

1.1 Qualified Opinion

The audit of the financial statements of the Construction Industry Development Authority (“the Authority”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and statement of cash flows 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 2019, 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 based 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 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 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Reference to particular Standard	Management Comment	Recommendation
<p>(a) Debit balances in the creditor's schedule aggregating Rs. 1,303,499 had been offset against creditor's balances as at 31 December 2019 contrary to the provision in the Sri Lanka Public Sector Accounting Standard - 1 (SLPSAS). Further, these included the abnormal debit and credit balances of petty cash imprest amounting to Rs. 71,375 and Rs. 30,087 respectively and special advances of Rs.387,218 and Rs. 261,026 respectively as at that date.</p>	<p>Necessary actions will be taken to make adjustments in the schedule accordingly and prepared monthly Financial Statement in order to rectify these kinds of issues in future.</p>	<p>Debit balances should be separately shown without being offset against the credit balances and abnormal credit and debit balances should not be included.</p>
<p>(b) Fully depreciated assets approximately costing Rs. 4,251,260 are being continuously used by the Authority without reassessing the useful economic lifetime of those assets and accounted them accordingly as per the provisions in the SLPSAS – 3. Further, a proper revaluation policy was not established for this purpose.</p>	<p>Economic life of the fully depreciated assets will be reassessed on the receipt of Board of Survey reports for the year 2019. Further officials who have been given responsibility to maintain asset register were instructed to pay more attention on those kinds of assets in future.</p>	<p>Action to be taken to reassess the useful economic lifetime of the fully depreciated assets which are continuously used by the Authority and accounted them in accordance to the provisions in Standards.</p>

(c) Two complaints have been made at the Department of Labour and Employees' Trust Fund Board with regard to non-payment of arrears EPF and ETF for the period from 01 January 2006 to 31 December 2011 amounting to Rs.22,466,288 and Rs. 2,695,954 respectively. Subsequently, the final reminder have been issued by the Employees' Trust Fund Board on 07 December 2019 by stating that the Authority is liable to pay a sum of Rs.2,695,954 as contribution and surcharge on arrears ETF and that should be remitted within 14 days on the receipt of the letter. However, the Authority had failed to make a provision of Rs.25,162,242 as contingent liabilities in the financial statements for the year 2019 in terms of requirement of SLPSAS – 8.

Officials were instructed to obtain information related to ongoing court cases and the financial statements will be updated accordingly.

The Management should pay its attention to make a provision for all contingent liabilities in the financial statements in order to ensure the fair presentation of the financial statements.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) Income from hire of Auditorium and Seminar Rooms received during the year 2019 on behalf of previous year and forthcoming year amounting to Rs.387,500 and Rs.142,000 respectively had been treated as income for the year under review without being adjusted retrospectively. Hence, the deficit for the year under review had been understated by Rs.529,500.</p>	<p>The identified deficit of Rs. 529,500 will be adjusted in the financial statements. Further relevant officials were instructed to be adhered to accrual basis when recognizing revenue.</p>	<p>More attention to be paid in order to correctly identify and recognize the income and expenditure of a particular accounting period.</p>
<p>(b) Although no fund was received from the General Treasury for lease rent payment during the year 2019, a sum of Rs. 5,068,537 had been shown in the statement of cash flows under the financing activities as lease</p>	<p>Officers who involved in the process of preparation of cash flow statement were strictly advised to follow SLPSAS 02.</p>	<p>More attention to be paid in order to correctly identify and recognize the receipts and payments of a particular accounting period.</p>

rent received during the year under review. Further, the reasons for this had not been explained to audit even called for clarifications.

<p>(c) Value Added Tax (VAT) paid to a contractor during the previous year amounting to Rs.670,643 had been erroneously included in the advance to contractor account instead of being debited to the VAT control account. Hence, the advance to contractor account amounting to Rs.1,245,629 shown in the financial statements as at 31 December 2019 had been overstated by Rs. 670,643 while understating the receivable balance of VAT control account as at that date by similar amount.</p>	<p>The impact of Rs. 670,643 will be adjusted in the financial statements accordingly. Further necessary actions were taken to strengthen the internal controls established in relation to the Controlling Accounts maintained in the ledger.</p>	<p>Actions to be taken to strengthen the internal controls in accounting in order to avoid these types of deficiencies in the future.</p>
<p>(d) According to the detailed schedules presented for audit, the VAT payable as at 31 December 2018 and 2019 were Rs. 963,217 and Rs.629,147 respectively. However, the corresponding amounts were shown in the restated financial statements for the previous year and in the year under review as VAT payable of Rs.274,282 and VAT receivable of Rs.145,432 respectively. Hence, the accuracy of the VAT receivable and payable shown in the financial statements could not be ascertained in audit.</p>	<p>Tasks and responsibilities have been assigned to the respective members who are engaged in the process of monthly VAT calculation and pay more attention in regard to the entry record in the VAT account</p>	<p>More attention to be paid in order to correctly identify and recognize the receivables and payables as at the reporting date.</p>
<p>(e) The lease agreement entered into between the Authority and Urban Development Authority (UDA) with regard to the land which the Construction Equipment Training Centre</p>	<p>No comment</p>	<p>Documentary evidence should be submitted for audit to satisfactorily verify the ownership of the property and if the ownership belongs to the Authority, steps to be taken to</p>

(CETRAC) established had not been presented for audit. Meanwhile, the value of this land had not been valued and brought to the financial statements even up to 31 December 2019 although the UDA has requested to settle a total amount of Rs. 54,890,701 for granting the title of this property by their letter dated 21 June 2019.

value and bring this property to the accounts of the Authority.

1.5.3 Documentary Evidence not made available for Audit

Description of Account	Amount	Evidence not Presented	Management Comment	Recommendation
	Rs.			
construction excellence income	3,214,043	letters of requisitions made to outsiders for obtaining sponsorships, actual amount received on those requests made, details of all expenditure incurred thereon together with supporting documents and relevant files etc.	No comment	All information and documentary evidence which called for audit should be submitted as per the requirements of Section 7 of the National Audit Act No. 19 of 2018 in order to satisfactorily vouch and verify the amounts shown in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) Out of total debtor balances aggregating Rs. 19,510,624 the confirmations were called from 37 debtors to the value of Rs.10,467,054 which were selected randomly. However, no	Balance confirmation procedure is being undertaken as part of clearing long outstanding debtor balances available as at 31 December 2019. After confirming the recoverability of	Outstanding balances should be recovered without any delay and proper actions to be taken to ensure the reliability of those outstanding balances

debtors had confirmed their outstanding balances even up to 30 June 2020. Hence, the recoverability of the debtor balances shown in the financial statements is doubtful in audit.

those debtors, a list comprising of long outstanding debtors identified to be written off and they will be submitted to the AMC to obtain their further recommendations.

(b) According to the age analysis furnished to audit, the debtor balances aggregating Rs.8,371,180 were remained outstanding for more than three years as at 30 June 2020 without being recovered. Out of that a sum of Rs. 7,598,264 had remained unrecovered for more than five years.

Balance confirmation procedure is being undertaken as part of clearing long outstanding debtor balances available as at 31st December 2019. After confirming the recoverability of those debtors a list comprising of long outstanding debtors identified to be written off and they will be submitted to the AMC for further recommendations

Fruitful actions to be taken to recover those long outstanding balances without any delay and proper actions to be taken in this regard after obtaining required approvals.

1.6.2 Payables

<p>-----</p> <p>Audit Issue</p> <p>-----</p>	<p>Management Comment</p> <p>-----</p>	<p>Recommendation</p> <p>-----</p>
<p>(a) Age analysis and confirmations for creditors totalled Rs.31,142,345 was not made available for audit. However, it was revealed that trade creditors and sundry creditors totalled to Rs. 5,251,265 had been outstanding for more than 03 years as at 31 December 2019 and this balance was remained unchanged even as at 30 June 2020 without being settled.</p>	<p>Balance confirmation procedure is being undertaken as part of clearing long outstanding creditor balances available as at 31st December 2019. After obtaining relevant information a list comprising long outstanding creditors which the Authority actually doesn't have a liability will be written back with the recommendation of the AMC and the approval from BOD.</p>	<p>Necessary action to be taken to get settled or recognized the long outstanding payables as income after properly identify the prevailing commitment for such liabilities.</p>
<p>(b) Although sums aggregating Rs.3,797,384 and Rs. 1,052,500 were shown under other current liabilities as retention payable and refundable tender deposits respectively as at 31 December 2019, out of those balances amounting to Rs. 2,274,458 and Rs.811,500 had not been settled or refunded for more than two years as at 31 December 2019. Further, these balances were remained unchanged even as at 30 June 2020.</p>	<p>Services have not been offered completely by the service provider according to the agreements. Therefore, the retention and the refundable tender deposits have been recorded under current liabilities for the period ended 31st December 2019</p>	<p>Necessary action to be taken to get settled or recognized the long outstanding payables as income after properly identify the prevailing commitment for such liabilities.</p>

(c) Effective action had not been taken to clear or get settle the balances of Rs.500,000, Rs.156,400 and Rs.46,168 which continuously brought to accounts since the previous years under current liabilities as contingency liabilities, provision for service charges and EPF & ETF payables respectively.	Necessary action will be taken to clear respective current liability balances.	Necessary action to be taken to get settled or recognized the long outstanding payables as income after properly identify the present commitment for such liabilities.
--	--	--

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)Section 7(1) of the Construction Industry Development Act, No. 33 of 2014	Only two National Advisory Council meeting had been held in the year under review instead of conducting at least once in three months. In the meantime, only one meeting had been held during the previous year.	Two advisory council meetings were conducted on 2019 February and June. Because of The presidential election was called on September 2019, next advisory council meeting couldn't be conducted.	The Management of the Authority should take timely alternative measures to comply with the provisions in the Act.
(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka			
- Financial Regulation 371 as amended by Public Finance Circular No.: 03/2015 of 14 July 2015	(i) An accounting officer may authorize an ad-hock sub imprest up to a maximum Rs.100,000 in each case. Nevertheless, the ad-hock advances totalled Rs. 1,115,000 had been granted to a staff officer in 11 instances without obtaining prior approval from the General Treasury.	(i) Rs. 105,000 in total has been issued to a respective official in order to incur expenses related to the monthly board meeting. Currently advances issued in this regard have been settled.	Prior approval from the General Treasury should be obtain for the deviation from the Circular provisions.
	(ii) The ad-hock sub imprests obtained should be settled immediately	(ii) Procedures are already established.	The Management should take steps to avoid the room for

after the completion of the purposes for which it was granted. However, the above sub-impressts had been settled after delaying the period ranging from 07 days to 34 days. Out of those, an amount of Rs. 320,045 or around 28 per cent of the advances had been settled by cash without being utilized for intendent purposes. Hence, it was observed in audit that the Authority has provided the room for misuse of the public fund by its employees due to not making proper assessment before granting advances.

misuse of the public fund by its employees and the advances should be granted after making proper assessment in order to ensure the effective use of public fund.

(iii) Training advances totalling Rs. 7,830,458 given during the year and previous year had not been settled even up to as at 31 December 2019.

(iii) Necessary actions will be taken to recover unsettled training advances and relevant officials were instructed to strictly follow the Financial Regulation 371 as amended by Public Finance Circular No 03/2015 of July 2015.

The Management should take steps to avoid the room for misuse of the public fund by its employees and the advances should be granted after making proper assessment in order to ensure the effective use of public fund.

- Financial Regulations 756, 757, 758 and 759

(i) It was not possible to observe the physical inventories counting at the end of the year under review and in the previous year in order to ensure the physical availability of inventory

(i) Annual board of survey pertaining to the year 2019 is currently being carried out. Therefore a confirmation letter has been issued and

Physical inventories counting at the end of each reporting period should be carried out in order to ensure the physical availability of inventory held as

held at 31 December 2019 valued at Rs. 148,359,110.

attached herewith to confirm the value of the stock amounting Rs. 148,359,110 for the year ended 31 December 2019.

at the end of each reporting period.

(ii) The annual Boards of Survey for the year under review had not been conducted as requested.

(ii) Annual board of survey pertaining to the year 2019 is currently being carried out. Therefore, a confirmation letter has been issued and attached herewith to confirm the value of the stock amounting Rs. 148,359,110 for the year ended 31 December 2019.

Annual board of survey pertaining to each reporting period should be carried out in order to ensure the physical availability of non-current assets which shown in the financial statements as at the end of each reporting period.

(c) Public Enterprises Circulars No. PED 25 of 29 July 2004

A sum of Rs. 151,857,303 had been invested in short term investment sources such as call deposits, treasury bills and fixed deposits etc. without obtaining the required approvals as mentioned in this Circular.

It has been kept as gratuity provision for CIDA employees

The approval of the appropriate Minister after obtaining the concurrence of the Minister of Finance should be taken before make any investment.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 4,652,776 as against the surplus of Rs. 21,010,102 in the preceding year. Therefore, the deterioration amounting to Rs. 25,662,878 of the financial result was observed. Increases of overtime & holiday pay, stationary expenses and lease interest payment by Rs. 2,125,847, Rs.5,231,862 and Rs. 3,660,635 and decreases of revenue items such as dormitory charges, hire of machinery, hire of auditorium and seminar rooms by Rs. 1,498,045, Rs.3,209,016 and Rs. 3,577,394 were the main reasons attributed for this decrease in the financial result.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to the agreement entered into between the International Labour Organization and the Authority during the year 2018, it was agreed to provide a grant not exceeding Rs. 10,169,300 for the implementation of enhanced recognition of skills and reduced vulnerability of Sri Lankan workers in selected GCC countries and out of that a sum of Rs. 2,590,900 and Rs. 7,098,422 had been received during the year 2018 and 2019 respectively. However, a sum of Rs.3,151,369 was only incurred as expenditure and the remaining balance of Rs. 6,537,953 had been treated as income to the Authority without being utilized for intended purpose. Further, the details of program conducted under this grant had not been furnished to audit even up to the date of this report.	<p>The grant has been provided by international labor organization to the authority to enhance recognition of skills and reduce vulnerability of Sri Lankan workers.</p> <p>The goals and objectives of the programme have been achieved during the year 2018, 2019 respectively. Grant amount had been fully utilized for intended purpose according to the budgetary provision of respective project.</p>	<p>Steps to be taken to inform the line Ministry and the General Treasury before entering any grant or loan agreement with the international organizations. (Please refer the Circular No. MOFP/ERD/2014/1 dated 26 June 2014 issued by the Ministry of Finance and Planning in this regard.) Further, the details of the programs conducted under this grant should be furnished to examine the accuracy of the expenditure incurred.</p>
(b) The General Treasury had granted an amount of Rs. 9,276,587 for the payment of Gratuity to the officers who retired from the service on Voluntary Retirement Scheme during the previous year on the request made by the Authority without being considered the adequate provisions and availability of fund for this purpose within the Authority. As a result, the entire amount received from the General Treasury had been treated as income and laying in a bank current account of the Authority even up to the date of this report without being utilized for any purpose.	<p>The grant had been fully utilized for the intended purposes of pay gratuity for VRS employees.</p>	<p>As there is adequate fund available in Gratuity provision which invested in short term investment sources, the Management should not obtain Treasury Fund for the payment of gratuity of any employee of the Authority.</p>
(c) A sum of Rs. 8,729,172 (capital portion of Rs.5,068,537 and interest portion of Rs.3,660,635) had been paid out of the Authority's fund to the Bank of Ceylon during the year under review as lease instalments on behalf of 03 vehicles purchased on financial leasing basis after obtaining the approval from the		

Department of National Budget subject to finance required funds through annual budgetary allocation. The following observations are made in this connection.

- | | |
|---|---|
| <p>(i) No fund has been received from the General Treasury for this purpose even up to 30 June 2020 as agreed by them.</p> | <p>(i) The vehicles have been purchased following the proper procedures getting approval from treasury. According to the letter, the Treasury will pay the lease every month the Bank of Ceylon. The provision for the payment of lease has been requested several times, through the Ministry.</p> |
| <p>(ii) It was decided to dispose 03 existing vehicles for the purpose of procurement of above 03 new vehicles. However, out of that only 02 vehicles had been disposed for Rs.5,773,000 in contrary to the provisions in Public Finance Circular No.02/15 dated 10 July 2015 and this amount was kept with the Authority without being remitted to the General Treasury as per paragraph 06 of the National Budget Circular No.03/2018 dated 16 July 2018.</p> | <p>(ii) The income received from the sale of 03 vehicles will be transferred to the Treasury once the remaining vehicle is sold.</p> |

Required fund from the General Treasury should be obtain for the payment of capital and interest portion of the lease instalments after remitting the income received from the disposal of substitute vehicles.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The major portion of unused building areas available at the Centre for House Planning and Building (CHPB) belongs to the Authority had been rented out to the various parties since last several years. However, the rent income of Rs. 361,245 for the year ended 31 December 2019 was in arrears without being recovered from two parties even up to 30 June 2020. Further, the Authority had not taken actions to renew the rent agreements entered into between 04 parties even as at 30 June 2020.	Actions have been taken to recover the outstanding amount.	The Authority has to be taken timely actions to recover the arrears rent and to renew the rent agreements which were already expired.

(b) The Authority had not performed the following activities which set out in the Construction Industry Development Act, No. 33 of 2014 for the effective and smooth operations of the Authority even though it was elapsed more than five years after establishment of the Authority.

- to provide for the registration of property developers and to grade them under financial and marketing capabilities.

Gazette for this activity has been published on 25.06.2020 and paper Advertisement, Application for Registration criteria and registration panel finalized. Registration process will commence within next 02 weeks.

- to maintain a directory of importers, manufactures and suppliers of construction materials and construction components used in the construction industry, as may be determined by the rules made under this Act.

Regulation as to the registration skilled workers now in a final stage and it will be gazetted soon.

- to provide for the registration and issuing of craft identity cards to the skilled workers in construction trades as may be determined by the rules made under this Act.

Gazette yet to be published. After publishing the gazette, process will commence.

- to establish the Construction Industry Development Fund.

The regulation on CID fund has been prepared to submit to cabinet of minister's approval. The government has decided that ACT should be amended to reflect that the entire CID fund should be channeled through the consolidated fund. The ACT has now been amended and submitted to the legal draftsman with the approval of cabinet ministers. But the legal draftsman had indicated that approval of the new government should be obtained before processing

Effective and fruitful actions to be immediately taken to perform the activities mentioned in the Act for the smooth operations and development of the construction industry of the country.

(C) It was observed that almost all of the publications issued by the Authority for the use of uplifting the construction industry have not been revised or updated for the period ranging from 09 to 32 years in order to suit the present requirements. Hence, the achievement of

The CIDA publication are revisited at the interval of 5 years to see whether any amendments are required responding to the evolving nature of the construction industry. Steering Committee will decide whether

Immediate and effective actions to be taken to revise or update all outdated publications issued by the Authority for the purpose of uplifting the construction industry and enable to

the objectives such as (a) to formulate the standards in construction industry (b) to implement the codes of conduct, practices, procedures and process and documentations relating to construction industry and (c) to provide strategic leadership to the stakeholders of the construction industry to stimulate sustainable growth, reform and improvement of the construction sector etc. which set out in the Act, are questionable to audit.

amendments are required. Based on this process, the publication where revisions are required are amended.

achieve the objectives set out in the Act of the Authority.

(d) Books & periodicals, uniforms and toolkits to the value of Rs.155,684,319 had been purchased during the period from 2016 to 2018 for distribute among the trainers who trains under the “Shilpa Saviya” Training program. However, at the physical audit examination carried out 16th December 2019 in this connection it was revealed that, out of those items, the items worth Rs. 10,924,385 had not been distributed to the trainees and kept with them in two rooms of the Construction Equipment Training Centre (CETRAC) belongs to the Authority even up to 30 June 2020.

Skill development programme is operating continuously. Therefore, remaining books and periodicals, uniforms and toolkits will be utilized during the programmes scheduled during the year 2020.

Immediate actions have to be taken to utilize the items purchased for intendant purpose without being lying in the stores.

3.3 Under -utilization of Funds

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) Out of the Capital Grants received from the General Treasury for various purposes during the year under review and previous years amounting to Rs. 252,539,098 had remained in the bank current accounts of the Authority without being utilized for intendant purpose. As a result, an amount approximately Rs. 25 million have been lost to the Government in the year under review.</p> <p>In addition to the above, a capital imprest of Rs.14,612,249 was received to the Authority from the line Ministry on 01 January 2020 by their letter dated 31 December 2019. However, it had</p>	<p>The remaining balances will be utilized during the year 2020 in line with the conditions in MOU/ Agreements.</p>	<p>An effective strategic plan to be papered and implemented by the Authority to timely utilize the public fund for intendant purpose without laying idle in the bank current accounts.</p>

been accounted for as imprest received for the year 2020 and this amount also lying idle in a bank account up to 30 June 2020.

- | | | |
|---|---|---|
| <p>(b) According to the cash balances shown in Bank Statements and respective cash books of three current accounts of the Authority, an average amount of Rs. 300 million had remained idle in those bank current accounts throughout the year under review and in the previous year without being utilized for any purpose. In the meantime, the bank balances of these three current accounts were increased to Rs.394.28 million as at 30 June 2020.</p> | <p>Out of the bank balance of Rs.361.33 million, Rs.252.53 million is the Treasury imprest received for the implementation of projects and programmes. The imprest balance will be used for the intended projects / programs.</p> | <p>An effective strategic plan to be papered and implemented by the Authority to timely utilize the public fund for intendant purpose without laying idle in the bank current accounts.</p> |
| <p>(c) A balance of Rs. 98,500 was kept in a dormant bank account since the year 2015 without being utilized for any purpose.</p> | <p>This account was opened for the purpose of maintaining the CID Fund. Once the fund is established, this account will be operated</p> | <p>No dormant bank account for longer period shall be maintained by the Authority.</p> |

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>The Authority had entered into a Memorandum of Understanding (MOU) with the Information and Communication Technology Agency (ICTA) for issuance of crafts identity card to registered skilled construction craftsmen on 24 July 2019 and the estimated value of the project component is Rs.56.74 million. Out of that, a sum of Rs. 11.35 million had been paid as mobilization advance to the ICTA on 13 August 2019. The following observations are made in this regard.</p>		
<p>(i) According to Section 1.2 of the MOU it was agreed to complete this project works between the periods of 2019 – 2020. Nevertheless, no progress has been shown in this connection even up to the date of this report and the advance given to ICTA is become fruitless.</p>	<p>(i) Due to prevailing situation of COVID 19, process of conducting activities as per the MOU has been delayed. Therefore, those activities have been rescheduled and carried out as per the revised schedule.</p>	<p>Meaningful actions shall be taken to complete all procurement activities within the scheduled project period to ensure the maximum value for the money spent.</p>

(ii) No acceptable guarantee had been obtained before payment of above advance to ICTA as per the Guideline 5.4.4 of the Government Procurement Guidelines.	(ii) Mobilization advance has been paid according to the MOU	An acceptable advance guarantee should be obtained before payment of advance as per the Government Procurement Guidelines.
(iii) No approval was made available for audit with regard to provide this contract works to the ICTA.	(iii) A Board approval has been obtained for awarding this contract to ICTA.	The approvals should be made available for audit.
(iv) Although an imprest of Rs. 20 million was provided by the General Treasury for this purpose, a balance of Rs. 8.65 million had not been utilized for intended purpose even up to 15 July 2020.	(iv) The payment to ICTA will be made in stages according to the MOU signed between the two organization. The balance money will be paid according to the completion of works.	Any imprest balances as at the end of 31 December of each year should be surrendered to the General Treasury through the line Ministry.

3.5 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
According to the information provided for audit, an employee of the Authority had been released / attached to then line Ministry (Ministry of Housing and Samurdhi) with effect from 09 February 2015 in contrary to the provisions in Section 9.4 of the Public Enterprises Circular for Good Governance No. PED/12 of 02 June 2003. Although the salaries and other allowances approximately Rs. 4,117,355 was paid to this officer for the period from 09 February 2015 to 31 December 2019, no fund had been reimbursed from line Ministry even up to 30 June 2020	The employee has been released to the Media unit of the Line Ministry. However, he contributes his service to the authority by covering up Shilpa saviya and other programmes of CIDA. Ministry has already been requested to release him.	No employees of the Authority should be released / attached to line Ministry in contrary to the provisions of Public Enterprises Circular for Good Governance No. PED/12 of 02 June 2003.

3.6 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
According to the information provided for audit 07 vehicles had met with accidents in 10 instances during the year 2019 and Rs.241,597 had been incurred for repair of 04 vehicles. Out of them, 03 vehicles had not been repaired even up to 30 June 2020 and kept without being used due to various reasons. However, no inquiries had been instituted to ascertain extent and causes of the losses and to fix responsibility. Further, preliminary reports and final reports with regard to these vehicle accidents had not been submitted to the auditor General.	All vehicles were referred for repairs more than 20 years old. Making repairs are difficult due to the non availability of spare parts in the market. Preliminary investigations in to the motor vehicle accidents have already commented. Furthermore CIDA has been maintained updated accident register.	Actions has to be taken to conduct the inquiries for ascertain the extent and causes of the loss and to fix responsibility before obtaining insurance claims.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue	Management Comment	Recommendation
Updated Corporate Plan approved by the Board had not been submitted to the Auditor General as requested	Updated Corporate Plan for the year 2020 has been submitted to Board of Management on 23/07/2020 to obtain approval. 2020 Updated Corporate Plan and 2020 revised budget will be sent to the relevant Department after obtaining approval from the Board of Management.	Updated copies of the Corporate Plan approved by the Board together with the updated Annual Budget should be forwarded to the line Ministry, Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of each financial year.

4.2 Table of Annual Report

Audit Issue	Management Comment	Recommendation
The Annual Report of the Authority for the year 2018 had not been tabled in Parliament even up to the date of this report.	Action has taken to send relevant annual reports to Ministry and it will be tabled in parliament soon.	Expedite the actions to table those reports in Parliament without further delay.

