

Head 166 - Ministry of Town Planning, Water Supply and Higher Education

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Ministry of Town Planning, Water Supply and Higher Education 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 containing my comments and observations on the financial statements of the Ministry of Town Planning, Water Supply and Higher Education was issued to the Chief Accounting Officer on 24 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 30 July 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Ministry of Town Planning, Water Supply and Higher Education as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified 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 on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 an auditor's report 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-maintenance of Registers and Books

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Register of Commitments		
The Higher Education Division of the Ministry had not maintained a Register of Commitments to record the commitments made and as a result it was not possible to clearly confirm the dates of receipt of those commitments and the expiration of those commitments.	Maintain a Register of Commitments that clearly indicate the dates on which the commitments were made and the expiration dates on those commitments.	It has been decided to maintain a Register of Commitments.
(b) Register of Security		
The Town Planning and Water Supply Division had not maintained a register of security containing the details of the officers and employees who were required to provide security in accordance with Financial Regulation 891 (1).	Should maintain a surety register of the officers who are required to provide security, including the information contained in Financial Regulation 891 (1).	Necessary steps are being taken to prepare and maintain a register containing the details of the relevant officers and employees in accordance with the financial regulations.

1.6.2 Certifications to be made by the Chief Accounting Officer

Even though the Chief Accounting Officer shall certify in respect of following matters in terms of Section 38 of the National Audit Act No 19 of 2018, it had not acted accordingly.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Chief Accounting Officer should ensure that an effective internal control system for the financial control 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 and even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.	Actions should be taken in terms of the of Section 38 of the National Audit Act No. 19 of 2018.	Steps will be taken to maintain an effective internal control system for the financial control of the Ministry in terms of Section 38 (c) of the National Audit Act No. 19 of 2018, to be reviewed at the Audit and Management Committee meeting on a quarterly basis and to report in writing to the Auditor General in this regard.
(b) Although the Chief Accounting Officer should have ensured that there was an effective methodology for the proper functioning of the internal audit function, that requirement had not been met.	-Do-	The relevant divisions were informed to send reports to the Management Audit Department in a timely manner and to maintain the internal audit unit properly.

1.6.3 Non-compliances with Laws, Rules and Regulations

Following non-compliances were observed.

Reference to Laws, Rules, and Regulations	Non-compliances	Recommendation	Comments of the Accounting Officer
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<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>Financial Regulations 170(2)(a)</p>	<p>Donations of Rs. 10 million received from another institution in 2017 for flood relief to the Town Planning and Water Supply Division were kept in the deposit account without being credited to the government revenue and Out of that amount, Rs. 1,000,678, Rs.1,494,865 and Rs. 712,057 were spent on other non-flood relief activities for the 03 years from 2017 to 2019, respectively.</p>	<p>According to financial Regulation 170 (2) (a), this money should be credited to government revenue.</p>	<p>Accepted.</p>
<p>(b) Public Finance Circular No. 05/2016 dated 31 March 2016</p>	<p>Circular guidelines regarding shortages in 74 items and excesses in 35 items revealed in the Annual board of Survey pertaining to the Higher Education sector had not been acted upon. Also, the annual inventory survey for the year 2019 pertaining to the town planning and water supply division should have been conducted and the reports should have been submitted to the Auditor General before 17 March 2020, but no action had been taken accordingly.</p>	<p>To follow the circular instructions regarding shortages and excesses revealed in the annual inventory survey to ensure the safety and survival of inventory items.</p>	<p>Reports have been called on the causes of identified excesses and shortages and the steps taken to rectify them.</p>
<p>(c) Paragraph 07 of the Asset Management Circular of the Ministry of Finance and Mass Media No. 01/2017 dated 28 June 2017</p>	<p>Details of all assets owned by the Ministry of Town Planning and Water Supply should have been provided to the Comptroller General's Office at the end of every quarter from the year 2018, but this had not been done.</p>	<p>Action to be taken with regard to asset management in accordance with the circular provisions.</p>	<p>Accepted.</p>

- (d) **Section 3 of the National Budget Circular No. 05/2019 dated 24th September 2019** Although it has been informed that priority will be given to identify non-priority projects for the year 2019, projects included in the budget proposals that have not yet been initiated and purchases of non-essential furniture, office equipment etc. and to postpone those activities until next year, the Town Planning Division had entered into agreements for 10 projects worth Rs. 19.9 million after September 2019. Must follow These projects, which are essential to build trust in the government in meeting the needs of the people, had to be implemented and Agreements have been signed for those projects, giving priority to several dilapidated internal roads, especially in difficult areas.

2. Financial Review

2.1 Expenditure Review

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of the allocation of Rs.1,485 million for 13 expenditure items provided by the Annual Estimates, no money had been utilized.	Efforts should be made to make maximum use of the provisions made to achieve the objectives of the institution.	That this full provision savings was unavoidable during the year under review for a variety of reasons.
(b) The total allocation of Rs. 150 million allocated by the Supplementary Estimates for the project of construction of the Kuliypitiya Professor's Unit under the Ministry had saved.	Management should take action to utilize the allocated funds to achieve a specific objective.	The allocation of Rs. 150 million for the construction of the Kuliypitiya Professor's Unit was fully saved due to handed over this to the Ministry of Health.

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| (c) | Out of the net provision allocated for 32 expenditure objects, a sum of Rs. 5,445 million was saved and it ranged from 33 to 99 per cent. | Management should take action to make maximum use of the provisions. | These provisions were saved due to non-receipt of funds, insufficient number of students for the student loan scheme, delay in construction, delay in getting approval for contracts, failure of the relevant contractors to submit bills on time, inability to manage expenses and reduction of maintenance costs, etc. |
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2.2 liabilities and Commitments Entered into

 Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Contrary to Public Accounts Circular No. 255/2017 dated 21 April 2017 and Financial Regulation No. 94, After adjusting the balance of liabilities for 12 subjects at the end of the year, the total was tied to liabilities of over Rs.10.9 million, exceeding the net provision.	Must comply with circulars and Financial regulations instructions.	----- Rs 8.6 million for the bills presented relating to the construction work, and Rs 2.3 million for the payment which could not be delayed expenses.
(b) In accordance with Section 3.4 (iii) of Public Accounts Circular No. 271/2019 dated 03 December 2019, the amount of Rs. 344.9 million, which is the interest to be paid in 2020, had not been disclosed in the statement of liabilities and commitments which is relating to the loan obtained from two private banks for the development and restoration project of the Institute of Technology, University of Moratuwa.	All liabilities must be disclosed.	Since the interest on this loan is calculated at the average rate weighed and the amount of interest is not specified, only the capital portion of the loan installment payable is disclosed in the commitment and liability statement.

2.3 Reconciliation Statement of Advances to Public Officers' Account

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Due to not dealing with the loan balances of retired officers, according to Public Finance Circular No. 262/2017 dated 29 December 2017, a loan balance of Rs.83,920 from a retiree has not been recovered for more than 2 years.	Should act in accordance with the relevant circular provisions and take action to recover the outstanding debt balances.	Action is being taken to recover the pension gratuity.
(b) Although further action has been informed in the letter No. PF/RED/2015/၄၁၆၆/05 of the Director General of the Department of Public Finance dated 13 March 2017 regarding the write-off of the loan balance, the total amount due from two officers who had left the service in 2006 and 2015 was Rs.231,450 which was still uncollected at the end of the year under review.	Take action to recover the loan balance as per the circular instructions.	Legal action is being taken to recover the property loan and action is being taken to write off the debt of the officers who have left the service.

2.4 Deposit Balances

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Deposits of Rs. 24,073,406 collected from 51 Non state higher educational institutes for Higher Education Institutional Review from the year 2013 to 2018, had	Should complete the review work on the requests of the degree awarding institutions without delay and credit the deposits to the government	As it takes a long time to review, arrangements have been made to keep it in the public deposit account until the work is completed. It has been decided to credit the

not been utilized for the revenue. relevant purposes till the end of the year under review.

deposits of the institutions, which have already completed their activities, to the government revenue.

- (b) Deposits of Rs.5.5 million exceeding 2 years in respect of the Higher Education Project for the 21st Century which was brought forward from the year 2016, were kept in the Public Deposit Account until the end of the year under review without being credited to Government Revenue in accordance with Financial Regulation 571 (2). According to the financial regulations, deposits exceeding 02 years should be credited to government revenue. Necessary steps will be taken to credit deposits exceeding 02 years to government revenue.

3. Operating Review

3.1 Vision and Mission

Audit Observation

Recommendation

Comments of the Accounting Officer

The action plan relevant to the Ministry had not been prepared in accordance with the information contained in paragraph 03 of the Circular No. PFD/RED/01/04/04/2014/01 dated 14 February 2014 issued by the Secretary to the Treasury.

The action plan should be prepared in accordance with the relevant circular.

All future reports will be submitted with the action plan.

3.2 Planning

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) In order to achieve the objectives set out in the Ministry, the activities to be implemented for each objective should be included in the Annual Action Plan and approved before the commencement of each year. However, the objectives expected to be achieved through the implementation of the activities stated in the action plan submitted to the Auditor General on 30 August 2019 were not identified and the preparation of the action plan prepared with such objectives was delayed until June 2020.</p>	<p>The action plan must be prepared and approved before the start of the year.</p>	<p>In preparing the action plan for the year 2019, as the format had been changed, the objectives were not included and then the plan was prepared and submitted to include those objectives as well.</p>
<p>(b) The targets for the work, which began in 2017 and were to be completed in 2021/2022, were not included in the 2019 action plan.</p>	<p>The proposed tasks to be accomplished during the relevant year should be included in the action plan and action should be taken to achieve the targets.</p>	<p>The steps have been taken not to include it in next year's action plan due to non-allocation of budget subject to extension of time.</p>

3.3 Failure to Perform Activities

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Due to delays in the implementation of preliminary procurement works, selection of relevant contractors, entering to loan agreements, implementation of 06 projects with amount of Rs. 27,348 million implemented on the budget proposals for</p>	<p>Appropriate funds approved under the annual budget proposals should be included in the action plan for the year and action</p>	<p>Due to the change in the scope of the Ministry in the year 2018, delays in procurement activities, delays in awarding contracts due to settlement of relevant lands etc. have</p>

the year 2018/2019, the relevant project targets have not been achieved within the expected period. should be taken to complete the projects without delay. caused project delays.

- (b) The action plan of the Ministry for the year 2019 had planned to implement the Badulla Haldummulla Water Supply Scheme under the Water Supply and Sanitation Improvement Project, for which a provision of Rs. 160 million had been made during the year under review. However, it had incurred a cost of Rs.3.6 million during the year under review and the contract for the project had not been awarded by the end of the year under review. Action should be taken to start the project as planned. Planning activities are currently completed. According to a decision of the National Building Research Institute, the plan will be changed and a re-study will be conducted and the procurement will commence.

3.4 Failure to Obtain the Desired Output Level

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the expected physical progress to be achieved in the year under action plan for the 14 projects currently being implemented by the National Water Supply and Drainage Board under the supervision of the Ministry should be in the range of 22 to 100 percent, the physical progress achieved was in the range of 10 percent to 86 percent.	Action must be taken to achieve the desired progress.	The contractor delayed the work, due to delays in the release of water pipes and fittings required for the Greater Matale Water Supply Project from the port and due to non-payment of bills due on the due date,
(b) Timely Kidney Disease Prevention Program, Rural Water Supply and Sanitation Improvement Project, South Asian Conference on Sanitation, Rainwater Tank Construction Program and Establishment of Regional Sanitation Centers Program, which were directly implemented by the Ministry and were to be completed within the year under review, it had not been completed as expected by the end of the year.	Action must be taken to achieve the desired progress.	Delay in commencement of work, non-payment of bills submitted by the contractor on time was the reason for delay and abandonment of work. Also, the Ministry of Finance had to suspend the activities of some of the programs planned in the National Budget Circular No. 5/2019 dated 24.09.2019 due to instructions not to proceed further.

3.5 Abandonment of Projects without Completion

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>According to the information provided for the audit, out of 248 projects implemented by the Town Planning Division under the Ministry in the year 2019 covering 16 districts, 171 projects or nearly 69 percent of the projects were limited to the North, North Central and Eastern Provinces only. Work on 04 projects launched in the Ampara and Nuwara Eliya districts between 2016 and 2018 had been halted by the end of the year under review.</p>	<p>Project work should be completed as planned.</p>	<p>The 2019 budget proposals were primarily intended to limit about 70 percent of projects to the North, North Central and Eastern Provinces by 2019. Also, due to non-receipt of other funds until August 2019, funds will be allocated in the year 2019 only for the completion of unfinished projects in 2018, about 50 percent of the additional allocations made in 2019 were allocated to the North, North Central and Eastern Provinces.</p>

3.6 Delays in project execution

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) For the project of establishing an e-Learning Resource Center, which is being implemented on a cost estimate of Rs.250 million at the University of Kelaniya, the project period was fixed as 2017/2018 without specifying the date of completion. However, by the end of the year under review, only Rs. 39 million provisions had been utilized for the project and the physical progress of the project was relatively low. It was observed that due to this extension of time, the project would be adversely affected by the obsolescence of the technical resources used for the project and the increase in prices.</p>	<p>In project planning, the feasibility study report recommendations should be considered, the provisions that can be made should be determined, the targets to be completed should be determined, and the effective lifespan of the technical resources should be taken into account when granting project extensions.</p>	<p>Although not all of the project's intended objectives can be achieved due to insufficient funding, there are several e-products that are already being used in the field of study as a result of the activities performed.</p>

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| (b) | The project to construct the 12 -storied Medical Faculty Building of the University of Ruhuna with an estimated value of Rs. 1,180 million was commenced in the first quarter of 2018 and a sum of Rs.200 million was paid to the contractor on 17 January 2018 as an mobilization advance to start work on it. The project was to be completed by 30 September 2019 . However, at the end of the year under review, the financial progress of the project was only Rs. 299 million and the physical progress was as low as 19 percent. Accordingly, a sufficient portion of the work had not been completed, enough to deduct the mobilization advance. | Contractors should be selected after evaluating the performance progress of the pre-project completion of projects. | The activities of the company had been disrupted due to various reasons and due to the slow pace of construction, steps were taken to cancel the agreement with the contractor and the construction was handed over to CECB with the approval of the Cabinet. |
| (c) | 08 projects amount of Rs. 119,544 million implemented by the Water Supply and Drainage Board was delayed from 184 days to 1825 days exceeding the planned date, due to poor performance of the contractor, land settlement delays, contract award delays, environmental and resettlement delays etc. and dates were extended beyond the contract period to complete those projects. | Actions need to be taken to complete projects as planned. | Various problems that arose during the commencement and implementation of the project caused the project to be delayed. |
| (d)i) | During the years 2017 and 2018, 04 Urban Water Supply Projects were started at a cost of Rs.3,630.41 million under the Water Supply and Sanitation Improvement Project, out of which 03 projects had to be completed in 2019 and construction work of one project will be completed by 01 January 2020. However, as of 31 May 2020, there was a delay of 150 days to 415 days during the construction period of the four contracts. | Actions need to be taken to complete projects as planned. | Covid - 19 epidemic, inability to complete plumbing fixtures due to government ban on imports, reduction in capacity of contractors, Easter attack on 21st April 2019 and non-availability of funds were the reasons for this. |
| (ii) | The contract for the construction of the Mulankavil Water Supply Project at an estimated cost of Rs. 608.5 million was awarded on 08 August 2018 and was to be completed in 09 months. The water source had to be changed four months after the | - Do - | That it was scheduled to be completed by October 2020. |

contract was awarded due to local residents' opposition to obtaining water from the proposed water sources and by 31 May 2020, more than a year had passed since the contract period for the project ended, but the physical progress had been only 50 percent.

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| <p>(iii) The contract for the construction of the Mullaitivu Water Supply Project with an estimated value of Rs.733.75 million was awarded on 9th April 2018 and was to be completed in 11 months i.e. 11 April 2019. As of 31 May 2020, only 85 percent of the contract had been completed.</p> | <p>- Do -</p> | <p>That it was scheduled to be completed by October 2020.</p> |
| <p>(iv) Of the 49 projects worth Rs.881.7 million contracts commenced from the year 2017, 19 projects had delays ranging from 83 days to 271 days beyond the planned date.</p> | <p>- Do -</p> | <p>There was a slight delay in these contracts due to the inability to procure the required equipment on time, the inability of the contractor to procure the required materials as well as the inability to retain the workers and the failure to recover the 30 per cent contribution of the community based organizations.</p> |
| <p>(e) Supplementary Estimates of Rs. 314.9 million obtained in 2015 and 2016 for the Laying of Water Pipes from Hambantota Andaragasyaya Underground Tank to Gannoruwa - Phase II had not been fully utilized for those projects. Further, in 2017 and 2018, out of the total amount of Rs. 90 millions of estimated allocations obtained as Rs. 70 million and Rs. 20 million respectively, Rs. 73 million had not been used. For the year under review, an estimated provisions of Rs.50 million had been provided and only Rs. 11.8 million had been spent. The project was scheduled to start in February 2017 and be completed by June 2018, but was extended to December 2020.</p> | <p>Proper planning should be done and allocations should be made accordingly and action should be taken to complete the project expeditiously.</p> | <p>All activities identified at the beginning of the project have been completed on 23.10.2019. It was decided to use the provisions given in 2019 to further extend water pipes and provide water connections in the areas identified in the area of Bandagiriya in the year 2019.</p> |

(f) In the years 2017 and 2018, only Rs.121 million out of the total allocation of Rs.355 million had been spent for the project to provide water supply facilities in the resettlement villages in the Kegalle District. During the year under review, the estimated allocation was Rs. 99.6 million and the supplementary allocation was Rs. 87 million and the net allocation was Rs. 186.6 million and the expenditure was Rs.51.7 million. The project was scheduled to begin in March 2017 and be completed by the end of the year under review, but was extended to June 2021.

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The contractors 'bill could not be settled due to the delay in receiving the funds, which slowed down the contractors' construction and it was decided to complete the work by the end of this year according to the financial allocations received for the 15 resettlement villages under this project.

3.7 Foreign Funded Projects

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Although, the third phase of the project related to Rehabilitation and Reconstruction of Universities in Tsunami Affected Provinces, which is being implemented with respect to the remaining balance of the loan of 231,626 Kuwaiti Dinars under the loan agreement No. 711, is yet to be completed by the end of the year under review,at the end of the year under review, the physical progress of the project was as low as 47 percent.</p>	<p>Foreign aid projects operating under foreign loan assistance or grants should be initiated and action should be taken to achieve the relevant completion targets within the project time frame without delay.</p>	<p>At present 02 activities have been completed and contracts have been awarded for the remaining 03 activities and work is in progress. Due to non-reimbursement of Rs.23.5 million worth of bills which was submitted on 22.01.2020 due to the non-provision for the year 2020 the contractors have been slow to work.</p>
<p>(b) The second phase of the UNICEF-funded project of establishing a Center for Gender Equality / Equity, and the Gender Based Violence and Prevention of ragging was to be completed in a six-month period from 01 February to 31 July 2019. But due to the fact that the second phase had not been completed by the end of the year under</p>	<p>As this project is a project that is being implemented on a timely basis, action should be taken to achieve the relevant goals without delay.</p>	<p>The duration of this second phase has been extended from 01 March 2019 to 30 November 2019 for nine (09) months, due to the delay in the start of the second phase, the strategies found in the project activities, the need to test</p>

review, the expected targets had not been achieved through the implementation of the project.

pilots, the need to develop a module to promote broader community values for new students and the need to introduce it to new students.

- (c) The commencement of project construction was delayed due to shortcomings in the plans made, further revisions to plans and delays in the appointment of consulting firms of the project of the North Western University Urban Development Project, which is scheduled to commence on 24 October 2017 and be completed by December 2020, with an estimated cost of Rs. 4,077 million with assistance from the Government of Sri Lanka and the Government of Saudi Arabia. By the end of the year under review, the procurement documents had not been finalized.
- Foreign aid projects operating under foreign loan assistance or grants should be initiated and action should be taken to achieve the relevant completion targets within the project time frame without delay.
- After appointing consultants for the two premises at Makandura and Kuliyaipitiya for this project and signing the agreements, the work to be done was completed as per the instructions of those consultants and the project could not be implemented in the universities due to the non-academic strike of the universities during the months of September / October 2019.
- (d) The project of the Faculty of Health Care of the Eastern University with the assistance of the Government of Sri Lanka and the Government of Kuwait was scheduled to commence in 2016 at an initial cost estimate of Rs.6,617.5 million. However, the commencement of project work was delayed until 01 June 2019, and the due date of completion was extended to 31 March 2021. Accordingly, only Rs. 865.5 million was spent on the purchase of vehicles during the year under review, but the progress of other projects was as low as 25 percent.
- In order to implement projects with the assistance of World Bank loans and grants, it is necessary to work on them without delay and to achieve the relevant goals.
- Due to various reasons, the award of the construction contract and the commencement of construction was delayed until 01 June 2019. Due to the nature of this construction procurement, at least 720 days are required for the construction period and accordingly the validity period of the project had to be extended to 31 May 2021. However, at present this project is a project that is being implemented very quickly.

3.8 Failure to Start the Project on the Due Date.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The project to construct a building complex and purchase a vehicle for the Swami Vipulananda Aesthetic Institute in Batticaloa at an estimated cost of Rs. 335.7 million under the provisions of the Government of Sri Lanka and the Government of India was scheduled to commence in 2018 and be completed in the year under review. However, the signing of the agreement with the consulting firm was delayed until 12 July 2019. Therefore, by the end of the year under review, the project was in its basic procurement level.</p>	<p>The project should be completed within the stipulated time frame and the targets should be achieved.</p>	<p>The selection of a consulting firm was delayed in 2019 due to various reasons. During the on-site inspection by the Ministry, it was suggested that the construction of a new building was appropriate and after the Government of India also agreed, the total cost was reviewed and the procurement work was carried out.</p>

3.9 Assets Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(අ) Contrary to the provisions of paragraph 8.3.9 of the Good Governance Circular dated 02 June 2003, two vehicles belonging to the Ministry were released to the Provincial Road Development Department and one vehicle was released for the Water Supply and Sanitation Improvement Project.</p>	<p>Action must be taken to take or formally assign.</p>	<p>Vehicles have been provided with the approval of the Secretary to the Ministry as per the request made by the Chief Secretary of the North Western Province and as the project is under the purview of the Ministry, instead of renting vehicles, the vehicle bearing the number KB-2442 which is not used by the Ministry has been provided for the project duties.</p>

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| (b) | During the on-site inspection, 08 cars, a jeep and a three-wheeler were left unsecured at the Ministry premises. | Steps must be taken to repair or remove vehicles that are not used for driving. | Although the vehicles were put up for auction under the Disposal Process 2018, 03 vehicles were not auctioned due to the lack of applicants and Necessary arrangements will be made to inspect and auction unused vehicles under the disposal process this year. |
| (c) | It was revealed that the Ministry is using total of 22 vehicles as 05 vehicles belonging to the Water Supply and Drainage Board, 04 vehicles belonging to 02 projects, 12 vehicles belonging to eight other Ministries and 01 vehicle belonging to the Secretariat, during the year under review. | Action should be taken to formally take over or release to the relevant institutions. | It is economically advantageous to use the vehicles handed over to the Ministry after the retirement of the Ministers and Secretaries of the Ministry, as there are no provisions for the purchase of new vehicles and to use the vehicles of the Board and projects under the Ministry rather than renting vehicles. |

3.10 Security Deposits by Public Officers

Audit Observation	Recommendation	Comments of the Accounting Officer
Officers who are liable to provide security deposits in accordance with Article 128 (1) (n) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka were required to provide security deposits in accordance with applicable law and regulations at that time, but were not provide security deposits.	Action should be taken to obtain security deposits in accordance with financial regulations.	Accepted.

3.11 Other Observations

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although in terms of Section 4.3.1 of the National Procurement Guidelines, a total cost estimate including all related expenses should be prepared for the procurement related to the renovation of offices in the Higher Education Division, but a detailed total cost estimate as per the relevant items and rates is not prepared. The contractor was given the opportunity to determine those rates and quantities</p>	<p>Procurement activities should be carried out in accordance with the National Procurement Guidelines.</p>	<p>The above function does not belong to the category of building construction and is the preparation of the interior of a constructed building. There are no standard items or standard rates for this. However, a rough estimate has been prepared. It contains Brief Description, Quantity, Unit, Rate, Amount.</p>

4. Achieving the Sustainable Development Goals

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The Ministry focused on a number of issues pertaining to the Higher Education Division in accordance with the United Nations 2030 Agenda for Sustainable Development and the Circular issued by the Secretary to the Ministry of National Policies and Economic Affairs No. NP / SP / SDG / 17 dated 14 August 2017 and during the year under review, it was observed that the physical progress of the proposals under Section 4.3 of the Circular under the relevant targets was below 50 per cent.</p>	<p>The activities of the Ministry should be directed to achieve the Sustainable Development Goals.</p>	<p>Increase in the number of students enrolled under the implementation of the interest free student loan scheme, the provision of higher education opportunities by the National Institute of Advanced Technological Education (SLIATE) and the enrollment of students in the National Universities under the University Grants Commission (UGC), Sri Lanka Admission of students to the Buddhist and Pali University has also been accomplished by the Ministry.</p>

- (b) The Ministry had identified the provision of clean water and sanitation as a goal of sustainable development, and the development was aimed at activating the supply of piped water and the implementation of septic treatment. Safe drinking water and sanitation for all were also cited as indicators. Stakeholders interested in achieving sustainable development goals and objectives have also been identified and awareness programs have been conducted for them. However, no circular has been issued in this regard.
- Action should be taken to issue circulars on sustainable development.
- The Secretary's Letter No. 01/02/04 (V) dated 22nd June 2020 states that the targets, indicators and responsible parties in this regard have been identified and programs and awareness programs have been conducted with the Department of Census and Statistics in the year 2019.

5. Human Resource Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The number of employees in the Ministry was classified under 04 categories and by the end of the year under review 77 vacancies had arisen in respect of those 04 categories. However, the Ministry had informed the Ministry of Public Administration and Home Affairs, Provincial Councils and Local Government on several occasions to fill the vacancies, but by the end of June 2020, only 36 graduate trainees had been attached. Action had been taken to fill the remaining vacancies.</p>	<p>The essential vacancies of the staff should be filled within the stipulated time and the activities of the Ministry should be carried out efficiently and effectively.</p>	<p>By the end of June 2020, the number of vacancies was only 67 and the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has been notified to fill the other vacancies.</p>
<p>(b) During the year under review, it was observed that 18 employees belonging to 07 posts belonging to the National Water Supply and Drainage Board have been working in the Ministry of Urban Planning and Water Supply for a period of 1 year to 5 years and 5 months.</p>	<p>Human resources obtained from other parties should be released to the relevant institutions.</p>	<p>As there are 47 vacancies, 19 members of the National Water Supply and Drainage Board have to be recruited. That there is a possibility of releasing them when the existing vacancies in the Ministry are filled.</p>

According to the information, the Board had paid a total of Rs. 17.5 million for salaries, allowances, employee provident and employee trust funds on behalf of 15 employees during the year under review and the amount had not been reimbursed to the Board.