

Construction Industry Development Authority - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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

Audit Issue	Management Comment	Recommendation
(a) According to paragraph 55 of the Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 01, interest income amounting to Rs. 37.94 million, which had been recorded as operating income in the financial statements for the year 2023 and reclassified under net financial income in the financial statements of the year under review, had not been disclosed in the financial statements.	We will work to make proper disclosures in the 2025 financial statements and ensure that such shortcomings do not occur in the future.	Disclosures should be made regarding reclassified financial statement items in accordance with Sri Lanka Public Sector Accounting Standards.
(b) According to the Sri Lanka Public Sector Accounting Standard No. 07, tangible assets that are expected to be used for more than one year should be classified as fixed assets. However, out of the Rs. 2.95 million spent by the Authority for the renovation of internal electrical lines at the Operator Technical College, only Rs. 1.84 million had been capitalized.	The necessary adjustment will be made to capitalize this amount and record as fixed assets in the 2025 financial year.	As fixed assets should be recorded in accordance with the Sri Lanka Public Sector Accounting Standards, necessary corrections should be made in the next year financial statements.

Accordingly, fixed assets had been understated by Rs. 1.11 million in the financial statements. Out of the non-capitalized amount, Rs.1.03 million had been accounted under building repairs and maintenance in the financial statements of the year under review, resulting in an overstatement of expenditure by the same amount.

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| <p>(c) According to the exception stated in the Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 11, the capital grant of Rs. 45.05 million (Motor Vehicles) provided by the General Treasury in the year 2017 should have been shown under the accumulated surplus in the statement of changes in equity. However, instead of adding this grant to the accumulated surplus, it had been shown separately as a motor vehicle grant.</p> | <p>In accordance with the Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 11, this will be corrected and presented as a capital grant under accumulated surplus in the financial statements for the year 2025.</p> | <p>Necessary corrections should be made in the financial statements of the next year in accordance with the Sri Lanka Public Sector Accounting Standards.</p> |
| <p>(d) Contrary to paragraph 12 of the Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 12, the land obtained in 2016 from the Tower Hall Theater Foundation under a 30-year operating lease agreement for Rs. 6 million had been shown under property, plant, and equipment in the statement of financial position. As a result, the value of property, plant, and equipment had been overstated by Rs. 4.27 million.</p> | <p>The asset relating to the lease agreement with the Tower Hall Foundation has not been reported as a “Right of Use Asset” due to a prevailing ownership issue of the Authority. This is an interim action, and the proper classification will be made in accordance with the Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 12 once the issue is resolved.</p> | <p>In accordance with the Sri Lanka Public Sector Accounting Standards, this land should be recorded as a right-of-use asset in the next year financial statements.</p> |

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The “Well Water Plant” project, which commenced by incurring an expenditure of Rs.1.21 million in 2020, has</p>	<p>As this project, was commenced in 2020 with an expenditure of Rs. 1.21 million, has been in use for</p>	<p>As the asset is currently being used for operational purposes, the necessary adjustments should be made in the financial statements of</p>

been used for operational purposes since 2023. However, its cost had been recorded under work-in-progress without being capitalized.

operational purposes since 2023, the necessary adjustments to capitalize and commence depreciation will be made in the financial year 2025 after proper verification of the relevant supporting documentation.

the next year to capitalize its cost.

- (b) As a formal inventory management system has not been established for managing receipts and issues of stock, it was not possible to identify obsolete, slow-moving & non-moving inventory. Further, fuel and uniform stocks with a value of Rs. 7.53 million, which did not physically exist, were recorded in the stock register, and although some stock items were included in the register, their values were not recorded. As a result, the accuracy of the stock value of Rs. 139.70 million reported in the financial statements could not be verified during the audit.
- A detailed reconciliation has been carried out regarding the difference of Rs. 7.53 million in the fuel and uniform stock balances. Two main reasons for this difference have been identified, and necessary accounting adjustments are being undertaken. Steps have already been initiated to integrate all relevant functionalities into the planned Enterprise Resource Planning (ERP) system to be implemented in the future.
- Steps should be taken to identify and correct the differences in stock balances and to implement and operate the ERP system.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
As at the end of the financial year, the Authority's total outstanding creditors amounted to Rs. 4.43 million and out of that Rs.3.29 million had remained unsettled for over ten years.	The main reason for this amount remaining unsettled for over ten years is that the relevant employees had left the Authority without completing the proper clearance procedures.	Actions should be taken to settle the outstanding balances in a timely manner.

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 5(1) of the Gratuity Payments Act, No. 12 of 1983	Although gratuity is required to be paid within 30 days from the date of termination of service, the Authority had incurred a surcharge of Rs.0.29 million due to the delay in paying gratuity to three officers.	Acknowledged	Gratuity payments should be made to the relevant officers within 30 days of the termination of service, and officers responsible for any delays should be identified. Disciplinary action should be taken against such officers, and steps must be taken to recover losses incurred by the Authority without delay.
(b) Clauses 3.5 and 6.8 of the Operations Manual introduced by the Government Enterprises Circular No. 01/2021 dated 16 November 2021	In 2023, two vehicles owned by the Authority were released for the use of Ministry without proper authorization, and the salaries, allowances paid to the drivers of these vehicles and fuel expenses were not reimbursed by the Ministry. Additionally, an employee holding the post of Audiovisual Operator had been released to the Ministry's Media Unit since May 2007, and the salaries, allowances, and overtime payments made to him had also not been reimbursed by the Ministry.	Although reminder letters have been sent requesting the reimbursement of drivers' travel expenses, subsistence allowances, and overtime allowances, these amounts have not been reimbursed to the Authority. Similarly, several letters have been sent to the Secretary of the Ministry requesting the reimbursement of salaries and other allowances paid to the Audiovisual Operator, but the Ministry has not reimbursed the relevant amounts.	Steps should be taken to recover the relevant amounts, and the Authority's assets should be released to other institutions in accordance with the Circular.

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| (c) | Public Administrative Circular No. 03/92 dated 25 January 1992 | Although arrivals after the designated reporting time were to be covered, some employees' late arrivals were not covered, and no action was taken to deduct leave in lieu thereof. | In accordance with the approved Circular, delays in reporting to duty beyond the permitted time period will be deducted from the employees' short leave, and once that is exhausted, the remaining delays should be deducted from their entitled leaves. | Action should be taken to deduct uncovered delays from leave in accordance with the Government Administrative Circular. |
| (d) | Public Administrative Circular No. 09/2009 dated 16 April 2009 | Although fingerprint devices should have been used to record arrivals and departures, eight District Coordination Officers had not complied with this requirement. | As only one District Coordination Officer has been appointed for each district, no District Coordination Office has been established. Consequently, the recording and verification of these officers' arrivals and departures are carried out by other government institutions that have provided office facilities to them. | The arrivals and departures of District Coordination Officers should be recorded using fingerprint devices at the respective government institutions without delay. |

2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.66.63 million and the corresponding surplus in the preceding year amounted to Rs. 26.88 million. Therefore an improvement amounting to Rs. 39.75 million of the financial result was observed. The reasons for the improvement were mainly due to increase in income from National Vocational Qualifications (NVQ) training programs by Rs. 9.65 million, contractor registration income by Rs. 22.54 million, and training program income by Rs. 10.48 million compared to the previous year.

2.2 Trend Analysis of major Income and Expenditure items

Description	Value of the year under review (Rs. Million)	Value of previous year (Rs. Million)	Difference Increase / (Decrease) (Rs. Million)	Difference (%)
Income				
Operational Income	337.18	291.69	45.49	16
Non-operational Income	5.43	11.1	(5.68)	(51)
Treasury Grants & Imprest	168.71	162.41	6.3	4
Expenses				
Project operating expenses	35.31	67.54	(32.23)	(48)
Administrative expenses	229.55	203.58	25.97	13
Maintenance expense	78.17	77.58	0.59	1
Research, development and Training expense	33.11	32.09	1.02	0

2.3 Ratio Analysis

During the year under review, the Authority's current ratio was 4:1, compared to 3:1 in the previous year. The quick asset ratio increased from 2:1 in the previous year to 3:1 in the year under review. Furthermore, the return on assets ratio rose from 2 percent in the previous year to 5 percent in the year under review. The 148 percent increase in the surplus compared to the previous year was the main reason contributing to the improvement in the return on assets ratio.

3 Operational Review

3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
In a case filed by the Director of Finance against the Authority challenging the termination of his service, a decision was initially issued ordering his reinstatement with payment of arrears. However, the Authority did not implement this decision and instead filed an appeal, incurring an expenditure of Rs. 1,750,000 for this purpose. Subsequently, the Authority itself withdrew the case in 2024, rendering the incurred expenditure a fruitless expenditure.	As there was no necessity to pursue this appeal further, the Board of Management of our institution decided to withdraw the appeal case. It should be emphasized that it could not have been foreseen at the time of filing the appeal that such a situation would arise.	The factors that led to erroneous management decisions should be identified, and actions must be taken in the future to avoid fruitless expenditure and to recover the amounts from the responsible parties.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The land on which the Construction Equipment Training Centre (CETRAC) located in Pelawatta, Battaramulla, is operated by the Authority belongs to the Urban Development Authority, and the cost of the buildings constructed by the Authority on this land amounted to Rs. 306.15 million. No formal lease agreement had been finalized for this land by the end of the year under review. Similarly, no formal lease agreements have been concluded with the relevant parties for the lands on which the Authority's Operator Technical College (OTC) in Galkulama and the Katharagama circuit bungalow are situated.</p>	<p>Actions will be taken to obtain the land on which the Construction Equipment Training Centre (CETRAC) is located from the Urban Development Authority on a long-term lease basis, once the necessary approvals are obtained from the Urban Development Authority.</p> <p>The necessary affidavits required to acquire the land for the Construction Equipment Operator Training College in Galkulama on a long-term lease basis have been properly signed and submitted to the Divisional Secretariat office in Thirappane.</p> <p>The land on which the Katharagama circuit bungalow is situated belongs to the Urban Development Authority, and once the necessary approvals are obtained from the Authority, our institution will be able to enter into a long-term lease agreement for the land.</p>	<p>Proper steps should be taken to enter into formal lease agreements for the relevant properties and to act in full compliance with the terms and conditions of those agreements without delay.</p>
<p>(b) From 2018 to 2024, the Government provided a provision of Rs. 163.37 million to implement the project for upgrading the infrastructure of the Construction Equipment Operator Training College (OTC). The project aimed to produce over 1,000 skilled operators for the construction sector; however, by 2024, only approximately 577 skilled operators had been trained through 10 training programs. Accordingly, although the government had provided the necessary facilities, the expected objective of implementing the project had not been achieved. Furthermore, around 11 planned training programs had not been conducted over several</p>	<p>Due to the pandemic situation and the economic crisis that prevailed during the years 2020–2022, physical training sessions had to be limited, and the significant increase in the prices goods including fuel and spare parts also made it necessary to revise course fees. As a result, the number of training programmes decreased. However, by successfully conducting the vocational subject stream as targeted and by designing courses for university students, a total of 1,017 trainees had been trained by the year 2024, which is a successful outcome achieved through the implementation of the project.</p>	<p>Actions should be taken to successfully accomplish the targeted activities in accordance with the action plan.</p>

years, and for some programs that were implemented, both the revenue generated and the number of participants were at low levels. As a result, certain courses did not generate sufficient income to cover the associated costs.

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| (c) | <p>In 2022, a contractor was selected for the roof renovation of the Authority's main office in a manner not in compliance with procurement guidelines. The contractor removed some work items specified in the estimate, reduced the scope of others, and undertook the contract for a sum of Rs. 5.6 million at higher rates. After the completion of the work on 27 June 2023, it was observed that rain water was leaking into several areas of the building, some parts of ceiling had damaged, and certain parts were incomplete. However, by 30 April 2025, which marked the end of the defect liability period, the Authority had not taken any action to rectify these deficiencies.</p> | <p>An advertisement was published on the CIDA website, and a C-6 registered construction company was selected to carry out only the necessary repairs for a sum of Rs. 5.59 million. The contract was completed and handed over on 27 June 2023, and the related payments were made.</p> <p>As the defect liability period under the contract has now expired and the above-mentioned defects have not been rectified, the Authority has not yet released the maximum retention amount of the total contract sum.</p> | <p>Immediate action should be taken to rectify the existing deficiencies related to the renovation.</p> |
| (d) | <p>One of the Authority's water bowser was involved in an accident on 20 July 2020. Repairs were carried out at a cost of Rs. 2.58 million, but as of 14 July 2023 the insurance company had reimbursed only 50 percent of that cost i.e. Rs. 1.29 million. Accordingly, the remaining amount had still not been recovered from the insurance company by 28 February 2025.</p> | <p>Pursuant to the directions issued at the meeting chaired by the Chairman on 29 April 2025, a letter was sent on 16 May 2025 to request the involvement of Director General of the Department of Public Enterprises regarding this matter. Additionally, although approval had been granted for full claimed amount, only a partial payment was made. Accordingly, further letter was issued to seek the guidance from the Attorney-at-Law regarding the next steps.</p> | <p>Action should be taken to recover the amount not yet reimbursed by the insurance and to strengthen the internal control system to ensure timely receipt of such insurance payments in the future.</p> |
| (e) | <p>A sum of Rs. 35.77 million was provided by the General Treasury in 2019 and 2020 to issue craft Identity</p> | <p>The software system developed by Sri Lanka Telecom for the online registration of construction workers has</p> | <p>The relevant rules and fees for issuing identity</p> |

Card for craftsmen in the construction industry. Although, Rs. 0.83 million was paid to Sri Lanka Telecom to establish the relevant information technology system, the system development had not been completed by 30 April 2025.

Further, prior to issuing identity cards for skilled craftsmen, the relevant regulations and fees should have been published in the Gazette. However, the Authority proceeded to invite applications and collect fees without any such Gazette notification having been issued. By the end of the year under review, 824 identity cards had been issued through this process.

been revised to address practical issues identified in its initial implementation and has been delivered to the Construction Industry Development Authority (CIDA). It is scheduled to be fully operational for craftsmen from 29 May 2025. The legal authority for this has been granted under Sections 48 and 49 of the Construction Industry Development Act, No. 33 of 2014, and the corresponding regulations have already been gazetted. The drafting of the relevant rules is being carried out by the Department of Legal Draftsman's and is currently in its final stage. Registration and issuance of identity cards are being carried out in accordance with the existing fees of the year 2021, with the approval of the Board of Directors.

cards to skilled workers should be promptly finalized and published in the Gazette.

(f) The Authority operates 14 District Coordination Offices to carry out its functions across the country. However, for the year under review, specific targets, timelines, and performance indicators for these offices, as per the action plan, were not clearly defined. As a result, it was not possible to assess the performance of the regional offices. Additionally, proper guidance and coordination for the performance of these officers were not provided by the relevant divisions. During the audit, it was observed that some of the tasks carried out by these regional offices could be performed online. However, field inspections in 06 districts scheduled between January and June were not conducted.

No comments were provided by the management.

Targets and performance indicators should be clearly defined for the regional offices in a manner that allows timely monitoring of their performance, and action should be taken without delay to review progress.

(g) According to the information submitted for audit, only 57

As per the decision taken at the Board of Management meeting held on 27th

Steps should be taken to prepare a

reservations were made for the Katharagama circuit bungalow during the year under review, resulting in a loss of Rs. 0.98 million from its operation.

February 2025, reservations for accommodation at the circuit Bungalow were suspended with immediate effect by letter dated 05th March 2025. Since the building is old and in need of significant repairs, and considering the substantial cost required for renovation, with the Management Board's approval, actions have been initiated to call for a tender to hand over the operation of the circuit bungalow to an external party.

proper plan and implement adequate supervision to ensure the Katharagama circuit bungalow operates profitably.

3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) It was observed that, in terms of the Construction Industry Development Act No. 33 of 2014, the Authority had failed to carry out several functions assigned under the Act, including formulating procedures for the registration of foreign consultants as required by Section 33, formulating procedures relating to the adjudication of industrial disputes in terms of Section 51, and establishing an Information Secretariat in accordance with Section 55 together with defining its duties, operational procedures, and performance standards. Furthermore, although Section 46 of the Act requires the Authority to prepare Standard Bidding Documents (SBDs), the SBDs prepared by the Institute for Construction Training and Development (ICTAD) namely SBD – 03 (Procurement – Works – Minor), SBD – 02 (Procurement – Works – Major), and SBD – 04 (Design and Build)—have not yet been amended.</p>	<p>Regulations have been formulated for the registration of foreign consultants as qualified persons. Procedures for adjudication have been established and were submitted to the Ministry and the legal draftsman on 28 November 2017 for first time. The necessary actions to implement Section 55(a) regarding the establishment of the information secretariat through information technology have been completed, and all relevant data has been sent to the banks. Furthermore, links have been provided via the Ministry to enable all government institutions to upload data for all projects in Sri Lanka. The SBD 03 documents have been amended and are scheduled to be submitted to the 2025 Board of Directors. Amendments to SBD 02 and SBD 04 are currently in progress.</p>	<p>The necessary steps must be continuously taken to ensure that the functions stipulated under the Construction Industry Development Act are carried out efficiently and effectively.</p>
<p>(b) During the review of progress against the action plan for the year under review, the performance of activities such as the registration of property developers, registration of building material</p>	<p>To strengthen the initiation of this registration process, discussions have been held with the Urban Development Authority (UDA), and they have agreed to integrate the</p>	<p>Structured plans and clearly defined targets should be established, and necessary actions must be consistently</p>

suppliers, registration of qualified persons, monitoring of health and safety management at construction sites, registration of green building providers, registration of site supervisors and mid-level technical officers, registration of foreign contractors, conducting technical audits, conducting local training programs covering all staff to enhance officers' knowledge and skills, training of supervisory and professional-level officers, and skill development programs on construction equipment maintenance and operational technology was observed to be below 50 percent during the review year.

Authority's registration into their building approval process. This strategic collaboration is expected to enhance the value of the registration and promote greater participation of property developers in the future.

The list of material suppliers is available on the Authority's website. Many government institutions have been informed to include the Authority's registered suppliers in their annual supplier registration processes. Government agencies have been instructed to procure construction materials from the Authority's registered suppliers, and promotional activities have been conducted across the districts through District Coordination Officers (DCOs). The final draft of the regulations for registering foreign companies is now ready to be formally resubmitted to the Board of Directors for approval.

An inspection team, consisting of DCOs and staff from the main office, conducts site visits on a random basis. They have encountered challenges in maintaining the expected number of site visits.

taken to ensure that the functions set out in the Construction Industry Development Act are carried out efficiently and effectively.

3.4 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
(a) It was observed that the Authority operates on a land belonging to the Tower Hall Theatre Foundation. In 2016, both parties had signed a lease agreement valued at Rs. 6 million, which was same as the previous lease agreement, without revising the lease amount. Based on the approval granted by Cabinet Memorandum submitted by the	It was observed that the Tower Hall Theatre Foundation and the Construction Industry Development Authority had not reached an agreement regarding the revision of the lease value under the new lease agreement. However, in order to comply with	Both parties should take steps to enter into a correct and fair lease agreement and ensure that all obligations under the agreement are fully complied

lessor regarding the non-revision of the lease rent, the Authority has to be paid a sum of Rs. 145 million to the Tower Hall Theatre Foundation, although the basis of this calculation had not been clearly disclosed. Further, it was observed that a sum of Rs. 25 million had been paid as an advance on 06 September 2024 with the approval of the Board of Directors, without cancelling, amending, or entering into a new lease agreement, which resulted in a problematic situation in the audit.

the Cabinet Decision dated 09 July 2024 (subject to the condition that, if the institution does not agree with the said decision, it should be amended through a new Cabinet Memorandum), the Authority had paid an advance of Rs. 25 million to the Tower Hall Theatre Foundation.

3.5 Idle or underutilized property, plant & equipment

Audit Issue	Management Comment	Recommendation
(a) Most of the equipment used for training activities at the Galkulama OTC remains non-operating, and a significant amount of space has been occupied due to the equipment being retained in various locations. No action had been taken to dispose of approximately 11 machines and vehicles that are in an unusable condition, and to repair another 11 machines and vehicles. Additionally, the simulator purchased in 2017 for Rs.7.9 million for use in training programmes has been out of operation since March 2023 and remained idle for nearly two years without any repairs.	Due to a technical fault, the machine was sent for repairs. However, as this machine manufactured based on demand, it cannot be repaired through the local market. Because the necessary components for the relevant software and hardware systems are difficult to source locally, some parts had to be sent to the parent company in China for repair, and a considerable amount of time was required to complete this technical process. At present, the repaired components of the software and hardware systems have been received by the institution, and the machine is in the final stage of repair.	Appropriate actions should be promptly taken to either repair non-operating machinery, equipment, or vehicles or to dispose of assets that cannot be repaired.
(b) A building was constructed in the year 2020 at a cost of LKR 23.56 million for accommodation of the resource persons at the Operator Training College located in Galkulama, but the building plan had not	The building plans have been submitted to the Urban Development Authority (UDA) and the Department of Wildlife Conservation for	In relation to this construction, steps should be taken to obtain the relevant approvals and to ensure the

been submitted to the Pradeshiya Sabha for approval. In addition to that, no certificate of conformity declaring the building suitable for occupation had been obtained. Furthermore, the building had been constructed in a forested area inhabited by wild animals and the relevant approvals had not been obtained from institutions including wildlife, forest conservation and the environment. It was also observed that the utilization of this building remained at a very low level during the year under review.

approval, and action will be taken in due course to obtain the remaining certificates of conformity after the completion of the construction.

building is utilized in a effective manner.

3.6 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>Although a newspaper advertisement was published under the National Competitive Bidding (NCB) process for the purchase of a simulator, the time allowed for submission did not comply with the Procurement Guidelines, which require a minimum of 21 days. Only about 12 days were provided, resulting in price quotations being received from only one institution. As the quoted price was high and the number of bidders limited, the process had to be reopened to invite fresh quotations. Consequently, the expenditure incurred for the initial advertisement became a fruitless expenditure.</p>	<p>Since a simulator is neither a commonly used nor widely manufactured item, the number of suppliers is extremely limited. Therefore, even if the number of bidders is small, pre-bid meetings were held to allow bidders to make requests in case the time provided is insufficient.</p>	<p>According to the Procurement Guidelines, when making purchases through competitive bidding the prescribed period for submitting bids must be allowed in order to enhance competitiveness and to provide an opportunity to select the most advantageous bid. Action should be taken against the officials responsible for not being given the opportunity to select the most advantageous bid, and the procurement system should be made efficient and effective.</p>

3.7 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>(a) According to the Scheme of Recruitment (SOR), an officer who has completed 10 years in the post of Assistant Director and fulfilled other requirements is eligible to be</p>	<p>A request has been submitted to obtain clarification from the Director General of the Department of Management Services regarding the</p>	<p>All officers who have fulfilled the qualifications under the recruitment procedure should be granted promotions in accordance</p>

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| <p>promoted to the post of Deputy Director (MM 1-1). However, since the officer who had declined to assume the position was retroactively promoted from that date, this resulted in the payment of a higher salary to him and created a situation where other applicants could be disadvantaged when applying for the vacant director level positions.</p> | <p>promotion from Assistant Director II grade to Deputy Director I grade in the Senior Management (MM 1-1) service category, the effective date of that promotion, and the payment of arrears of salary increments, as per letter No. 1/4/107-II (1015) dated 10 March 2024.</p> | <p>with the relevant rules and regulations</p> |
| <p>(b) As of 31 December 2024, the approved and actual cadre stood at 390 and 196 respectively, resulting in 194 vacancies within the Authority. Among these vacancies were 17 senior-level posts; in particular, the positions of Director (Finance) and Director (Development) had remained vacant for two years and one year respectively.</p> | <p>Due to government-imposed restrictions on new recruitments, the Authority has suspended all recruitments for its vacant posts. The Board of Directors has approved amendments to the recruitment procedures and the cadre size, and these proposals have been forwarded to the Department of Management Services for approval</p> | <p>The necessary approvals for recruitment must be obtained promptly, and recruitments should be carried out for the essential posts.</p> |
| <p>(c) On 08 October 2021, the then Director (Finance) resorted to legal action in opposition to being sent on compulsory leave. As of August 2025, the Authority had incurred legal expenses amounting to Rs. 15.01 million in connection with five cases relating to that matter. Included in this amount was Rs. 10.8 million incurred for a contempt of court (COC) case filed by the former Director (Finance) against the Authority's Board of Directors, which has not yet been concluded.</p> | <p>The date of conclusion of the lawsuit filed by the former Director (Finance) under the charge of defamation cannot be determined in advance, and after the honorable Judge declined to appear for the primary case submitted by the Director (Finance), our institution has decided to secure private legal counsel for the other cases related to the Director (Finance).</p> | <p>Action should be taken without delay to recover such legal expenses incurred by the Authority due to improper administrative decisions and weak human resource management from the parties responsible.</p> |
| <p>(d) The authority paid legal fees of Rs. 0.42 million for the defamation suit (DMR/3067/2022) filed privately by the former Director of Finance against the former Chairman, with the</p> | <p>According to the statement of replies submitted by the former Chairman regarding the complaint in this case, the termination of the service</p> | <p>The responsible parties who approved the use of the Authority's funds for cases filed personally against officers should be</p> |

approval of the Board of Directors.

of the former Director (Finance), which gave rise to this case, was an official duty and not an action carried out personally by him. It was also stated that private legal counsel was engaged for this case, and the Management Board had decided that the legal fees of such counsel would be paid by the Authority.

identified, and action should be taken without delay to recover those funds.

3.8 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
(a) Preliminary and final reports had not been prepared by 30 March 2025 for 12 accidents that occurred between 2021 and 2023, as well as for 10 accidents that occurred during the year under review.	No comments were provided by the management.	Disciplinary action must be taken against officials who fail to prepare the preliminary and final reports regarding the vehicle accidents as per the Financial Regulations.
(b) During the year under review, four emergency accidents occurred involving the vehicle allocated to the Chairman, and in three of these cases, the repair costs amounting to Rs. 379,059 were not covered by insurance.	The accidents relating to the vehicle assigned to the Chairman for the years 2023 and 2024 have been referred to the Investigation Committee under Financial Regulation 104(3).	In accordance with financial regulations, a review should be conducted, and any losses not covered by insurance should be promptly recovered from the responsible parties.
(c) There are 50 vehicles belonging to the Authority's Head office, the Centre for Housing, Planning & Building (CHPB) and the Construction Equipment Training Centre (CETRAC) and out of which 6 were not in operation. The vehicle numbered 32-3923 that was	The Ministry has provided the necessary documents for the vehicle bearing registration number 32-3923, which was donated to the Authority. These documents have now been	Actions should be taken to expedite the taking over of the vehicle donated to the Authority, and actions should be taken to repair or dispose of

donated to the authority had not been taken over. submitted to the Department of Motor Traffic, where instructions were given to complete Form CMT 130 and resubmit it to the Department of Motor Traffic. vehicles that are non-operational.

4 Accountability and Good Governance

4.1 Internal Audit

Audit Issue	Management Comment	Recommendation
(a) Although the Authority’s approved cadre included a position of Internal Auditor (Assistant Director), this position had been vacant for over three years, and only one officer had been assigned to the Internal Audit Division. While the Authority employed 189 officers across three regional training centers, a sufficient number of officers had not been allocated to the Internal Audit Division to conduct proper reviews of internal controls and operational effectiveness.	Because government recruitments have been restricted, recruitments for the authority’s vacant posts have been suspended. Approval from the board of directors has been obtained for amendments to the recruitment procedure and revision of the number of posts, and these have been submitted for the approval of the Department of Management Services.	Approvals for recruitment should be obtained without delay, and vacancies in the Internal Audit Division should be filled in order to strengthen the Authority’s internal control system.