

## **Head 162- Ministry of Mega police and Western Development**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statement of the **Ministry of Mega police and Western Development** for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Mega police and Western Development was issued to the Chief Accounting Officer on 12 June 2020 in terms of 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 was issued to the Chief Accounting Officer on 13 January 2021. This report is presented to 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, prepared according to the requirement of the State Account Circular No.271/2019 dated 03 December 2019, give a true and fair view of the financial position of the **Ministry of Mega police and Western Development** as at 31 December 2019, 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**

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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**

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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**

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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

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I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements presented for the year under review were consistent with the preceding year,
- (b) My recommendations made for the preceding year on the financial statements had been made.

## 1.6 Comment on the financial statements

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### 1.6.1 Non – Compliance of Financial Statements with Circular Provisions

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Financial Statements should be prepared in terms of the State Account Circular No.271/2019 dated 03 December 2019. However, instances of non – compliance with that requirements appear below.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) Contrary to the instructions given in Paragraph 7(vi) of the Circular, a debit balance amounting to Rs.1,610,236 that should not be debited to the Impress Account balance had been debited and a credit balance amounting to Rs.1,610,236 that should not be credited had been credited, before made the adjustments as at 31 December 2019.	Financial Statements should be prepared in accordance with State Account Circular.	The financial statements for the year 2019 have been prepared after being made adjustment for the audit observations given relating to the financial statements of the year 2018.
(b) The cash flow from the financing activities had been prepared without being included the deposits received amounting to Rs.1,140,917,026 that should be debited to the cash flow generated from financing activities and the deposit payments amounting to	Financial Statements should be prepared in accordance with State Account Circular.	The financial statements for the year 2019 had been prepared according to the audit observations given on the financial statement of the year 2018.

Rs.141,921,563 that should be credited to the cash flow, according to Paragraph 3.6 of the Circular.

**1.6.2 Statement of Financial Performance**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
Even though value of the donation amounted to Rs.1,157,559, it had been shown as Rs.30,151,648,300 in the financial statements. Hence, value of the donation transfers had been overstated by Rs.30,150,490,741.	Accurate data should be included in the financial statements.	The value of the work-in-progress had been adjusted under the donation transfer up to end of the year. It had been planned to correct that error in the year 2020.

**1.6.3 Statement of Financial Position**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
According to the final non-financial assets report submitted by the Treasury, a balance amounting to Rs.362,238,833 had been shown as office buildings of the Ministry. However, that balance had not been included in the non – financial assets report of the Ministry. Accordingly, the final balance of the non - financial assets had been under stated by Rs.362,238,833.	According to the final non – financial assets account report (SA 82) furnished by the Treasury, adjustments should be made to the fixed assets balances of the Ministry.	Since this value was come under the work-in-progress, that value had not been included under the non – financial assets of the Ministry. The value had been shown under the donation adjustments in the financial statements. It had been noted to make the corrections when preparing the financial statements for the year 2020.

#### 1.6.4 Cash flow

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The following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) According to the monthly accounting summaries and other information provided by the Ministry, the non – revenue receipts amounted to Rs.82,285,848. However, due to the recording of that income as Rs.1,223,202,874, the cash flow from the financing activities had been overstated by Rs.1,140,917,026.	As there is a separate place to report receipts from the deposits in the cash flow statement, it is not required to show the receipt from non-deposit as the receipts.	Receipts from the deposits amounting to Rs.1,140,917,027 and other receipts amounting to Rs.82,285,848 were included in the non-revenue receipts amounted to Rs.1,223,202,874. That entire amount had been generated from the operating activities. The receipts from deposit were not generated from the Financing activities, hence, a sum of Rs.1,140,917,026 was not overstatement in the cash flow statement.
(b) The cash used for investment activities, construction of physical assets or purchasing and other investments made, amounted to Rs.367,065,885. However, that amount shown in the cash flow statement as Rs.4,827,052. As a result, net cash flow generated from the investment activities had been understated by Rs.362,238,833.	Correct data should be included to the financial statements.	Since this amount was related to the work-in-progress as at end of the year, that amount had been adjusted under the transfers of donation receipts. It had been planned to make corrective adjustments in the financial statements of 2020.

### 1.6.5 Non – compliance with Laws, Rules and Regulations

Instances relating of non – compliance with Laws, rules and regulations, which were revalued in the audit examinations are shown below.

Reference to lows, rules and regulations	Non – Compliance	Recommendation	Comments of the Chief Accounting Officer
(a) Financial Regulations Nos.103 and 104 of the Democratic Socialist Republic of Sri Lanka	Three IOT controllers and solar Panels with mount valued at Rs.231,409 which had been issued to the RTC sub – project of the Grater Colombo Urban Development Project had been lossed on 14 and 26 of June and 11 of July of the year 2019.However, necessary action had not been taken regarding the losses as per the FRs.	Action should be taken with regard to the loss of resources of the project in terms of the Financial Regulations.	Three IOT controllers and solar panels with mount which had been installed in Kitulgala, Ehaliyagoda and Modara by the project had been misplaced and as per the estimates, the loss incurred by the Government amounted to Rs.231,409.28. The Metro Colombo Urban Development Project had complained about the losses to the related police stations belonging to area of the equipment installed. While being conducted the investigations by the police, a committee appointed by the project had also been conducted a formal investigation. The report including the recommendations furnished by the above committee had been furnished to the Ministry by the project Director to obtain the instructions for future course of actions.
(b) Treasury Circulars : The Management Audit Department Circular No.DMA/SP/2015/01 dated 01 January 2016	A survey had not been conducted relating the motor vehicles belonging to the Ministry and the projects come under the	According to the circular instructions, surveys should be conducted relating to the motor vehicles and the reports thereon should be	The Board of survey relating to conducting of verification of motor vehicles of the Ministry and the projects come under the Ministry for the year 2020 had been

Ministry, for the year furnished to audit. under review and that report had not been furnished to audit.

already appointed. It had been planned to submit the reports to audit immediately after completing the surveys.

## 2. Financial review

### 2.1 Expenditure Management

Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) The total Provisions made on 03 recurrent Objects and on 07 capital Objects for the year under review totaling Rs.642,050,000 had been saved.	Realistic Expenditure estimates should be prepared.	Agreed with the observation. Due to not releasing of adequate imprests, the allocations could not be able utilized.
(b) Out of the Provisions made on 14 recurrent Objects for the year under review totaling Rs.125,993,000 the Provisions amounting to Rs.22,751,339 had not been utilized. That was represented 10 per cent to 49 per cent of the net allocation.	Realistic Expenditure estimates should be prepared.	Agreed with the observation. Due to not releasing of adequate imprest, the allocations could not be utilized.
(c) Out of the Provisions made on 19 capital Objects totaling Rs.10,236,550,000, the Provisions amounting to Rs.5,666,278,465 had not been utilized. That was represented 24 per cent to 81 per cent of the net allocation.	Realistic Expenditure estimates should be prepared.	Agreed with the observation. Due to not releasing of adequate imprest, the allocations could not be utilized.
(d) Out of the Provisions made for 12 development sub – projects from the Supplementary Estimates amounting to Rs.10,058,000,000, the Provisions amounting to Rs.8,999,484,665 had been saved. That was represented 40 per cent to 100 per cent.	Realistic Expenditure estimates should be prepared.	Agreed with the observations.

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| (e) | Out of the Provisions made on 06 Objects for the year under review, 54 per cent to 90 per cent of the Provisions had been transferred to other objects following the FR 66 procedure. Hence, the Provisions made on those Objects through the Budget Estimates had been become fruitless allocations. | Realistic estimates prepared. | Expenditure should be | Due to practical issues created, when implementing the estimated programmes as per the forecasting, expenditure requirements were not arrived. As a result, the allocations had been saved. |
| (f) | The provisions allocated for 03 foreign funded projects amounting to Rs.815,000,000 had been transferred to the other local funded projects.  | Realistic estimates prepared. | Expenditure should be | According to the Financial Regulations, the transfers had been made from the allocation savings, to the under allocated projects.   |

## 2.2 Incurring of Liabilities and Commitments

Following Observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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(a) According to Section 2 (d) of the State Accounts Circular No.255/2017 dated 27 April 2017, all liabilities related to a particular financial year should be settled within that year after being made the payments and the liabilities should not be brought forward with a view to make the settlements in next year. However, the liabilities amounting to Rs.7,338,750,293 had been shown in the financial statements of the year 2019.	Action should be taken in terms of section 2 (d) of the State Accounts Circular.	Agreed with the observations. Due to not receiving of adequate funds, the liabilities had been brought forward.
(b) According to the above circular, the liabilities should not be existed as at end of the year. However, without having the provisions for the year 2019, it had been incurred	Action should be taken in terms of Section 2 (d) of the State Accounts Circular.	Agreed with the observation. 02 Objects shown the observation were related to the foreign funded projects. The activities conduct by those projects were related to several years. After



liabilities on 02 Objects amounting to Rs.161,049,236.

being implemented the projects, the project activities could not be abandoned owing to shortages in the allocated funds for the agreed year. Hence, the projects had been continuously carried out.

### 3. Operational Review

#### 3.1 Unfulfilled Activities

Following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) Even though it had been targeted to complete 04 sub – projects come under the Metro Colombo Urban Development Project during the year 2019, those targets had not been achieved.	Action should be taken to complete planned projects in efficient manner.	The sub – projects that had been planned by the project, could not be able completed due uncontrollable reasons.
(b) Even though a sum of Rs.1,000,575 had been incurred to install an accounting and project’s activity reviewing Computer software in the year 2015 for the use of project office, said Computer software had not been installed up to 30 June 2020 even before lapse of project period, within 15 months.	Action should be taken against the responsible officers for incurring of such kind of fruitless expenditure.	The Project Director had confirmed that actions have been taken to make use the financial module after being updated it joined with the respective firm.

### 3.2 Not Achieving of Expected output

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Following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) According to the Action Plan of the Western Regional Marin Cities Project, the activities such as conducting of feasibility studies and obtaining of environmental assessment reports scheduled to be carried out. Those services could have been easily obtained from the project coordinating and management unit that coming under the Ministry. However, a separate project management sub-office had been established for said purpose by recruiting 02 Deputy Project Directors, 03 Engineers, 20 officers including a Town planner. Even though the feasibility study reports, environment impact assessment reports and final planning reports had not been completed so far. A sum of Rs.44,270,907 had been incurred in the years 2017 and 2018 to maintain the project office and to pay the salaries to the staff. In addition, when it considered the building rent electricity bills and other expenses, over Rs. 50 million had been incurred to the project. Nevertheless, the funds which should be needed to implement the expected development activities of the project, could not be find out so far. Hence, this project also had been	A Project office should be established only after being identified the sources of the required funds that need to implement the expected development activities and completed the feasibility studies, environment impact assessments and the final plan.	Thirty eight requested posts for the Western Region Marin Cities Development Project had been approved from the letter No.DMS/7777/MMWD/ project dated 19 March 2018 issued by the Director General of Department of Management Services. As well, out of the approved posts, only 20 officers had been recruited as per the requirements. As mention in the above, after being recruited the staff, a high standard feasibility study, concept plans and other relevant reports had been prepared as a group. Thus, adequate contribution had been received from the recruited staff to the project. Further, a triangle high quality video script had been developed by the project staff without incurring any external cost. According to the duties assigned by the Project Director, the duties and responsibilities had been fulfilled by the staff according to prevailing situations, and the responsibilities had been given by the Project Director. After being completed the project activities, the completed sub projects by the project had been transferred to the Urban Development Authority from the date of 31 October 2020.

terminated on 31 October 2020 and the functions carried out by the project had been transferred to the Urban Development Authority.

- (b) With a view to reduce the heavy traffic congestion in the City of Colombo, a Project, Colombo Urban Transport Development Project – Urban Development Component (3K Project), have been conducted since the year 2007, by financing through a full time loan agreement that had been signed between the Japan International Corporation Association (JICA) and the Government of Sri Lanka. The project scheduled to be completed by May 2015 and the agreed entire loan amount had been provide by the JICA and the loan had been fully utilized. After wards the project had been carried out up to end of the year under review by extending the project period. Due to not completing the project within the scheduled time period, a sum of Rs.110 million had to be incurred during the last 4 ½ years, from the Treasury funds for the projects operational and administration functions.
- After being achieved the implementation objectives of a project, action should be taken to finalize project activities within the scheduled time period.
- When it commence the constriction activities of the Bus Terminal after being completed the loan development activities of the Makubura Multy Mode Transport Centre, entire funds provided by the JICA had be totally utilized. The relevant allocations had been approved based on the concurrence, to provide the local funds. The fundamental construction works had been completed in 2018. Base on the directions given by the Line Ministry in 2018 to the project and the approvals given by the National Physical Planning Department the required infrastructure development activities of the Transport Centre had been implemented. While conducting the development activities, the Transport Plans of the Transport Centre had been implemented. As there is no institutional arrangement to operate the Multy Mode Transport Centre, the required institutional arrangements has been developed. Also, it had been proposed to conduct the operational activities from the project. The Project has been implemented by using a minimum staff since May 2015, a minimum cost had been incurred for the administration activities.

### 3.3 Abandoned Projects without being completed

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Following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The Western Regional Marin Urban Development Project had been commenced to implement 3 components of designing the proposed leisure beach from Kolpity to Dehiwala Cannel, proposed activities in the surrounding area of the Port, development of the area of Kibula Ela (Bluemandal) and construction of proposed supply service centre. However, it was observed that due to various reasons, 2 components had been abandoned.	Action should be taken to restart the abandoned projects.	The feasibility study report and the environment impact report relating to the leisure beach park from Kolpity to Dehiwala Cannel had been completed. The approvals for the plans for proposed activities in the area of the Port and development of Kibula Ela (Bluemandal) area had been obtained. The basic feasibility report and the study report on transport activities in the area had also been obtained. The approval for the construction of proposed supplying and service centre had been obtained from the National Physical Planning Department and the approval of the Cabinet of Ministers had also been obtain to operate the Centre in active condition. After wards, action had been taken to obtain the environmental/ Finance impact study reports and study reports on the transport activities of the area.
(b) As a long term solution for the traffic congestion in the main roads of the City of Colombo, it had been planned to construct a light railway transit road network under the Light Railway Transit System project, on high raise concrete beans. To conduct the primary works of the project,	Such kind of decisions should be taken after being conducted the formal financial and economic evaluation and based on the acceptable facts.	While preparing the plans by the selected consulting service firm that had been selected through the procurement procedure, the project activities had been terminated on 31 December 2020 based on a Government Policy decision.

a total sum of Rs.2,364 million, comprising the JICA funds amounting to Rs.1,791 million and Treasury provisions amounting to Rs.573, had been incurred. However, due to abandonment of the Project, the expenditure incurred thereon had been become fruitless expenditure. As well, it was revealed that due to abandonment of the project, about Rs.5 billion will have to be paid as compulsion by the Government of Sri Lanka.

- (c) It was expected to develop the areas in Malabe, Homagama, Kaduwela and Athurugiriya Cities under the Science and Technology Urban Development Project after dividing into 5 Zones. The project was commenced on 01 March 2017 and expected to be completed on 01 March 2023. The Project Management unit established for the project had incurred sums of Rs.66,208,697 the years 2017 and 2018 and Rs.48,229,253 in the year 2019 as staff salaries and allowances and other operational expenses. However, as it decided to terminate the activities of the Science and Technology Urban Development Project, the expenditure incurred to the project had been become unproductive.
- After being conducted the feasibility study to the project, the project should be implanted in the mannar of which minimizing investment risk and providing the benefits to the general public.
- This project had been implemented based on the approval given by the Cabinet of Ministries. Accordingly, in order to provide the infrastructure facilities to carrying out the project, 04 sub – projects had been implemented. Of those projects, 2 projects had been completed thier activities up to now and remaining 02 projects scheduled to be completed their works within this year. However, activities of those projects scheduled to be completed and to handing over to the Urban Development Authority on 30 September 2020.

### 3.4 Delays in completing the projects

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Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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(a) A sum of Rs.8,585,750,044 or 81 per cent of the total allocation made for the year 2019 had been expended to the Grater Colombo Solid Waste Management Project. However, the construction progress of the Kelaniya Solid Waste Exchange Centre was 29 per cent and the construction progress of the Aruwakkaly Solid Waste Exchange Centre was 30 per cent though they had been scheduled to complete during the year 2019. Further, Palavi to Aruwakkaly railway line development activities that had been planned to complete in the year 2019 had not been carried out as per the plans. Even though 04 Railway Engines had been imported incurring a sum of US\$ 8,271,224 as at 31 December 2019, procuring of 34 Wagons and 94 Containers which are required to transport the garbage had been delayed. As a result, the purchased Railway Engines too were in idle for over one year.	Action should be taken to conduct each of the project activities according to the priority basis and to utilize the assets within the planned project period without being kept in idle. As well, action should be taken to minimize the ineffective investments of government funds.	Due to rush situation prevailed in the Colombo city relating to disposing of garbage in that period, action had been taken to dispose the garbage to the Aruwakkaly garbage dumping site as a temporally solution. After that as it had been decided to dispose the garbage to the Kerawalapitiya garbage site, transporting of garbage to Aruwakkaly had been stopped. Due to disagments between the Insee Company and us, the development activities of the railway line between Palavi to Aruwakkaly had been delayed. The contract for purchase of 34 garbage disposal Wagons had been singed in 2018. According to one condition of the agreement, the production functions of the Wagons should be started after having the consent of the Department of Railway. Due to the errors in the technical plans submitted by the producers, the Railway Department had not given their approval so far. Hence, it had been delayed importing of 34 wagons. The agreement for the supply of 94 containers had been singed and they will receive end of the year 2020. However, due to lack of a yard to keep the containers, it had been informed to the supplier to delay the supply. What so ever, 94 container boxes

scheduled to be imported in March (2021).

- (b) The Metro Colombo Urban Development Project was commenced to achieve the objectives such as, reduce the floods in the catchment area of water basins in Colombo, enhance the capacity of the Local Authorities and beautification of the City of Colombo. The progress achieved by the project incurring a sum of Rs.8,676 million, out of 94 per cent of the allocated funds of 9 targeted sub – projects in the year 2019, were ranging from 0 per cent to 60 per cent.
- The reasons for the low performances should be evaluated.
- Out of those 9 projects, about 7 projects were design and construction packages. More physical construction targets had been allocated in the Mega Projects for the mechanical and electrical accessories and as at end of 2019, only a part of the equipment had been imported. Therefore, the expected progress could not be achieved. Further, the obstacles created due to the Easter Sunday attack, had been directly affected to achieve the expected targets.
- (c) Even though it had been planned to implement the bus priority lane system in the City of Colombo and suburbs in the year 2019 by the project for enhancement of bus service in order to develop the public transport, the programme had been implemented for only 40 Km long bus lanes up to end of the year. However, out of the allocated provisions a sum of Rs.571.14 million or 71 per cent had been expended for that purpose. Although a sum of Rs.172,769,315 had been allocated for the construction of Kadawatha Multy Mode Transport Centre, only awarding of the contract to a construction firm had been completed. Even though a sum of Rs.445,716,038 had been allocated for the construction of stage – III of the
- The scheduled activities should be completed within the targeted time period.
- The following projects have been planned to implement by this project.
01. Implementation of priority bus lanes.
  02. Construction of Kadawatha Multy Mode Transport Centre-stage 1 and 2
  03. Construction of Polduwa by road, stage – 3
  04. Implementation of light railway projects through the Government and private investments.
- As such, the construction works of the Polduwa road stage – 3 had been almost completed and the construction of Kadawatha Multy Mode Transport Centre is reached to the final stage. Further, the selection process of public and private investors for implementation of Light Railway Project has been carrying out

Polduwa by-road, that road construction works also had not been achieved. However, a sum of Rs.51.8 million had been incurred by this project in the year 2019 for the payment of salaries of the staff and other operational expenses.

subject to make the necessary changes.

### 3.5 The projects not shown progress although release the funds

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Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Sums of Rs.80.7 million and Rs.29.13 million had been incurred in the years 2018 and 2019 respectively, for payment of salaries to the projects staff and other recurrent expenses for 02 projects of the Aro City Project and the Administration City Project, coming under the Ministry. However, Before implementing the projects, the feasibility studies had not been conducted and the environmental impact assessment report had not been obtained. Further, as there was not find out the investors to conduct the planned activities of 02 projects, entire project functions had been implemented through the Treasury funds and the projects had been shown slow progress due to the lack of proper plans. It had been decided to terminate those two projects too up to the date of this report.</p>	<p>Before implementing the projects, formal feasibility studies should be conducted and the environment impact assessment reports also should be obtained. Further, the projects should not be implemented without findingout the investors.</p>	<p>Those two Projects too had been established based on the approvals of the Cabinet of Ministers. Even though it had been expected to conduct projects planning functions through those projects, due to not performing the projects as expected, the projects Offices had been closed on 30 September 2020. The activities carried out by the projects, had been transferred to the Urban Development Authority in order to continue the functions.</p>



### 3.6 Commencement of the Projects after being delayed

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Audit observation	Recommendation	Comments of the Chief Accounting Officer
<p>Without being taken actions to commence the Mega Construction sub-projects of the Metro Colombo Urban Development Project at the initiated stage of the project, action had been taken to commence the construction activities after being lapsed of about 6 years. As a result, the project period had to be extended due to not completing of project's activities within the scheduled time period. As well, 12 sub-projects, out of 35 sub-projects belonging to component-01 were at construction stage even up to 31 December 2019. All those uncompleted sub-projects were categories as Mega-sub projects. The approximate estimated cost of those projects amounted to Rs.15,865 million.</p>	<p>Action should be taken to accelerate the final works of the projects within the scheduled time period.</p>	<p>The initial stage of this project was to conduct the studies and identification of sub – projects through the studies. Afterwards, acquisition of required lands for the sub-projects and resettlements and conducting of environmental and social studies that required for sub-projects had been carried out. A considerable time period was expended. Those activities had been conducted after getting the approvals and identification of sub-projects. To commence the construction works of the identified sub-projects, it had to be followed several significant steps. i.e. basically, the procurement procedure of the Government and the World Bank should be followed and according to the nature of the project, hydrological and geological studies had to be conducted and detailed plans have to prepared. The base of the many projects were grounded up to the bed rock. Hence, the plans have to be prepared based on the geological studies. Further, the population dencity of project areas are very high. Hence, to acquire the lands, it should have to deviated from the normal procedure. The procedure of the LARC and the super LARC have to be followed for land acquisition. After being finalized those necessary studies</p>

and land acquisition activities, the approvals required to start the construction works of those mega projects were obtained.

### 3.7 Other observations

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Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The Western Region Mega City Planning Project had been started in May 2015 and it had been continued up to September 2017 for over 2 years. The total cost incurred for the project amounted to Rs.330,226,769. However, a new project, the Western Regional Planning Project, had been continued instead of the old project by incurring sums of Rs.10,224,492 and Rs.19,453,589 during the years 2018 and 2019 respectively for salaries and allowances for the project's staff and operational expenses. Action had been taken to terminate that project too on 30 September 2020.</p>	<p>Without having the project time period and special functions to be performed, the projects should not be carried out. If the plans for regional urban development have been prepared, those plans should be published.</p>	<p>Based on the approval given by the Cabinet of Ministers, this planning project had been implemented. After being prepared the plans by the project, the project staff had been reduced and a minimal staff had been assigned to carry out the projects that had been identified from the Mega City plans and to get their support to implement the projects. However, due to terminating of all projects carried out under the Ministry of Mega police, this planning project also had to be terminated up to now.</p>

### 3.8 Foreign Funded Projects

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Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) The world Bank and Asian Infrastructure Investment Bank (AIIB) had collaborately agreed to provide US\$ 700,000 grant to the Grater Colombo Solid Waste Management Project and out the</p>	<p>Action should be taken to achieve the expected project objectives, after being taken further actions to obtain another foreign grant.</p>	<p>Even though the World Bank had agreed to provide the grants to construct the garbage dispose site, the World Bank subsequently refuse to provide the funds. Hence, the construction works had been started using the Government Provisions.</p>

agreed donation, a sum of US\$ 200,000 had been granted. However, due to the failure of flow the World Bank recommendations before the construction of Aruwakkaly Garbage deposing site, the World Bank had refused to provide the grant. Therefore, the remaining works of the project had to be carried out using the Government Provisions.

- (b) A loan of US\$ 213 million equivalent to Rs.27,890.22 had been agreed to provide for the Metro Colombo Urban Development Project by the loan providing foreign institute and entered into an agreement in the year 2012. However, even after lapsed of 7 ½ years, only a sum of US\$ 144.59 million equivalent to Rs.22,224.24 million had been utilized. Even though the project had been scheduled to complete by 30 June 2017, the project time period had been extended in 4 times due to show operating progress and low progress in the sub-component of the project. Accordingly, the project scheduled to be completed by 31 December 2021. Nevertheless, only 67 per cent of the total loan amount had been utilized up to 31 December 2019.
- Action should be taken to complete the scheduled activities within the project's time period and to utilize the allocated loan amount in full.
- Due to the following uncontrollable circumstances of the project, this situation was created.
- (a) Protest of the Political Authority and general public for the canal divert project at Kolonnawa canal.
  - (b) The functions which had to be performed before the starting of the project, had to be commenced even after being identified the sub – projects and after obtaining the approvals.
  - (c) The obstacles created to the Easter Sunday attack on 21 April 2021 had also been affected to the under utilization of the funds.

### 3.9 Uneconomic Transactions

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Following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) In order to give a publicity to the general public relating to the social and economic activities conducted by the Institutions and the projects, come under Ministry of the Western Development and Mega police, action had been taken to select an Advertisement firm incurring a huge cost. Although those advertisement activities had been carried out through an advertisement firm incurring a sum of Rs.98,680,879, collecting the money from the institutions come under the Ministry, the advertisement activities had been performed under the team of “Iron Man” instead of being conducted the advertisements focusing the development functions and their benefits to the general public. The evidence relating to value for money gain by the general public had not been found. Hence, it was observed in audit that the advertisement cost was uneconomical.	The advertisement costs should be incurred to give a publicity about the functions performed by the Ministry, only after making evaluation relating to the requirement of the advertisements.	The development works valued at more than 50 billion had been conducted by the Ministry of Western Development and Mega police. In order to inform the general public about those functions, the advertisement activities had been planned according to the Government Procurement guidelines and circular instructions. As such, after being evaluated the progress of the advertisement activities, carried out by the selected firms, an approximate amount of Rs.78 million had been paid. However, after coming into power, the new government had commenced an investigation thereon.
(b) A sum of Rs.2,642,073 had been incurred for partition works made at the stage – II of Sethsiripaya building for the use of Aero City Development Project which was carried out under the Ministry of Western Development and Mega police. However, due to giving up the	Action should be taken to recover that uneconomic cost from the responsible parties connected to the transaction.	Even though it was planned to terminate the Metro Colombo Urban Development Project in 2018, to gain the expected output of the project, the project duration had been extend as per the plans. According to that plan, an additional office spaces was required to the project staff. Due

shifting plan of the Project to Sethsiripaya building, the block of the building had been transferred to the Metro Colombo Urban Development Project of which was scheduled to terminate in 2018 and, not related to the Aero City Development Project. Hence, the expended cost thereon amounting to Rs.2,642,073 had been become fruitless expenditure. Adequate actions should be taken by the respective institution with regard to acquire only the required land based on a plan, assessment of payable compulsations and accelerate the payment of compulsion etc.

- (c) Adequate actions had not been taken by respective institutions regarding the acquisition only the required lands to expand the Diyavannawa Oya under the Grater Colombo Flood Control Project, estimate the payable compulsion for acquired lands and accelerate the payments etc. As a result, a foreign Company which had been claimed The compulsion for an acquired land, had been filed a legal case at the international centre for investment arbitration against the Government of Sri Lanka. A sum of Rs.314,783,613 had been incurred by the Ministry to get the consultations from the foreign legal consultants and for the foreign travel expenses of the officers of the Attorney General's Department for appearing to the case.

to the reasons such as increase the number of staff i.e Senior Engineers, Engineers, Specialists and other officers, allocation of space to a conference room, requirement of a record room and a stores and lack of space to keep the decayed items etc, that additional office space had been obtained.

It had been informed to the first Developer of the said land, Electro Holiday Resort Ltd, by the SLRDC, by their letter dated 05 July 2000, about the allocation of said land as a water catchment zone. However, that land which had been recommended to reserve as a water catchment area in the year 2010, had been sold by the said Company to the Monstrol Company. Accordingly, the legal case filed for that land claiming a compulsion of GBP 388,162.34, by the respective Company, had been resolved disclaiming the case in favor of the Sri Lankan Government as per the judgment No.BR/1625, and dated 05 March 2020. However, said company had made an appeal to the Court. According to the estimate given by the Attorney General's Department, it will have to incur

a sum of US\$ 1.45 million future course of actions.

The decision for the appeal also had been given up to now, in favor of the Sri Lankan Government.

### 3.10 Management Inefficiencies

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Following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) A sum of Rs.150,000 had been paid in illegal manner to an officer who worked in the Procurement Specialist post in the Metro Colombo Urban Development Project. However, corrective action had not been taken by the Ministry in that regard.	Action should be taken to recover the irregular payment from the responsible officers.	That payment had been made from the project fund to the procurement specialist of the Metro Colombo Urban Development Project to follow a master degree. Said officer had been recruited to the project on secondman basis from the Sri Lanka Navy. Further, the officer had furnished a letter confirming that did not apply for the Government fund to follow a master degree ever before. The explanations had been furnished to the committee on Public Accounts on 07 June 2019 and action will be taken after having discussion with the Department of Management Services.
(b) When paying the 1/3 allowance to the part time basis employees of the Metro Colombo Urban Development Project, the basic salary of the officers had not been taken into account except the other allowances, for the payment as per the Management Services Circular No.46 dated 12 December 2011. 1/3 payment had been made considering the basic salary and other	Action should be taken to recover the overpaid amount.	After being pointed out by the Auditor General through the audit queries about the payment of 1/3 allowances to the staff of the Metro Colombo Urban Development Project, exceeding the basic salaries the circulars had been issued in that regard and an inquiring was made from the Department of Management Services. The stipulated Procedure in the circular No.33

allowances. Hence, a sum of Rs.10,832,729 had been overpaid to the secondman officers of the project. Nevertheless, action had not been taken by the Ministry to recover said erroneous payments.

- (c) By erroneously categorizing the total project's cost of the 3K project, conducted only for development of Kadawatha, Kaduwela and Kottawa Towns under the Grater Colombo Transport Network Development Project, an approval had been to obtained from the secretary to the Ministry and higher salaries than the current salaries had been obtained by 10 officers of the project. As well, sum of Rs.1,906,200 had been obtained as salary arrears. Nevertheless, the Ministry had not taken action to recover the erroneous payment.

- (d) Contrary to the paragraph 04 and 05 of the Public Administration Circular No.13/2008, dated 26 June 2008, while obtaining the transport allowance amounting to Rs.50,000 per month, the motor vehicles had been also get from the Projects by then Additional Secretary (Urban Development) for his official and private travels. Hence, although the transport allowances paid for the officer amounting to Rs.340,000 should have been recovered from the officer, only a sum of 150,000 had been recovered. Action had

had been explained by the Department through their letter dated 26 July 2016. Thus, the payments had been stoped, according to the Circular No.01/2016.

The money should be recovered from the officers those who received the payments by providing erroneous information.

The clarification in this regard had been given by the Department of Management services through their letter No.DMS/7777/GCVT dated 02 October 2017. Accordingly, a separate staff had been approved to the 3k project and it had been instructed to make the payments based on the total cost of the project.

As that payment was an illegal payment, it was recommended that prompt action should be taken by the Chief Accounting Officer to recover the receivables.

Out of the receivables from them Additional Secretary amounting to Rs.340,000, a sum of Rs.150,000 had been repaid to the Government on 17 January 2017. That had been informed to the committee on Public Accounts and according to the directions of the Committee, further actions will be taken on that regard.

not been taken to recover the balance, amount of Rs.190,000.

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| <p>(e) The Secretary to the Ministry and the Additional Secretary (Urban Development) had obtained the fuel from 2 projects for their official motor vehicles contrary to circular No.01/2016, while obtaining the transport allowances from the Ministry. The fuel valued at Rs.288,200 and Rs.465,080 had been obtained so by the Secretary to the Ministry and the Additional Secretary respectively contrary to the Circular. However, the Ministry had not taken actions to recover those illegal payments.</p> | <p>Action should be taken to recover the value of the fuel that had been obtained violating the circular instructions.</p> | <p>Even though this was not complied to the circular instructions of Circular No.05/2016 the officer had cover the field duties using the additional fuels for the fliet motor vehicles. This had been informed to the committee on Public Accounts by the letter dated 21 August 2020. According to the directions of the committee, necessary actions going to be taken.</p> |
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### 3.11 Informal Transactions

Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Without obtaining the approval from the Department of Management Services, a Consultant had been recruited to the Metro Colombo Urban Development Project paying monthly remuneration of Rs.1 million per month and a sum of Rs.37.16 million had been paid to that Consultant over the last three years, Without being followed the normal procedure, the consultant had been recruited for a period of 3 years, instead of being extended the service period year by year evaluating the performances.</p>	<p>Action should be taken to achieve the objectives the specific objectives and with a minimum cost considering the alternative solutions. Without having a formal approval, the remunerations should not be paid. As well, without being evaluated the performances in formal manner, service extension should not be given.</p>	<p>The procurement functions had been conducted following the world bank instructions. The consultancy fees had been paid according to the agreements. Hence, obtaining the approval from the Department of Management Services was not required.</p>



- (b) When obtaining the approval for the cadre of the Port City Project, the approval had been obtained for 02 Assistant Project Directors post, by emphasizing the requirement of 2 Assistant Project Directors for the project. Nevertheless, without being followed the formal recruitment procedure, two female officers of the Ministry had been appointed on part time basis and assigned to carry out project coordinating and monitoring functions, for both officers Even though those two officers had obtained total sum of Rs.4,018,332 as allowances for the period 3 years from December 2016 to December 2019, the records relating to reported to the duties at Port City Development Project had not been obtained. A motor vehicle had been provided to those two officers by the construction company of the Port City on rental basis and a sum of Rs.6,314,400 had been paid to that motor vehicle up to end of the year 2019.
- The coordinating and monitoring activities of the projects should be conducted by the Ministry and officers should be appointed for that functions.
- According to the audit query submitted by the Auditor General, a committee had been appointed by the Ministry. After finalizing the investigations, action will be taken in this regard.

### 3.12 Transactions in Fraudulent nature

Audit observation	Recommendation	Comments of the Chief Accounting Officer
Four motor vehicles had been obtained by the Ministry of Urban Development and Housing in April 2017 on operating lease basis and those vehicles had been given to the Port City Development Project.	After being conducted an investigation relating to the observation, the over payments should be recovered if that had been made	An investigation officer had been appointed to conduct an investigation in that regard. Action will be taken after receiving the report.

Out of that, one vehicle had been allocated to the Project Director and fuel allowance had also been paid. Further, the project Director had used 2 motor vehicles by obtaining another motor vehicle from the Port City Construction Company. Furthermore, over a sum for Rs.3 million had been obtained by two Deputy Project Directors from the Port City Construction Company by stating that made use of the motor vehicles for the motor vehicles on rental basis those registered under the names of officers' wives for the project activities.

#### 4. Achievement of Sustainable Development Galls

Audit observation	Recommendation	Comments of the Chief Accounting Officer
<p>The main sustainable development galls of the Grater Colombo Solid Waste Management Project was to minimize the adverse percapita effect of the urban environment through drawing special attention to manage the Urban and other wastes. However, due to poor performance of the project, the project had failed to achieve the expected objectives.</p>	<p>Action should be taken to accelerate the functions, after being investigated the reasons for poor performance.</p>	<p>Due to the protest made by the residents in the area in time to time, the physical progress of the construction works carried out at the Kelaniya Garbage exchange centre, was as low as 29 per cent though it had been expected to complete the works during the year 2020. It had been planned to construct the centre on 1,014 concrete poles and due to sharp protest of the people, the construction works had to postponed without deterring a completion date. Further, due to the Easter Sunday attack taken place on 21 April 2019, the difficulties were existed to obtain required building materials. As a result, the construction work had been delayed and that situation was affected to overall progress of the project.</p>