

Head 117 – Ministry of Ports and Highways
Report of the Auditor General – Year 2013

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 2013 was carried out in pursuance of provisions in 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 of the Ministry on 17 November 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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 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 Statements in accordance with the provisions in 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 Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing in (a) to (c) therein and other major audit findings appearing in paragraphs 1.4 to 1.8 below, the Appropriation Account and the Reconciliation Statement of the Ministry of Ports and Highways had been prepared satisfactorily.

(a) **Appropriation Account**

Total Provision and Expenditure

The net provision made for the Ministry amounted to Rs.133,280,026,262. Of this, a sum of Rs.131,098,836,537 had been utilized by the end of the year under review. Accordingly, 1.64 per cent of the net provision amounting to Rs.2,181,189,725 had been saved.

Expenditure	As at 31 December 2013			Savings, as a Percentage of the Net Provision
	Net provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
Recurrent	264,327,300	263,302,231	1,025,069	0,39
Capital	133,015,698,962	130,835,534,306	2,180,164,656	1.64
Total	133,280,026,262	131,098,836,537	2,181,189,725	1.64

(b) **Budgetary Variations**

The following observations are made.

- (i) The entire net provision of Rs.346,000,000 made for 03 objects had been saved.
- (ii) There were overprovisions in 11 Objects. As a result, the savings after utilization of the provision ranged from 50 to 99 per cent of the net provision of those objects.

(c) **Advances to Public Officers' Account**

Limits Authorized by Parliament

The limits authorized by Parliament on behalf of the Advance to Public Officers' Account of the Ministry and the actual values appear below.

Item Number	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11701	8,000,000	7,665,597	3,900,000	5,512,563	34,000,000	26,714,582

The following observations are made in this regard.

- (i) According to the reconciliation statement of Item No.11701- Advance Account as at 31 December 2013, the arrears of balances as at that date aggregated Rs.1,565,173. The activities regarding the recovery of Rs.1,084,190 of these balances of arrears was at a weak level.
- (ii) The loan balances of 14 officers transferred from the Ministry aggregated Rs.1,034,930. Of these, loan balances of 12 officers amounting to Rs.745,099 could not be recovered.
- (iii) Loan balances due from deceased/ retired officers as at end of the year amounted to Rs.215,633. Of this, a sum of Rs.24,481 could not be recovered.
- (iv) Loan balance of Rs.21,140 due from an officer who had vacated post existed for 16 years and a loan balance of Rs.293,470 was due from an officer who had been interdicted for over 3 years. These could not be recovered.

1.4 Assets Management

The following observation is made.

Irregular Usage of Assets Belonging to Other Institutions

Nine vehicles of the Road Development Authority had been used by the Ministry without proper authority.

1.5 Non-compliances

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

Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules and Regulations

Non compliance

Public Finance Circulars

Paragraph 04 of the Circular No.PE/423 dated 22 December 2006.

The annual budget relating to the Road Maintenance Trust Fund for the ensuing year (2013) should have been furnished to the Director General of State Accounts on or before 15 September 2012. However, the Road Maintenance Trust Fund had not furnished the annual budget for 2013 to the Director General of State Accounts.

Circulars bearing No.PF402 and 402(1) dated 12 September 2002 and 20 February 2004.

The Annual Performance Report should be prepared and tabled in Parliament with a copy to the Auditor General within 150 days of closure of the financial year. However, the performance report for the year 2013 had been tabled on 04 November 2014.

1.6 Performance

The observations relating to the progress of the Ministry as per Annual Action Plan 2013 appear below.

(a) Activities Contravening Main Functions

Instances were observed where the Ministry had acted in deviation of its objectives. Instances so revealed at sample checks appear below.

(i) Road Maintenance Trust Fund

Out of the sum of Rs.828,829,239 allocated by the Road Maintenance Trust Fund for the A and B road maintenance activities of the Western Province, a sum of Rs.19,574,706 had been spent for maintaining roads not belonging to the Road Development Authority.

(ii) Priority Road Project - Stage I

Salaries and allowances aggregating Rs.1,476,335 had been paid in 2013 to a Computer Processor and a Driver who had been recruited to this Project from the Project funds. But, this staff recruited for the Project had been made use of, for functions of the Ministry without being used for functions of the Project.

(b) Inadequate Fulfilment of Main Functions

Instances of inadequate fulfilment of main functions by the Ministry appear below.

(i) Baseline Road Project – Stage III

Approval for activities relating to extending the High Level Road from Kirulapona to Colombo – Horana Road had been granted by the Cabinet Decision dated 19 November 2009. However, only 7 per cent acquirement activities of land for the said activities had been completed by 31 December 2013.

(ii) Badulla – Kandy Alternate Road (Raja Mawatha)

It was targeted to complete this 4.2 km road by the end of 2013. However, there was a delay in receiving the environmental study report (EIA). As a result, the construction work could not be completed.

(iii) Road Maintenance Trust Fund

A sum of Rs.81,550,939 had been spent to obtain consultancy services for the technical assistance for Road Maintenance Trust Fund Secretariat under the related Road Sector Assistance Project and policy

recommendation had been in the hand book prepared for financial policy operations. However, the 22 RMTF policy Numbers XIX, XX and XXI indicated in the hand book had not been implemented. Meanwhile, the Department of Management Services had approved permanent posts of Secretary, Chief Engineer, Accountant, Technical Auditor and Management Assistant by its letter No.DMS/E3/5/108/2 of 09 August 2011. Permanent employees had not been recruited for these posts and it was observed that the officers of the Road Development Authority and the Ministry had been appointed on acting basis.

(iv) Priority Road Project – Stage II

The following shortcomings were observed with regard to this Project.

- A sum of Rs.240 million remained unspent while developing the Uswetakeliyawa-Pamunugama Road and the Project decided to utilize this money to develop the Negombo – Giriulla Road. Meanwhile, the approval of the Cabinet of ministers had not been obtained for this. Although the initial estimate for the Negombo – Giriulla Road Development was Rs.277.91 million, a sum of Rs.391.91 million had been spent by the end of the year under review.
- The activities relating to the Uswetakeyawa-Pamunugama Road Development had not been carried out according to the specific technical method. As a result, a sum of Rs.12,694,590 had been spent on sand blasting. This work should have been done during the contractors loss redemption period. However, as a result of not doing so, this function had been carried out by spending the Project funds.

(v) Hatton – Nuwara Eliya Road Improvement Project

The following observations are made with regard to this Project.

- The soil removed from the right side of 93+550, 89+840 kilometre and the right side of 91+540 kilometre of the Hatton-Nuwara Eliya Road had not been methodically piled up. As a result, the soil had been washed away to the close by Upper Kotmale Reservoir. This situation had arisen as a result of not paying attention by the contractors to the environmental protection proposals introduced by the Central Environment Authority.

- The detailed engineering plan prepared for the Hatton – Nuwara Eliya Road had not been properly prepared. As a result, an extra Bill of Quantities for Rs.3,140 million had been prepared. The original Bill of Quantities of this had been prepared by a private institution. However, any action had not been taken against them for not preparing the Bill of Quantities properly.

(c) Planning

Action not taken according to the Annual Action Plan

It was observed that action had not been taken according to the Annual Action Plan on the following instances.

(i) Greater Colombo Area Vehicle Transport Management

Activities pertaining to Improvements to the Kollupitiya – Sri Jayawardhanapura Road junction and the HSBC Bank junction along with the installation of road signals at Welikada-Kohilawatta road of the Kollupitiya-Sri Jayawardhanapura Road targeted to be completed as at 31 December 2013 had not been done on the due date.

(ii) Reconstruction and Improvements to Priority Roads (PRP-I)

Out of the roads developed under this Project, the activities relating to the following were targeted to be completed by the end of 2013. However, the target had not been achieved. The physical progress of those roads were as follows.

- Pelawatta – Kankotiyawatta – Morawaka Road – 78 per cent
- Thiruwanalettiya – Agalawatta Road – 57 per cent

(iii) Reconstruction and Improvements to Priority Roads (PRP – II)

Information relating to roads which could not attain the target as at 31 December 2013, out of the roads developed under this Project were as follows.

Function	Target set of the Progress	Physical Progress
-----	-----	-----
	<u>Percentage</u>	<u>Percentage</u>
Galagedara – Rambukkana Road	70	50
Thennekumbura – Rikilagaskade Ragala Road	65	48
Reconstruction/ Widening of the Bridges of Thiruwanaletiya – Agalawatte Road	100	64
Nagoda – Kalawellawa Bellapitiya Road	100	58

(iv) Northern Roads Co-ordination Project – Additional Loan/ Supply of Funds

Information relating to sections of roads with a low level of physical progress as compared with the targets set for their reconstruction/ improvement by the end of the year 2013 appear below.

Function	Target set for the Progress	Physical Progress
-----	-----	-----
	<u>Percentage</u>	<u>Percentage</u>
• Vavuniya – Horowpaththana Road (24+000 km to 34+950)	45	11
• Medawachiya-Kebithigollawa Road (0+000 km to 12+600)	40	5
• Medawachiya – Kebithigollewa Road (12+600 km to 25+400)	40	3
• Kebithigollewa to Padaviya Road (10+000 km to 15+500)	36	2
• Kebithigollewa – Padaniya Road (15+500 km to 31+345)	37	3

(b) Project for Reconstruction of 46 Bridges

This project had been implemented under the French Government Aid. The expected target of the construction activities under the Annual Action Plan was 40

per cent. Information relating to construction of bridges which had not achieved those targets appear below.

Function -----	Physical Progress ----- <u>Percentage</u>
• No.11/2 of the Hanwella-Pogoda-Urapola Road (B146)	15
• No.9/8 of the Matale-Ilukkumbura-Pallegama Road (B 274)	08
• - do – 2/8 (B274)	05
• No.182/6 of the Peradeniya-Badulla-Chenkalady Road (A005)	29
• No.207/1 of the Colombo – Rathnapura-Wellawaya-Batticaloa Road (A004)	22
• No.8/2 of the Badalkumbura-Buttala-Sellakataragama Road (B035)	08

(vi) National Highways Sector Project

Construction of the Sections of road under this project had been completed. Further, the construction of Highways Secretariat carried out under this Project commenced in August 2010. Although a period of 04 years had lapsed as at 31 December 2013, the overall progress achieved was 75 per cent. The work had not been completed even by 01 December 2014.

(vii) Ports Sector

The following deficiencies were observed with regard to the project implemented for the ports sector. Details are as follows.

• **Proposed Head Office Building for the Sri Lanka Ports Authority**

The activities relating to the construction of this building was expected to be commenced by January 2013 and was planned to be completed within 30 months. However, the construction activities had not been commenced even by 31 March 2014.

- **Sri Lanka Shipping Corporation**

Out of the projects planned by the Sri Lanka Shipping Corporation, the purchase of 04 ships belonged to the first stage. This had not been fulfilled.

1.7 Irregular Transactions

Certain transactions of the Ministry were irregular. A few such instances observed are shown below.

(a) Deviation from Government Procurement Procedure

The following observations are made in this connection

- (i) In terms of Guideline 03 of the Government Procurement Procedure, the best suitable procurement method should be followed for purchasing specific goods. However, attention had not been paid to those provisions and computers, printers, a UPS and air conditioners totally valued at Rs.822,700 had been purchased by calling for quotations by sending fax messages.
- (ii) Instances were observed where action had been taken contravening Guideline 2.2 of Government Procurement Procedure while selecting the service institution for repairs to vehicles.

(b) Transactions without Authority

A laptop computer valued at Rs.282,000 had been purchased from a private institution which had no 5 years' of experience in selling accessories, contravening the technical specifications of the Ministry No.MH/HWY/AC/16/02/05/SP of 30 October 2013.

1.8 Human Recourse Management

(a) Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2013 appear below.

Category of Employee	Approved Cadre	Actual Cadre	No of Vacancies	Surplus Cadre
(i) Senior Level	46	29	17	
(ii) Tertiary Level	07	05	02	
(iii) Secondary Level	638	412	226	
(iv) Primary Level	70	04	23	-
(v) Others (Casual/ Temporary/ Basis) Contact	-	04	-	04
Total	761	497	268	04

The Ministry had not taken action to fill the existing 268 vacancies by end of the year under review.

(b) Human Resources made Available from other parties

Sixty one officers of the Road Development Authority had been assigned for various posts in the Ministry