

Report of the Auditor General on Head 114 - Ministry of Transport and Civil Aviation -Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Transport and Civil Aviation Head-114 for the year ended 31 December 2015 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 to the Ministry on the 16 August 2016. The audit observations, comments and findings on the accounts and 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 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. The 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.

2. Accounts

2:1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.28,380.03 million and out of that Rs.20,890.71 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry Rs.7,489.32 million or to 26.39 per cent of the net provision. Details appear below.

Head	As at 31 December 2015			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	12,595.38	12,471.21	124.17	0.99
Capital	15,784.65	8,419.50	7,365.15	46.66
Total	28,380.03	20,890.71	7,489.32	26.39

2:2 Revenue Account

Estimated and Actual Revenue

The Ministry had prepared Revenue Estimates totalling Rs.4,500 million in respect of Revenue Code 20.03.02.08 for the year 2015 and Revenue totalling Rs.3,963 million had been collected. That was 88.07 per cent of the estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2015			Shortfall as a Percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Shortfall	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.03.02.08	4,500	3,963	537	11.93

2:3 Advance Account

2:3:1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account-Item No. 11401 of the Ministry and the actual amounts are given below

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
11.00	9.77	4.66	5.78	45.00	20.19

2:4 General Deposit Accounts

The balances of two General Deposit Accounts of the Ministry as at 31 December 2015 totalled Rs. 9.45 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0013/0112	9.34
6000/0002/00/0016/0102	<u>0.11</u>
Total	<u>9.45</u>

2:5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the Ministry of Transport and Civil Aviation for the year ended 31 December 2015 had been prepared satisfactorily subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant observations out of the observations included in the Management Audit Report appear in paragraph 3 herein.

3 Material and Significant audit observations

3:1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers

Type of Register -----	Relevant Regulation -----
(i) Register of Losses & Damages	Financial Regulation 110
(ii) Register of Fixed Assets	Treasury Circular No 842 dated 19 December 1978
(iii) Register of Liabilities	Financial Regulation 214
(iv) Fixed Asset Register for computers, Accessories and Software	Treasury Circular No IAI/2002/2 dated 28 November 2002

3:3 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs. 61,250,000 made for 09 Objects had been saved.
- (b) Excess provision had been made for 30 Objects and as such the savings, after the utilization of provisions, ranged between 5 per cent to 100 per cent of the net provision relating to the respective Objects.

3:4 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to Revenue Code 20.03.09.08 had been assigned to the Secretary to the Ministry as the Revenue Accounting Officer. The following observations were made during the course of the test audit check of those Revenue Codes.

- (i) According to the Annual Budget Estimates, the collection of Revenue amounting to Rs. 4,500 Million had been estimated under the Revenue Code. A sum of Rs. 3,963 Million had been collected as at the end of the year under review and that amounted to 88.07 per cent of the estimated Revenue
- (ii) In terms of Financial Regulation 128(2) reports on by-annually Arrears of Revenue relating to the Revenue Code had not been prepared.

3.5 Advances to Public Officers Account

The following deficiencies were observed during the course of test audit checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 11401

- (a) According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date totalled Rs.1,345,560, Even though those outstanding balances remained over periods ranging from 01 year to 17 years, the follow-up action on the recovery of the outstanding balances had been remained at a weak level.

- (b) The loan balances of Rs. 10,944 and Rs. 77,580 were remained outstanding from a transferred officer in the year 1997 and from two officers retired in the years 1997 and 2007 respectively as at 31 December 2015. The Ministry had failed to recover the outstanding loans balances.

3.6 Good Governance and Accountability

3.6.1 Annual Action Plan

Even though an Annual Action Plan required to be prepared by the Ministry in terms of the Public Finance Circular No. 01/2014 of 17 of February 2014, the Action Plan prepared and presented for the year 2015 had not been complied with instructions of the above circular.

3.7 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Ministry.

(a) Conduct of Annual Boards of Survey

The following observations are made.

- (i) According to the Public Finance Circular No - 02/2014 of 17 October 2014, the Annual Board of Survey-2015 required to be carried out and the reports thereon should be furnished to the Auditor General before 17 March 2016. Nevertheless, the Ministry had not furnished those reports even by 31 May 2016. The last Annual Board of Survey had been conducted for the year 2014.
- (ii) Action in respect of the excesses and shortages and the other recommendations pointed out in the reports of the Board of Survey for the year 2014 had not been done in terms of the Financial Regulations. That reports itself stated the Board of Survey could not carried out successfully due to non-availability of relevant documents

3.8 Foreign Aid Projects

The Ministry had implemented a Project under foreign financing during the year under review. The estimated cost thereof according to the loan agreement amounted to Rs. 36,166 million and Rs. 5,321 million had been utilized on the Project during the year under review. The following observations are made in this regards

- (a) The contract of constructing Matara Katharagama new railway track project had been awarded to a foreign company. The Ministry had entered into an agreement with a foreign company regarding the contract. As per the Section 8.3 of the agreement, a program required to be furnished after a preliminary study. The programme which furnished without carrying out a preliminary study had been amended in 11 instances as at 31 May 2016.

- (b) A sum of US \$ 8.46 million had been recovered by March 2016 out of the mobilization advance of US \$ 84.36 million made for the contractor for the commencement of works by the project. The mobilization advance of US \$ 75 million to be recovered further, during the remained nine month period to closure the project. Value of the remaining work of those advances yet to be recovered was US \$ 150 million.
- (c) As per the amended construction program No 11, an estimated cost of US \$ 185,000 construction works of 03 culverts included in a section of the road (Section 01) had not been commenced even by the month of June 2016
- (d) Even though 60 slide walls (for left and right sides) along 5.098 km had been planned to construct as at 31 December 2015, 43 slide walls along 3.54 km had not been commenced according to the plan by the end of the year under review.
- (e) The engineering estimate of US \$ 53 million for the bridges and other constructions had been bided at US \$ 80 million by the contractor. The project estimate committee had reduced it to the engineering estimate of US \$ 53 million. Later, it had been got increased upto US \$ 91 million by the contractor. Similarly, original Quantities and places of these constructions had been changed later and the approval obtained for the change had not been presented for audit
- (f) An estimate of US \$ 19 million had been approved for the construction of four main railway stations and two sub-railway stations under the project of constructing Matara-Beliaththa railway track. Even though 2 1/2 years over from the commencement of the project as at 29 February 2016, the approval of the preliminary architecture for the railway stations Piladuwa, Weherahena and Beliatta had remained at 60 per cent and the final approval for 06 railway stations had not been obtained even by the end of February 2016.
- (g) Even though US \$ 27 million had been approved in the estimates by the project for construction of railway track, a procurement plan and procurement time schedule for procurement of rails and sleepers had not been prepared and presented for approval as per the 4.2 of the government procurement guidelines even by the month June 2016
- (h) Even though US \$ 10 million had been estimated for the establishment of signal and tele communication systems of the railway track, later, the estimate had been approved by removing the value. The design and the drawing required for the establishment of the signal and tele communication systems had not been prepared and got approved until 15 June 2016 that is about closing end of the project.
- (i) Thousand Five Hundred Twelve plots of Land had been acquired at the Divisional secretarial level for the railway track. Compensation amounting to Rs. 989,102,585 had been paid for 1,245 plots of lands out of those land plots.

The following observations are made in connection with the payment of compensation.

- i. The activities of acquiring lands for the railway track project had been commenced since in the year 2006. The process of paying compensations for 122 plots of land had not been finalized by 17 June 2016 the date of audit and an assessment had not been made in relation to interest payment on the delay of compensation.
 - ii. An additional amount of Rs. 579,038 had to be paid as interest payment for the delay from which the date of acquisition of ownership of the plots of land published by the Gazette Notification and the date on which the compensation payments were made.
- (j) Three Hundred Seventy Two public complaints had been presented against the constructing company on behalf of constructing activities of the project as at 31 December 2015. Out of those complaints 128 public complaints had been presented due to the high sounds of machineries used for the relevant constructions. The action taken by the contractor to minimize the social impact and use of appropriate machineries to minimize those complaints had not been presented to audit.

3:10 Implementation of Projects under the Domestic Financing

Delay on Performing the Projects

Following observations are made

- (a) A study had been carried out by the Ministry of Transport and Civil Aviation together with Japan International Corporation Agency. In that study to minimize the acquisition of lands it had been revealed that to build a modern monorail system from Malabe to Pettah and Kollupitiya via Sri Jayawardenapura Kotte. A feasibility study on that had been done and discussions were taking place to carry out the activities under a project of the Ministry of Megapolis and Western Province as at 31 December 2015
- (b) Seven railway track development projects identified as new railway track development projects and annual provision had been made since 5 years. Provision of Rs. 260 million had been made on this even by the annual budget estimates of 2015. Six projects out of those seven projects had been only limited to the annual budget estimates and, the Ministry or its Technical Division had not taken steps to implement the projects

<u>Project</u>	<u>Provision</u> Rs. Millions
(i) Kottawa Horana Railway Track	05
(ii) Dabulla Railway Track via Kurunegala and Habarana	10
(iii) Colombo Hambantota Kelaniwely Railway Track	10
(iv) Medawachchiya – Trincomalee Railway Track	10

(v)	Wellawaya-Bibila-Badulla Railway Track	10
(vi)	Trincomalee, Maho, Puttalam, New railway track	10

3.11 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Non- recovering of government Fees of Rs. 200,000 in respect of Government Vehicles deployed for Election Duty.
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According to the Secretary to the President's Circular No. CSA/1/1/92 dated 17 July 2015; a monthly fee amounting to Rs.100, 000 had to be paid to government by the Ministers and Deputy Ministers for using government official vehicles during the period of Parliamentary Election. But a sum of Rs 200,000 for two vehicles deployed for election activities had not been recovered by the Ministry of Internal Transport.

- (b) Damages
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Following mentioned observations are made.

- i. During the year under review 19 accidents had been occurred for the vehicles of the Ministry and preliminary reports for 8 vehicle accidents only had been presented. Nevertheless, action in terms of the Financial Regulation-104 had not been taken for the balance 11 vehicles.
- ii. Action had not been taken to write off or recover from the responsible persons for the damages occurred on vehicle accidents amounted to Rs. 497,569 as per the Financial Regulations-103

3:29 Human Resources Management

- (a) Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been shown as follows

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	37	27	10
(ii) Tertiary Level	05	03	02
(iii) Secondary Level	129	92	37
(iv) Primary Level	81	50	31
(v) Others (Casual/ Temporary/ Contract Basis)	03	02	01
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Total	255	174	81
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(a) Irregular Release of Human Resources to other Parties

The particulars of irregular release of human resources to other parties during the year under review by the Ministry are given below.

Category of Employees	Numbers	Institution for which the Released were made.
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(i) Karyala Karya Sahayake	01	Department of Motor Traffic
(ii) Driver	01	Ministry of Ports and Shipping