

Appropriation Head 117 – Ministry of Ports and Highways

Report of the Auditor General - Year 2012

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Ports and Highways for the year ended 31 December 2012 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review was issued to the Secretary to the Ministry on 22 October 2013. 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.

1.1.1 Responsibility of the Chief 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 the Reconciliation Statement in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance 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

According to the Financial Reports and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (b) and the other major audit observations appearing in paragraphs 1.4 to 1.12 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Ports and Highways have been prepared satisfactorily.

(a.) Appropriation Account

(i) Total Provision and Expenditure

The total net provision allocated to the Ministry amounted to Rs. 147,963,330,000 for the year under review and out of which, a sum of Rs. 146,878,010,734 had been utilized by end of the year. Hence, a sum of Rs. 1,085,319,266 equivalent to 0.73 per cent of the net provision had been saved. Particulars are as follows.

<u>Expenditure</u>	<u>Estimated Provision as at 31 December 2012</u>	<u>Net Provision as at 31 December 2012</u>	<u>Saving as at 31 December 2012</u>	<u>Saving as a Percentage of the Net Provision</u>
	Rs.	Rs.	Rs.	
Recurrent	200,300,000	197,641,045	1,662,666	0.84
Capital	144,367,230,000	147,765,688,955	1,083,656,600	0.73
Total	144,567,530,000	147,963,330,000	1,085,319,266	

(ii) Budgetary Variance

- The net provision allocated for 02 Objects amounting to Rs. 35,000,000 had been entirely saved.

- As 02 Objects had been overprovisioned, the saving after utilization amounted to Rs. 97,061,798, and the saving ranged between 50 to 75 per cent of the net provisions relating to those Objects.

(b.) Advances to Public Officers Account

Limits authorized by Parliament in respect of the Advances to Public Officers Account Item No. 11701, and the actual values are as follows.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum</u>	<u>Actual</u>	<u>Minimum</u>	<u>Actual</u>	<u>Maximum</u>	<u>Actual</u>
<u>Limit</u>	Rs.	<u>Limit</u>	Rs.	<u>Limit</u>	
Rs.		Rs.		Rs.	Rs.
5,000,000	4,978,234	3,900,000	6,264,664	27,000,000	24,855,832

According to the reconciliation statement for the Advances to Public Officers Account Item No. 11701 as at 31 December 2012, the balances that remained outstanding as at that date totalled Rs. 1,694,562, and the follow up actions for the recovery of those outstanding balances had been at a weak level.

1.4 Good Governance and Accountability -----

Annual Action Plan -----

An annual Action Plan should have been prepared by the Ministry for the year 2010 and afterwards in compliance with the Corporate Plan prepared in terms of the letter No. PF/R/2/2/3/5 (4) of the Director General of Public Finance, dated 10 March 2010. However, the Action Plan for the year under review had not been prepared even up to 31 December 2011.

1.5 Assets Management -----

(a.) Conducting Annual Boards of Survey -----

In terms of Public Finance Circular, No. 441 dated 09 December 2009 as amended by the letter No. PF/Board of Survey/01 of the Director General of

Public Finance, dated 17 December 2010, the annual Board of Survey should have been conducted before 15 March 2013 and submit the reports to the Auditor General. Nevertheless, those reports had been presented by the Ministry on 15 October 2013.

(b.) Improper Utilization of Assets Belonging to Other Institutions

Ten vehicles owned by the Road Development Authority had been utilized by the Ministry.

1.6 Non-compliances

(a.) Non-compliances with Laws, Rules, Regulations, etc.

Instances of non-compliances with Laws, Rules, and Regulations observed during audit test checks, are given below.

	<u>Reference to Laws, Rules, and Regulations</u>	<u>Value</u> Rs.	<u>Non-compliances</u>
(i)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 104	-	Preliminary reports on the accidents occurred to 03 vehicles of the Ministry, had not been submitted.
(ii)	Treasury Circulars Circular, No. 842 dated 19 December 1978	-	A Register of Fixed Assets had not been maintained.
(iii)	Government Procurement Guidelines Guideline 4.1	 1,478,989	 Mobilization advance can be paid subject to a maximum of 20 per

cent of the contract value. Nevertheless, contrary to that mobilization advances equivalent to 50 per cent of the value of the contract awarded at the value of Rs. 2,957,977, had been paid.

1.7 Weaknesses in the Implementation of Projects

(a.) Abandoned Projects

Preliminary activities relating to the construction of a stretch of 48.2 Km of road had been commenced under Phase I of the Colombo-Kandy Alternative Highway Project by incurring a sum of Rs. 284 million. As the initial plans of the proposed road had not been completed and approved, the project had been stalled halfway on 31 December 2012, and this project was being implemented under a new plan so as to be connected to the Northern Expressway.

(b.) Maganeguma Rural Road Development Project – 2012

The following observations are made.

- (i) A road is improved step by step within several years under the Maganeguma Programme, whilst certain stretches of the same road had been improved with the aid of other projects (Gamaneguma, Sabha Funds). The physical road inspections revealed 05 instances in which information required for accurate identification of the stretch of road to be improved, had not been included in the estimates.
- (ii) Even the roads not acquired by the Pradeshiya Sabhas, had been improved by paving concrete blocks from the provisions obtained under the Maganeguma Project. As those roads had not been acquired by the Pradeshiya Sabhas even after being improved, maintenance activities had not been conducted thereon.

- (iii) It is the main objective of this project to improve the rural roads by paving them with concrete blocks. However, there had been 22 projects for which provisions had been allocated to improve only the structures such as, side walls, ditches, culverts, and small bridges without improving the surface of the roads. The objectives of this project had not been fulfilled as the surface of the roads had not been improved.
- (iv) The service of a crew with technical expertise is required to construct the structures. A higher standard and quality could not be expected from the structures constructed by the farmers' associations, and other community based organizations assigned to the contracts of the project sans the said knowhow. Although the services of the Technical Officers of the Local Authorities had been obtained in those projects, information and reports had not been maintained in a manner to examine the adequacy of their services. Three farmers' associations and other community based organizations involved in the construction of structures, were observed during the physical inspection.

1.8 Performance

(a.) Activities Not Performed Adequately

Significant delays were observed in the construction of the road stretching from Pinnaduwa to Matara under the Southern Expressway Project, a main activity of the Ministry. Even though progress of 47.7 per cent and 48 per cent had been expected in respect of the stretches of road from Pinnaduwa to Kodagoda, and Kodagoda to Godagama respectively as at 31 December 2012 relating to 02 contracts, it was observed that the physical progress of those stretches of road had been 26 per cent and 38 per cent respectively.

(b.) Planning

Failure to follow the Annual Action Plan

It was revealed during the inspection of the annual progress reports that the Action Plan had not been adhered to in the following instances.

Highways Division(i) Construction of the Manmunei Bridge over the Batticaloa Lagoon

This project commenced in June, 2012 was expected to be completed in May, 2014. Only a sum of Rs. 700,000 had been utilized out of a sum of Rs. 5,700,000 provisioned during the year under review. The Secretary had replied that the project had not been implemented due to inadequacy of the funds received from the Treasury.

(ii) Outer Circular Expressway
-----Phase II – Stretch of road from Kaduwela to Kadwatha

The construction of 8.9 Km expressway from Kaduwela to Kadawatha consisting of 4 lanes, and the construction of Kaduwela-Kadawatha Interchange had been planned under this phase. The contract had been awarded in November 2011 for a sum of Rs. 44.88 billion. Although the target expected to have achieved by the end of the year under review had been 13.1 per cent, the overall physical progress had been 8 per cent as at 31 December 2012.

(iii) National Highways Sector Project

The construction of the highways under this project had been completed. The construction of the highway Secretariat had been scheduled to be completed in the year 2011. The progress achieved by the end of the year under review by incurring a sum of Rs. 959 million was 82 per cent. As

such, the office works could not been commenced therein until the end of the year under review.

(iv) National Highways Sector Project (Additional Loans)

The objective of this project was to renovate 07 stretches of road. The contract for renovating and improving 2.72 Km along the Katukurunda – Nagoda had been awarded for a sum of Rs. 308 million. The work commenced in May, 2012, and the physical progress expected to achieve during the year under review had been 45 per cent. Nevertheless, the physical progress achieved had been 26 per cent. The renovation on a stretch of 59.17 Km along the other 6 roads had not been commenced. The physical progress expected in respect of the said stretches of roads by the end of the year had been as follows.

<u>Activity</u>	<u>Physical Targets</u>
	%
Construction of Structures	10
Construction of Base	5

(v) Baseline Road – Phase III

The acquisition of lands had been commenced in the year 2011. Although it was expected to complete 85 per cent of the acquisition by the end of the year 2012, the actual progress had been 15 per cent. According to the reply of the Secretary in this connection, provisions amounting to Rs. 50 million had been allocated in the year 2012, but the compensation could not be paid as the Treasury had not released the imprests in this year.

(vi) Badulla – Kandy Alternative Road (Raja Mawatha)

Although it was expected to complete the construction of this road in length of 4.2 Km by the end of the year 2012, action had been taken only to obtain the report on the assessment of environmental impact by December 2012.

(vii) Priority Roads Project – I

Of the roads improved under this, the targeted progress of the following roads had been 81 per cent and 80 per cent respectively by the end of the year under review, and the physical progress thereof had been at a low level.

(a.) Pelawatta – Kankotiyawtta – Morawaka Road- 45 per cent

(b.) Thiruwanaletiya – Agalawatta Road - 40 per cent

(viii) Priority Roads Project – Phase II

Twenty five civil works contracts valued at Rs. 61,038 million had been awarded under this project. This program included the construction of 02 new flyovers, and reconstruction and widening of bridges over 02 roads. Fifteen projects that had failed to reach the expected level of performance by the end of the year had been observed. Particulars relating to the physical progress achieved by each project are as follows.

Project Description	Performance Level	Physical
	Expected	Progress
	%	%
Horawala – Pelawatta – Pitigala Road	39	26
Horana – Aguruwathota – Aluthgama Road	56	20
Thiruwanaletiya – Agalawatta Road	55	15

Horawala – Pelawatta – Pitigala Road	100	28
Kadahapola - Rambawewa Road	16	14
Kurunegala – Narammala _Madampe Road	15	13
Galagedara – Rambukkana Road	09	08
Palaviya – Kalpitiya Road	45	16
Mahiyangana – Dimbulagala – Dalukkane Road	40	05
Manampitiya - Aralaganwila- Maduruoya Road	06	05
Hungama – Middeniya Road	24	13
Thennekumbura – Rikillagaskada – Ragala Road	18	17
Thihagoda – Kamburupitya – Mawarala – Kotapoal Road	14	06
13 Provincial roads in the Nuwaraeliya district	28	25
Nagoda – Kalawellawa – Ballapitiya Road	27	16

A sum of Rs. 29,325.5 million had been incurred for this project by the end of the year under review.

Ports Sector

(i) Oluvil Port Development – Phase II

The project had been commenced on 01 July 2008, and the estimated expenditure amounted to Rs. 7,790 million. Despite being expected to complete by 30 September 2010, the project had been completed in December 2012 causing a delay of 27 months. An expenditure of Rs. 6,592.8 million had been incurred on this project by the end of the year under review.

- (ii) Magam Ruhunupura Mahinda Rajapakshe Port, (Phase II)
-

It had been targeted to complete the project by the end of the year 2011 in accordance with the Annual Action Plan for the year 2011. As per the initial plan of the project, a loan amounting to 808 million US \$ had been approved for Phase II. The contract activities were scheduled to be commenced in the year 2012 and completed by the end of the year 2015.

1.9 Irregular Transactions

A sum of Rs. 2,957,977 had been paid during the year under review for the construction of exhibition stall of the Ministry at the Deyata Kirula national development exhibition. The following observations are made in this connection.

- (i) The bid amounting to Rs. 2,957,977 had been recommended by the Technical Evaluation Committee without confirming the area of land allocated to the Ministry for the exhibition.
- (ii) In terms of Guideline 5.4.4 (I) of the Government Procurement Guidelines, the mobilization advance payable should be 20 per cent of the contract value. Nevertheless, mobilization advances equivalent to 50 per cent had been paid.

1.10 Losses and Damages

The following observations are made.

- (a.) Due to failure in settling the water bills of the quarters of the Deputy Minister on time, late payments amounting to Rs. 5,415 had been paid during the year under review.
- (b.) A sum of Rs. 17,810 had been paid to a telecommunications company as tax during the year under review in respect of 02 unused telephones belonging to the Ministry.

1.11 Uneconomic Transactions

Although the Road Development Authority had been granted a sum of Rs. 57 million in the year 2010 to purchase machines producing concrete blocks under the Maganeguma Rural Road Development Project, only Rs. 10.8 million of that had been recovered. Of the 54 machines that had been purchased by incurring those provisions, 21 had been decommissioned, but action had not been taken in terms of Financial Regulation 103 (1).

1.12 Human Resource Management

(a.) Highways Sector

Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2012, had been as follows.

<u>Category of Employee</u>	<u>Approved</u> <u>No.</u>	<u>Actual</u> <u>No.</u>	<u>No. of</u> <u>Vacancies</u>	<u>Excess</u> <u>No.</u>
(i) Senior Level	24	18	06	-
(ii) Tertiary Level	04	03	01	-
(iii) Secondary Level	573	39	534	-
(iv) Other (Casual / Temporary	34	26	08	-
(v) Contract basis	-	03	-	03
Total	<u>635</u>	<u>89</u>	<u>549</u>	<u>03</u>

The following observations are made.

- I. A post of Transport Officer exists in the approved cadre to bear the responsibility of vehicle administration of the Ministry, but that post had remained vacant since the year 2011.

- II. Sixty six employees of the staff belonging to the Road Development Authority, had been assigned to the duties of the Ministry.
- III. The number of total vacancies for which no recruitments had been made by the end of the year under review, was 549.

Ports Sector

	<u>Category of Employee</u>	<u>Approved</u> <u>No.</u>	<u>Actual</u> <u>No.</u>	<u>No. of</u> <u>Vacancies</u>
(i)	Senior Level	20	09	11
(ii)	Tertiary Level	04	01	03
(iii)	Secondary Level	65	39	26
(iv)	Other (Casual / Temporary/Contract basis)	<u>36</u>	<u>21</u>	<u>15</u>
	Total	<u>125</u>	<u>70</u>	<u>55</u>

Action had not been taken in the year under review to recruit for 55 vacancies.