Road Development Authority - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Road Development Authority ("Authority") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act, No. 38 of 1971 . My comments and observations which I consider should be presented to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Authority as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Authority 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 of the Authority.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 judgement and maintain professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatements 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 Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and Whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;

- Whether the Authority has performed according to its powers, functions and duties; and

- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with reference to the relevant Standard	Comments of the Management	Recommendation
(a)	Due to depreciation of the cost of 07 expressways totalling Rs.4,866.06 million was understated by Rs.92.69 million and Rs.115.31 million in the year under review and previous years respectively, the profit for the year under review was overstated by Rs.92.69 million and the profit for the previous year was overstated by Rs.115.31 million contrary to Sri Lanka Public Sector Accounting Standard No. 01.	Additions to the expressways in the year 2023 were not realized at the last date of each year these expressways handed over to the Authority and the values related to the additions had been incurred in the year under review. Those values had been recorded in the accounts as an addition during the year 2023 and the relevant depreciation calculations had been made accordingly.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(b)	The Retention Money of those defect liability periods expired in 2024 amounting to Rs.15.42 million had been accounted as Non-current Liabilities without recognize as Current Liabilities contrary to Paragraph 80(c) of Sri Lanka Public Sector Accounting Standard No. 01. Further, the information regarding	Action will be taken to rectify the error in recognizing as Non-current Liabilities and action will be taken to provide the expiry dates of the defect liability period and contract completion dates related to Rs. 29.23 million included in the Retention balance.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector

	the expiry dates of the defect liability period and contract completion dates related to Rs.29.23 million included in the Retention balance of Rs.59.39 million had not been furnished to the audit.		Accounting Standards before certifying the financial statements.
(c)	370 vehicles amounting to Rs. 1342.07 million and 107 buildings amounting to Rs. 56.69 million belonging to the Authority had been fully depreciated as at 01 January 2021. Although those vehicles and buildings continued to be used by the Authority, the required disclosures regarding those assets had not made in the financial statements in accordance with Public Sector Accounting Standard No. 07 and although it had been stated that fixed assets are recorded at the cost or revaluation income as per the accounting policies of the Authority, the revaluation had not been made accordingly.	The useful life of an asset is defined based on the expected utility of the asset according to Paragraph 71 of the Standard No. 07 and it is a judgment based on experience. Therefore, steps will be taken to correct estimated errors in the useful lives of assets and make necessary adjustments in future. Also, steps will be taken to disclose the carrying amount of fully depreciated assets still in use in accordance with Paragraph 92(b) in future.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(d)	The value of the work in progress was overestimated and the interest expense was understated contrary to Paragraph 11 of the Sri Lanka Public Sector Accounting Standards No. 04 due to the interest of Rs. 29,240 million presented in the financial statements prepared by the Authority for the year under review without adjusting it with the financial statements presented by the relevant projects as at 31 December 2023 relating to the amounts given to other projects and 05 expressways through loans obtained from commercial banks.	The relevant loan should be recorded in the books of the Authority since the loan was obtained through a contract between the Authority and the relevant local bank. The interest on the loan is shown under Work in Progress (WIP) in the accounts of the Authority due to borrowing costs should be capitalized as part of the cost of the asset as per paragraph 18 of Standard No.04.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(e)	The unaccounted assets such as no information to identify the party to whom the assets were transferred, the date of transfer and the value etc.	The entire value obtained from the revaluation of fully depreciated buildings had been included in the Revaluation	The Additional Director General (Finance and Asset Management) must

	comprising 10 items including property, plant and equipment amounting to Rs.4,350.35 million received through non-exchange transactions prior to the year under review to the Expressway Operations Maintenance and Management (EOM&M) unit had been recorded as revaluation adjustments made in the year under review contrary to paragraph 27 of Sri Lanka Public Sector Accounting Standard No. 07. Accordingly, the Capital Reserves had been understated and the Revaluation Reserve was overstated by that amount due to the relevant value recorded as Revaluation Reserve instead of being recognized as capital revenue under Capital Reserves through a retrospective adjustment. Further, the depreciation expenses relating to previous years had not been recorded as prior year adjustments.	Reserve in accordance with Paragraph 52 of Standard No. 07 and it is not practical to correct prior period errors retrospectively as per Paragraph 57 of Standard No. 03 on depreciation adjustment in respect of prior years since the valuation of assets was done in the year under review, therefore the adjustment entries were not made in respect of prior years.	ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(f)	According to Paragraph 42 of Public Sector Accounting Standard No. 07, 380 motor vehicles using by the Authority had not been accounted in the financial statements by the end of the year under review.	Paragraph 42 of the Standard No. 07 states that revaluation and Paragraph 27 states that assets acquired without any cost or at nominal value should be recognized and accounted at fair value. Accordingly, out of these 380 motor vehicles, 24 vehicles had been re-valued in March 2024 through Journal No. 347/J03 and the remaining vehicles will be re-valued and recorded in the accounts in this year.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(g)	The Authority had not taken steps to determine depreciation rates based on a professional valuation of various components including culverts, shoulders, road surfaces, road signs etc. of the expressways with different useful lives which represent 63 per cent of the total	The depreciation rate had been determined based on the cost of the expressway and the Asset Valuation System module of the Sri Lanka Road Asset Management System can calculate the useful life as well as the depreciation rate for elements	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri

	assets of the Authority's even as at the end of the year under review contrary to Section 58 of Sri Lanka Public Sector Accounting Standard No. 07 and it had been depreciated at the same depreciation rate. Accordingly, the fair value of those assets was not reflected from the financial statements.	with different useful lives. It is expected that this work will be completed through this system in future.	Lanka Public Sector Accounting Standards before certifying the financial statements.
(h)	It was revalued only 560 out of the 789 buildings owned by the Authority contrary to Paragraph 51 of the Sri Lanka Public Sector Accounting Standards No. 07.	The buildings are revalued on a rolling basis subject to the asset class being revalued within a short period of time and the revalues are kept up to date according to Paragraph 51 of Standard No. 07, and there are 229 buildings that remain to be revalued.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(i)	According to Section 15 of Sri Lanka Public Sector Accounting Standard No. 09, the inventories should be stated at the lower of cost and net realizable value, but the unusable stock of vehicle spare parts cost of Rs. 26.68 million had not been valued accordingly.	According to Sections 31 and 32 of the Standard No. 09, the costs should be determined using specific identification methods for inventories acquired through non-exchange transactions. The committee appointed for that purpose had not been active due to the recent circumstances in the country. Therefore, a new committee should be appointed in future and relevant recommendations should be obtained.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(j)	According to Paragraph 16 of Sri Lanka Public Sector Accounting Standard No. 14, details of related parties and transactions with related parties had not been disclosed in the financial statements.	The relevant disclosure had been made under Accounting Policy No. 2.2 (iv) of the financial statements.	The Additional Director General (Finance and Asset Management) must ensure that the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards

			before certifying the financial statements.
(k)	The Authority had recognized client income amounting to Rs. 612.54 million in the year under review by adding a 20 per cent profit margin to the cost incurred for the relevant client work contrary to Paragraph 38 of Sri Lanka Public Sector Accounting Standard No. 16.	According to Paragraph 39 of Standard No. 16, the cost incurred for work performed at a particular date on the stage of completion is recognized as contract cost and the revenue is recognized in proportion to the contract cost and the profit identified as per Paragraph 33.	The Additional Director General (Finance and Asset Management) should ensure that the revenue has been recognized in accordance with Sri Lanka Public Sector Accounting Standards.
(l)	According to paragraph 72 of the Sri Lanka Public Sector Accounting Standards 07, land should be accounted as a separate asset, but the lands transferred to the Authority through expressway projects amounting to Rs.49,214.5 million as at 31 December of the year under review had not been recognized as a separate asset and accounted under expressways.	Action will be taken to update the information of the relevant expressways in the information system of the Land Division.	The Additional Director General (Finance and Asset Management) should ensure that lands are accounted as a separate asset in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting policies

Audit Observations	Comments of the Management	Recommendation
A sum of Rs.147,153 million incurred on behalf of partially completed national roads as at 31 December of the year under review had been identified as work in progress (WIP) under the 100,000 km Alternative Road Rehabilitation Project and it had been revealed in the notes to the financial statements that it will be written off as expenses after those roads are fully completed therefore, the impact on the Authority's surplus or deficit will be set off after the grant is received from the Treasury to repay the loan obtained for this project. Accordingly, write off the expense and recognizing the related income in two	The value shown under works in progress is a cost incurred for roads other than the national highways and adjustments to write off expenses will be made in future after reviewing this accounting policy since these roads are not fully completed.	Matters prescribed by accounting standards should not be modified through accounting policies.

periods was contrary to the Matching Concept in accounting.

1.5.3 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the total length of the A and B grade highways belonging to the Authority is 12,225 km, the length of 3,267 km belonging to 285 roads only had been capitalized as at 31 December 2023 since the capitalization of national highways commenced in 2018. Accordingly, the cost of the 8958 kilometres of A and B grade roads owned by the Authority had not been stated in the financial statements.	Capitalization of remaining roads through the Sri Lanka Road Asset Management System is scheduled to commence in 2024 and it is expected to complete as 2000 km in 2024, 4000 km in 2025, and 5500 km in 2026.	Action should be taken immediately to capitalize the national highways. Special attention should be paid to this and necessary procedures should be introduced and written instructions should be given under Section 38(1)(c) of the National Audit Act No.19 of 2018.
(b)	The assets amounting to Rs.24,331.83 million transferred to the Authority through 03 winded up projects in the years 2021 and 2022 had been accounted as a capital grant receipt in the year under review without recorded as a retrospective adjustment in the year under review. Therefore, the revenue from Non-Exchange Transactions and fixed assets of the year under review had been overstated by that amount.	A portion of that cost had been accounted in 2022 based on information received from the Central Expressway II project and all these three projects had been winded-up as at 31 December 2022. These assets had been accounted as assets received during the year under review since the assets were handed over to the Authority during the year under review.	The Additional Director General (Finance) should ensure that the assets belonging to the Authority have been correctly accounted before signing the financial statements.
(c)	The 11 computer information systems amounting to Rs. 100.15 million used by the Authority for road maintenance and other operational activities since 2015 had not been accounted as assets.	These computer information systems are subsystems of the Sri Lanka Road Asset Management System and those had been updated for various purposes. Action will be made to account in future after obtaining the relevant details.	The Additional Director General (Finance) should certify that the information systems belonging to the Authority have been fully and accurately accounted before signing the financial statements.
(d)	The Government Capital Grant amounting to Rs. 101,285.66 million received during the year under review	Only grants that can be directly identified as grants in the form of capital are accounted as grants in	The Additional Director General (Finance) should certify that

	had been accounted as Recurrent Grant. Therefore, Capital Grants had been understated and revenue reserves had been overstated by that amount.	the form of capital and otherwise, grants are accounted as recurrent grants. However, the grants will be properly reviewed and action will be taken to make necessary corrections.	government grants have been correctly accounted before signing the financial statements.
(e)	There was a difference of Rs. 15,829.43 million had been observed in the value of government grants related to 04 items according to the schedule submitted by the Authority and the imprest release document of the Line Ministry.	The main reason for this difference is the recording of an amount of Rs. 39,956.90 million given through bonds as a receipt during the year. The receipts under this vote are also accounted under capital receipts and the total receipts received during the year amounted to Rs. 93,552.57 million.	The Additional Director General (Finance) should verify that the financial statements have been correctly accounted by comparing them with the information of the line ministry before certifying them.
(f)	The Authority had paid a total sum of Rs. 9.42 million as penalty interest to 02 local banks for the loans obtained during the year under review and a sum of Rs. 5.97 million included in that amount had not been adjusted as expenses related to the year under review. Accordingly, the surplus for the year under review had been overstated and the interest expenses payable had been understated.	A provision or disclosures were not made for the interest as an effort was made to withdraw the penalty interest through discussions with the relevant banks and ultimately the penalty interest had to be paid according to the conditions of the contract with the banks.	Disciplinary action should be taken by identifying the responsible officers after conducting a preliminary investigation regarding the payment of penalty interest.
(g)	A sum of Rs. 147,153 million incurred as at 31 December 2023 (2020, 2021, 2022 and 2023) on the rehabilitation of roads not belonging to the Road Development Authority including a sum of Rs. 3,810 million incurred on the rehabilitation, repair and development of 6426 km of roads under the Maga Neguma Rural Road Development Program had been recorded as Work in Progress	This accounting policy will be reviewed in future and necessary adjustments will be made. The assets were not waived from the Island Accounts as the value recorded as work in progress in 2023 was not written off as expenses.	The Additional Director General (Finance) should certify the costs incurred for roads other than national highways are accounted in the Island Accounts without being waived.
(h)	Assets totalling Rs. 22,587 million had been transferred to the Authority by 09 projects implemented with various local/foreign financial assistance in the years 2020, 2021, 2022 but those	It will be accounted after receiving the information.	Special attention should be paid to account the handover and taking over of assets after the completion of projects

	assets had not been accounted during the year under review.		and necessary procedures should be introduced and written instructions should be made in this regard.
(i)	Action had not been taken to capitalize the value of other assets amounting to Rs.220.36 million related to the New Kelani Bridge Project under the relevant asset category.	The other assets amounting to Rs. 220.36 million had been accounted in the accounts of the Authority in April 2024 in accordance with Paragraph 27 of Standard No. 07.	The Additional Director General (Finance) must ensure that the assets belonging to the Authority had been correctly accounted before signing the financial statements.
(j)	An annual interest of 7 per cent shall be paid to the relevant compensation holders until the date of the first payment of compensation from the date of issuance of Gazette Notification 38(a) in respect of lands acquired for road expansion and improvement. However, it was observed that the compensation and interest payable are only identified through the vouchers submitted to the Lands Division of the Authority to obtain compensation and interest. Accordingly, the Authority had not identified and accounted the total statutory compensation amount and the related interest amount payable as at 31 December 2023.	The relevant compensation and interest will be calculated and applied by the Divisional Secretariats in accordance with the 38 (a) Gazette Notification and the statutory compensation and interest payable are identified accordingly. However, the remaining compensation and interest payable had been accounted on an accrual basis since a large amount of compensation had already been paid in 2023 and 2024.	Procedures for land acquisition, compensation and payment should be formulated and followed as to specify the responsibilities of the officers involved in each stage and the records to be maintained.
(k)	The Canteen building had been constructed along with the Telangana Police Buildings on the Colombo-Katunayake Expressway at a cost of Rs. 13.55 million had not been accounted as a fixed asset.	Currently, the asset register was updated by accounting the revaluation value of the asset in the accounts of the April 2024.	The Additional Director General (Finance) should ensure that the assets belonging to the Authority had been correctly accounted before signing the financial statements.
(l)	Although the depreciation value related to the Central Expressway Project - Stage II project in the year under review should be Rs. 1371.02	The depreciation of three months was recorded in excess in the accounts and it was corrected in April 2024.	The Additional Director General (Finance) should verify that asset depreciation had been

	million, the profit for the year under review was understated by Rs. 289.12 million due to it being accounted as Rs. 1,660.14 million.		correctly accounted before signing the financial statements.
(m)	Due to the value of deferred assets amounting to Rs. 172.65 million as at the end of the year under review was shown under debtors value, the value of the debtor had been overstated by that amount and the deferred assets had been understated by that amount.	Action will be taken to show the value of the deferred assets as a separate item under current assets.	The Additional Director General (Finance and Asset Management) should ensure that the financial statements had been prepared in accordance with Sri Lanka Public Sector Accounting Standards before certifying the financial statements.
(n)	Due to the lack of a system to keep the fixed asset register of the Authority, the value of 17,883 asset units had not been calculated and disclosed in the financial statements up to date in the instances of purchasing and exchange of assets between projects that need to be inventoried when purchased for the needs of projects which were implemented on foreign loans and local commercial bank loans.	The assets are handed over to the Authority after the completion of the projects and action will be taken to update the relevant assets in the Fixed Assets Register as per Internal Circulars Nos. 216 and 250 issued regarding the handover of project assets.	The Additional Director General (Finance and Asset Management) should ensure that the correct forms are used for receipts and issuances of goods as prescribed by the Financial Regulations.
(o)	The gratuity expenses relating to the year under review had been understated by Rs. 309.43 million and the surplus for the year under review had been overstated by that amount due to the gratuity expense related to the Authority had been understated by Rs. 344.48 million and the gratuity expense related to the Expressway Operations and Management Division had been overstated by Rs. 35.05 million due to an error occurred while discounting future service time used to calculate the value of Post-Employment Benefits was directly affect to that	The error in discounting future service time was corrected by Journal No. 079/J04 of April 2024.	The Additional Director General (Finance and Asset Management) should certify that post-employment benefits had been accounted in accordance with Sri Lanka Public Sector Accounting Standards 19.

(p)	Due to recording of Rs. 147.16 million in the financial performance statement as expenditure for the year under review while a sum of Rs. 383.98 million was already recorded under the Work in Progress (WIP) as at 01 January 2023 relating to the expansion and improvement of 04 roads and a bridge of the Authority, the profit for the year under review and the value of Work in Progress had been understated by that amount.	These expenses are the payments made for the purchase of Ready-mix and action will be taken to investigate those roads and record them under the value of the Work in Progress.	The Additional Director General (Finance and Asset Management) should ensure that the expenses for the year had been correctly accounted.

1.5.4 Unreconciled Control Accounts or Records

	Item	Value as per financial statements (Rs.Mn)	Value as per corresponding reports (Rs. Mn)	Difference (Rs. Mn)	Comments of the Management	Recommendation
(a)	The debtors balance shown in the financial statements submitted by the Authority for the year under review was Rs. 45,615.18 million and the total debtors balance included in the schedules submitted for audit was Rs. 48,563.77 million. Hence there was a difference of Rs. 2,948.59 million had been observed between the respective balances.	45,615.18	48,563.77	2,948.59	The values in the schedules are correct and the values in the schedules mentioned in Annexure 07 must be corrected.	The Additional Director General (Finance) should ensure that the asset schedules are correct before signing the financial statements.
(b)	The capitalized cost of land acquisition under Expressways in the financial statements as at 31 December 2022 was Rs. 49,212.91 million and the expenditure was Rs. 32,368.75 million according to information maintained by the Lands Division. Accordingly, there was a difference of Rs. 16,844.16 million had been observed between the financial statements and the	49,212.91	32,368.75	16,844.16	Action will be taken to update the information of the relevant expressways in the information system of the Land Division.	Corresponding reports should be compared before preparing financial statements.

information maintained by the Land Division.

1.5.5 Preparation of Consolidated Financial Statements

Audit Observations	Comments of the Management	Recommendation
The Authority had not prepared consolidated financial statements for the group by consolidating the financial statements of its subsidiaries.	The reasons for not preparing consolidated financial statements for the Group by consolidating the financial statements of the subsidiaries are stated in Note 2.2 of the Accounting Policies.	Subsidiaries should prepare financial statements that comply with the accounting policies of the group.

1.5.6 Lack of Written Evidences for Audit

	Audit Observations	Un-provided audit evidences	Comments of the Management	Recommendation
(a)	The Mobilization Advances of Rs. 41,691.68 million provided for contract works by the Authority.	Expiry date of Mobilization Advance Bonds, date of applying for time extension of the contract period, date of approval of extension of contract period.	Action will be taken to submit the information by obtaining from the relevant divisions.	The Additional Director General (Finance and Asset Management) should confirm that the relevant schedules have been prepared and those documents should be submitted for audit.
(b)	Direct control right of 99 per cent of Maga Neguma Emulsion Company	Share certificates relating to 99 per cent direct control right	This company is currently in the winding up process and necessary actions are being taken to settle the ownership issue.	The Chief Accounting Officer and the Accounting Officer should take actions to verify the ownership of Maga Neguma Emulsion Company.
(c)	Buildings, machinery, computers and furniture and equipment valued at Rs. 3,424.45 million	Date of purchase/acquisition of assets	Machinery valued at Rs. 199.07 million was revalued in November 2023 and all assets without indicating the date are fully depreciated by 2023.	The details of the date of purchase/acquisition of assets should be submitted to the audit.

(d)	Assets amounting to Rs. 525.01 million transferred to the Authority upon the winding up the Department of Highways.	Asset Registers	The Authority has no details regarding the relevant assets (excluding buildings) handed over before 40 years ago.	The Additional Director General (Finance and Asset Management) should verify that the relevant asset documents have been prepared and those documents should be submitted to the audit.
(e)	The value of Rs.437.35 million debited and credited to the Development Expenditure Account of Road Widening and Improvement	Source documents showing the method of calculation and the reasons for showing the relevant expenses under this account	Matching the difference between quarterly Ready-mix sales and Ready-mix production expenditure with the relevant vote has been done by this.	Relevant source documents should be furnished to audit. Disciplinary action should be taken against officers who approved journal vouchers without preparing source documents.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Receivables

	Audit Observations	Comments of the Management	Recommendation
(a)	A sum of Rs. 19.49 million to 16 officers in the year 2020 and a sum of Rs. 4.49 million to 15 officers in the year 2021 totalling Rs. 24.38 million had been paid as allowances exceeding the limits set out contrary to Supplement No. 32 to the Procurement Guidelines of the year 2006 issued on 15 March 2017 and the amount further to be charged was Rs.6.14 million by the end of the year under review.	These payments had been made in relation to the procurement activities of the 100,000 km road project and at present, payments will not exceed the maximum limit that can be made to the relevant officers in a quarter. Action will be taken to recover the overpaid amount from the relevant members.	Disciplinary action should be taken against officers who approved, certified and made payments according to Section 29 of Chapter XLVIII of Part II of the Establishments Code.
(b)	Out of the total outstanding balance of Rs. 45,615 million included in the financial statements for the year under review, a sum of Rs. 124.84 million for a period between 02 and 05 years, a sum of Rs. 420,288 million for a period between 05 and 10 years and a sum of Rs. 0.71	An outstanding balance of Rs. 1265 million had been recovered as at April 2024 and a sum of Rs. 430 million which is due from the Ministry of Economic Development and the Board of Investment remains outstanding. Legal action had been taken against those who	The receivable balances should be confirmed from the relevant debtors. Disciplinary actions should be taken to the officers responsible for providing services outside the relevant procedures relating to unconfirmed

million for a period exceeding 10 years had not been recovered.	have not paid more than 10 years and the relevant case had not been concluded up to now.	balances.

1.6.2 Accounts Payables

Audit Observations	Comments of the Management	Recommendation
It had not been settled a sum of Rs.30.91 million for a period of between 02 and 05 years, a sum of Rs.5.9 million for a period between 05 and 10 years and a sum of Rs.6.08 million for a period of more than 10 years had been included in the creditors' balance totalling Rs.568.31 million in the financial statements for the year under review.	The various creditors' balances such as the balance of Rs.8.7 million payable for supplies to the Mirijjawila Industrial Estate, a rent amounting to Rs.1.2 million received in respect of future years and an amount of Rs.16.3 million provided by the NKB project for compensation included in the balance of Rs.30.91 million between 02 and 05 years. A sum of Rs.5.9 million between 5-10 years is the rent received for the next years. The outstanding balance of more than 10 years is the suspended interest payments of road maintenance contractors.	The Additional Director General (Finance) should ensure that the creditors are identified after providing the relevant services and following the relevant procedures, that the balances payable have been reported with proper classification and appropriate write-offs and provisions have been made, before signing the financial statements. The written instructions should be given by introducing necessary procedures after paying special attention to this area under Section 38(1)(c) of the National Audit Act No. 19 of 2018.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 10 of Chapter VIII of the Establishments Code	Although matters not covered by the Establishments Code regarding holiday pay for working on a public holiday should be consulted with the Director of Establishments, the Holiday payments had been paid for the officers assigned to the office service by calculating the total number of hours worked after office hours due to service requirements considering the 08 hours period as a Holiday without following the instructions. Accordingly, holiday allowances	The Acting Director General of the Road Development Authority has approved the payment of a maximum of 15 days per month under Administrative Order No.01 of the Authority dated 01 February 2012 by adding up the hours	Illegal payments should be recovered. Disciplinary action should be taken against the responsible officials.

		amounting to Rs. 13.18 million had been paid for the period from January to December 2023 to staff officers attached to the Expressway Operations, Maintenance and Management Division.	worked in excess after 08 hours and calculating one-holiday payment per 08 hours.	
(b)	Sections 07 and 08 of the Guidelines on the Transfer of Crown Lands issued by the Presidential Secretariat on 21 July 1995	Although the lease terms should be revised every 5 years as the conditions of the agreement, contrary to this, 04 plots of land were leased to 02 private companies on a lease basis for a period of 30 years and 99 years in 2013 and 2014 by 03 agreements at an annual lease rent of Rs. 10,000 each for the purpose of maintaining restaurants and fuel station at the Welipenna service area of the Southern Expressway.	The lease had been granted for 30 years for lots 1 and 9 and 99 years for lots 4 and 6 based on the assessed value of Rs. 10,000 which is the annual nominal rent obtained from the Valuation Department and for this purpose, the relevant amounts were received from them as a lump sum amounting to Rs. 21,800,000 from Sri Lanka Insurance Resort Spas (Pvt) Ltd. on 13 February 2013 and Rs. 2,924,905 from Canovine Hotels & Spas (Pvt) Ltd. on 29 January 2014.	Disciplinary action should be taken in accordance with Section 08 of Chapter XLVII and Section 29 of Chapter XLVIII of Part II of the Establishments Code by identifying the responsible officers who had violated the instructions of the Guidelines on transfer of lands.
(c)	**Management Services Circulars**			
(i)	Paragraph 04 in Annexure II of Circular No. 30 dated 22 September 2006.	An additional amount of Rs. 437.89 million had been paid as salaries as at 31 December 2023 due to the establishment of the HM salary scale instead of the basic salary of the MM 1-3 salary scale approved by the Department of Management Services for 114 officers recruited by the Authority	Approval for this salary scale had not been given by the Department of Management Services up to now. This problem is automatically resolved when	The Chief Accounting Officer should conduct an investigation into this matter and take action in accordance with Section 08 of

		without implementing the staff restructuring recommendations submitted by that Department subject to the preparation of a recruitment and promotion procedure formulated in accordance with the rules and guidelines of the Department.	obtaining promotions to be entitled internally to the officers who obtaining salaries in this salary code either through the submitted Cabinet paper or through the approval of the Department of Management Services.	Chapter XLVII of Part II of the Establishments Code regarding the officers concerned who were placed in a higher salary scale without approval. Excess payments should be recovered from the officers who approved the relevant appointments and the salary payments.
(ii)	Circular No. 28 (II) dated 01 August 2006	The Authority had paid a sum of Rs.309.7 million in the year 2023 as salaries to 857 officers recruited over the number of employees approved by the Department of Management Services.	There was a surplus staff of 856 as at the end of the year 2023 (31-12-2023) due to ad hoc recruitments based on service requirements.	Excess payments should be recovered from the officers who approved the relevant appointments and the salary payments.
(iii)	Circular No. 39 dated 26 May 2009	Although approval should be obtained from the Department of Management Services and the Salaries and Cadre Commission for any allowance given to officers in addition to the approved salary, contrary to this a Professional allowance and a Authority Allowance had been paid to the officers of the Authority only the approval of the Board of Directors No. 1698/2016 dated 28 March 2016. Accordingly, a sum of Rs. 736.46 million had been paid as Professional Allowances from 2016 to 2023 including Rs. 110.59 million for 382 employees	The Authority had been paid a professional allowance to executive officers who hold associate membership in a recognized chartered professional body relevant to each profession with the approval of the Board of Directors. The Road Development Authority Allowance is an	Excess payments should be recovered from the officers who approved unauthorized allowances and made payments.

		in the year under review and a totalling Rs. 5,232.61 million had been paid as "Road Development Authority Allowances" from 2019 to 2023 including Rs. 1,042.61 million to 6,794 employees in the year under review.	allowance approved by the Treasury at the time of entering into the collective agreement and the Director General of the Authority had informed to the staff unions that the Secretary to the Treasury had agreed that the relevant privileges would remain the same when vacating from it.	
(d)	**National Procurement Guidelines 2006**			
(i)	Section 8.9.3	Although the contracts between Rs. 100 million to Rs. 500 million should be signed by the Secretary of the Line Ministry or by an Additional Secretary if authorized by the Secretary to the Line Ministry, contrary to this, the contract agreements under the 100,000 km Road Project had been signed by the Director General of the Authority.	The contracts up to Rs. 250 million had been signed by the Director General of the Road Development Authority and the contracts up to Rs. 50 million had been signed by the Provincial Directors subject to the approval obtained from the Board of Directors of the Road Development Authority.	Disciplinary action should be taken against officers who signed agreements without approval.
(ii)	Section 8.10.1 and Section 8.11.4 (a)(i)	Information about the contracts awarded by the Authority had not been published in the Authority's website or in any other appropriate media and a data source on defaulting contractors had not been maintained.	Although publishing in the website was implemented in the previous period, currently, it is not implemented. Therefore, action	Special attention should be paid to this and necessary procedures should be introduced and written instructions should be given.

			will be taken to publish in the website in future.	
(e)	Cabinet Decision No. CP/23/0738/607/051 dated 16 May 2023.	Although action should be taken by the Authority to hand over the roads those construction works had already been completed to the relevant institutions, the Authority had not prepared such a program.	The handover to the relevant institutions will be carried out in future since the construction work on all roads not belonging to the Road Development Authority had not been completed.	Action should be taken to stop the construction of roads that do not fall within the scope of the Authority and formally transfer the cost of the roads constructed to the relevant Local Government Authorities.
(f)	General Recommendation No. 13 of the Public Expenditure Review Committee (PERC) for the Ministry of Transport and Highways as per Cabinet Decision No. 23/0256/604/030 dated 06 February 2023.	Although an integrated central database should be established under the Authority that includes all types of mobility related data and should provide the accessibility to public institutions to obtain required data for development purposes, action had not been taken accordingly.	Necessary steps will be taken for this.	An integrated central database that includes all types of mobility related data should be established under the Authority as per the decision of the Cabinet.
(g)	**National Throughfares Act No. 40 of 2008.**			
(i)	Section 6(1)	Although the "Road System Development Advisory Council" was established to provide advice to the Minister to formulate an advanced road system policy, develop strategies, conduct research on roads and take steps regarding road safety and action taken on road plans submitted by the Authority, it was not conducted any meeting during the year under review.	Action will be taken to establish the District Road Network Development Co-ordinating Committees after electing suitable public representatives for those institutions since the heads of the relevant local Authorities and public representatives	A report should be submitted to Parliament regarding the performance of functions under Section 6(2) of the Act without establishment of an Advisory Council and action should be taken in accordance with the given instructions.

			representing the Provincial Councils should be nominated members to the District Road Network Development Co-ordinating Committees.	
(ii)	Section 7(3)	Although the District Road Network Development Co-ordination Committees should prepare an "Action Plan for Integrated Road Network Development and Maintenance" for each District which specify the road development projects in the District, without taking action accordingly the Authority had only submitted a five-year (2023 - 2027) maintenance plan with an estimated cost of Rs. 186.51 billion to the Public Expenditure Review Committee. Accordingly, the selection of roads for maintenance works had not been carried out as scheduled.	Road sections of the national road network that need to be rehabilitated and improved over the next 10 years had been identified on a scientific basis. Accordingly, a five-year (2023-2027) maintenance plan had been prepared by selecting high-priority national highways that need to be maintained /rehabilitated.	A report should be submitted to Parliament regarding the performance of functions under Section 7(3) of the Act without establishment of an Advisory Council and action should be taken in accordance with the given instructions.
(h)	Cabinet Decision No.: CP/05/1711/016/110 dated 03 November 2005	Action had not been taken to establish a Road Maintenance Trust Fund as decided by the Cabinet of Ministers even as at end of the year under review.	Currently, the draft bill prepared to levy a tax along with the revenue license fees had been submitted to the Department of Fiscal Policy in the Ministry of Finance for necessary further action.	Action should be taken to implement public policies efficiently within specific time frames.

2. Financial Review

2.1 Financial Result

The entire operations for the year under review resulted in a surplus of Rs. 67,846.10 million as compared with the corresponding surplus of Rs.42,903.61 million of the preceding year, thus observing a increase of Rs.24,942.49 million in the financial result. This increase was mainly due to an increase in net income from expressways by Rs. 3,070.11 million compared to the previous year and an increase in interest income by Rs. 726.94 million.

The total outstanding loan balance of the Authority was Rs. 342,070.13 million as at 31 December of the year under review and it consisted of bank loans of Rs.250,904.47 million and debentures of Rs. 91,165.66 million. These loans had been taken for the 100,000 km Road Programme, construction of Expressway, expansion and improvement of highways and working capital requirements of the Authority and the interest for loans was fixed by adding a maximum of 2 to 2.8 per cent to the weighted primary loan rate. The Treasury bonds had been issued to obtain all these loans.

2.2 Trend Analysis of Major Income and Expenditure Items

Item	Percentage change compared to corresponding year	Changing trend compared to previous year
Recurrent Grants	07	Increase
Capital Grants	58	Increase
Net Expressway Revenue	470	Increase
Development and Maintenance Expenditure	18	Decrease

The decrease in grants received through line ministry and state ministry for maintenance and improvements by Rs. 9,126.51 million compared to the previous year had led to a decrease in development and maintenance expenditure by 18 per cent and the increase in capital grants received for the construction of expressways by Rs. 32,311.32 million compared to the previous year was led to a 58 per cent increase in capital grants. The decrease in surcharge tax by Rs. 1,341.53 million in the year under review had led to an increase in expressway income by 470 per cent.

2.3 Ratio Analysis

Ratio	As at 31 December 2023	As at 31 December 2022	Whether favourable or unfavourable as compared with the preceding year
Current Ratio	0.92	1.10	Unfavourable decrease
Quick Ratio	0.90	1.09	Unfavourable decrease
Net Profit Ratio	31.28	4.00	Favourable increase
Debt Equity Ratio	37.78	0.45	Favourable increase
Total debt- Total Assets Ratio (per cent)	25.70	36.00	Favourable increase

- The current ratio and the quick ratio were at the minimum acceptable level as at 31 December of the year under review and these ratios also showed a negative decline when compared to the previous year. This was mainly due to a decrease in Mobilization Advances receivable by Rs. 9,957.01 million and an increase in the balance payable to contractors by Rs. 4,491.34 million.

- The net profit ratio for the year under review represents an increase of 27.28 per cent compared to the previous year and this was mainly due to an increase in revenue from expressways by Rs. 3,070.11 million and an increase in interest income by Rs. 726.94 million.

3. Operating Review

3.1 Identified Losses

	Audit Observations	Comments of the Management	Recommendation
(a)	Sample audits revealed that frauds of money exceeding Rs. 2.08 million had been committed within the Authority from the year 2021 to the end of 31 January 2024. However there was no system to verify receipts income to prevent this type of fraud and the current cashier system was temporarily established in 2011.	There is no database system across the entire expressway network to compare receipts provided at the time of payment.	Action should be taken to establish effective internal controls.
(b)	Although the contract period of the agreement made with the Authority and the Bank of Ceylon on 18 December 2014 for the collection of electronic tolls on the Colombo-Katunayake Expressway had expired on 08 June 2020 exceeding by 04 years, action had not been taken to enter into a new agreement. Accordingly, without entering into a contract the deduction of a total amount of Rs. 28.35 million from the expressway revenue as transaction costs from the year 2020 to the end of the year under review was questionable during the audit.	The Board approval had received for the new agreement and the agreement was signed on 16 May 2024.	Disciplinary action should be taken on officers who approved payments without a formal agreement according to F.R. 137.
(c)	According to a decision of the Board of Directors of the Authority, permission had been granted to provide a 10 per cent discount on the tolls charged from those users for a period up to the first 6 months of switching to the electronic toll payment system to encourage users of the electronic toll payment system on the Colombo-Katunayake Expressway. However, the Authority had lost a total sum of Rs.137.74 million from the year 2020 to the end of the year under review due to discount was continued even after that concessional period under the 10 per cent limit.	Although a board paper was presented at the board meeting held on 20 October 2023 to obtain the approval to cancel the 10 per cent discount offered to ETC users, the approval of the board of directors was not received for this.	Disciplinary action should be taken for the officials who fail to collect revenue without a formal agreement as per Section F.R. 137.

(d)	According to the financial statements, it was stated that 312.6 km of expressways valued at Rs. 767,630 million had been constructed using local and foreign funds. Further, all administrative work on these roads was entrusted to the Authority and it was reported the theft of properties and damage as at 31 December 2023 due to the failure to prepare an adequate security plan to protect the assets in the expressway while over a sum of Rs.2,000 million had been incurred for operational costs including facilities provided to the police.	Although the available facilities had been significantly increased, providing complete security for those properties has become a very difficult task since properties on expressways are spread along the road.	Action should be taken to establish effective internal controls for a security program.

3.2 Management inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the Cabinet had decided on 30 October 2014 to allocate road development lands to the Authority without a fee in terms of Section 6 of the Government Lands Ordinance, action had not been taken to take over and account the 935.855 acres of land used by the Authority as per the said decision even as at the end of the year under review.	Although applications for 356 plots of land under Freehold Titles had already been submitted to the Commissioner General of Lands, Freehold Titles had not been issued to the Authority so far. It is expected that further action will be taken in this regard with the Land Commissioner's Department.	Responsibilities related to the implementation of the Cabinet decision should be clearly assigned and necessary procedures should be introduced and written instructions should be issued.
(b)	26 vehicles belonging to the Authority valued at Rs. 292.55 million had been transferred to external institutions and Ministries by the end of the year under review. However, the dates of delivery of the relevant vehicles and the documents confirming their acceptance had not been submitted to the audit. Despite this, vehicles had been obtained on a rental basis for the duties of the Authority and the vehicles had been acquired on a rental basis at a cost of Rs. 252.86 million only for the administrative purposes of the expressway during the year under review.	Vehicles belonging to the Road Development Authority had been released to external institutions including the Line Ministry and the Prime Minister's Office only with the relevant approvals. The vehicles had been acquired on a rental basis by the Expressway Division solely for service requirements and the Road Development Authority does not have a	Disciplinary action should be taken to relevant officials who had illegally assigned vehicles to external institutions and ministries and the use of rental vehicles should be minimized.

		sufficient number of vehicles to meet all the vehicle requirements in that sector.	
(c)	11 Aggregate Chip Spreaders valued at Rs. 347.37 million were imported and provided to the Authority by the Presidential Task Force in 2010 and the machines had not been used since the date of handed over to the Authority due to the width of the relevant machines are being 4.2 meters and which was greater than the width of a normal road. Moreover, it had been decided in 2024 to dispose the machines after 14 years at the value of Rs. 4.4 million. Accordingly, the relevant machines had been kept idled by knowing that they could not meet the requirements of the Authority was doubtful in the audit.	These machines were purchased and provided by the Ministry of Economic Affairs without conducting a formal study of the institution's needs and these machines could not be used to operate on existing roads throughout the island. These had not been use since the period they were handed over to the Authority since bitumen paving is not currently being carried out on Grade A and B roads maintained by the Road Development Authority.	Disciplinary action should be taken against the officers who accepted these unusable machines and kept them unused.
(d)	**Subsidiary Companies**		
(i)	The financial statements of the Expressway Transport Company (Private) Ltd. owned by the Authority had not been submitted to audit since 2016. Further, the audit opinion regarding the financial statements submitted by Maga Neguma Construction and Equipment Company had been disclaimed since 2017.	The financial statements of the Expressway Transport Company (Private) Ltd. had been prepared for the years 2016-2019 and the financial statements of Maga Neguma Construction and Equipment Company up to 2022 had been submitted to the Auditor General.	Action should be taken to submit financial statements to audit in a timely manner.
(ii)	According to Section 133 of the Companies Act No. 07 of 2007, a company should conduct an Annual General Meeting of shareholders once a year, but all companies belonging to the Authority had not complied accordingly.	The Annual General Meeting was not conducted due to issues regarding the shareholding of the subsidiary companies and the failure to submit the financial	An annual general meeting of shareholders should be conducted every year according to the Companies Act.

		statements in a timely manner.	
(iii)	Although, stabilizing a bus company under the Road Development Authority is not a relevant subject of Road Development Authority Act No. 73 of 1981, the Expressway Transport (Pvt) Ltd. had been established in 2014 as a company fully owned by the Authority to carry out passenger transport on expressways. However, Cabinet approval No. 23/0394/608/033 dated 23 March 2023 was granted to transfer 20 buses valued at Rs. 216 million to the Sri Lanka Transport Board and wind up the company due to the failure of this company.	Agree with the audit paragraph.	The Chief Accounting Officer should conduct an investigation into this matter and take disciplinary action regarding the responsible officers in accordance with Section 29 of Chapter XLVIII of the Establishments Code.

3.3 Operational Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	The bills totalling Rs. 5.29 million had been submitted by stating that a vehicle bearing the same number had been used for 02 contracts implemented by the Gampaha Chief Engineer's Office belonging to the Western Provincial Project Office during the same period. Accordingly, it is observed that the relevant bills are fraudulent bills and action had not been taken against the officers who certified and approved the value of those bills in accordance with Financial Regulations 156(1), 103(1)(a) and 105.	Payments for vouchers had been suspended and instructions had been given to prevent such acts in future, carry out the procurement process with transparency and state that the relevant officials are liable according to financial regulations.	The Chief Accounting Officer should conduct an investigation in this matter and take disciplinary action against the responsible officers in accordance with Section 29 of Chapter XLVIII of the Establishment Code.
(b)	The unused road sections near the old bridge in Gampola have been handed over to a company by the Authority to maintain an information centre of the D.M. Jayaratne Religious Biodiversity Complex since 2017 but annual rental had not been collected for this land.	The unused road section near the old Gampola bridge has an area of 819 square meters and this section was transferred to the company in 2017 without charging any rental. Future actions are being taken to collect annual rent for this plot of	An investigation should be conducted to ensure that the transfer of the relevant land was carried out following formal procedures and with proper approval. Accordingly,

		land.	disciplinary actions should be taken by identifying the responsible officers.
(c)	A sum of Rs. 196.24 million had been paid as compensation and interest in respect of 15,019 land plots out of a total of 21,757 land plots acquired through 06 projects that were completed and handed over to the Authority in the years 2015, 2017 and 2020, and compensation and interest for 982 plots of land had not been paid by the end of the year under review. The Authority had decided not to pay compensation for 5,756 plots of crown land. Further, the Authority had failed to obtain the certificate under Section 44 of the Land cquisition Act in respect of any land plot out of the total 21,757 land plots acquired under the provisions of the Land Acquisition Act.	The relevant Divisional Secretary is the land acquisition officer for projects and the transfer of the land to the Authority is done after registration. The Cabinet of Ministers had approved the method for expediting the said registration process and accordingly, all Divisional Secretaries had been informed to consider the year 2024 as the year for expediting the registration under Section 44 of the Land Acquisition Act relating to road projects.	Land acquisition activities should be carried out in a timely manner to minimize additional costs.
(d)	Although it had been identified that the asphalt overlaying should be done after 7 years of the Southern Expressway from Pinnaduwa to Kottawa which runs through soft ground areas, the Road Development Authority had not taken steps to carry out the said work even as at the audit date of 09 February 2024.	After 12 years, there has been a need to overlay the outer two lanes of the Southern Expressway from Kottawa to Dodangoda as there are many potholes.	Relevant provisions should be allocated when preparing the budget for carrying out maintenance work according to technical specifications.
(e)	According to the financial statements submitted for the year under review, a sum of Rs.6,969.46 million payable to the Maga Neguma Road Construction Equipment Company and Rs.1,240.34 million receivable to the Authority from that company, the relevant balance confirmation documents had not been submitted to the audit.	The Authority sent the relevant letters to the relevant company on 14 May 2024 to confirm the net amount receivable from the Maga Neguma Road Construction and Equipment Company.	Balance confirmation documents should be submitted to the audit.

3.4 Weakness in Contract Administration

	Audit Observations	Comments of the Management	Recommendation
(a)	The Client Deposit received from clients for the performance of contract works was Rs. 3,119.15 million at the end of the year under review and out of these, the amount relating to 150 performed contracts over 05 years was Rs. 883.98 million and the balance relating to 449 contracts that were not performed for 3-5 years was Rs. 1436.65 million. Delays in the exchange of contract-related information with provincial offices and weaknesses in follow-up activities had effected to this situation.	The Covid pandemic situation and economic crisis in the country as well as the shortage of raw materials in the market had a direct impact on this. However, instructions had been given to immediately fulfil the uncompleted client works and to expedite the recognition of revenue related to completed projects.	An investigation should be conducted in this matter and action should be taken in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code regarding officers who did not complete the construction contract works within the stipulated time.
(b)	02 engineering estimates amounting to Rs.6.33 million and Rs.12.66 million were prepared for the 50 km and 100 km limits respectively without preparing contract estimates for each district separately as per the nature of the procurement and it was used for procurement evaluations in all districts and HSR rates had also not been prepared for the preparation of the relevant estimates.	The HSR does not contain information relevant to preparing engineering estimates for the items quoted for the necessary survey work related to the said project and based on the experience gained to obtain a rough understanding, one engineering estimate had been prepared for all districts for 50 km and 100 km.	The rates used to prepare estimates should be prepared in accordance with the approved procedure and disciplinary action should be taken against officers who fail to comply with.
(c)	An outstanding amount of Rs.41,831.56 million up to 31 December 2023 from Rs.41,962 million accounted as Mobilization Advances at the end of the year under review including Rs.36,529.63 million from Central Expressway Project 01 and 03 and Rs.3250 million from Ruwanpura Expressway Project should be deducted from work completed bills presented in future. Otherwise, it is observed during the audit that action should be taken to recover the amount receivable to the Authority. There was uncertainty regarding the recovery of this	The Mobilization Advances for the Ruwanpura Expressway project is scheduled to be settled through the final bill of the project and it is not possible to recover that amount due to the lack of the necessary provisions to settle that bill in this year. A sum of Rs. 1359.86 million had been recovered from the Mobilization Advances of the Central	Adhered to the Procurement guidelines. Disciplinary action should be taken against officers who had neglected their responsibilities.

	amount due to the failure to renew the advance bonds obtained in accordance with the Procurement Guidelines (Supplement) 29.	Expressway Projects 1 and 3 and the remaining amount is expected to be recovered during this year.	
(d)	Approval was received through Cabinet Decision No.23/0127/608/010 dated 30 January 2023 to upgrade the roads to motorable condition which were abandoned without rehabilitation after being selected for development under the 100,000 km Road Project, however the selection of 212.30 km of new roads under non-motorable conditions to develop with an estimated cost of Rs.2,891.24 million was doubtful in the audit.	With most of the roads being selected to develop up to motorable condition, the roads those development activities were not completed had been selected for rehabilitation works on a priority basis as per the plan.	Disciplinary action should be taken relating to the officers who had acted contrary to the approval of the Cabinet in accordance with Section 29 of Chapter 48 of Part II of the Establishments Code.
(e)	According to the Cabinet Memorandums dated 14 January 2020 and 26 November 2022 prepared by the Ministry of Highways had been requested to increase the contract value limits by an extraordinary range from a minimum of Rs. 75 million to a maximum of Rs. 300 million than the limits mentioned in Supplement 39 for Guideline 5.3.5 of the Government Procurement Guidelines. The approvals for such changes had been granted by the Cabinet of Ministers. However, the Ministry had not taken steps to obtain the consent from CIDA for such changes before submitting the Cabinet Memorandums.	Approval was given through a Cabinet Memorandum to increase the capacity and contract value limits of contractors for this project only.	The approval of the CIDA should be obtained for revision of the CIDA grade and contract value.
(f)	According to the Section 3.5(e) of the Cabinet Memorandum dated 14 January 2020, it was stated that payment for all road works contracts under the 100,000 km road project would be made on a Milestone Delivery Model based on milestone payments. This payment method is a method used for turnkey projects with more technical requirements and a method that is not commonly used for road construction where estimates can be prepared. Further, in accordance with	A team with technical knowledge had decided to implement the 100,000 km project under the Lump Sum method. Financial administration becomes easier through the Lump Sum payment method and all increases applicable to the work observed at the sites should be made by the contractor. Further, it will	Action should be taken according to Section 08 of Chapter XLVII of Part II of the Establishments Code relating to the officers who had not comply according to Section 4.1 of the contracts. (CIDA/SBD/04) Special attention should be paid to this

	Section 4.1 of the Standard Bidding Document for Procurement of work Design and Build contracts (CIDA/SBD/04), the contractor should design, execute and complete the contract under this method, but, it was stated that design was not relevant to this project. Accordingly, this method had not been fully implemented. Further, the contract is awarded under this method, the Measure and Pay method had to be adopted when determining payments for contracts that had been suspended.	take a long time to complete measure and pay for all projects since this project is a large-scale project. The contractor should bear the risk and responsibility in projects that follow this methodology. The methodology adopted is to provide only the engineering estimate value to contractors and obtain a competitive discount for it.	area and necessary procedures should be introduced and issue written instructions in the monitoring under Section 38(1)(c) of the National Audit Act No. 19 of 2018.
(g)	The 100,000 km road project had adopted the method of submitting the engineering estimate related to the contract packages to the bidder and obtaining a maximum discount for it. Accordingly, the discounts offered by the relevant bidders for the 24 selected contract packages ranged from 0.19 per cent to 13.56 per cent. The estimated value of contracts awarded by the 9 Provinces had been overestimated by approximately Rs. 3,484 million as at 31 December 2023 due to the failure to prepare engineering estimates correctly. Moreover, it is observed that more advantages could have been achieved than the benefits afforded by the discounts if the selection of contractors had been carried out by calling quotations without publishing the relevant engineering estimate.	According to the agreements reached during the discussion held with the participation of government audit officers, the relevant provincial directors had been informed to re-analyse the estimates. A discount is given to the project after comparing the minimum cost of construction of the road with the total estimated cost, since the values for each item are not provided to the contracting company during the award of the contract. The contractors may tend to contractual claims due to changing it since the contract was signed by awarding the contract and if that happens, the amounts have to pay will increase significantly.	Disciplinary action should be taken relating to officers responsible for using incorrect engineering estimates in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.
(h)	Treasury bonds amounting to Rs. 40,651.55 million had been released to contractors on two occasions for the services obtained by the 100,000 km Road Project. Later, a sum of Rs.121.17 million equivalent to Treasury Bonds	Several bills forwarded from provincial offices had been revised and accordingly, actions were taken to recover the amount to be recovered for the	Disciplinary action should be taken relating to officers who had not calculated their liabilities correctly in accordance with

	issued to 9 contractors on 11 occasions was paid to the project by the relevant contractors due to the project had not correctly calculated the value (liabilities) to be paid to an external parties at the time of the release of those bonds. Accordingly, the interest paid by the government on Treasury Bills relating to that value and the discounted face value was a loss to the government.	relevant difference at that time.	Section 29 of Chapter XLVIII of the Establishments Code.
(i)	Accordance to the Cabinet Decision No.: CP/20/0142/221/005 dated 13 February 2020, it was recommended that roads that score more than 40 points should be given in the selection of roads under the 100,000 km Road Project be selected in the first phase as stated in paragraph 3.1 of Cabinet Memorandum No. 2020/01 dated 14 January 2020, but the scoring system as above had not been followed in selecting the roads by the Western Provincial Project Office at a cost of Rs. 1,826 million and development work had been carried out on internal roads and outdoor areas of schools, parks, churches, temples, housing complexes, public places belonging to police stations and army camps, and internal roads belonging to those institutions, outside the scope of the project.	A scoring system was implemented to select the roads of the Projects during the implementation of the 100,000 Km project. Accordingly, the procurement process for those projects was carried out through the Ministry Procurement Committee and contracts were awarded giving priority to roads that exceeded 40 points through the scoring system. Essential and economically and socially important roads with a score of less than 40 points were developed under Direct Labour.	Disciplinary action should be taken in accordance with Section 29 of Chapter 48, Part II of the Establishments Code relating to officers who approved the construction of roads without complying with the criteria stated in the Cabinet Memorandum.
(j)	According to the letter of delegation of financial authority issued by the Director of Finance of the Authority dated 07 October 2008, the financial limit for the director of this project to sign cheques was Rs. 10 million. However, during the sample test conducted, a sum of Rs. 1,572.31 million had been paid in respect of 95 contract bills during the period from January 2023 to 31 May 2023 and 250 cheques had been issued with a value of less than Rs. 10 million to pay the full amount. Accordingly, the amount to be paid was divided into smaller amounts and the cheques had been signed in a	The cheques for payments exceeding Rs. 10 million should be sent to the Head Office where officers belonging to that financial limit are present for signing. Therefore, a lot of time has to be spent for obtaining signatures for those cheques. The cheques less than Rs. 10 million were issued in some instances to avoid this delay.	The Chief Accounting Officer should conduct an investigation in this matter and take action in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code regarding officers who have not followed the proper financial authority as per F.R. 135.

	manner that had not exceed the authority limit vested to the Project Director.		
(k)	The Construction Protection Fund provides guarantees for financially unsound contractors and accordingly, the Authority had not taken actions to recover a sum of Rs. 259.26 million receivable from this fund for Mobilization Advances given to 22 contractors in relation to the 100,000 km Road Project. The relevant value also included as Rs. 115.94 million relating to 09 contract packages but any work had not been commenced over than 2 years.	The amount to be recovered out of Mobilization Advances mentioned here paid amounting to Rs.115.95 million up to now had reduced to Rs.52.73 million. Action had been taken to recover the remaining amount from other projects awarded to the relevant contractor under the 100,000 km program.	Action should be taken to encash performance guarantees from contractors who violate contract conditions.
(l)	Although the construction work of the 100,000 km road project commenced in 2020, a length of 11,549 km out of 17,847 km of roads had been abandoned due to difficulties in providing the necessary financial facilities, selecting experienced and capable contractors and finding raw materials to implement the project. Further, the expenditure incurred by the project for road construction by the end of the year under review was Rs. 167,305 million. Although it was decided to complete the project in 2022, the value of bills payable to contractors had not been identified by the end of the year under review.	It was decided to complete the work on this project in 2022 due to the economic crisis in the country and the values of bills payable to contractors had been identified and accounted by the end of 2023.	Road construction should not be carried out on roads that do not fall within the scope of the Authority and action should be taken to transfer the completed roads to the relevant local government institutions.
(m)	The Authority had released a sum of Rs. 32,553.12 million to the Construction Guarantee Fund between 2020 to 31 August 2023 and a sum of Rs.224.2 million had been retained by the relevant fund at the end of the year under review. Further, the payment for Treasury Bonds amounting to Rs.1,492.82 million and bills amounting to Rs.29.94 million of 212 contracts had been released directly to the contractors except from the Fund and the Internal Audit Division of the Authority had revealed that the bills	A preliminary investigation is conducted and an investigation is also being conducted by the Criminal Investigation Department (CID). Further action will be taken based on the results of that investigation and the internal control system had been strengthened in current payments.	Action should be taken to establish effective internal controls and investigate irregularities.

	amounting to Rs. 29.94 million out of those were fraudulent.		
(n)	According to Section 5.3.4 of the Procurement Guidelines, 08 contracts of 100 km totalling Rs.121.45 million and 10 contracts of 50 km totalling Rs.79.26 million had been awarded to a private company for surveying the longitudinal and cross sections of the 50 km and 100 km roads which were implemented to cover the entire island at the beginning of the 100,000 km road project. However, it was observed that the Technical Evaluation Committee had not conducted an evaluation whether the contracting entity had the necessary equipment when awarding the contract. Further, the contract amount awarded to the relevant contractor was 44 per cent of the total surveyed length of 2975km.	The list of equipment required for measurement activities and the qualifications of the staff involved in measurement activities are clearly stated and the Technical Committee report was prepared after evaluating the quantity and quality of which those were achieved.	A formal investigation should be conducted for evaluating and awarding contracts by violating the conditions of the Procurement Guidelines after identifying the responsible officers.
(o)	It had been decided to provide a loan of US$ 199.27 million for the Kandy Tunnel construction project based on an agreement between the Government of Sri Lanka and the Korea Export-Import Bank and to complete the work within a period of 05 years from the date of receipt of the loan. It had been decided to conduct an Environmental Impact Assessment (EIA) and obtain approval from the Central Environmental Authority and also prepare a resettlement action plan before entering into a written agreement regarding the loan. Accordingly, the contract for the preparation of the Environmental Impact Assessment Report with an estimated value of Rs. 95.75 million was awarded to the University of Peradeniya on 25 March 2021 and the contract for preparing the resettlement action plans had been awarded to a private company on 04 October 2022 for Rs.8.47 million. Although a sum of Rs.88.11 million was paid by the end of the year under review, the relevant tasks had not been completed.	The Central Environmental Authority (CEA) is currently implementing the necessary process to issue approval for the Environmental Impact Assessment Report. Almost 90 per cent of the Resettlement Action Plan (RAP) had been completed by the relevant company and instructions had been given to delay the completion of the Environmental Impact Assessment (EIA) report until receiving the approval.	Action should be taken to include the environmental study reports in the National Development Plan after completion of the works.

Moreover, it was decided at the Ministry of Highways Audit and Management Committee meeting held on 19 December 2023 to inform the relevant contractors to settle the existing liabilities at that time as the National Operations Room had decided to complete the work on the relevant project. Accordingly, it was observed that the cost incurred for the relevant project is uneconomical.

3.5 Human Resources Management

	Audit Observations	Comments of the Management	Recommendation
(a)	The approved cadre as at the end of the year under review was 9,602 and the actual cadre was 9,838. Accordingly, there was a shortage of 620 and an excess of 857 employees and the Authority had not taken actions to maintain the approved cadre.	It is correct that the approved cadre is 9602 and the actual cadre is 9838 and the cadre shortage should be corrected as 620 and the surplus as 857.	Action should be taken by the Accounting Officer to maintain an approved cadre level according to the employee requirements.
(b)	Although the number of Management Assistant posts allocated by the Administration Division for cadre in the Expressway Operations, Maintenance and Management Divisions is 81 as at 31 December 2022, the actual number of employees employed in those divisions was 149 on that day. Accordingly, it was observed that 68 employees were working in the relevant divisions, exceeding the approved cadre. Further, the Director General of the Authority had not assigned 24 employees who had been appointed as Cashiers and watchers in the Expressway Operations, Maintenance and Management Division to the relevant permanent positions from their temporarily employed positions of Management Assistant.	Although the approved cadre of Management Assistants for the Expressway Operations, Maintenance and Management Division is 81, it is not enough and several cashiers and watchers who had met the qualifications for the positions of Management Assistant had been temporarily deployed to the duties of the Management Assistant position in order to ensure smooth operations.	Officers who had recruited staff in excess of the approved cadre should be identified and action should be taken in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code and action should be taken to recover the losses in accordance with the Financial Regulations.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
The annual action plan prepared by the Authority for the year 2023 did not reflect a work plan that would enable the achievement of the Sustainable Development Goals. The annual action plan did not include criteria such as the projects planned to be implemented under the Sustainable Development Goals identified by the Authority, the relevant Sustainable Development Indicators (SDG Indicators) and the expected performance of those indicators during the year. Further, the Sustainable Development Goals expected to be achieved by 2030 had not been identified.	Action are being taken to prepare an action plan that includes planned projects and relevant sustainability indicators and their expected annual performance in line with the expected objectives for the year 2030 under the Sustainable Development Goals identified for the Road Development Authority,	Action should be taken to achieve the sustainable development goals as planned.