

Report of the Auditor General relating to the Ministry of Highways – Year 2010.

Appropriation Head 117 - Ministry of Highways

1. The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Highways for the year ended 31 December 2010 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliations Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Reports and the Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (e) and the other major audit observations appearing in paragraphs 1.4 to 1.8 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Highways have been prepared satisfactorily.

(a) Annual Action Plan

The Ministry had not prepared an Annual Action Plan at the beginning of the year and it had been prepared only on 16 March 2010. As a result, the activities of the Ministry could not be carried out according to proper plan.

(b) Presentation of Accounts

The Ministry had presented the following accounts for audit by 31 March 2011.

Head / Item No.	Name of the Accounts
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117	Appropriation Account
11701	Advances to Public Officers Account

(c) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.89,507,920,000 and out of that a sum of Rs. 84,729,932,409 had been utilized by the end of the year under review. Therefore, the net savings of the Ministry amounted to Rs.4,777,987,591 or 5.33 per cent of the total net provision. Details appear below.

Category of Expenditure	Estimated Provision	Net Provision	Expenditure	Savings	Savings as a percentage of net provision
		Rs.	Rs	Rs.	%
Recurrent	111,420,000	120,910,000	115,694,652	5,215,348	4.3
Capital	83,400,900,000	89,387,010,000	84,614,237,757	4,772,772,243	5.3
Total	83,512,320,000	89,507,920,000	84,729,932,409	4,777,987,591	5.3

(II) Budgetary Variance

- (i) The entire provisions amounting to Rs.502,625,000 made under 09 Objects of capital expenditure and 01 Object of recurrent expenditure had been saved.
- (ii) It was observed that the value of savings exceeding 50 per cent of the amount provided under 17 Objects of Capital and recurrent expenditure amounted to Rs.838,120,396.
- (iii) Out of the provision amounting to Rs.83,600,000 made under 03 Objects, provision of Rs.18,008,954 had been saved due to not awarding contracts within the specified period and not awarding contracts.
- (iv) The relevant targets could not be achieved due to slow progress of construction works by the contractors. As a result, provision amounting to Rs.577,362,920 had been saved out of the provision amounting to Rs.669,500,000 made under 04 Objects,

(d) General Deposits Account

The balances of the General Deposits Account bearing No.6000/0/0/3/253 as at 31 December 2010 amounted to Rs. 53,984,771 and an age analysis thereon is given below.

Over 01 year less than 02 years	Over 02 years less than 03 years	Balance as at 31 December 2010
Rs.	Rs.	Rs.
37,754	53,947,017	53,984,771

Out of the above balances, the balance of deposit remaining more than 02 years for which action could be taken in terms of Financial Regulations 571 but not taken totalled Rs.1,570,362.

(e) Advances to Public Officers Account

(a) Compliance with Limits

The Ministry had complied with the limits on the Advances to Public Officers Accounts authorized by the Parliament. Details are given below.

Ministry/ Department	Object	Maximum Limit of Expenditure	Actual	Minimum Limit of Receipts	Actual	Maximum Limit of Debit Balance	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ministry of Highways	11701	5,890,000	2,716,161	1,900,000	3,675,521	20,000,000	13,566,352

The following observations are made.

- (i) Loan balances of the officers transferred amounting to Rs.50,848 could not be recovered as it was unable to find out the present service station of those officers. It was reported that requests had been made for approval of the Treasury to write off these balances from the books.
- (ii) Action had not been taken to recover a balance of Rs.50,898 receivable from the officers died and retired. It was reported that action would be taken in future to write off these balances from the books.

1.4 Non – compliances

Non – compliance with Laws, Rules, Regulations, etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules, Regulations, etc.	Value	Non-compliance
	Rs.	
Circular No. CSA/PI/40 dated 18 March 2006 issued by the President relating to management of public expenditure.	116,000	Number of Coordinating Secretaries approved for former Minister was 2 whereas number of Secretaries appointed was 3. Payment of salaries for those Coordinating Secretaries.
Paragraph 02.1 of the letter No. CSA/PI/40 dated 04 January 2006 issued by the President	275,883	Incurring maintenance and repair expenditure of Rs.65,406 and insurance expenditure of Rs.210,477 in respect of former Minister for vehicles utilized in addition to number of vehicles approved.
-do-	166,294	Incurring repair expenditure for vehicles obtained in addition to the number of vehicles entitled for former Deputy

Minister.

1.5 Irregular Transactions

Certain transactions carried out by the Ministry were devoid of irregular. Few such instances observed are given below.

- (i) According to Section 2.1 of Chapter VII of the Establishments Code, salaries of the officers of the Ministry who had completed the services on 08 April 2010, for the month of April had been paid for whole month considering that they had worked for entire month of April instead of paying a portion of monthly salary .As a result, sums aggregating Rs.226,290 had been overpaid.
- (ii) Although initial activities of the Colombo – Kandy Expressway Project were commenced in the year 2003 and it is being implemented at present, agreements had not been entered into for the foreign aids thereon. The staffs of the Projects are not entitled to the salary scales shown in paragraph 2 and 3 of the Management Services Circular No.33 dated 05 April 2007. Salaries amounting to Rs.9,479,169 had been paid during the year 2010 for the project staff consisting 28 officers.
- (iii) Although maximum of 20 per cent of the contract amount should be paid as mobilization advance when making payment of mobilization advance for contracts of the Colombo – Kandy Expressway Projects in terms of instructions 5.4.4 of the Government Procurement Guidelines, an amount equivalent to 50 per cent of the contract value had been paid contrary to the above Section. Accordingly, a sum of Rs.2,689,732 had been overpaid as advances.
- (iv) A sum of Rs.280,000 had been paid up to the month of April 2010 being monthly salary of Rs.40,000 and fuel allowance of Rs. 30,000 without obtaining any service from a Consultant appointed in order to effective and proper Implementation of the Roads and Bridges Project. The duties assigned to this Consultant or the duties carried out by him had not been furnished for audit.

1.6 Weaknesses in the Implementation of Projects

The audit test checks revealed the following instances of delays in projects.

(a) Delays in Commencement of Projects

Project	Estimated Cost	Expenditure as at 31 December 2010	Reason for Delay
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	Rs. million	Rs. million	
Project for Construction of Colombo-Kandy Expressway	90,750	228.76	Weakness in provision of necessary funds and delay in land survey/

Although activities relating to construction, operation and handing over of Colombo – Kandy Expressway which was approved by the Cabinet in the year 2003, had been assigned to a Government Company of Malaysia, the Cabinet approval had been cancelled on 17 July 2010 by a Cabinet Paper No. 2010/17. Action had not been taken up to the month of October 2011 to select an investor.

- (b) Action had not been taken even up to the end of the accounting year 2010 to settle the advances amounting to Rs.20,000 provided to three Divisional Secretariats in the year 2008 for acquisition of lands of the Project of Rehabilitation of Balangoda – Bandarawela Road.

1.7 Financial and Operating Performance

According to the Action Plan for the year 2010. Observations relating to the progress of the Ministry are given below.

(a) Key Functions not Adequately carried out

Any of the functions under Maganeguma Programme had not been carried out or not adequately carried out and such several instances observed are given below.

- (i) Contrary to the selection criteria of projects shown in paragraph 3 of the Circular No.MH/MG/03/01/GEN dated 24 December 2009 of the Secretary to the Ministry of Highways, a sum of Rs.2,928,272 had been spent for construction of 7 roads based on the requests of the Political Authority.
- (ii) Although pavements (kerb) had not been carried out as per the standard size in the construction of 02 roads, a sum of Rs.104,335 had been spent thereon.
- (iii) Works of 33 contracts valued at Rs.21,183,642 had been awarded to 25 Community Societies without considering the financial capabilities.
- (iv) A sum of Rs.102,724 had been paid for works not carried out in respect of 14 roads.
- (v) A sum of Rs.1,219,223 had been overpaid in respect of 20 roads when construction of roads of the Maganeguma Programme.
- (vi) Adequate supervision had not been carried out in respect of construction of roads of the Maganeguma Programme.

1.8 Human Resources Management

(a) Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	24	16	08
(ii)	Tertiary Level	02	02	-

(iii)	Secondary Level	74	31	43
(iv)	Primary Level	34	26	08
(v)	Others (Casual/ Temporary/ Contract basis)	-	-	-
	Total	----- 134 =====	----- 75 =====	----- 59 =====

(b) Human Resources obtained improperly from other parties

Number of Human Resources	Institution from which obtained	Period obtained
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49	Road Development Authority	12 months