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Tenth Parliament of
The Democratic Socialist Republic of Sri Lanka
(First Session)

Fifteenth Report of
The Committee on Public Enterprises

(Examinations conducted the Construction
Industry Development Authority on
08.10.2025)

Presented by
Hon. (Dr.) Nishantha Samaraweera,M.P.,
Chair of the Committee on Public Enterprises
On 08.01.2026

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First Session of the Tenth Parliament
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Chair's Note

The Committee on Public Enterprises of Parliament of Sri Lanka , conducted an examination on 08.10.2025 into the Auditor General's Reports for the years 2022 and 2023, as well as the current performance of the Construction Industry Development Authority, which falls under the purview of the Ministry of Housing, Construction, and Water Supply, and I hereby submit the report of the investigation carried out in this regard.

In accordance with Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka, it has been recognized through the investigative activities of the Committee on Public Enterprises, which is directly connected to the financial control vested in Parliament, that the management of financial and other assets of the country's public enterprises is an important task.

The Construction Industry Development Authority (CIDA) was established under the Construction Industry Development Act, No. 33 of 2014, with the objectives of properly regulating, managing, and developing the entire construction industry; formulating the standards and codes required to enhance the quality, standardization, and safety of construction activities; registering and grading contractors and professionals; and developing the skills of those engaged in the industry. This Authority is the only regulatory body operating in relation to the construction sector.

The maximum benefit that should accrue to the country through the examinations of the Committee on Public Enterprises can be achieved by directing the attention of all parties responsible towards the implementation of the Committee's recommendations. In this regard, I wish to state that this effort becomes more effective through taking action to implement the recommendations made by this Hon. House, as representatives of the people in whom the sovereign power of the country is vested.

In order to successfully discharge the responsibilities of the Committee on Public Enterprises, I highly appreciate the support extended by the Hon. Members of Parliament who are members of the Committee, the staff of Parliament under the leadership of the Hon. Speaker, the two advisors to the Committee on Public Enterprises, as well as the support received from the officers of the Treasury and the National Audit Office.

Dr. Nishantha Samaraweera
Chairman
The Committee on Public Enterprises

Executive Summary

Attention was drawn by the Committee on Public Enterprises on 08.10.2025 to the Auditor General's Reports for the years 2022 and 2023 relating to the Construction Industry Deveopment Authority, as well as to its current performance.

During an extensive investigation carried out by the Committee on Public Enterprises into the progress made in fulfilling the statutory responsibilities and objectives assigned to the Authority, it was observed that the objectives expected to be achieved through the establishment of the Authority under Act No. 33 of 2014 have not been achieved successfully. Although 11 years have passed since the establishment of the Authority, only about 15 out of the 33 key functions specified in the Act have been completed. Furthermore, the Committee observed that progress in key mandate areas to be carried out by the Authority such as sustainable building development and sectoral research, remains at a very low level.

The Committee identified the vacancy of 201 out of 390 approved posts (51.5%) as the most serious issue at both institutional and operational levels. It further observed that the prolonged vacancy exceeding three years of several director-level positions, as well as the post of Internal Auditor, has contributed to reduced institutional performance and the emergence of administrative shortcomings.

The Committee further observed that personal disputes and conflict among the officers of the Authority have had a negative impact on its overall operations, thereby further hindering progress in achieving the objectives of the Act. In order to mitigate this situation, the

Authority has proposed a new staff structure aimed at strengthening its regulatory and research functions, and it was stated that the Department of Management Services would take the necessary steps to approve these amendments within two weeks.

When analyzing the regulatory and development performance data of the Authority, a significant disparity in progress was identified. Although contractor registration had exceeded the expected targets, progress in regulatory areas such as the registration of property developers (35%) and the registration of qualified individuals (0%) remained at a very low level. The main reason for this was identified as the absence of adequate provisions in the Act to obtain information relating to the private sector and to effectively enforce action against violators of regulatory requirements. Furthermore, the Committee drew attention to issues concerning two key regulatory tools of the Authority: the limitation of the National Construction Data System to data from government institutions only, and the prolonged delay in the preparation of the National Building Code.

The Committee, having discussed all these matters at length, recommended preparing a new compact plan to complete all tasks and objectives that have been delayed, filling the vacancies expeditiously under the newly approved staff cadre and empowering the National Building Code as the only institute to regulate the construction field of the country.

The First Session of the Tenth Parliament Fifteenth Report of the Committee on Public Enterprises

The Committee Meetings held by the Committee on Public Enterprises during the first 12 months of the First Session of the Tenth Parliament are as follows.

No	Institution	Date of the Committee Meeting
1.	The National Youth Services Council	18.02.2025
2.	The National Youth Services Council	20.02.2025
3.	Sri Lanka Bureau of Foreign Employment	27.02.2025
4.	National Gem and Jewelry Authority	05.03.2025
5.	National Medicines Regulatory Authority	12.03.2025
6.	National Gem and Jewelry Authority	27.03.2025
7.	Airport and Aviation Services (Sri Lanka) (Private) Limited	02.04.2025
8.	Construction Industry Development Authority	08.05.2025
9.	Airport and Aviation Services (Sri Lanka) (Private) Limited	09.05.2025
10.	Sri Jayewardenepura General Hospital	15.05.2025
11.	Sri Lanka Bureau of Foreign Employment	23.05.2025
12.	Sabaragamuwa University of Sri Lanka	04.06.2025

13.	The University of Sri Jayewardenepura	20.06.2025
14.	Mahapola Higher Education Scholarship Trust Fund	09.07.2025
15.	Land Reform Commission	17.07.2025
16.	The State Timber Corporation	23.07.2025
17.	Civil Aviation Authority	20.08.2025
18.	Sri Lanka Ports Authority	10.09.2025
19.	The Geological Survey and Mines Bureau	12.09.2025
20.	LTL Holdings in relation to the inquiry of the Ceylon Electricity Board	24.09.2025
21.	Construction Industry Development Authority	08.10.2025
22.	Lanka Sathosa	10.10.2025
23.	LTL Holdings in relation to the inquiry of the Ceylon Electricity Board	24.10.2025
24.	National Savings Bank	19.11.2025
25.	National Savings Bank	26.11.2025

Among them, the Committee on Public Enterprises (COPE) has examined the Auditor General's Reports for the years 2022 and 2023 of the Costruction Industry Development Authority which falls under the purview of the Ministry of Urban Development, Construction and Housing, as well as its current performance on 08.10.2025, and the observations and recommendations of the Committee have been included in this report.

Auditor's Opinion on the Financial Statements

The Auditor's opinion on the financial statements submitted by the Construction Industry Development Authority in relation to the years 2022, 2023 and 2024 is given below.

Name of the institution	**Auditor's Opinion**		
	2022	**2023**	**2024**
The Construction Industry Development Authority	Qualified Opinion	Qualified Opinion	Qualified Opinion

Types of Audit Opinions

01. Unqualified Opinion
The financial position of the institution has been presented fairly in the financial statements.

02. Qualified Opinion
Except for the effects of the matters mentioned in the report, the financial position, financial performance and cash flows of the institution give a true and fair view in accordance with Sri Lanka Accounting Standards.

03. Disclaimer of Opinion
That an opinion cannot be expressed on the accounts due to the inability to identify sufficient or appropriate audit evidence.

04. Adverse Opinion
That the financial position, financial performance and cash flows of the entity do not present a true and fair view in accordance with Sri Lanka Accounting Standard

Costruction Industry Development Authority

Ministry of Housing, Construction and Water Supply)
Date of Examined – 08.10.2025

Matters discussed

1. **Objectives of the Authority**

The Committee examined the below mentioned points on three objectives out of seven objectives that should be fulfilled by the Authority as per the provisions of the Construction Industry Development Act No. 33 of 2014.

Objectives of the Authority	Points revealed to the Committee	Observations of the Committee
(d) To Promote sustainable growth of the construction industry with special attention to the design and development of energy efficient buildings and structures	✓ Formulation of guidelines and standards for energy-efficient buildings; ✓ Upgrading existing buildings through energy-saving methods; ✓ Implementation of a national awards scheme; and ✓ Carrying out the long-term process of preparing the National Building Code (NBC) in collaboration with other institutions.	✓ As the Authority is the only institution responsible for achieving this objective, it should act promptly and with a proper plan, giving due consideration to global best practices ✓ The Authority should provide leadership in the implementation and development of the National Building Code, and the relevant process should be expedited
(e) Promote appropriate research and dissemination and publication of research work on	✓ The research division will be further strengthened after the amendment of the Act;	✓ Prompt action should be taken to improve the research division

any matter relating to the construction industry and its development		
(f) Formulate, in consultation with other relevant authorities, the standards in construction industry and categorize such standards as compulsory and voluntary standards	✓ Cooperating with other institutions in carrying out standardization activities when formulating the National Building Code; ✓ Although authority has been granted punder the Act, implementation has become difficult due to other institutions not assuming this responsibility with due seriousness.	✓ According to audit reports, this objective has not yet been achieved.

2. Key functions of the Authority

The Committee disclosed that, although 11 years have passed since the establishment of this authiroty, it has completed only 15 tasks out of 33 assigned to the authority under the Act. (Annexure 01- Tasks assigned to the Authority under the Act)

3. Performance – Objectives of the Act and Compatibility of the Articles

In this regard, the following matters were disclosed to the Committee.

Section of the Act	**Current Progress**
Section 29 The Authority shall maintain records on the identified construction works value with a value of Rs.10 million or above	The existing data system is incomplete and it includes only construction projects carried out by the state affiliated institutions
Section 33 Prescribe the procedure for the registration of foreign consultants	The preperation of regulations relevant to the registration of foreign consultants was completed in 2023 and they have been forwarded to the Legal Dranfman's Department.
Section 46 Preperation and periodic amendment of Standard Bidding Documents – SBDs for procurement purposes.	The Standard Bidding Documents (SBDs) have already been amended several times. These documents are currently under final

	review by a committee, and it is expected that they will be issued by December 2025.
Section 51 Preperation of procedures for the purpose of arbitration	The arbitration process has been approved and only the finalization remains.
Section 55 Establishment of an Information Secretariat and the determination of its duties, operational procedures, and performance standards	The software package required for the establishment of the Information Office was initiated earlier this year

4. Amendments to be made to the Construction Industry Development Act, No.33 of 2014

It was revealed to the Board that the following amendments should be made regarding the main functions stated in the Act, and that these amendments are at the final stage:

- ✓ **Insufficiency of provisions related to enforcement**

  Since the Act does not provide adequate enforcement powers, in addition to filing cases, alternative mechanisms such as spot fines should be incorporated into the Act.

  It is expected that this amendment will also include aspects of sustainability and IT knowledge, as well as strengthen enforcement and research capacities.

- ✓ **Authority Fund**

  Although Section 19 of the Act refers to the Authority Fund, due to government policy, development levies have not been implemented, rendering the fund currently inactive. As a result, important provisions of the Act, including the development of small and medium-scale contractors, cannot be effectively implemented.

5. Updating of the Corporate Plan and Action Plan

The Committee pointed out that the Authority should review the current 2025–2029 Corporate Plan expeditiously and prepare a new Corporate Plan and Action Plan for 2026–2030 using a rolling plan approach.

Recommendations of the Committee

I. Prepare an Action Plan with specific timelines and measures to accomplish all delayed objectives and tasks, including adopting the

necessary amendments to the Act that relate to the establishement of the Authority, revising the recruitment procedures (SoR Revision), completing the database and developing a new Corporate Plan for 2026–2030 using a rolling plan approach.

6. **<u>Tabling the Auunal Reports in Parliament</u>**

The Committee observed that the Authority has not tabled the Annual Report for the year 2023 in Parliament

<u>Recommendations of the Committee</u>

I. **Take necessary actions to table the Annual Reports for the years 2023 ad 2024 in Parliament.**

7. **<u>Internal Audit</u>**

The Committee observed that the post of Internal Auditor (Assistant Director) at the Authority has remained vacant for more than three years and that the Audit Division consists of only one officer. It further noted that this situation poses a serious risk to internal control, as a Management Assistant has been acting in the post for over two years and the recruitment process has been delayed. Although 189 officers trained at three divisional-level training centres are currently serving in the Authority, it has not been possible to carry out a proper review of the institution's performance.

The Auditor-General pointed out that, in accordance with Section 38 (1) (f) of the National Audit Act No.19 of 2018, the responsibility for ensuring the proper implementation of the functions of the Internal Audit Division is vested in the Chief Accounting Officer.

<u>Recommendation of the Committee</u>

I.

- **Fill the vacant position of Internal Auditor (Assistant Director) immediately upon the approval of the proposed cadre for the authority.**

- **Appoint a qualified officer to assume the responsibilities of the post until a permenant appointment is made.**

- **Strengthen the Internal Audit Division**

- **Ensure that all functions of the institution are formally audited through the Internal Audit Division, maintain proper records, and conduct internal audit inquiries into any problematic situations identified during the audits**

8. **Composition of the Staff**

The Committee observed that , as at 30th June 2025 the composition of the staff of the Authority was as follows:

Employee Catergory	**Approved Cadre**	**Actual Number of Employees**	**Number of Vacancies**	**Observation**
Senior Management	36	20	16	✓ The posts of Director (Finance) and Director (Development) have remaind vacant for more than one year. ✓ Those duties are being performed on an acting basis by the Assistant Director (Finance) and Assistant Director (Development) ✓ Fourteen Deputy Director/Assistant Director posts remain vacant
Middle Management	71	32	39	✓ There are 12 vacancies for officers with engineering degrees who are directly related to the main role..

Junior Management	153	70	83	✓ The number of vacancies has increased due to delays in recruitment .
Primary	130	67	63	✓ There are several vacancies as most of the employees have retired..
Total	**390**	**189**	**201**	✓ Out of the approved cadre of 390, 201 posts are vacant.

The Committee was informed that Authority had submitted proposals for restructuring the recruitment procedures to the Management Services Department on 30th April 202 and a serious problem at the Authority is the lack of expert human resources required to implement large scale projects such as databases.

It was also disclosed that the amendment of the recruitment procedures was carried out with the aim of strengthening the regulation and research. A new structure was proposed for the Authority consisting 262 posts instead of the previously approved 390 and it included new positions such as Director (Research) and Director (Information Technology).

The Commoittee was further informed that the post of Provincial Coordination Officer (PCO) has been proposed to replace the District Coordination Officer (DCO), with the aim of strengthening field level regulation and it is expected that this will extend regulatory coverage to Provincial Council and Urban Council areas.

The Acting Director of the Management Services Department informed that arrangements are being made to grant approval to the new cadre requested by the Authority promptly, and the steps are also being taken to grant the approval immediately for amending the recruiting procedures of the Authority.

Recommendations of the Committee

I. **Make the necessary arrangements to approve the proposal on approved cadre amendment submitted by the Construction Industry Development Authority.**

II. **Do the needful to approve the recruitment procedure amendements expeditiously.**

III. **Take prompt actions to fill the vacancies at the Authority.**

9. Performance - Objectives of the Act and compatibility with the Sections

Observations of the Committee	Cause for the issue and actions of the Authority
Limitations of the database Unavailability of information on private sector constructions in the database that should be reported under the Act.	Cause- Under the Act, only public building with a value above Rs.10 million are taken under "recognized constructions" Action - Plan to develop an online software that allows data entry for projects with a value below Rs. 100 million
Weaknesses in regulation and enforcement Incompleteness of the Database could result in setbacks to the industry and make it impossible to conduct research on foreign.	Cause - The Act provides no authority to take actions such as imposing fines, against the private sector entities that fall to provide information Action – Amendments to the Act are at the final stage in order to enforce provisions and strengthen research activities.
Defficutlties in system implementation	Cause – Difficulty in advancing the database due to poor response from qualified service providers, despite attempts made in 2017. Action – The Authority has already established an internal database and

	expects to enter the copies of project contracts awarded by state institutions.

The Committee that observed all those facts pointed out that the responsibility for taking necessary steps to amend the Act, as required for carrying out the functions assigned to the Authority, rests with the heads of the relevant institutions and the members of the Board of Directors.

10. <u>Progress of the targeted activities in the year 2024 – Development Division</u>

The progress of the Development Division of the Authority in 2024 is as follows:

	Task/ Project	**As at 31st December 2024**		
		Targeted activities	**Progress**	**Percentage of the Progress**
(i)	Registration of construction contractors for recognized construction activities	2,100	4,548	216%
(ii)	Registration of property developers and maintainance of a register	20	7	35%
(iii)	Registration of foreign contractors to gather information for the regulation of the industry	12	4	33%
(iv)	Registration of construction material suppliers and maintainance of a register to formalize and regulate the licensing system	390	41	10%
(v)	Establishment of registration of qualified persons to regulate performance.	4	-	0%

(vi)	On-site inspection to monitor health, safety, quality and project management	385	272	71%

The Committee observed that, although the registration of construction contractors for recognized construction activities has exceeded the expected targets and performed a very good quality, there remain problematic conditions regarding the expected targets and the progress in achieving the targets in the above sections (ii), (iii), and (iv) is at a very minimal level. No expected targets have been achieved with regard to the establishment of registration of qualified persons to regulate performance.

The Committee further revealed that it has been difficult to quantitatively measure the expected targets and Key Performance Indicators (KPIs) for each division, as they were established based on qualitative data, and that these targets need to be reconsidered since they were set using outdated data. It was also observed that contractors register voluntarily with the Authority, which means this process operates beyond the Authority's control, and that the lack of a legal requirement to register property developers has been an obstacle to achieving the expected targets. To address this issue, a proposal has been submitted and discussions initiated to make registration with the Authority mandatory when the property development approval is granted by the Urban Development Authority.

R**ecommendations of the Committee**

I. **Rectifying any issues in the expected targets and key performance indicators of these divisions and taking prompt actions that are necessary to achieve the performance targets of the Authority.**

11. 1. Progress of the targeted activities in the year 2024 - Industry Services Division

The progress of the Industry Services Division of the Authority in 2024 is as follows:

	Task/Project	Tarehted Tasks	The progress as at 31st Decembr 2024		Observations
(i)	Issuing monthly publications to standardize stakeholders in the construction sector regarding fluctuations in the prices of building materials.	12	11	92%	Although the progress is close to the target, the time lines of issuing monthly publications and the quality of the content need to be ensured.
(ii)	Providing construction industry dispute resolution services (such as mediation, arbitration, etc.).	22	31	141%	The target has been exceeded. But the increase in disputes indicates disorganization within the industry and a weakening of credibility.
(iii)	Providing consultancy services for individuals related to the construction industry.	800	207	26%	Progress is very low, and there is a strong and urgent need to provide consultancy services to the construction sector
(iv)	Conducting a diploma course for a group of 20 participants	1	0	0%	No progress has been made, as the course could not be commenced due to

	to produce qualified arbitrators in order to enhance productivity in the construction industry.				delays in approvals and a lack of funding.
(v)	Establishing a pool of quality management auditors and arbitrators to carry out the technical audit process.	58	50	86%	Progress is relatively high. But full approval and registration processes have not yet been completed.
(vi)	Conducting technical audit processes by quality management auditors.	10	1	10%	Progress is very low, due to a shortage of expert personnel and officers.
(vii)	Rating of green building materials.	5	0	0%	No progress has been made; although this is an objective of the Act, progress has been hindered due to the absence of practical implementation measures.
(viii)	Conducting awareness programs in all 25 districts through district coordinators.	24	4	17%	Progress is very low, and there is a need to conduct a higher number of such awareness programs.

Recommendations of the Committee

I. **Rectifying any issues in the expected targets and key performance indicators of these divisions and taking prompt actions that are necessary to achieve the performance targets of the Authority.**

11.2 Progress of the targeted activities in the year 2024 – Training Division

The progress of the Industry Services Division of the Authority in 2024 is as follows:

	Task/Project	**Targeted Tasks**	**Progress upto 31st December 2024**		**Observations**
(i)	Registration of construction site supervisors, mid-level technical officers, and other professionals	800	0		It was revealed that this activity was not implemented due to a shortage of staff in this sector and delays in the RPL process.
(ii)	Registration and licensing of construction craftsmen while maintaining a digital database.	500	381		It was revealed that limitations in internal data systems and shortages in human resources have affected the achievement of the target..
(iii)	Providing training for individuals in supervisory, managerial, and other professional categories within the construction industry workforce.	830	67		It was revealed that the low progress of training programs is due to limited residential facilities and insufficient investment.
(iv)	Awarding NVQ certificates to construction craftsmen	750	419		The RPL program is still in a crisis, and performance has declined due to a lack

	through the Recognition of Prior Learning (RPL) program.				of coordination among the relevant authorities..

<u>Recommendations of the Committee</u>

I. **Maximizing the usage of the capacity of training institutions such as the Construction Equipment Training Centre (CETRAC) and the Operator Training College (OTC), as these institutions possess construction machinery–related facilities that are not available in other institutions which are important in both national and regional levels.**

II. **Expediting the implementation of project proposals submitted under assistance of JICA to replace outdated technologies and machinery currently in use.**

III. **Giving special attention to promoting and popularizing the Recognition of Prior Learning (RPL) program for craftsmen who possess knowledge and skills but lack formal vocational certification.**

IV. **Regularly monitoring the progress and effectiveness of the 13-year continuous education program (commenced in 2018), implemented in collaboration with the Ministry of Education, and reporting progress to the relevant Committee and the Auditor General.**

V. **Conducting further consultancy services and awareness programs within the school system in order to promote these vocational fields.**

12. <u>Skill Training Programs under Public Private Partnership (PPP) Program and expenses</u>

The Committee observed the below mentioned facts in this regard.

	2024	2023	2022	2021	2020
	Rs. million	**Rs. million**	**Rs. million**	**Rs. million**	**Rs. million**
Skill Training for Constructions Industry under Public Private Partnership (PPP) Program	6.1	13.15	48.30	79.60	185.75

It was revealed that this program was implemented jointly with the National Apprentice and Industrial Training Authority (NAITA) and the Builders' Association under Treasury provisions, that trainees were paid a monthly allowance of Rs. 10,000 for a period of three months, and since 2020, 3,601 trainees have been registered, of whom 3,443 have successfully completed the training.

<u>Recommendations of the Committee</u>

1. **Submit a detailed report to the Committee with a copy to the Auditor-General, on the whole process of this training program, related expenses and number of trainees trained.**
2.

13. <u>Legal proceedings and related expenditure concerning the compulsory leave of the Authority's Director (Finance)</u>

The Committee observed that the former Director (Finance) of the Authority had been placed on compulsory leave with effect from 08th October 2012 based on basic allegations that he continued to receive a vehicle allowance in disregard of the instructions of the former Chairman of the Authority and failed to remit funds to the Treasury as required. It was further observed that he was dismissed from service in December 2021 without conducting a preliminary investigation against him. Although no Board of Directors' decision had been taken prior to the dismissal, the Board subsequently ratified the decision in January 2022.

It was revealed to the Committee that the former Director (Finance) initiated legal action against his dismissal, and through a judgment of the Court of Appeal dated 29th July 2022, the Authority was ordered to reinstate him in service under all legally entitled allowances and service conditions. However, the Authority failed to implement this judgment and, under the influence of the former Chairman and without obtaining advice from the legal division, filed an appeal before the Supreme Court. This appeal was later withdrawn by the Authority in March 2024. It was also revealed that the former Director (Finance) had filed a personal defamation case against the former Chairman.

By August 2025, the Authority had incurred expenses around Rs. 15.01 million in connection with the legal proceedings relating to the former Director (Finance), which included the payments detailed below.

	Legal Issue	**Expense**	**Description**
(i)	Case filed personally by the Director (Finance) against the Chairman	420,000	The Authority has paid the expenses relating to these legal proceedings.
(ii)	Case filed against the Authority challenging the termination of service	1,615,000	Judgment: Payment of arrears of salary amounting to Rs. 1,723,181 and reinstatement of the officer in service..
(iii)	Appeal filed without implementing the above judgment	1,750, ,000	Although the Authority filed the appeal, it was later withdrawn by the Authority itself..
(iv)	Case filed against the Board of Directors for failure to implement the judgment referred to in (ii)	10,820,000	This case has not yet been concluded, and an expenditure of Rs. 625,000 is incurred for each court hearing..
(v)	Labour Tribunal case	275,000	The Authority has incurred this expenditure in relation to an additional legal case.
(vi)	General legal service expenses	135,000	Additional attorney's fees and legal advisory fees have been paid by the Authority.
Total Expense		**Around Rs. 15,015,000 (15.01 million)**	

After lengthy discussion on this matter, the Committee highlighted that the Authority had committed the following errors:

- Acting without the approval of the Board of Directors, who is the Appointing and Disciplinary Authority, made decisions affecting employees' service. The dismissal of the Director (Finance) was executed without a preliminary inquiry, a formal charge sheet, or Board approval. These omissions were deemed improper and established grounds for legal proceedings against the institution..

- According to the Circular PE/COP/POLI/Circulars of the Treasury Secretary and State Corporations Circular No. 01/2015 dated 25th May 2015, as amended by Circular PE/COP/POLI/Circulars and State Corporations Circular No. 01/2015(i), an officer entitled to use an official vehicle had the right to choose either to use the official vehicle or to receive a monthly allowance of Rs. 50,000 plus the monthly fuel allowance applicable to the post. Allegations were made against the Director (Finance) in relation to this entitlement.

- Even though the courts had ordered that all public officers, including those under the Ministry of Finance, must act in accordance with public financial regulations, the Board of Directors, based on decisions opposing to the law, authorized personal reimbursements, resulting in the misuse of public funds.

<u>Recommendations of the Committee</u>

I. **Conducting an independent ministerial-level inquiry promptly regarding the excess expenditure of Rs. 15.01 million incurred by the Authority due to legal proceedings related to the former Director (Finance), covering the following aspects:**

   - **Whether legal procedures were properly followed during the conduct of the legal proceedings, and**

   - **Who is responsible for the decision not to implement the court orders immediately.**

II. Recovering this amount from the responsible officers and reimbursing it to the government.

III. Ensuring that the Board of Directors, as the Appointing and Disciplinary Authority, follows proper procedures in the future before dismissing employees or placing them on compulsory leave.

IV. Informing all officers regarding proper administrative and disciplinary procedures

14. <u>The Land and the Building that locates the Head Office of the Authority</u>

Facts	Observation of the Committee	Explanation of the Ministry / Authority
Lease Agreement between the Authority and the Tower Hall Foundation	After 2016, without any amendment to the lease rent, the lease was renewed in 2019 for another 30 years (original agreement – 1986).	• The building was constructed using ministerial funds for the benefit of both parties. • There was no cost assessment carried out for the new agreement. • There is a perception that the Tower Hall Foundation may have been treated unfairly under the new agreement.
Outstanding Lease Amount and Removal	By an intergrated Cabinet decision, it was decided to pay the outstanding amount of Rs. 145 million and relocate the Authority's office to the Construction Equipment Training Centre (CETRAC). The Authority has already paid Rs. 25 million.	• The Authority was not informed of the method used to calculate the Rs. 145 million outstanding amount. • There is insufficient space at CETRAC to accommodate the Authority's office.
Transferring to the Construction Equipment Training Centre (CETRAC)	The Secretary to the Ministry has instructed that the Authority's office be relocated to the Construction Equipment Training Centre (CETRAC).	• However, there is no formal lease agreement in place for the land belonging to CETRAC, making the relocation a matter of dispute.

Attempts made to resolve the issue	Although there are Cabinet decisions, the issue still remains unresolved.	• As two state institutions have involved in thi matter, the Attorney General's Department has advised to resolve this matter through discussions. • As no agreement could be reached at a discussion held under the leadership of the Prime Minister, the matter has been referred back to the Attorney General's Department.
Opinion of the Ministry Secretary	-	The Secretary stated that he did not sign the statement of agreement sent after the committee discussions due to inaccuracies and further emphasized that the issue should be conclusively resolved positively through discussions.

Recommendations of the Committee

I. **Obtain a valuation of the building in order to resolve this issue fairly and take the necessary steps to conclude this agreement without causing injustice to any party**.

15. Repair of the roof of the Authority's Head Office

It was revealed to the Committee that the roof of the Authority's building is old more than 35 years and around Rs. 20 million was estimated to be required for its repair, however, due to lack of funds available to the Authority, only about Rs. 4 million could be allocated and considering the emergency of the requirement, quotations were called from registered contractors, and following discussions with the lowest bidder, a C7-grade contractor, it was decided to carry out the work at a cost of Rs. 5.9 million.

16. Purchase of Computers to the Authority

The Committee was informed that 21 laptops, which had a market price around Rs. 100,000 in 2021, were purchased at a unit price of Rs. 240,000 and they had errors. The Director General explained that the institution submitting the second-lowest bid (which was Rs. 88,500 higher than the lowest bid) reported that only a few laptops had hinge defects, that these defects were repaired by the supplier, and that the Committee's observations confirmed that the laptops are currently defect-free.

Recommendations of the Committee

I. **Submit a comprehensive report to the Committee and the Auditor General on the purchase of 16 laptops, including whether the amount spent for this purpose is justified.**

17. Internal issues and disciplinary investigations

It was revealed to the Committee that a number of petitions against the authority had been submitted to the Committee on Public Enterprises, concerning serious discord among officers, frequent disputes, and disciplinary investigations conducted against each other. During the inquiry into these matters, the Committee found that most of these petitions did not raise financial issues, but rather administrative and communication-related problems.

Recommendations of the Committee

I. **The Ministry shall appoint a special committee to separate financial and non-financial allegations in all ongoing preliminary and formal disciplinary investigations within the institution, and to determine which investigations need to continue. All existing investigations concerning non-financial allegations, as well as any other pending inquiries, should be conducted and concluded promptly.**

II. **If any officer has acted improperly by making false allegations, conducting preliminary investigations, or issuing charges for personal gain, disciplinary action should be taken against such officers.**

III. **All necessary measures should be taken promptly to establish an internal environment within the institution that is conducive to achieving performance targets and promoting excellence.**