

Head 162- Ministry of Mega police and Western Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the **Ministry of Mega police and Western Development** for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, 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 provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Skills Development and Vocational Training was issued to the Chief Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 27 June 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the **Ministry of Mega police and Western Development** as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and

carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the summary report of the Auditor General that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (d) of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year by **Ministry of Mega police and Western Development**, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.

- (b) Since there was no requirement for the Ministry to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on the financial statements

1.6.1 Accounting Deficiencies

Following observations are made in this regard.

(a) Statement of financial performance

	Audit observation	Recommendation	Comment of the Chief Accounting Officer
(i)	Value of other receipts has been Rs. 3,276,629,370 as per monthly accounts summeries and other information but the same as per the statement of financial performance has been Rs. .3,328,349,086 and threrfore a difference of Rs. 51,719,716 has been observed.	The correct value should be shown comparing accounts summeries with the balances indicated in financial statements.	Discussions are being held with the General Treasury to rectify this situation.
(ii)	The balance of the imprest account has been Rs. .7,466,002,315 as per the statement of financial performance but the imprest account has not been submitted for comparing it with the balance of imprest account of the Ministry.	Action should be taken as per the instructions of Public Accounts Circular..	Do

(b) Statement of Financial position

	Audit observation	Recommendation	Comment of the Chief Accounting Officer
(i)	Advance accounts of works		
	Even though a huge amount has been spent for thw works , which were being carried out by the Ministry, it has not been	Works in progress should be accounted as per Public Accounts Circular No 267/2018 dated 21 November	Particulars of the advance account of rent have been prepared by 31 December 2018 and it is hereby informed that these

stated under 'works in progress' in the statement of financial position.

particulars would be submitted promptly.

- (ii) A vehicle to the value of Rs. **2,000,000** not belonging to the Ministry has been shown under Property, Plant and Equipment of the Statement of Financial Position. Once the vehicle is taken over, action should be taken to show it in Financial Statements. Action is being taken to take over the vehicle..

(c) Cash Flow Statement

Audit observation	Recommendation	Comment of the Chief Accounting Officer
<p>(i) Even though the receipts , which are not income as per Cash Flow Statement, have been shown as Rs. 24,886,789,229 it has been Rs. 24,825,917,877 as per monthly accounts summeries and other information. Accordingly, the cash flow generated by operations has been overstated by Rs. 60,871,352.</p>	<p>Cash Flow Statement should be prepared as per Public Accounts Circular No 267/2018 dated 21 November 2018.</p>	<p>No comment has been made.</p>
<p>(ii) Even though the amount of the cash flow spent for operations has been Rs. 24,817,822,831 as per Monthly Accounts Summeries, it has been shown in Cash Flow Statemnent as Rs. 705,048,186. Accordingly it has been understated by Rs. 24,112,774,645.</p>	<p>Do</p>	<p>No comment has been made.</p>
<p>(iii) As per the Cash Flow Statement, the loan installmants to the value of Rs. 7,344,892 recovered from the advances of public officers has not been shown as a cash flow generated from investment activities.</p>	<p>Do</p>	<p>No comment has been made.</p>
<p>(iv) Even though the cash flow spent for investment activities has been shown as Rs. 31,416,272,152 in the</p>	<p>Do</p>	<p>No comment has been made.</p>

Cash Flow Statement, it has been Rs. 15,439,940 as per monthly accounts summeries. Therefore the cash flow spent for investment activities has been overstated by Rs. 31,400,832,212.

- | | |
|--|---------------------------------|
| (V) Even though the Ministry has not involved in financial activities, Rs. 231, 471,206 has been spent under that title. | Do
No comment has been made. |
|--|---------------------------------|

1.6.2 Non-Compliance with Laws, Rules and Regulations

Instances relating to non compliance with laws, rules, and regulations, which were revealed in the audit investigations are given below.

Audit observation	Recommendation	Comment of the Chief Accounting Officer
-----	-----	-----
Reference to laws, rules and regulations	Non compliance	
-----	-----	-----
	Rs.	
(a) Para 03 of the schedule of the Minute on the Secretaries service .	3,676,038 Salaries from Central Engineering Consultancy Bureaue and incentive allowances, allowance for Engineers, allowances for Professionals, allowances for out door medical treatments, and productivity allowances paid based on the profit which are restricted	When the salary is paid to the Chief Accounting Officere of the Ministry, provisions of the Minute on Secretaries should be applied and the approval of the Cabinert of Ministrers should be obtained. As per the instructions given in writing by the President's Secretariat as the appointing authority for the Secretary, salaries and allowances paid to me Central Engineering Consultancy Bureaue have been reimbursed.

to the same institution but not entitled to a Secretary have been paid to the Secretary from year 2015 up to year 2018 in contrary to the provisions of the Minute on Secretaries service and without obtaining approval of the Cabinet of Ministries. In addition to the above, all allowances entitled to the Secretaries have been obtained from the Ministry.

.

- | | | | | | |
|-----|---|-------------------|---|--|--|
| (b) | Financial Regulations No 396 (d) of the Democratic Socialist Republic of Sri Lanka. | 47,892,254 | Action has not been taken as per Financial Regulations regarding 14 cheques, which were not submitted to the bank after lapse of 06 months and 32 cheques pertaining to the project. | Action should be taken as per Financial Regulations | Adjustments have been rectified by now. |
| (c) | 2016 March 24 dated of Management Services Circular No 1/2016

(i) Para 2.24 | 726,212 | 5 officers in public service have been recruited to the posts of Startegic Urban Development Project on part time basis without calling applications and conducting interviews, and they have been paid | Action should be taken as per provisions of Management Services Circular | Officers recruited on part time basis have been recruited to the project as per the instructions obtained verbally from the Department of Management Services and on the approval of the |

	allowances to the value of Rs.726,212 during the year under review.	Secretary.
(ii) Para 9.3	Even though it is required to conduct two meetings of the monitoring committee of the Metro Colombo Urban Development Project once in every two months, only two meetings have been conducted during the year under review.	It is required to conduct meetings of the monitoring committee of the Metro Colombo Urban Development Project once in every two months. Answers have not been given. .

1.6.3 Transactions in the nature of frauds

----- Audit observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
Former Additional Secretary (Urban Development) has obtained Rs. 340,000 stating that he used a private vehicle for office duties where a vehicle of Metro Colombo Development Project has been assigned to him full time from October 2015 to May 2016. Even though Rs. 150,000 out of the above has been paid back, Rs. 190,000 has not been paid so far.	Action should be taken to pay back the transport allowance by the officer.	Respective officer has settled only a part of the amount accepting the issue but he has neglected the payment of Rs. 190,000 which is the outstanding balance of the amount.

2. Financial review

2.1 Expenditure Management

Following observations are made in this regard .

Audit observation	Recommendation	Comment of the Chief Accounting Officer
(a) The balance after utilization of provisions provided for 53 votes during the year under review has held a range between 10% up to 100% from the provisions made.	Estimates should be prepared as per Financial Regulation No 50.	Since there is no significant closing balance in the value of liabilities after the deduction of the balances of each vote, it is not possible to agree with the observation.
(b) Provisions to the value of Rs. 8,736,000.000 have been obtained from supplementary estimates for 08 sub development projects and the balance of the same after utilization is Rs. 6,747,882,946. The percentage of it has held the range between 31% up to 100%.	When provisions are obtained from supplementary estimates, these estimates should be prepared rationally and accurately.	- Do-

3. Review on operations

3.1 Non fulfilment of the works

It was observed that the following works, which have been planned to carry out during year 2018, have not been carried out during the year under review by the Ministry.

Audit observation	Recommendation	Comment of the Chief Accounting Officer
(a) Even though provisions to the value of Rs. 6 million, Rs. 10.5 million and Rs. 05 million have been made for extention and repairing of drainage lines of Kadawatha Road, Kalubowila and Dehiwlala , which is a sub project for the Development of Modern	Action should be taken to launch relevant projects promptly.	The reasons for the delay are non receipts of the approval of the Department of National Budget, delay in the reconstruction of water lines and electricity lines, and non receipt of approval from relevant Pradeshiya Sabha.

Sustainable Urban Development Centers, phase 5 of the construction of the bus stand at Horana, and phase 5 of the construction of bus stand at Kirindiwela respectively, these works have not been carried out.

- (b) Even though provisions to the value of Rs. 20, Rs. 22 million, Rs. 40million, Rs. 60 million, Rs. 60 million, Rs. 15 million and Rs. 150 million have been made respectively under urban development projects of 09 provinces for the development of the bus stand at Hasalaka, the construction of the center for Tamil children, Rakwana, phase 2 of the development of Ella Facility Center, development of fair at Wellawaya, development of fair at Belekkade Rathmalana, development of the roads in the Divisional Secretary's Division, Kesbewa, construction of reception hall on the beach park of Crow Island, Mattakkuliya, these works have not been carried out.
- Action should be taken to launch relevant projects promptly
- No action has been taken.

3.2 Failure to gain expected output.

 Following observations are made in this regard. .

Audit observation	Recommendation	Comment of the Chief Accounting Officer
-----	-----	-----
(a) Even though Rs. 44.27 million has been spent in year 2017 and 2018 for the Western Regional Fort City Development Project, the project has been implemented without conducting a	The project should have been launched after conducting a feasibility study and obtaining report on the effects caused to environment.	Feasibility study of this project has been entrusted NARA institution and the project for the development of Kimbula ela (Blumendal) area has been revised as per new basic planning zones of 2030

feasibility study and without obtaining report on the effects caused to environment. Further the proposed components such as activities relating to the harbour and establishment of supplies center at Navy Camp of Welisara have been given up.

prepared by the Urban Development Authority.

- (b) Even though Rs. 75 million has been spent in year 2017 and 2018 for Sky city development project, reports of feasibility studies and effects caused to environment have not been obtained.
- Further development works have also not been identified specifically.
- Do
- Event though the planning of this project has been undertaken in year 2017 by the Ministry of Lands Infrastructure Facilities and Transport of Korea, the Ministry has been unable to commence such work.
- (c) An agreement for Rs. 415,072,322 has been signed for reclamation of lands and construction of drainage system under the phase one of the reconstruction of Manning Market but the works have been stopped with a delay of 08 months even though an allocation of Rs. 114,520,000 has been made for the completeion of works constructing drainage system. Further an additional expense of Rs. 65,529,402 has also made for additional reclamation works and development of grounds. Even though the putting of the column which is the second stage of this project has been entrusted to a private entity for a value of Rs.484,378,4522, the work has been completed with a delay of 20 days from the
- It is required to adhere to the contract agreement in the implementation and making payments for the project.
- Since the term of the contract has been extended upto 15 December 2016 due to the delay in the supply of soil and on the instructions of Engineers, Rs. 3,333,625 has been recovered as delay charges for the delayed period of 15 days as per the agreement.

agreed date. However action has not been taken to recover the acumurrage charges of Rs. 7,000,000.

- | | | | |
|-----|---|---|---|
| (d) | Even though rehabilitation of Dunumadalawa Water Treatment Plant , of which the value was Rs. 240.84 million (1.52 \$ million) was due to be completed by 24 September the physical progress of the project by the end of the year under review has been 90%. However project has failed to recover delay charges from the contractor. | Action should have been taken to recover delay charges from the contractor.. | Answer has not been made. |
| (e) | Even though the rehabilitation of Arthur’s seat viewing deck to the contract value of Rs. 24.22 million (0.16 \$ million) has been completed, electricity facility has not been provided to the premises and further it was observed at the site inspection that electricity metere and other appliances fixed have been damaged. | Action should have been taken to conclude the workas of the project and to utilize the site for the proposed purpose. | The protrection of the first phase Arthur’s seat viewing deck has been entrusted to the Municipal Council , Kandy. However electricity should be supplied in the phase two. . |

3.3 Failure to gain expected outcome

Following observations are made in this regard.

Audit observation	Recommendation	Comment of the Chief Accounting Officer
-----	-----	-----
(a) It has become impossible to gain expected outcome as 15 projects completed during year 2017 and 2018 spending Rs. 678.1 million have not been handed over to relevant parties.	Action should be taken to hand over the project to relevant parties on completeion of relevant works..	It has become impossible to hand over the project due to various weaknesses.
(b) Even though the construction works of	Construction works	Action is being taken

Bio Diversity Garden at Beddagana, which was launched under Urban Development Project adjoining Metro Colombo, have not been carried out upto the standards and properly, Rs. 92.07 million has been paid to contractors.

of Bio Diversity Garden should be carried out following proper standards. to recover Rs. 4,296, 530 paid to the contractor.

- (c) A contract for the construction of beach park in Mattakkuliya crow island had been awarded to a contractor for a contract sum of Rs.275.78 million. According to the contract agreement, it was planned to complete the contract withing a period of 10 months but more than 1 1/2 years had been taken to complete the construction of the beach park. As certain items had not been constructed in accordance with the engineering design at specific standards and despite there were 47 construction faults, the park had been taken over irrespective of such faults a sum of Rs.129.14 million had been paid to the contractor by that time.

Action needs to be taken to get the construction false of the beach park done by the contractor. Action had been taken to correct the extention period.

3.4 Delays in the completion of projects

Following observations are made in this regard.

Audit observation	Recommendation	Comment of the Chief Accounting Officer
(a) Even though the planning and construction works of the tunnels at Torrington and Moder to the value of 32,098,189 \$ shuold have been completed by 02 years entering into agreements with a Chinese Company , planned works have not been completed even by 31 December 2018. Further construction works have not been completed and main equipment has not been properly placed.	Since there is a delay of 11 to 71 days by the end of the year under review, project should be completed promptly.	It is not agreed with the observations..
(b) Even though the prograss by 31 December 2018 has been shown as 50% in the progress report prepared by the Consultant, only works of 03 planns	Action should be taken to make payments following the actual performance of the	Answer has not been given. .

out of the total number of 102 plans project. have been completed as per the Designing Status Report. However a higher amount such as 333,564 \$ (34%) has been paid by the end of the year under review even where only a minimum level of performance was shown.

3.5 Projects on foreign aids

Following observations are made in this regard.

	Audit observation	Recommendation	Comment of the Chief Accounting Officer
(a)	Colombo Metropolice Development project		
(i)	Rs. 105.5 million out of Rs. 390 million estimated for the establishment of flood and water resources management system under phase one of the construction of Bere Lake Garden has been spent by 31 December 2018 and further total remuneration of Rs. 24,740,000 has been paid at the rate of Rs. 920,000 per month by the end of year 2018 to the Consultant of the relevant division without obtaining special approval of the General Treasury and contrary to the provisions of the Circular No 1/2016 dated 24 March 2016. Further the service period of this officer has been extended by 3 years without evaluating the performance of the officer and no action has been taken even by the end of May 2019 to train and attach a permanent staff to carry out the works of this sub project.	Action should be taken to pay remunerations of this division as per the provisions of Management Services Circular. Further action should be taken to minimize expenses giving priority to obtain services, which can be obtained free of charge.	Answers have not been given..

- | | | | |
|-------|---|--|------------------------------|
| (ii) | Even though Rs. 9,683,132 has been paid for wood works no timber test report has been submitted in this regard. Therefore it has become impossible to verify the quality of wooden constructions. Rs. 1,805,832 has been paid for wood works and it was observed that payment has been made deducting that amount as relevant timber test reports have not been obtained. | Action should be taken to make payments on satisfaction of the quality of the wooden constructions after obtaining timber test reports. | Answers have not been given. |
| (iii) | As per the condition No 14.6 of the Contract Agreement, the Consultant should have approved bills on receipt of all relevant source documents and information relevant to the bills. However Rs. 4,182,845 has been paid to the Contractor for 3 warrant permits pertaining to 3 construction items contrary to these conditions. | As per the condition No 14.6 of the Contract Agreement, the Consultant should approve bills on receipt of all relevant source documents and information relevant to the bills. | Answers have not been given |

3.6 Assets management

Following observations are made in this regard.

Audit observation	Recommendation	Comment of the Chief Accounting Officer
-----	-----	-----
(a) Even though machineries and equipment to the value of Rs. 278.67 million have been purchased for the maintenance of starategic urban development projects and they have been handed over to the Department of Irrigation and Municipal Councils of Kandy and Galle, it was observed at the audit that they were remaining idle. Further no proper supervision has been made by the project to verify whether these machines and equipment have been utilized in projects.	Action should be taken to identify the most essential machines and equipment to these institution and to provide them. Therefore machines and equipment should not be provided beyond the actual requirement.	Municipal Councili , Kandy and Department of Irrigation have informed that the mchines and equipment provided to these institutions have been inventoried and entries have been made in stock registers. Further they have informed that these machines and equipment are utilized properly whilst ensuring maintenance works.
(b) The DI and PE pipes purchased to the vale of Rs. 120.59 million (0.85 \$) by Strategic Urban Development Project in 2016	Proper maintenance should be made regarding the apilances purchased	Action has been taken to hand over these pipes and appliances to Municipal Council, Kandy and

have not been utilized even by the end of the year under review and stock records have also not been maintained by the project for such stocks. This stock was under custody of National Water Supply and Drainage Board and project has not made any verification on this stock.

for the project. Further proper verification should also be made on relevant stocks.

Department of Irrigation, when the road contract has been cancelled.

3.7 Damages and losses

Audit observation	Recommendation	Comment of the Chief Accounting Officer
----- The construction of Katugastota – Madawala road , for which an agreement to the value of Rs. 1,614,963,362 has been signed, should be completed by the end of July 2018 and Rs. 668,925 has been spent in 2018. However the loss incurred to the institution as a result of suspending the contract whilst being implemented is Rs. 429,038,712.	----- Action should be taken to complete further works of the project with the new contractor without any delay.	----- The causes for the low progress are the time taken to acquire lands and time taken to plan and approve the sub projects and further the lack of financial capacity of contractors.

3.8 Non settled audit paras

Audit paras, which have been included in the reports of Auditor General in relation to the Ministry and of which follow up actions have not been concluded, are as follows.

Reference to the report of Auditor General	Referred subject.
----- Year Number of the para	-----
----- 2016 Para 3.4 of HUD/B/MCUDP/04/16/03	When salaries of the officers serving on secondment and part time basis in Project Agencies and Project Management Unit, which implement Colombo Metropole Development Project, are paid, they have been paid salaries with the calculation of 15% and 5% special allowances not entitled to them instead of paying them allowances for their service in the project based on the basic salary of the post held by them. However no action has so far been taken to recover Rs. 10.83 million

paid to them in this manner.

2017	Para 3.5 (a) of HUD/B/MCUDP/04/17/04	Even though a land in extent of 01 a, 01r, 20 p has been obtained for a period of 10 months for Rs. 11 million at the rate of a monthly rental of Rs. 1,100,000 in order to facilitate the construction works of Modera new water tunnel and further to keep equipment of the project, this land has not been utilized during the period. However attention has not been paid to recover the fruitless expense made for the purpose. Further it was observed that the construction works of the project have been commenced in June 2018.
2015	Para 3.11. (d) of HUD/B/MMWD/2015/08	No action has been taken to recover the amount of Rs. 465,080 , which is the cost of fuel obtained by the former Additional Secretary (Urban Development) from two other projects contrary to the provisions of the Circular even where he was obtaining fuel allowance to his official vehicle adding it to his salary contrary to para 2(iii), (iv) of Circular No 05/2016 dated 09 March 2016.
2016	HUD/B/MCUDP/2016/07	Course fee cannot be paid for an officer recruited for a short period to a project on contract basis to follow post graduate diploma/ degree from the allocations made by the General Treasury to a project . However no action has been taken to recover an amount of Rs. 150,000 paid incorrectly to the officer served as the expert on procurement in Colombo Metropolice Development Project to follow a post graduate degree.

3.9 Management Inefficiencies

	Audit observation	Recommendation	Comment of the Chief Accounting Officer
(a)	Five vehicles have been obtained from March 2017 on rental basis for the Colombo Metropolice Development Project and Rs. 12,614,391 has been paid by the end of the year under review. However the monthly running distance of most of these vehicles was below 1000 km and 02 vehicles out of them have been used for sample tests.	Action should be taken to minimize the expenditure born for vehicles obtained on rental basis by way of utilizing vehicles belonging to the project in more productive way.	Answers have not been given.

It was observed at the sample test that they have been driven less than 500 km for several months.

- (b) A large number higher posts of the poroject have fallen vacant and consultants have been recruited without obtaining proper approval to get the works of project done. Therefore Rs. 100,216,739 has been paid as consultants' fee by 31 December 2018 for the task such as environment, social, communication, contract and quantity survey and Rs. 53,962,909 has been paid in 2017, 2018 for consultant engineers. Action has been taken to obtain the services of these consultants upto the end of the project period without evaluating their performance. Further approval of the Department of Management Services has not been obtained as per para 10 of Management Services Circular No 01/2015 for the salaries and allowances of consultants.

(c) Strategic Urban Development Project

- | | | | |
|------|---|---|--|
| (i) | Even though Rs. 3700 million and Rs. 1400 million have been made respectively for the development of Galle, Kandy and Jaffna cities, only Rs. 2386 million and Rs. 313 out of the above have been spent. The percentage of term are 36% and 78%. Further the physical performance of the construction of Dharmashoka road of Kandy, of which estimated cost is Rs. 796.43 million, is 50% and 43% respectively. | Provisions should be obtained only there is the capacity for the implementation of the project. | It has become impossible to make the grant within the planned period as a considerable time has taken to acquire lands in Urban Development Projects of Galle and Kandy. Further there was no financial capacity in the Urban Development Project of Jaffna. |
| (ii) | The grant of Rs. 9316.6 million, which has to be granted by International Development Institution for the construction of multy purpose terminal | Action should be taken to recover delay charges. | Rs. 11 million, the total of the delay charges, has been recovered. |

at Kandy, has been suspended due to failure for the completion of the project within prescribed period. However Rs. 156.81 million has been spent for the construction.

- | | | | |
|-------|---|---|------------------------------|
| (iii) | Even though the water purification project of Dunumadalawa to the value of Rs. 240.84 was to be completed in 2017, the physical progress at the end of the year under review of it is 90%. Further delay charges have not been recovered. | Action should be taken to recover delay charges. . | Answers have not been given. |
|
 | | | |
| (d) | Colombo Metroploice Development Project
----- | | |
| (i) | Even though 18 contracts have to be launched under component 1 of flood and drainage management to the value of Rs. 17,905 million, these works have not been done during the year under review. | Action should be taken to complete as soon as possible the projects , which have been launched. | Answers have not been given. |
| (ii) | No performance was observed in 3 projects and the performance of 05 projects was below 50%. Further the delay of 01 to 10 months over estimated period has been observed in the completion of 34 sub projects. However delay charges have not been recovered. | Action should be taken to complete as soon as possible the projects , which have been launched. | Answers have not been given. |
| (iii) | It has taken 10 months or more for procurement works of sub projects of the main project, and it has caused for the decline in the performance of the whole project. | Action should be taken to carry out procurement works relevant to the projects as per the plan. | Answers have not been given. |
| (iv) | There were 56 sub projects , which have been concluded by the project and to be completed by 31 December 2018, and the delay observed in 11 sub projects out of them from the date prescribed for completeion and the date ,on which contractor handed over the project on completeion to project | Action should be taken to complete as soon as possible the projects , which have been launched. | Answers have not been given. |

management unit, has been varied from 01 year up to 02 1/2 years.

- (v) The balance of the Special dollar account maintained at Central Bank of Sri Lanka was Rs. 647.35 million and it was equivalent to 4.23 \$ million as at 01 January 2018. In addition to the above 18.80 \$ million, which is equivalent to Rs. 2,939.46 million has been withdrawn during the year under review. As a result of the poor forecasting on financial requirement of the project, 9.84 \$ million remained unspent as at 31 December 2018 in special dollar account and it was equivalent to Rs. 1,799.21 million.
- Action should be taken to make correct forecasts on financial requirements of projects.
- Reason for the balance of 9.84 \$ million as at 31 December 2018 is the poor progress observed in 03 and 04 quarters in year 2018.
- (e) Since no action has been taken by the Ministry to estimate compensations and further to pay it promptly for the lands taken over for the extension of Diyawanna oya under Greater Colombo Flood control project, a complaint has been made by a certain private company to the International Center for settling disputes on investments against the Government of Sri Lanka due to the delay in the payment of compensation for lot no 01 and 02 of PP Co 9519. Therefore the Ministry has to bear, at the end of the year under review, Rs.261,101,492 for payment of legal charges to foreign lawyers and further for the overseas travelling of lawyers of the Department of Attorney General, who appeared for the case. It is evident as per the files that the expenses, which would have to be born in future, cannot be specifically forecasted.
- Action should be taken by the Ministry to estimate compensations and further to pay it promptly for the lands taken over for the extension of Diyawanna oya under Greater Colombo Flood control project. Further action should be taken to recover the uneconomical expense of Rs. **261,101,492**, which the Ministry has to pay, from the officers responsible for the case.
- By the Cabinet approval dated 03.01.2017, Ministry has obtained approval to reimburse the legal fees relevant to the case to Sri Lanka Land Reclamation and Development Corporation.

4. Achieving objectives of sustainable development

Audit observation	Recommendation	Comment of the Chief Accounting Officer
<p>As per the agenda of United Nations Organization on sustainable development, every Government Organization is bound to identify and implement objectives and goals of sustainable development during 2015-2030 under Sustainable Development Act No 19 of 2017, the Ministry has not taken action during the year under review to identify objectives and goals of sustainable development, identify indicators to measure and monitor them and further to identify base factors and annual goals. In the meantime action plan has also not been prepared indicating the ways for the achievement of sustainable development goals of the Ministry.</p>	<p>Action plan should be prepared by way of identifying development objectives and goals, indicators to measure and monitor them and further to identify base factors and annual goals and the action plan should show the ways for the achievement of sustainable development goals.</p>	<p>Answers have not been given.</p>