178/7 dated 19 December 2023 addressed to the Director General of the Authority, the Secretary of the Ministry of Urban Development and Housing had informed that necessary arrangements should be made to locate the Authority in the building where the Construction Equipment Training Center located at Battaramulla.

Since there is no formal lease agreement for the land with the building where the construction equipment training center is located, there is no provision for entering into an agreement, further it

prepared a draft cabinet paper and forward to the secretary of the line ministry.

was observed that establishing the Authority at this place without settling this situation is a controversial situation.

- |     |   |   |  |
|-----|---|---|--|
| (b) | No specific lease agreements had yet been made for the lands of Authority's Operator Training School (OTC) at Galkulama and Kataragama Tourist Bungalow.  | The land where the Operator Training College (OTC) is located at government land and a request has been made to the Tirappane Divisional Secretariat to transfer this land to our institution on a long term lease basis. The Urban Development Authority has informed that Kataragama Tourist Bungalow land will be transferred to our institution on a long-term lease basis under a nominal lease. | Arrangements should be made to enter into a lease agreement.   |
| (c) | A sum of Rs.2.84 million, Rs.4.91 million and Rs.0.30 million had been given for the development of the infrastructure of the Galkulama Operator Training School in the years 2019, 2020, 2021 respectively and Rs.1.33 million had been given in the year 2022 for software development and Rs.13.82 million had been given in the year 2020 for issuing technical ID cards had been remained unutilized without using for the purpose by the date of audit. | All arrangements have been made to properly complete the remaining and incomplete works in the implementation of the programs of the project proposal.  | Arrangements should be made to perform the intended functions or to remit the balance to the treasury. |
| (d) | 15 district coordination offices had carried out the Authority's work throughout the island and according to the action plan for the year 2023, the goals to be achieved, the time to be achieved and the   | A monthly target is given for District Coordinating Officers. These officers are engaged in their respective tasks under the three main divisions of the institution, which are development, industrial services  | The performance of regional offices should be checked periodically.                                    |

performance indicators had not been specified for regional officers. Due to this, it was not possible to check the performance of regional offices.

The performance of the Kegalle District Coordination Office in the year 2023 had been checked and the performance in the year 2023 was at low level. Furthermore, it was observed during the audit that all the tasks carried out by these regional offices could be done through online, and the Authority had not taken appropriate measures for this so far.

and industrial training.

The monthly progress related to those tasks is updated monthly in a google sheet and the progress of all district coordination officers can be monitored through it whenever necessary.

- (e) The following matters were observed regarding the performance of the tasks specified in the Construction Industry Development Act No. 33 of 2014.

- (i) According to Section 33 (i) of Part V of the Act, any person who wish to engage a foreign consultant as a qualified person in any identified construction work shall apply to the Authority for temporary registration and according to its second clause, every foreign consultant must be registered with the Authority before undertaking identified construction work in Sri Lanka and the registration procedures must be as prescribed. And as per Section 3, a person who does work without being

In this regard, the procedure approved by the Condominium Management Committee has been forwarded to Legal Draftsman in May 2023 after approval by the Board of Directors. So far, the Legal Draftsman has been contacted, but this has not been enacted yet.

The tasks specified in the Construction Industry Development Act should be carried out promptly.

registered as such is guilty under this Act. Thus, the Authority had not yet acted in this regard.

- |  |  |   |
|--|--|---|
| <p>(ii) As per section 43 of the Act, The Authority shall maintain a directory of importers, manufacturers and suppliers of construction materials as may be determined by the rules made by the Authority. Under section 44 of the Act, the Authority shall maintain a directory of existing heavy construction machinery and equipment in such manner as may be determined by rules made. Moreover, the above directory shall be available for inspection by any person without payment during office hours. So far, the Authority had not taken any action to carry out the related activities.</p> | <p>According to Section 43 of the Act, the relevant Gazette was published on 14.06.2023 under number 2336/46 and a newspaper advertisement published on 05.10.2023 and informed to the suppliers about the benefits of registration. A user-friendly registration application was also implemented with the initiative, simplifying the enrollment process for eligible providers. Guideline regarding to Registration of Raw Material Suppliers was printed. The list of basic materials has been prepared.</p> | <p>The tasks specified in the Construction Industry Development Act should be carried out promptly.</p> |
| <p>(iii) According to Section 51(2) of the Act, the procedure for adjudicating industrial disputes should be prescribed, but the Authority had not prepared procedures related to adjudication of disputes so far.</p>   | <p>The procedure for adjudication has been prepared and first time it has been submitted to the Ministry and Legal Draftsman on 28/11/2017. At present, amendments are being submitted from time to time.</p>  | <p>The tasks specified in the Construction Industry Development Act should be carried out promptly.</p> |
| <p>(iv) As stated in Section 53 of Part X of the Act, the Minister shall establish an Appeals Board consisting of not more than 7 members appointed on the recommendations of the Authority and all the members of the appeal panel should have not less than 20 years of experience in the construction</p>   | <p>Since the Minister's approval for this has not been given so far, this board could not be appointed.</p>  | <p>The tasks specified in the Construction Industry Development Act should be carried out promptly.</p> |

industry. So far this Appeal Panel had not been appointed.

- |   |   |   |
|---|---|---|
| <p>(v) According to Section 55 of Part XI of the Act, an office of Information Secretariat shall be established to provide information on behalf of the parties who requiring the information specified in the Act and its duties and procedures and performance standards shall be prescribed. However, the Authority had not yet developed an information system.</p>   | <p>Initiated necessary arrangements for establishment of Information Secretariat on 26.07.2023. Also, the reports related to the construction works and regulations of the registered contractors are also being prepared.</p>  | <p>The tasks specified in the Construction Industry Development Act should be carried out promptly.</p> |
| <p>(vi) As per Section 13 of Part III of the Act, duties mentioned under the functions of the Authority had not been carried out so far. Such as to maintain a catalog of specified heavy construction machinery, machinery and equipment available in the country, to promote and welfare locally registered contractors who undertaking construction work in other countries and to adopt, disseminate and promote new technologies that are environmentally friendly, suitable, cost efficient and affordable, and regularize, review and supervise certain materials, equipment and machinery requirements of the construction industry and encourage the development and use of local production in construction works, and undertake research in various fields of the construction industry.</p> | <p>As per the Construction Industry Development Act No. 33 of 2014 (Section No. 44) regarding the maintenance of a directory of heavy construction machinery and equipment, maintenance of a database/ register for construction machinery and equipment should be kept and the rules for the registration of such machinery and equipment have been published in the Special Gazette No. 2116/49 dated 28 March 2019 and this e-catalogue also published through the website of the Authority for public reference and it is continuously being updated.</p> | <p>The tasks specified in the Construction Industry Development Act should be carried out promptly.</p> |

- (vii) According to Section 46 of Part VIII of the Act, the Authority shall prepare Standard Bidding Documents. Furthermore, in the year 2014, the Construction Training and Development Institute had been converted in to the Construction Industry Development Authority by Act No. 33 of 2014. But the previously prepared tender documents for procurement works (SBD – 01) and minor procurement works (SBD – 03) had not been revised in timely till now after converting an Authority. The work related to updating the standard bid documents 02 (Procurement - Work - Major – SBD-02) and SBD-04 (Design and Build) had been done, accordingly these standard bid documents had been approved by the Public Finance Department of the Treasury on 27 July 2021. Then on 03 October 2023, a public notice, approval was given to implement it for a period of one year at the test level. But, the implementation of these standard documents has been delayed more than 2 years without any specific reason. Further, The Standard Bidding Documents for Consultancy had been prepared in August 2002 and the Authority had not updated these documents up to the audit date.
- Relevant amendments are made to the relevant documents in 2024 and it is expected to be released to the industry through a proper procedure.
- The tasks specified in the Construction Industry Development Act should be carried out promptly.



- |     |  |   |   |
|-----|--|---|---|
| (f) | <p>At the beginning of the accounting year there was a balance of Rs.48.29 million released to Treasury Grant for the technical training program. At the end of the accounting year, that balance was Rs.13.15 million. Accordingly, during the accounting year, Rs. 35.15 million had been spent, out of that Rs.13.25 million had been paid as training course allowance. Thus, this project had not been implemented during the year under review and Rs.21.89 million had been incurred for the administrative expenses of the training division.</p>  | <p>The allocations given for this program have been properly spent under the approved expenditure categories. However, due to the difficult conditions in the country, this program was completed late, and the related administrative and supervisory activities were delayed, so the expenses related to it have been incurred during this period. However, the work of this program has now reached its final stage.</p> | <p>Arrangements should be made to perform the intended functions or remit the balance to the treasury.</p>  |
| (g) | <p>An amount of Rs. 35.7 million had been given by the Treasury during the year 2019 and 2020 for providing craftsmen ID cards for the craftsmen who engaged in the construction industry. Accordingly a contract of Rs.3.35 million was awarded to Sri Lanka Telecom on 11 March 2022 for the installation of a related information technology system. Although the related system development work was to be completed within 21 days, it was not completed until 30 April 2024 and formal approval had not been obtained from the Treasury to implement the project. Also, before issuing identity cards to skilled craftsmen, the related rules and fees should be</p> | <p>The information technology system has been completed and it is currently undergoing practical testing and necessary corrections for problems arising on. After the corrections, it has been informed that the system will be completely handed over to CIDA within the next two weeks.</p>   | <p>Arrangements should be made to publish the relevant rules and fees in the gazette for the issuance of identity cards to skilled craftsmen.</p> |

published in the gazette and after that, collect the related fees, but the Authority had so far invited applications for this without gazette the related rules and fees and collected fees from them. 228 ID cards had been issued by charging the fees up to 31 July 2023.

- (h) Battaramulla Housing Planning and Building Center has 8-rooms hostel for residential facilities for students pursuing courses. The following matters were observed regarding the use of residential facilities in this hostel.
- (i) Although the main purpose of this hostel is to provide residential facilities for students coming from distant areas for training courses, accommodation facilities had been provided to the staff of the Authority and the employees of the line ministry. As mentioned above, arrangements have been made to provide accommodation facilities at CETRAC, our affiliated institution, which is located near CHPB, so that the students are not disturbed. Arrangements should be made to provide residential facilities to the students.
- (ii) One room in the hostel is usually enough for four students for residential activities, but in some reserved rooms, 10 and 11 students were given residential facilities. As a result, it was observed during the audit that there is no suitable environment for the students for their educational activities. As mentioned above, arrangements have been made to provide accommodation facilities at CETRAC, our affiliated institution, which is located near CHPB, so that the students are not disturbed. Arrangements should be made to provide adequate room facilities for the students.
- (iii) It was decided to charge Rs.5,000 from the officials As per the recommendation of the Director General and the Economically adequate rent should be charged.

who get residential facilities and it had been observed in the audit that amount was not an economic rent compare to the existing expenses and three ministry officers had not been charged.

approval of the Chairman, it has been decided by the memo dated 19.06.2023 to collect a monthly rent of Rs.5000/- per person for the rooms provided to the CIDA Institute and Ministry staff.

### 3.2 Procurement Management

|      | Audit Issue  | Management Comment  | Recommendation  |
|------|--|---|---|
| (a)  | The roof repair of the head office of the Authority  |   |   |
| (i)  | Even though a revised engineering estimate of Rs.5.59 million had been prepared for the roof repair of the head office the estimate had not approved by a responsible engineer. During the audit, it was observed that work had not been specifically identified and a suitable contractor has not been selected and it had been carried out without proper supervision contrary to the procurement guidelines. Further, water leakage is occurring at several places on the roof. | As it was not possible to get the engineering estimate and procurement documents related to this repair from the engineers, the supervision of this repair had to be done by another qualified engineer assistant (civil) officer working in the company.<br>After the repair, water leakage occurred at several places, so he was informed about this again and it has been brought back to normal, and since the water is leaking from several places again due to the heavy rain, the company has been informed in writing to repair those places as well. | An approved engineering estimate should be prepared and accordingly a suitable contractor should be selected. |
| (ii) | Bids were opened on 23 August 2022 at 2:00 pm and as per 6.3.6 of the Procurement Guidelines, bid opening time, place of bid opening (as applicable), the prices announced by the bidder, non-existence of bid security certificates and any other special features mentioned in the bids should   | Although it is a law that accepts that the bid documents must be completed at the time of opening of bids, this work has been opened and checked by a team of officials representing the Internal Audit Unit/ Finance Division and Supply Division and signed the bid opening document.   | Bid opening minutes shall be completed in accordance with 6.3.6 of the Procurement Guidelines.                |

have been included in the bid opening notes, but the observations had not been properly recorded in the bid opening minutes.

- |       |   |  |   |
|-------|---|--|---|
| (iii) | It was observed that the contractor has agreed to the price of Rs.5.59 million after removing 3 items worth Rs.1.32 million namely D6, D7 and D8 in the work items of the front porch which was included in the agreed engineering estimate at the value of Rs.5.59 million.                    | Items D6, D7 and D8 were removed due to the need to manage financial allocations.  | The work items shall be carried out as per the Engineer's estimate.   |
| (iv)  | Compared to the estimate prepared by the Authority and the prices agreed by the contractor, the contractor had overstated the price rates by 20 percent to 474 percent for 13 work items.   | Since there was only one contractor in the bid evaluation, no item-by-item price analysis was performed and only a reduction was made from the preliminary estimate to the extent of work that could be completed. | Abnormalities rates should be analyzed in estimated prices and contractor agreed price rates.                                       |
| (v)   | In comparison with the estimate prepared by the Authority and the number of units agreed by the contractor, it was observed that the contractor has submitted less unit quantities of 4 work items.   | Some items had to be scaled down due to the need to manage within the available financial allocations.   | The unit quantities of the work items shall be executed entirely by the contractor as per the estimate.                             |
| (vi)  | On comparison of the prices originally agreed by the contractor and the 3rd bill submitted by the contractor after completion of the work, it was observed that the actual number of units to complete this repair was less than the originally agreed number of units. Moreover the contractor | As this is a repair work, changes and variations in sizes may occur as required. Also, this is a Measure & Pay contract.   | Efforts should be taken in the future to make the unit quantities according to an accurate estimate and to complete all work items. |

had completed less than 5 percent to 97 percent of the actual unit quantities of each work item and 4 items had not been fully completed.

- |        |  |   |  |
|--------|--|---|--|
| (vii)  | As per 8.12.1 (a) and (b) of the Code of Procurement Guidelines, it was observed during the audit that this repair was carried out without the supervision of a qualified officer of the Authority to ensure the execution of works, supply of goods or services is adequately supervised and assessed of interim payments and final payments.   | Inspection of all supplies and repairs related to the repair work was done under the supervision of the administrative officer in charge of the maintenance work with the participation of the maintenance assistant. | Work should be done under the supervision of a qualified officer.                                |
| (viii) | As per 8.12.2 (a) and (b) of the Procurement Guidelines, it is stipulated that the Engineer/Consultant shall issue a Completion Certificate certifying that the work has been carried out in accordance with the specifications and other agreed terms and conditions, and the guaranteed payments are in accordance with the terms of the contract. However, no such certification was available for this repair. | Completion certificate is issued after completion of Defects Liability Period.  | A completion certificate should be obtained for this repair.                                     |
| (b)    | Even though the Authority had purchased of paint materials for designated walls/beams/pillars in the "Savsiripaya" building located at the head office of the Authority, contrary to the 1.2.1 (b), 1.2.1 (c), of the Government Procurement   | Due to the suppliers that provide paint had not given credit basis and, this is very urgent, so we have talked to the suppliers that can provide credit and have obtained hand quotations accordingly.                | The procurement process should be followed as per the Government Procurement Guidelines of 2006. |

Guidelines of 2006 prescribed standards, specifications, rules, Compliance with regulations and good governance, to provide fair, equitable and maximum opportunities to eligible interested parties to participate in the procurement, 1.2.1 (f), to ensure transparency and regularity in the evaluation and selection process and 1.2.1 (g), in such a manner that the primary objectives to be ensured by the procurement process are to maintain the confidentiality of the information provided by the bidders; and according to 1.4 of the Government Procurement Guidelines of 2006, the Authority had not conducted the procurement process related to the purchase of paint materials and painting activities in a manner that fulfills the procurement ethics.

### 3.3 Resources Released to Other Organizations

|     | <b>Audit Issue</b>  | <b>Management Comment</b>  | <b>Recommendation</b>  |
|-----|---|--|--|
| (a) | Contrary to Sections 3.5 and 6.8 of the Operations Manual for state owned Enterprises dated 16 November 2021, of Public Enterprises Circular No. 01/2021, the vehicle number 65-7300 owned by the Authority had been released to the Ministry with the driver from 20 July 2023, and paid driver's salary, allowances and overtime had not reimbursed by the Ministry. In addition to | Reminder letters have been sent to the Authority to reimburse the driver's travel expenses and subsistence allowances and overtime allowances.<br><br>For the request made to the Secretary to the Line Ministry Secretary by letters dated 28.08.2020 and 15.12.2020 bearing No. 1/4/107-VI (886) to release the audio-visual technician back to this Authority, The line ministry secretary's letter | Comply with Public Enterprise Circular No. 01/2021 dated 16 November 2021. |

this, Audio Visual Operator of the Authority had been released to the Ministry's Media Unit since May 2007 and the Ministry had not reimbursed the salary, allowances and overtime that had been paid to him.

No. 2/1/7A/826(ii) dated 30.03.2021 has informed that it is difficult to release him back to our institution.

- (b) Although the Authority had spent an amount of Rs.110,268 for fuel and Rs.17,830 for overtime by releasing the jeep bearing No 57-9385 from October 8 to 5 November 2023 to the minister, Reimbursement of these expenses had not been made and there was no proper approval for the release of vehicle exemption.
- According to the written request sent by the Hon'ble Minister of State to the Chairman of CIDA, this vehicle has been released on the approval given by the Chairman of the Authority.
- According to the circular, resources of the organization should not be released to other parties.

### 3.4 Human Resources Management

| Audit Issue  | Management Comment  | Recommendation                            |
|--|---|---|
| Due to the existence of significant problematic situations in the human resources management of the Authority in the years 2021 and 2022 due to dismissals of officers, compulsory leave, resignations, lawsuits against the Authority, compensation payments. The legal expenses had increased to Rs.7.78 million by the end of the year under review. Also, with the approval of the Board of Directors, the lawyer's fees of Rs.0.33 million had been paid so far for the defamation case (case bearing No-DMR/3067/2022) filed against | Regarding the expenses incurred by the Authority in relation to the private compensation case, the board paper has been arranged to present to the management board meeting to be held on 29.05.2024 and further work will be done according to the decisions received. | Financial regulations should be followed. |

the former chairman by the former finance director. However this case was a private case unrelated to the Authority, no any action was taken to recover this money from the responsible parties as per section 156(i) (a), (b) and (7) of the financial regulations.

## **4 Accountability and Good Governance**

### **4.1 Annual Report**

| <b>Audit Issue</b>   | <b>Management Comment</b>   | <b>Recommendation</b>   |
|--|---|---|
| As per paragraph 6.6 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, Operational Manual for State Owned Enterprises, the annual report of the Authority for the year 2022 had not been tabled in the Parliament and the draft annual report for the year 2023 had not been submitted for audit. | The line ministry has forwarded the 2022 annual report for the approval of the ministerial board, and arrangements have been made to the 2023 annual report and forward it to the management board's meeting on 29 May 2024 for approval. | According to the circular, the annual reports should be tabled in Parliament on the due date and the draft annual report should be submitted for audit. |

### **4.2 Annual Action Plan**

| <b>Audit Issue</b>   | <b>Management Comment</b>   | <b>Recommendation</b>                             |
|--|---|---|
| During the year 2023 Action Plan progress review, performance in each of the following tasks remained at a low level. Namely, registration of property developers, registration of building material suppliers, registration of qualified persons, conduct of training courses on dispute resolution, registration of green building | Gazette No. 2181/21 issued on 25.05.2020 for registration of property developers. Legislation is in progress to make registration as mandatory. Guidelines, applications, etc. have been prepared for the Green Building Materials Rating Program. The Foreign Contractors Registration Program is currently being conducted as per Gazette No. 2085/19 issued on 23.08.2018. | Work should be done according to the action plan. |



suppliers, registration of site supervisors and mid-level technical officers etc. Furthermore, registration of foreign contractors, conducting technical audits, organization of awareness programs by all district coordinating officers, registration of experts in digitized data system, training of supervisory level managers and other professional level personnel, skill development programs in construction equipment maintenance and operation technology, the task of training youth on construction equipment were less than 50 percent.

Creating awareness about the benefits of registration of construction materials, initiating a user-friendly registration application by simplifying the enrollment process, printing the guide related to registration, and finalizing the list of basic materials.