

Road Development Authority - 2013

The audit of financial statements of the Road Development Authority for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 16(3) of the Road Development Authority Act, No.73 of 1981. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institution (ISSAI- 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Road Development Authority as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS).

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The value of lands on which the buildings costing Rs.182,855,614 constructed had not been valued and brought to accounts. "In this connection, the chairman had stated in his reply that this lands were crown lands transferred to RDA by the Department of Highways at the time of establishment of the Authority and since the legal ownership of the lands was not vested with RDA, the value of the lands were not shown in the accounts and however, on the attempts taken by RDA, the Cabinet of Ministries had them approved to allocate the lands to RDA as a free grant vide their decision dated 30 October 2014."
- (b) Even though sale proceeds of Rs.31,295,832 received from disposal of fixed assets had been shown as other income in the financial statements for the year under review, the cost of such assets had not been brought to account since the date of acquired by the Authority.
- (c) Wadulawatta land with an extent of 0.6399 hectares valued at Rs.5,873,788 transferred under the title deed No.2176 in the year 2010 had been shown in the financial statements as Rs.373,786. Accordingly, the value of this land had been understated by Rs. 5,500,002 in the financial statements of the year under review.
- (d) Even though fixed assets valued at Rs.69,977,580 belonging to Colombo Katunayake Expressway Project had been transferred to the RDA by 31 December 2013, the value of such assets had not been brought to the accounts .
- (e) Value of the fixed assets relating to 214 items amounting to Rs.68,945,445 and fixed assets purchased and subsequently transferred to the RDA by two foreign funded Projects of Road Rehabilitation and Improvements relating to 239 items, which the value was not made available, had not been valued and included in the financial statements of the RDA in the year under review.
- (f) The Makuludeniya land with an extent of 0.62018 hectares located at Dabare Mawatha had been transferred to the RDA on 01 July 1998 at the value of Rs.45

million under the title deed No.1413. Thereafter, this land had been partitioned to 34 lots and 13 lots and given to 13 parties on monthly payment basis. However, the value of the land had not been included in the financial statements of the year under review.

- (g) A sum of Rs. 8,077,693 relating to balances of two accounts receivable from Maganeguma Company had been included in the retention liability of the Maganeguma Company. Thus the total retention money of Rs.3,180,163,323 stated in the current liabilities of the financial statements had been shown after setting off the above balances receivable.
- (h) It was observed that the provision for gratuity for the year under review amounting to Rs.702,340,332 had been adjusted as a non-cash adjustment in the statement of cash flow under the operating activities of the Authority. However, this amount had not tallied with the gratuity expenses of Rs.807,020,009 charged to the statement of financial performance of the Authority for the year under review. In addition, the actual gratuity payment made by the Authority during the year under review also had not been stated in the statement of cash flow.
- (i) The retention money for construction works relating to defect liability period only over one year should have been included in the non-current liabilities of the statement of financial position. However, the total retention of Rs.5,457,277,045 had been shown under current liabilities of the statement of financial position as at 31 December 2013.
- (j) The entire retirement benefit obligations amounting to Rs.1,742,994,462 relating to all staff of the Authority had been shown under current liabilities in the statement of financial position as at 31 December 2013. However, the entire retirement benefits of all the staffs should not be payable within one year.

2.2.2 Unexplained Differences

The following observations are made.

- (a) The differences of Rs. 4,021,182,592 had been observed between the loan balances shown in the financial statements and the balances confirmed by the respective banks as at 31 December 2013. Further, the reasons for the differences had not been explained to audit. Details are shown below.

Lending Agency	Amount as per financial statements	Amount as per bank confirmation	Difference
	Rs.	Rs.	Rs.
National Savings Bank	5,338,068,661	6,447,202,263	1,109,133,602
Bank of Ceylon	13,341,101,109	11,087,204,025	2,253,897,084
Development Finance Corporation of Ceylon Bank	932,970,602	274,818,696	658,151,906

- (b) A difference of Rs.515,350 was observed between the balances shown in the bank reconciliation statements of 06 Sub-offices and the balances confirmed by respective banks.

2.2.3 Accounts Receivable and Payable

The following observations are made.

(a) Mobilization and Other Advances

- I. It was observed that prompt action had not been taken to recover the mobilization advances amounting to Rs.389,680,307 granted to 51 contractors from the year 2004 to 2007.
- II. Action had not been taken to recover the advances older than 5 years amounting to Rs.7,695,731 included in the purchase advances amounting to Rs.74,632,936 given to suppliers.
- III. Credit balances aggregating Rs. 38,347,714 relating to 09 contractors had been shown as “On Account Advances” and it was observed that those are over – recoveries from contractors. But action had not been taken up to December 2013 to settle this amounts.
- IV. On Account Advances amounting to Rs. 59,782,618 granted to 11 contractors during the year 2011 and 2012 had not been settled by the contractors even by 31 December 2013, even though the advances obtained should have been settled immediately after the completion of the purposes.
- V. On Account Advances amounting to Rs. 42,181,483 older than 05 years which recoverable from the Maga Neguma Road Constructions company had not been recovered even during the year under review.
- VI. Even though the advances given for contractors should have been recovered before completing the contract, the advances amounting to Rs.24,309,117 given in the years 2011 and 2012 and preceding 05 years had not been recovered even by 31 December 2013.

(b) Rent Income and Rent Receivable

The rent income receivable over a period ranging from 01 to 6 years as at 31 December 2013 from 4 trade stalls at the Borella sub- way belonging to RDA amounted to Rs.1,877,835 and action had not been taken to recover the rent income from the traders of the stalls even by 30 June 2014. In addition to that trader of stall No. 04 had not paid the rent of the stall for the year 2013 amounting to Rs. 129,994 and the rent income receivable from 17 trade stalls at Kandy sub- way as at 31 December 2013 amounted to Rs.1,969,109. However, no action had been taken to recover such rent income even by 30 June 2014. *The Chairman had stated in his*

reply that “ legal action had already been taken against the owners of the shops for recovering the rent income due from them.”

(c) Deposits Payable and Retained

Deposits payable and retained as at 31 December 2013 amounted to Rs.6,834,606,448 and these balances comprised liquidated damages payable, refundable deposits, performance security deposits, security deposits and rent deposits payable etc. However, the Authority had failed to take necessary steps to settle these deposits over long periods.

- (i) It was observed that retention money amounting to Rs. 493,529,142 relating to 567 contracts had remained unsettled between the period ranging 3 to 8 years.
- (ii) The following deposits amounting to Rs.20,202,123 remained unsettled as at 31 December 2013 which had been included in the General Deposits and proper action had not been taken to settle those deposits without further delay.

Description	Period	Amount Rs.
I. Service Deposits	2001,2006,2011,2012	5,886,430
II. Rent Deposits	2008,2009,2010	13,935,693
III. Deposits - Other Regional	2010	300,000
IV. Deposits of 8 Contractors (Road Maintenance and Construction)	1986	80,000
Total		<u>20,202,123</u>

(d) Trade Payables

A sum of Rs.356,139,840 included in the Trade Creditors that are payable in 43 instances for purchase of materials and contractors for construction works had remained unsettled over one year. Out of that balances in 05 accounts amounting to Rs.5,441,051 were over 05 years.

2.2.4 Lack of Evidence for Audit

Bank balances, cash in transits, bank loans and advertising expenditure aggregating Rs. 17,530,089,407 could not be satisfactorily verified in audit due to non-availability of evidence such as direct confirmations, schedules and registers including the details of procurements etc.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Instances of non-compliance observed in audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Section 8(1) of the Finance Act, No 38 of 1971	The Budget of the RDA for the year 2013 which was required to be approved by the Board of Directors before 30 September 2012, had been approved only on 12 November 2012 and the revised budget of the year under review had been approved only on 06 December 2013.
<u>Financial Regulations</u>	
(b) (i) Financial Regulation 396	Action had not been taken in respect of 12 lapsed cheques amounting to Rs.28,670 relating to 06 bank accounts
(ii) Financial Regulation 373 and Office Circular No. 332 of 30 September 2013	Petty cash imprest and fuel imprests aggregating Rs.48,845 and Rs.438,980 respectively granted to 03 Sub-offices of the Authority had not been settled even up to the end of the year under review, in terms of the provisions in the Financial Regulation and the Office Circular.
(c) Public Enterprises Circular No. PED/47 dated 18 December 2007	Although the Corporate Plan of the Road Development Authority for the year 2013-2017 should have been forwarded to the Auditor General at least 15 days before commencement of the financial year, the Road Development Authority had not furnished the said plan on time. It was further observed that the Board of Directors had approved that plan only on 23 April 2014.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Authority for the year under review had resulted in a pre-tax net surplus of Rs.547.17 million as against the pre-tax net deficit of Rs.547.43 million for the preceding year, thus indicating an increase of Rs.1,094.6 million in the financial results for the year under review.

The increase of surplus from voted fund and other revenue by Rs.6,181 million and decrease of development and maintenance expenditure, Personal Emoluments, and Depreciation and Amortization by Rs.2,647 million, Rs.1,909 million and Rs.545 million respectively had been the main reasons attributed to the increase in the financial results of the year under review.

3.2 Analytical Financial Review

Certain significant balances shown in the statement of financial position as at 31 December 2013 as compared with the previous year are given below.

	As at 31 December	
	2013	2012
	Rs. Mn	Rs. Mn
Net Current Assets	(1,681)	(3,170)
Net Assets	124,552	69,355
Accumulated Deficit	(8,012)	(8,205)

The increase in net assets of the Authority had resulted due to capitalization of cost of the Expressways by Rs.54,655 million during the year 2013.

4. Operating Review

4.1 Performance

4.1.1 Maintenance Works of the Authority- National Roads and Bridges.

The allocations of funds and actual expenditure in respect of maintenance of national roads and bridges for the year under review are as follows.

	Original Allocation	Revised Allocation	Actual Expenditure	Utilization as a percentage of Original Allocation
	----- Rs. million	----- Rs. million	----- Rs. million	-----
General Maintenance	1,835	2,360.4	2,476.4	134
Continuous Maintenance	1,000	1,593.0	1,691.9	169
Periodical Maintenance	1,905	949.1	1,046.4	55
Drainage System Maintenance	760	221.9	284.6	37
Signal Lights Maintenance	780	459.0	490.8	63
Maintenance Works under				
Emergency and Natural Disasters	600	1,909.1	1,152.6	192
Operation and Maintenance of Ferry	20	7.1	7.2	36
Total	6,900	7,499.6	7,149.9	

The following observations are made in this connection.

(a) Maintenance of Roads not belonging to the RDA

According to the Budgeted Estimates and the Action Plan for the year 2013, a sum of Rs.7,500 million had been allocated for maintenance of A and B type roads belonging to the Road Development Authority. According to the information obtained from the Director of Maintenance, Management and Construction Division, a sum of Rs.493.86 million had been spent for this purpose during the year under review and a

sum of Rs.990.17 million had been spent for 212 provincial roads in 09 Provinces which not belonging to the RDA even though no provisions had been made for maintenance of those roads in the year 2013. Accordingly, the expected performance on the maintenance of A and B type roads could not be achieved due to the utilization of provisions for other roads not belonging to the RDA.

The Chairman had stated in his reply that the “Works had been attended due to urgency of the works considering national interest such as opening ceremonies of RDA road projects, adjoining roads also had to be improved and non RDA roads damaged due to transport of materials for RDA Projects etc.”

(b) Performance of Roads Maintenance

According to the Action Plan of the RDA for the year 2013, a sum of Rs.6,701 million had been allocated for the road maintenance works. The following matters were observed with regard to the utilization of such provisions during the year.

- (i) The expenditure incurred by 09 Provinces had exceeded the provisions by Rs.565,114,985 and a sum of Rs.23,854 had been incurred less than the provision in one Province.
- (ii) Out of the allocation made for maintenance work of roads, a sum of Rs.493,861,485 had been spent on maintenance work of roads not belonging to the RDA during the year under review. As a result, the provision made for maintenance of roads had exceeded during the year under review. The Chairman had stated in his reply that the non RDA works had been attended due to urgency of works considering the National interest.

(c) Periodical Maintenance Works, Maintenance of Drainage System, Maintenance of Signal Lights and Maintenance Works under Emergency and Natural Disasters

A sum of Rs.3,539.3 million had been allocated in the annual budget for the periodical maintenance works, maintenance of drainage system, signal lights and maintenance works under emergency and natural disasters for the year 2013.

According to the Annual Maintenance Programme prepared by the Maintenance, Management and Construction Division, the following matters were observed in respect of performance of the above maintenance works.

- (i) A total of six hundred and sixty eight maintenance works with an estimated cost of Rs. 2,408.62 million relating to 09 Provincial Offices had not been implemented during the year under review. Details are shown below.

Maintenance work	Revised Allocation	Maintenance works not implemented during the year		
		Number of Provincial Offices	Number of works	Estimated Cost
	Rs. millions			Rs. millions
Periodical Works	949.16	9	238	1,214.72
Drainage System	221.91	9	285	666.4
Signal Lights Maintenance	459.08	4	32	67.6
Works under Emergency and Natural Disasters	1,909.15	6	113	459.9
Total	3,539.3	9	668	2,408.62

(ii) Although a total of Rs.456.36 million had been spent for 182 number of maintenance works relating to 9 provincial offices, these maintenance works were not included in the Annual Maintenance Programme prepared by the Maintenance, Management and Construction Division.

(iii) Although the budgetary provision for the maintenance works was Rs.3,539.3 million, the actual expenditure incurred thereon was Rs. 4,487.52 million. As such, the provision made for maintenance works had been exceeded by Rs. 948.22 million during the year under review.

In this regard the Chairman had stated that some of the roads in periodic maintenance programme were selected for local and foreign funded rehabilitation projects. Therefore, some items had been deleted from the Original Programme.

4.2 Contract Administration

4.2.1 Road Rehabilitation and Improvement

The following observations are made.

(a) Road Widening and Improvements

According to the allocations for maintenance and improvements of roads under Government funds, performance reports, action plan and the progress reports sent by Provincial Directors, the following matters were observed.

(i) Even though it was targeted to commence widening and improvement of 22 roads valued at Rs.2,577 million in the accounting year, no constructions and improvements had been commenced.

(ii) A sum of Rs.5,049.06 million had been spent during the year 2013 for widening and improvements of 183 roads which did not belong to RDA.

- (iii) Estimated cost of Rs.13,395 million allocated for widening and improvements of 103 Roads had shown a progress less than 50 per cent as at 31 December 2013.
- (iv) An amount of Rs.538 million had not been paid to the contractors for widening and improvements of 25 roads which had been completed as at 31 December 2013.
- (v) The information in respect of road widening and improvements for the year 2013 had not been sent by Provincial Directors of 06 Offices. Accordingly, the performance relating to those offices could not be examined.

In this connection the Chairman had stated that "the highly essential to take up the non RDA roads due to the improving of connectivity with the national roads and the bad condition of the roads. Those road works were done to facilitate public transport and to relieve transport problems en-counted by the public."

(b) Road Rehabilitations and Improvements Carried out Under the Provisions of Ministry of Economic Development

 The following matters were observed in respect of the expenditure made under the provisions amounting to Rs.1,020 million and Rs.856.3 million granted to the RDA by the Ministry of Economic Development for road rehabilitations and improvements in the years 2012 and 2013 respectively.

- (i) According to the financial statements, the RDA had spent a sum of Rs.1,858.5 million and Rs.261 million for the road construction works exceeding the provisions received from the Ministry of Economic Development in the years 2012 and 2013 respectively. Accordingly, the activities included in the Annual Action Plan could not be achieved by the Authority, as the funds allocated for widening, improvements and maintenance of roads belonging to the RDA had been utilized for objectives of the other Ministries.
- (ii) The details and the cost of the road constructions carried out under the provisions received from the Ministry of Economic Development had not been included in the Action Plan of the Road Development Authority.
- (iii) Provision had not been made to cover the overhead expenditure of the Road Development Authority in respect of the road constructions carried out on behalf of the Ministry of Economic Development.

(c) Local Bank Funded Road Rehabilitation Project (LBFP)

 The Road Development Authority had been permitted to obtain loans equivalent to USD 500 million from local Banks to rehabilitate 62 priority roads with a length

of 1020.86 kilometers, Island wide. Accordingly, the Road Development Authority had offered contracts valued at Rs.131,585 million to 21 contractors to rehabilitate 50 roads. The following observations were made in this regard.

- (i) According to the information made available, the contractors for road constructions under the above Project (LBFP) had not been selected in terms of the provisions in the Procurement Guidelines. Instead the contractors themselves had brought the contract proposals for the respective roads.
- (ii) The proposals of contractors had not been properly evaluated by the Technical Evaluation Committee (TEC). Further the Engineer's estimate had not been prepared for the each road including items of works, quantities and the rates to support the evaluation. Therefore, the contractor's proposal had been evaluated by the TEC by using highway standard rate (HSR). However, the rate proposed by the contractors in the bills of quantity (BOQ) were very much higher as compared with Engineers rates and the rates were varied from contractor to contractor.
- (iii) The Standard Cabinet Appointed Procurement Committee (SCAPC) had decided and recommended the final contract amount for each contract. Accordingly, a sum of Rs. 146,552.78 million recommended by the TEC for 54 contracts had been increased to Rs.155,794.94 million by the SCAPC. As such, an additional cost of Rs.9,242.16 million had been recommended for the road construction by the SCAPC.
- (iv) According to the Cabinet Memorandum, all constructions under the LBFP should be done through the local contractors in view of increase the capacity of the local contractors. However, this objective could not be satisfactorily achieved by the Authority as few contractors were given more contracts than others.
- (v) At the audit test check revealed that the some part of the road which had been asphalt overlaid by the Road Development Authority in the early part of 2012 had again been included for rehabilitation under LBFP.

4.2.2 Construction of Steel Bridges in Trincomalee District

Ten steel bridges in Trincomalee District had been constructed by spending a sum of Rs.3,831,936,290 under Steel Bridges Project of United Kingdom. Out of that a sum of Rs.336,328,087 had been spent for constructing Lanka Patuna Bridge and Palathoppur – Seruwila Bridge and Rs.3,495,608,203 had been spent for 08 Bridges in Batticaloa – Thirikondai Aru – Trincomalee (A-15) and Ambepussa – Kurunegala – Trincomalee (A-6) which were connected beyond the town. The matters observed thereon are given below.

- (i) Eight bridges had been constructed on Outer Circular Road in Trincomalee spending a sum of Rs.3,495.6 million in the years 2009 and 2010. Nevertheless, the

constructions of the roads which connect these bridges had not been completed to enable transportation of vehicles even though 4 years had elapsed.

- (ii) The Palathoppur – Seruwila Bridge had been constructed connecting direct to the main road and as such the main road had to be used fully when using the road for entering and exit long vehicles. This problem had arisen due to non-construction of the bridge on a proper plan.

4.3 Fruitless Transactions

Overheads Control and Overheads Reimbursement

The following observations were made in this regard.

- (i) Action had not been taken to recover a sum of Rs.3,590,402 spent over 3 years as overhead expenditure for 03 Project Management Units by Road Development Authority, even as at 31 December 2013.
- (ii) Action had not been taken to recover the salaries paid to 02 Project Management Units by Road Development Authority amounting to Rs.4,633,609 remaining more than 01 year.
- (iii) Credit balance of insurance claim received for project vehicles amounting to Rs.1,708,495 was included in the Overhead Control and Overhead Reimbursement Account. Action had not been taken to clear this account even by 31 December 2013.

4.4 Assets Management

The following observations are made.

(a) Condemned or Under - utilized Machinery

- (i) Thirty nine condemned or underutilized machinery had remained in 14 Offices of Executive Engineers of the Road Development Authority as at 31 December 2013 and the value of such assets amounted Rs.5,250,621. Further, 55 machinery and equipment the value of which was not furnished to audit remained under-utilized in 18 Provincial Offices. Action had not been taken to either repair or dispose of those assets.
- (ii) Out of the machines given by the President Task Force in the year 2011, eleven chip spreader machines valued at Rs. 349,193,473 had been idle since taking over and it was observed that those machines could not be utilized for local roads.

(b) Motor Vehicles

Forty four motor vehicles valued at Rs. 86,330,062 belonging to Road Development Authority had been released to other institutions. Even though these motor vehicles

had been retained by the external institutions as at 31 December 2013, action had not been taken to obtain the motor vehicles back to the RDA even by the end of the year under review.

(c) Lands not Legally Vested

According to the decision of Cabinet of Ministers dated 15 June 2009, the land with an extent of 1.5907 hectares located at Peliyagoda valued at Rs. 25,604,180 to be given by Urban Development Authority to Road Development Authority in the year 1990. It was observed that action had not been taken to transfer the ownership of the land to the Road Development Authority even by 07 August 2014 while the land had been given to Maganeguma Road Construction and Equipment Company in 2009 to maintain its Head Office. However, no income had been recovered so far from this land by the Authority.

(d) Unutilized and Slow Moving Stocks

Unutilized and slow moving stock balances amounting to Rs.2,708,554 had remained for over one year.

4.5 Human Resources Management

The following observations are made.

(a) The Cadre

The following matters were observed in this connection.

- (i) A reconciliation of the cadre it was revealed that there were 380 vacancies in 05 posts and 127 excesses in 05 other posts.
- (ii) Vacancies were observed in 45 posts of Technical Services and 57 posts of Management Assistants and Technical Services, which were essential to perform the functions of the Road Development Authority. It was further observed that this situation adversely affects the performance of the Road Development Authority.

(b) Human Resources Released to other Ministries and Institutions

The following matters were observed in this regard.

- (i) One hundred and thirty one staff of the Road Development Authority had been released to the Ministry of Highways, Ports and Shipping and the Presidential Secretariat as at 31 December 2013. Salaries and allowances paid by the Authority to the officers released amounting to Rs.70,412,563 had not been recovered from those institutions.

- (ii) Action had not been taken to reimburse salaries and allowances amounting to Rs.934,657 out of Rs.4,575,841 paid for 07 persons of the staff of the RDA who were released to 6 Government institutions which were not connected to activities of the RDA even as at 31 December 2013.

4.6 Performance of Procurement Section

The following observations are made.

- (i) The Procurement Section had been established with the objective of carrying out the procurements of Road Development Authority in proper and efficient manner. But the activities of the Procurement Section had gradually decreased over several years.
- (ii) Even though the approved cadre of the Section was 37 and actual cadre was 14, the Director and the Supplies Officer were the only officers available in the Section.
- (iii) Procurement of stationery amounting to Rs.23.8 million had only been carried out by the Procurement Section while the other procurements had been carried out by other Sections.

5. Accountability and Good Governance

5.1 Budgetary Control

The budget for the year 2013 had been amended for the end of the year and revised budget had been approved by the Board of Directors on 06 December 2013. Therefore, the budget had not been utilized as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Road Maintenance and Client Works
- (b) Presentation of Financial Statements
- (c) Disclosure of Transactions with Related Parties
- (d) Management of Regional Offices
- (e) Utilization of Physical and Human Resources.
- (f) Contract Administration
- (g) Inventory Control