

State Development and Construction Corporation - 2024

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the State Development and Construction Corporation (“Corporation”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer Opinion

My opinion is Disclaimed 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 Disclaimer of 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 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 Corporation’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 intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

1.4 Audit Scope (Auditor’s Responsibilities for the Audit of the Financial Statements)

My responsibility is to conduct an audit of the Corporation’s financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor’s report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
(a) The asset liability balances of construction debtors and Mobilization advances of Rs. 31.86 million and Rs. 0.52 million respectively had been offset, contrary to the paragraph 32 of Sri Lanka Accounting Standards No. 1 which requires that assets and liabilities or income and expenses should not be offset except when permitted by Sri Lanka Financial Reporting Standards.	Actions will be taken to prevent it from happening in the future.	Accurate adjustments should be made in the next year's financial statements in accordance with Sri Lanka Accounting Standards and submitted for audit.
(b) Contrary to paragraphs 4.8 to 4.14 of the Conceptual Framework for Financial Reporting, the difference of Rs. 58.25 million between the physical inventory balance and the inventory value recorded in the accounting system had been posted to an inventory adjustment account and included in the closing inventory of the financial statements, resulting in an overstatement of the	The reasons for the inventory adjustment balance of Rs. 58.25 million are under investigation, and the necessary adjustments are being made to the accounts. A significant portion of the above balance has already been corrected, and the remaining balance will also be rectified.	The financial statements should be prepared correctly by adjusting the identified changes in accordance with Sri Lanka Accounting Standards.

Corporation's current assets by that amount.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
As of 31 December 2024, a balance of Rs. 27.81 million was shown in the financial statements as receivable from a private company, which was a creditor of the Corporation. Although the Corporation had received services from the relevant company and made payments including VAT, the VAT could not be offset as the company was not a VAT-registered entity. The relevant amount has been recorded as a receivable balance since 2020.	The necessary provisions will be made to the financial statements in 2025.	Unrecoverable losses arising from payments made with VAT to an entity that is not registered for VAT should be recovered from the responsible parties, and adjustments should be made to the financial statements.

1.5.3 Unreconciled Control Accounts or Records

	Item	As per Financial Statements Rs. Million	As per corresponding Record Rs. Million	Difference Rs. Million	Comments of the Management	Recommendation
(a)	Trade Creditor & Sundry Creditor	1,156.07	1,155.30	0.77	Corrections will be made in the future.	Financial statements and schedules should be compared, prepared accurately, and submitted for audit.
(b)	Payable Value added Tax	1,700.28	1,695.06	05.22	Corrections will be made in the future.	-do-

(c)	Mobilization Advance	488.38	389.36	99.02	Corrections will be made in the future.	-do-
(d)	Concrete Yard Debtors	63.84	42.57	21.27	Corrections will be made in the future.	-do-
(e)	Purchasing Advance	30.63	30.86	(0.22)	Corrections will be made in the future.	-do-

1.5.4 Going- concern of the Organization

Audit Observation

The Corporation's net loss for the year under review was Rs. 1,411.00 million, with a cumulative loss of Rs. 6,812.52 million as of 31 December 2024. Furthermore, liabilities exceeded assets by Rs. 4,562.51 million, and current liabilities exceeded current assets by Rs. 4,161.91 million. Although Cabinet Decision No. අම/24/1684/608/032-1 dated 10 September 2024, decided to merge of three divisions of the Corporation into the Road Development Authority, no action had been taken regarding the merger to date. Accordingly, an uncertainty regarding going concern was noted during the audit, note number 2.1.2 in the financial statements stated that there was no material uncertainty related to going concern, contrary to paragraph 25 of Sri Lanka Accounting Standard - 01.

Comments of the Management

Although it was decided to merge the Corporation with the Road Development Authority in accordance with the Cabinet Decision No. අම/24/1684/608/032-I dated 10 September 2024, after considering the consequences of closing the Corporation, it was concluded in the discussion held with the Prime Minister on 10 September 2025 that a cost-benefit analysis should be conducted and a decision should be made for both the liquidation or continuation of the Corporation.

Recommendation

The decisions of the Cabinet of Ministers should be followed and the going concern of the institution should be accurately assessed and disclosed in the financial statements as required.

1.5.5 Lack of Written Evidence for Audit

		Amount			
	Item	Rs. Million	Audit Evidence Unavailable	Comments of the Management	Recommendation
(a)	Investments in Devkoshova (private) company, a subsidiary company to be liquidated.	9.21	Balance confirmations and audit evidence	Since there were no sufficient detail for the investments and debtors mentioned in the accounts, provision for bad debts has been made hundred per cent according to the safeguarding procedure.	Actions should be taken to submit relevant information and evidence to the audit to satisfactorily verify the existence and viability of investments.
(b)	Debtor balance receivable from Devkoshova (Private) Company	25.31	Balance confirmations and audit evidence	Since there were no sufficient detail for the investments and debtors mentioned in the accounts, provision for bad debts has been made hundred per cent according to the safeguarding procedure.	Detailed documents and balance confirmations should be submitted to the audit to verify the accuracy and completeness of debtor balances.
(c)	Construction debtors	93.79	Balance confirmations	Requests have been made to obtain letters confirming the debtor's balance; However, no confirmations have been received to date.	Balance confirmations should be submitted to the audit to verify the existence of debtor balances.
(d)	Construction Retention	574.13	Balance confirmations	Requests have been made to obtain letters confirming the debtor's balance; However, no	Balance confirmations should be submitted to the audit to verify the

				confirmations have been received to date.	retention balance
(e)	Debtors (Traffic Light)	95.77	Balance confirmations	Requests have been made to obtain letters confirming the debtor's balance; However, no confirmations have been received to date.	Balance confirmations should be submitted to the audit to verify the debtor balance
(f)	Debtors (Concrete Yard)	63.84	Balance confirmations	Requests have been made to obtain letters confirming the debtor's balance; However, no confirmations have been received to date.	-do-
(g)	Purchase advances made to Fujima State Corporation (subsidiary)	2.17	Balance confirmations	Actions are being taken to rectify the issue. Balance confirmations had not been taken.	Balance confirmations should be submitted to the audit to verify the purchase advance balance.
(h)	Fuel Deposit	15.31	Balance confirmations	The schedule for fuel deposits of Rs. 15.31 million is attached herewith.	Balance confirmations should be submitted to the audit to verify the fuel deposit balance.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the Management	Recommendation
(a)	The retention balance as of 31	As of 31 December 2024,	Actions should be

December 2024 was Rs. 574.13 million, of which Rs. 275.95 million had remained unsettled for over five years. Action had not been taken to settle Rs. 232.73 million of the retention balance shown under current assets for a period of 02 to 05 years.

the retention balance amounted to Rs. 574.13 million, of which Rs. 275.95 million had remained unsettled for over five years due to non-rectification of defects in the projects and the suspension of certain projects midway.

taken in accordance with the agreements to collect the retention balances due.

(b) As at 31 December 2024, the balances of construction debtors, concrete yard debtors, and traffic light system debtors stood at Rs. 93.79 million, Rs. 63.84 million, and Rs. 95.77 million, respectively. Out of these, Rs. 10.49 million, Rs. 37.71 million, and Rs. 6.86 million had remained outstanding for more than five years.

In general, the outstanding balances of these receivable projects could not be recovered to date due to factors such as the commencement of projects by clients without proper authorization, the failure to allocate the necessary financial provisions for those projects, and changes in the prevailing political authorities.

Effective mechanisms should be introduced to recover the outstanding balances, and timely action must be taken to ensure that receivable balances are collected without delay.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 December 2024, the total balance of trade creditors and sundry creditors amounted to Rs. 1,130.37 million, of which Rs. 128.46 million had remained outstanding for more than five years, and Rs. 737.40 million had not been settled within a period of 2 to 5 years.	All outstanding tax liabilities, bank loans, and amounts payable to creditors will be planned at the Ministry level.	Immediate and effective action should be taken to recover the outstanding receivable balances.
(b) For the loans obtained from Bank of Ceylon, Sampath Bank, and the Housing Development Finance Corporation to meet working capital requirements, the Corporation had not settled any portion of the outstanding loan instalments and	The Chairman and the Board of Directors will act in accordance with Cabinet Decision 25/1182/809/057-I to settle bank loans.	The Corporation should introduce an effective mechanism to settle the outstanding loan instalments and interest.

interest, which amounted to Rs. 2,665.58 million as at the end of the year under review.

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| (c) | Out of the loan amount of Rs. 100 million obtained by the Corporation from the Construction Guarantee Fund under bill discounting, only Rs. 79.2 million had been repaid to the Fund, while the remaining Rs. 20.8 million (without interest) had not been settled. | -do- | The Corporation should introduce an effective mechanism to settle the outstanding loan amounts. |
| (d) | An overdraft facility of Rs. 70 million had been obtained from Sampath Bank and an additional overdraft of Rs. 4.06 million had also been utilized. Including interest on the overdraft amounting to Rs. 9.47 million, the total amount payable as at 31 December 2024 stood at Rs. 83.53 million. | -do- | An effective mechanism should be established to settle the bank overdrafts and interest. |
| (e) | At the end of the year under review, mobilization advances for five abandoned projects, amounting to Rs. 16.5 million, remained unsettled. | Necessary adjustments will be made, and all accounts will be updated, upon issuance of the final bills for completed projects, | Appropriate measures should be taken, after discussions with the relevant parties, to settle the advances and outstanding balances of abandoned projects. |
| (f) | As at 31 December 2024, a balance of Rs. 329.04 million remained payable to customers for 17 projects, which had still unsettled as at 24 July 2025 and according to the information provided to the audit, 13 of these projects were observed to be in a suspended, completed, or abandoned status. | Final bills have not been issued for these projects. Once the final bills are issued, all necessary reconciliations will be carried out, and the accounts will be updated accordingly. | -do- |

1.6.3 Advances

Audit Observation	Comments of the Management	Recommendation
Purchase advances totalling Rs. 4.61 million related to abandoned and	Concrete for projects numbered 1178, 1183, and 1179 was	Purchase advances should be settled within the

completed projects in the construction division remained unsettled, and the reasons for these outstanding advances were not provided to the audit.

procured through purchase orders; however, it was used for other projects in the Negombo area. Consequently, this balance reflects discrepancies arising during the settlement of the purchase orders. Funds are still to be recovered for projects numbered 1185 and 1138.

stipulated period, and management should monitor the existing situation and take necessary actions without delay.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 18(6) of the Audit Act, No. 19 of 2018	As of 31 December 2024, outstanding audit fees of Rs. 14.18 million had not been paid to the Auditor General.	In accordance with Cabinet decisions, the Corporation will make all payments in the course of its future activities.	Management should take immediate action to settle the statutory payments without delay.
(b) Public Finance Circular No. 08/2019 dated 17 December 2019	Although it has been required that State institutions register in the Government's Electronic Procurement System (e-Procurement System in Sri Lanka) both as the Procuring Entity for carrying out procurement activities and as a vendor for the supply of commercial services performed by such institutions, the Corporation had not been registered in the said system even by August 2025.	Registration in the government's electronic procurement system will be carried out during the year 2025.	In accordance with the circular, registration with the Government Electronic Procurement System should be completed, and procurement activities should be conducted accordingly.

1.8 Non-compliance with Tax Regulations

Audit Observation	Comments of the Management	Recommendation
(a) Accordance with the Social Security Act, No. 17 of 1996, arrangements had not been made to settle the outstanding social security contributions of Rs. 40.35 million as of 31 December 2024	In accordance with Cabinet decisions, the Corporation will make all payments in the course of its future activities.	Statutory payments should be made without delay in accordance with the Act.
(b) In terms of the Nation Building Tax Act, No. 09 of 2009, the Nation Building Tax of Rs. 6.11 million payable as at 31 December 2024, together with the penalty of Rs. 1.06 million imposed for non-payment, totalling Rs. 7.17 million, had not been remitted to the Department of Inland Revenue.	In accordance with Cabinet decisions, the Corporation will make all payments in the course of its future activities.	-do-
(c) In terms of the Economic Service Charges Amendment Act, No. 13 of 2015, economic service charges amounting to Rs. 67.50 million, payable by the Corporation for the period from 2005 to 2020, were not remitted to the Department of Inland Revenue on the due dates. Consequently, including the penalty of Rs. 33.78 million imposed thereon, a total arrears of Rs. 101.23 million remained unpaid as at 30 September 2025.	In accordance with Cabinet decisions, the Corporation will make all payments in the course of its future activities.	-do-
(d) In terms of the Value Added Tax Act, No. 14 of 2002, Value Added Tax amounting to Rs. 1,700.28 million and penalties of Rs. 1,267.34 million, totalling Rs. 2,967.62 million, payable as at 31 December 2024, had not been settled as at 30 September 2025.	In accordance with Cabinet decisions, the Corporation will make all payments in the course of its future activities.	-do-

2. Financial Review

2.1 Financial Results

The operational result for the year under review was a loss of Rs. 1,411 million, compared to a loss of Rs. 2,246.23 million in the previous year. Accordingly, an improvement of Rs. 835.23 million was observed in the financial result. This improvement was mainly due to an increase in revenue from the construction projects division by Rs. 211.67 million, and reductions in cost of sales and financial and other expenses by Rs. 217 million and Rs. 506.82 million, respectively.

2.2 Trend Analysis of Major Revenue and Expenditure Items

Description	2024 Rs. Million	2023 Rs. Million	Difference {Increase/ (Decrease)} Rs. Million	Difference in Percentage %
Revenue	430.29	218.62	211.67	97
Cost of sales	976.45	1193.51	(217.06)	18
Other income	98.37	105.81	(7.44)	7
Administrative expenses	153.98	209.43	(55.45)	26
Other expenses	603.93	935.63	(331.70)	35
Finance income	6.42	154.77	(148.35)	96
Finance expenses	211.73	386.85	(175.12)	45

2.3 Ratio Analysis

The net profit ratios for the preceding year and the year under review were recorded as (953) and (328), respectively, indicating significant losses. Although there was a reduction in the loss compared to 2023, this was observed to have occurred due to a decline in operational activities. The Corporation's current ratio and quick ratio were also observed to be in an unfavorable position. According to the solvency ratio, the Corporation is at a high level of leverage, indicating a high level of debt compared to its assets and equity.

3. Operational Review
3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
(a) In 2022, the Corporation incurred an expenditure of Rs. 11.29 million to purchase a jack machine with a hydraulic pump. However, this machine remained idle and could not be used up to the date of issuing the report. Consequently, the purpose of the purchase was not fulfilled, and the expenditure incurred on it represented a fruitless expenditure.	The manufacturer of the jack machine, CCL Stressing Systems LTD, UK institution, has informed SD&CC in writing, through its main supplier Showa Shoji Co. that another Stressing Jack machine will be provided in place of the idle machine.	Necessary actions and financial arrangements should be planned to acquire a new machine, as agreed with the supplier, to replace the non - operative machine.
(b) The gem mining project implemented by the Corporation in 2022 had resulted a net loss of Rs. 6.02 million. It was an ineffective project carried out using the Corporation's funds and labour without a valid license. Although two years have passed since its completion, no action has been taken to recover the deposit of Rs. 0.675 million paid to the National Gem and Jewellery Authority.	Although permission had been received from the Board of Directors at that time to sell the gemstones, no steps were taken thereafter to implement the process. The new Board of Directors has re-obtained that approval and expect to first complete the sale of the gemstones and subsequently close the mine. The value of the gem assets has been submitted to the Inventory Control Division for inclusion in the asset register, and the process is currently in progress.	The sale of the gemstones and the process of closing the mine should be completed without delay.
(c) The Corporation had initiated and implemented a cultivation project, but no income had been generated from these cultivation activities, while the expenditure incurred amounted to Rs. 3.32 million. Furthermore, the above-mentioned expenditure did not include any costs related to seeds, fertilizer, or any other inputs required for carrying out the cultivation activities, and it mainly consisted of	During this period, due to the adverse conditions prevailing in the country, employees had to be retained within the concrete yards while paying their salaries. Therefore, with the intention of engaging them in a productive activity, cultivation projects were initiated as per the instructions of the Chairman. However, due to the lack of rainfall during the season, the cultivation failed.	Projects should be implemented efficiently and productively with proper approval, and necessary action should be taken against the officials who fail to comply, in accordance with Section 29 of

employee salaries and overtime payments.

Chapter XLVIII of Part II of the Establishments Code. Efficient and effective projects should be selected and invested in.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) During the year under review, only six projects of the Construction Division were in operation, while work on three projects had been terminated and seven projects had been suspended. Of these, a loss of Rs. 14.38 million had been reported from the two ongoing projects, while losses of Rs. 40.63 million and Rs. 165 million had been reported from the five suspended projects and the three terminated projects, respectively. Additionally, for the year 2024, the Rural Roads Construction Division reported a loss of Rs. 81 million from 12 projects.	In 2023, many projects were halted midway due to lack of financial provisions. By 2024, most of these projects were mutually terminated, contracts were cancelled, and efforts were made to remove work sites and minimize costs. Similarly, measures were taken to reduce costs for the remaining suspended projects.	In accordance with the Audit Act, No. 19 of 2018, system reviews should establish and implement the necessary controls related to construction projects, and appropriate mechanisms should be applied to complete projects within the stipulated time and to minimize losses.
(b) In terms of the Employees' Provident Fund Act No. 15 of 1958, as at 31 December 2024, the Corporation had paid Rs. 49.59 million surcharge on unpaid contributions to the Employees' Provident Fund.	The Corporation has currently settled all payments.	Timely statutory payments should be made without fail to avoid the surcharge.
(c) As at 31 December 2024, a total of Rs. 264.26 million had been reduced as liquidated damages relating to 51 projects; however, Rs. 176.35 million of that amount had not been collected for over five years. The balance of liquidated damages not collected for a period of 02 to 05 years amounted to Rs. 38.75 million.	Due to unnecessary delays, extensions of time were not approved therefore, those liquidated damage balances were not considered as receivable amounts.	In the future, efforts should be made to avoid payments of liquidated damages by completing projects within the agreed contractual period.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Civil, mechanical, electrical, and other engineering projects, including planning, design, and construction activities, are carried out by the Corporation through three main divisions: construction, concrete products manufacturing and sales, and traffic light system and providing Services to achieve the Corporations targeted objectives. During the year under review, the Corporation recorded an operational loss of Rs. 1,205.7 million, with a gross profit ratio recorded a negative value of 127 percent. The losses of Rs. 452.71 million and Rs. 84.07 million incurred by the Construction Division and the Concrete Products Manufacturing and Sales Division, respectively, were the main contributors to the Corporation's overall loss.</p>	<p>In 2023, many projects were left incomplete due to the lack of financial provisions. By 2024, a majority of these projects were mutually terminated, with agreements cancelled, construction sites cleared and measures taken to minimize expenditure.</p>	<p>Actions should be taken in accordance with the contract agreement to avoid unnecessary delays and expenses.</p>
<p>(b) According to the annual financial statements, the value of the inventory amounted to Rs. 513.37 million. However, since the inventory module had not been activated in the accounting system to enable accurate recording of inventory-related transactions, it was not possible to obtain a complete inventory report or an age-wise inventory analysis report from the accounting system. Consequently, the accuracy and completeness of the inventory value reported in the financial statements could not be verified in the audit.</p>	<p>Although the Corporation does not have a computerized inventory module, detailed manual inventory records are maintained, and a complete inventory report was presented to audit. Based on our assessment, the report provides reasonable assurance regarding the accuracy and completeness of the inventory value of Rs. 513.37 million.</p>	<p>Steps should be taken to develop a computerized system that can accurately record inventory receipts and issues, and generate an inventory ageing analysis report.</p>
<p>(c) During the year under review, there was a petty cash credit balance of Rs. 0.65 million relating to 12 projects.</p>	<p>The settlement of unsettled petty cash advances has already commenced, and all remaining advances will be settled in the future.</p>	<p>All outstanding petty cash should be settled at the end of the project.</p>

3.4 Procurement Management

	Audit Observation	Comments of the Management	Recommendation
(a)	According to clause 6.2.2 of the Procurement Guidelines, the Corporation invited quotations from 11 institutions on 03 January 2023 to rent out a Crane capable of lifting 25 tons for the Ratmalana yard under the shopping method. Although the minimum period for submitting quotations was 07 days, only 02 days were provided, resulting in only 03 quotations being submitted.	Due to its necessity, quotations were called within 02 days.	Due attention should be given to ensure adequate competitiveness in accordance with the procurement guidelines.
(b)	According to Clause 7.11.1 of the Procurement Guidelines, after completing a bid evaluation, the Technical Evaluation Committee should prepare a bid evaluation report in the format specified in the procurement manual and submit it, along with all supporting verification documents, to the Procurement Committee. However, in the absence of such a properly prepared report, a sum of Rs. 3.06 million was paid to Pyramid Wilma Company for leasing a crane capable of lifting 25 tons to the Nawala premises.	Steps will be taken to avoid these deficiencies and to carry out procurement activities properly in accordance with the procedures outlined in the Procurement Manual.	Proper attention should be paid to complying with the Procurement Guidelines, and action should be taken against the officers who failed to do so, in accordance with Paragraph 29 of Section XLVIII of Part II of the Establishments Code.

3.5 Deficiencies in Contract Administration

	Audit Observation	Comments of the Management	Recommendation
(a)	As at the end of the year under review, the value of Materials at Site that had not been billed to the respective contractors amounted to Rs. 90.69 million. Further, stock balances amounting to Rs. 7.30 million relating to suspended and terminated projects, and Rs. 0.55 million relating to completed projects, had also remained unsettled.	Funds have been received from the client and our institution for the Materials at Site. These amounts will be deducted from the contractor's final bills, particularly in relation to suspended or completed projects. After such deductions are made, the necessary accounting adjustments will be recorded in the accounts.	Steps should be taken to settle the unbilled material at site held by the contractors.

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| (b) | <p>According to Section 5.4.4 (iii) of the Procurement Guidelines dated 25 January 2006 and numbered 08, mobilization advances provided to contractors should be fully recovered before 90 percent of the payments are completed. However, advances amounting to Rs. 20.62 million related to 20 fully completed projects, and Rs. 23.57 million related to 3 projects that were 90–100 percent completed, had not been recovered up to now.</p> | <p>The outstanding advance balances relating to completed projects remain unrecovered because the final bills have not yet been issued. Once the final bills are issued, the necessary reconciliations will be carried out and all accounts will be updated accordingly.</p> | <p>Proper attention should be given to ensuring that procurement activities are carried out in compliance with the Procurement Guideline Manual, and action should be taken against the officers who fail to comply, in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
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3.6 Vehicle System Management

	Audit Observation	Comments of the Management	Recommendation
(a)	<p>Five motor vehicles received by the Corporation from the Department of Samurdhi Development and Devkoshova Institute had not been transferred the ownership to the corporation up to August 2025. Further, eight plots of land valued at Rs. 69.64 million, which have been used by the Corporation Authority for a long period, had also not been vested in the Authority or obtained under a long-term lease up to now.</p>	<p>Necessary actions will be taken to transfer these land to the Corporation.</p>	<p>Steps should be taken to either transfer ownership or to lease, assets in use.</p>
(b)	<p>In accordance with the Asset Management Circular No. 05/2024 dated 18 December 2024, all government institutions are required to dispose of vehicles that are economically non-productive or</p>	<p>Since the vehicles currently held by the Corporation are being used for its official duties, the Corporation has not submitted its vehicles for the disposal process as required under asset</p>	<p>Immediate action should be taken to dispose of uneconomic vehicles that are not in use, in</p>

unnecessary for operational use. management circular No. 05/2024 accordance with
 However, the Corporation had not taken dated 18 December 2024. the circular.
 action to dispose of vehicles that were
 not utilized for its operational activities.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Management	Recommendation
The annual financial statements for the year under review had been submitted to the Auditor General on 25 June 2025, with 117 days late in contrary to Paragraph 6.6 of the Operations Manual for State-owned Enterprises, Public Enterprises Circular No. 01/2021, dated 16 November 2021.	It became very difficult to carry out daily duties as well as prepare the final accounts due to the retirement of a large number of employees under a voluntary retirement scheme on 31 September 2024.	Action should be taken to submit Financial statements to the Auditor General on the due date in accordance with the Public Enterprises Circular.

4.2 Annual Report

Audit Observation	Comments of the Management	Recommendation
The Annual Report of the Corporation for the year 2022 and 2023 had not been tabled in Parliament even by October 2025 in contrary to Paragraph 6.6 of the Operations Manual for State-owned Enterprises, Public Enterprises Circular No. 01/2021, dated 16 November 2021.	The 2022 annual report was delayed due to several revisions; however, it was submitted to the Secretary of the Ministry for presentation to Parliament on 12 September 2025. Action will be taken to present the 2023 report to Parliament promptly.	Action should be taken to table the annual reports in Parliament in accordance with the instructions of the State Enterprise Circular.