

## Head 123- Ministry of Urban Development and Housing

---

### 1. Financial Statements

#### 1.1 Qualified Opinion

Head 123 -The audit of the financial statements of the Ministry of Urban Development and Housing for the year ended 31 December 2023 comprising the statement of financial position, statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 was issued to the Chief Accounting Officer on 31 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting officer on 25 June 2024 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Urban Development and Housing as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **1.5 Report on Other Legal Requirements**

I express 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 consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

<b>Reference to the previous year Report</b>	<b>Recommendation of non-implemented</b>	<b>Paragraph Reference in this report</b>
2.1 (a)	As per Financial Regulation 50(ii), estimates should be prepared as fully and accurately as possible.	2.1 (a)
2.1 (d)	-do-	2.1 (a)

## **1.6 Comments on Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Recurrent and capital Expenditure**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>The estate housing division under the Ministry of Urban Development and Housing had been established a separate ministry as the Ministry of Water Supply and Estate Infrastructure Development (166) by Extraordinary Gazette No. 2315/35 dated 19 January 2023. But a sum of Rs. 1092.9 million had been accounted as capital and recurrent expenses of this ministry on behalf of the new ministry. Therefore, the expenditure of the Ministry of Urban Development and Housing had been overstated by Rs.1,092.9 million.</p>	<p>After the approval of the budget allocation for the year 2023, the scope of estate houses under this ministry was transferred to the Ministry of Water Supply according to the extraordinary gazette. The Budget Department of the General Treasury has given instructions to transfer the budget allocations related to the estate infrastructure scope of the Ministry of Water Supply under F.R 208. Therefore, those expenses have been accounted under the expenditure head of this Ministry.</p>	<p>Accounts should be prepared accurately.</p>

**(b) Property, Plant and Equipment**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
The constructing cost of the Jaffna Town Hall was Rs.1,636.15 million as at 31 December 2023. Due to accounting the cost of Jaffna Town Hall construction project under the Non-Financial Assets Report Category No. 9160 as Rs.1,382.61 million, The value of non-financial assets has been understated by Rs.253.54 million.	It has been planned to account the assets relating to that difference after discussed with the Ministry of Finance.	Accounts should be prepared accurately.

**(c) Rent and Work Advances and Rent and Work Advance Reserve Account**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs.254.18 million work advances paid to 05 contractors had not been accounted. Due to non-adjusting to Rent and Work Advance Account and Rent and Work Advance Reserve Account, the balance of those accounts had been understated.	Instructions had not been received to account mobilization Advances under the Rent and Work Advance accounts.	Accounts should be prepared accurately.

**(d) Lack of evidence for audit**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
Proof documents had not been submitted to prove of Rs.356.66 million liabilities and that value was 25 percent of the total liability value.	The liabilities incurred by the district secretariats in relation to the head of the ministry as on 31.12.2023 have been included under this. Therefore, no update has been made in the liability register of the Ministry.	As per F.R. 214 ,records of liabilities should be maintained for confirmation of liabilities

**2. Financial Review**  
**2.1 Management of Expenditure**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although the Accounting Officer should ensure that the estimates of expenditure were prepared as fully and accurately as possible In terms of financial Regulations No. 50 (ii) to (iv). The cases where the Ministry has not acted accordingly are as follows.		
(i) Rs. 314.26 million had been allocated under 13 recurrent expenditure objects and Rs. 3,460.3 million had been allocated under 20 capital expenditure objects. But totaling of Rs.3,568.28 million had been saved as Rs.606.53 million and Rs.2,961.75 million from that allocation and savings ranged from 40 percent to 99 percent respectively.	These savings were caused by deduction of recurring provisions by 6 percent and having to act according to the instructions given by the paragraph 07 of budget circular No. <b>01/2023</b> issued by the Ministry of Finance and the limitations imposed and not being able to use the provisions of some capital projects that had to be spent on the agreements of foreign states.	Necessary provisions should be forecasted accurately.
(ii) Out of the total allocation of Rs.5,055 million allocated to 05 recurrent expenditure objects, a sum of Rs.2,476.73 million had been transferred to other expenditure objects. That was a higher percentage of the allocation between 38 to 84 percent.	These savings had been caused by acting according to the restrictions imposed by the paragraph 07 of the Budget Circular No. <b>01/2023</b> .	Required provisions should be forecasted accurately.

- (b) The total amount of Rs. 13.88 million had been saved without spending for the related works and it had been transferred to 03 expenditure objects by F.R. 66. Provisions had been made from F.R 66 to settle the bills, but the bills had not been received during the year. Required provisions should be forecasted accurately.

## 2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A sum of Rs.4672.76 million liabilities had not been disclosed in the financial statements which had been incurred for two projects.	I would like to point out that it was not possible to include the liabilities of those projects under the statement of liabilities, due to insufficient allocation made annually.	According to the circular instructions, all the liabilities of the Ministry should be shown as at 31 December 2023.
(b) Although, the bank had decided to charge a penalty of Rs.2 million for the delay in paying the loan which was obtained from the People's Bank for the Urban Regeneration Project. It had not been disclosed under liabilities and commitments because it had to be paid by the Ministry.	Written evidences had been submitted to the audit on 29/05/2024 to confirm how this amount was spent.	Action should be taken to disclose the due amounts under the commitments and liabilities which had to be paid by the Ministry.

## 2.3 Non-compliance with Laws, Rules and Regulations

	Observation		Comments of the Chief Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value and Rs. million		
(a)	Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i)	Paragraph 12.2.1 of Chapter VII	1.32	05 officers had been appointed for working in positions lower than the regular position and Rs. 1.32 million had been paid them in the year under review.	Appointments are made for the projects according to the Management Service Circular 1/2019 and actions had been taken according to its terms.
(b)	Public Finance Circulars Paragraphs (v) and (vi) of the Guidelines Circular No. 01/2020	0.14	Although the loan balances of Rs. 0.14 million, which should have been collected from 02 officers who had interdicted and vacated post. It had not been recovered even after a period of 05 to 10 years.	Recoverable balances should be recovered as per the guidelines.

(c)	No. SC&PMU/Grant/19 and 25 July 2019 dated Department of External Resources circular	USD million	1	All foreign Grants and Aids received to this country should be obtained with the approval of the treasury, but it had not been done so.	The Ministry could not be accounted that Technical Grants due to non-signed of agreement between the Government of Sri Lanka and the Asian Development Bank for the Technical Grant of USD1.1 million.	All foreign Grants and technical assistance should be obtained through the Department of External Resources.
-----	--	-------------	---	---	--	--

## 2.4 Deposit Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) There were 15 deposit accounts had operated under the Ministry, Out of that 07 accounts were inactive. But action had not been taken to cancel those inactive accounts.	Transactions were very rare under those seven accounts.	Actions should be taken to cancel inactive accounts.
(b) The contract documents had not been submitted to confirm the deposit balances of Rs. 1765.2 million.	The deposits to be paid related to the contracts can be confirmed by checking the related files.	A contract register should be maintained.

## 2.5 Operation of Bank Accounts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Metro Colombo Urban Development Project (MCUDP) and the Strategic City Development Project (SCDP) had been	It is planned to take necessary steps to close those bank accounts.	Actions should be taken to close the bank accounts related to the completed projects.



completed by 31 December 2022, but the bank accounts related to those projects had been remained active as of 17 April 2024.

### 3. Operating Review

#### 3.1 Failure to perform duties

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) 8 projects with a value of Rs.717.20 million proposed to be implemented under the "Siyak Nagara" urban infrastructure and city beautification program had not been started due to lack of funds.	7 projects approved by the NOR Committee had been initiated and currently under operation.	The proposed development works should be completed on time.

#### 3.2 Activities that conflict with the main functions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the revised agreement, the Holuwagoda Agro-Ecological Park project had been scheduled to start on 21 August 2021 and to be completed on 30 August 2023. However the total cost of this project was Rs.450.56 million, as at 31 December 2023, which is 131 percent of the contract amount. Further the construction of this project had been started without getting approval of the Director General of the National Planning Department.	The construction work had been implemented up to 2023 by considering the loss if the project is abandoned due to non-completion of the work and work had been completed as more than 65%.	Projects should be implemented on formal approval.

- (b) According to the recommendations made by the Committee of Officers headed by a Deputy Secretary of the Treasury, the scope of this project had been removed and instructions had been given to postpone. But the project was still in operation at the end of 2023 without proper approval.
- The construction work had been carried out until 2023, considering the loss that would be incurred if the project were abandoned.
- Projects should be implemented on proper approval.

### 3.3 Non-achievement of expected Output Level

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Although the Cabinet of Ministers had given approval for the resettlement of people staying in welfare camps due to war and providing houses for 971 families displaced by war and staying in camps in Jaffna district. After laps of 14 years since the end of the war, the resettlement activities had not been completed in a systematic manner. By the end of this year, the displaced people were also staying in the welfare camps and the Ministry had spent Rs.16.78 million for the maintenance and supplying water to the camps</p>	<p>Although 14 years have been passed since the end of the war, the closing of those camps have been delayed due to release of land belonging to the families living in the camps and the construction of houses.</p>	<p>The resettlement work should be completed as soon as possible.</p>

### 3.4 Non-achievement of expected Outcome

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Ministry had spent of Rs. 221.89 million for the “Sandun Uyana” construction project, which had been completed by 20 July 2021, at an estimated value of Rs.295.65 million. However, the outdoor platform in this park had been remained idle without any use.	As per the requests received by the individuals and organizations, the outdoor stage is being provided on rental basis.	The attention should be made to generate revenue by giving outdoor stage on rental basis.
(b) Aruwakkalu Solid Waste Project at estimated value of Rs.19,127 million has planned to be started on 01 January 2018 and completed by 30 June 2019 and implemented under 04 packages. Although the construction work of 03 packages of waste transfer center, sanitary landfill and railway line extension packages of the project had been assigned to a Chinese company, the construction work had not been completed at the end of the year under review. Further 04 sets of locomotives had been imported at a cost of Rs.8.27 million under the package of required machinery purchasing as at 31 December 2019 after 03 years laps 94 container boxes had been imported and stored on	EOI has been submitted to 03 institutes and after evaluation by CANC it had been resubmitted on 22.03.2024. Accordingly, a Cabinet Paper had been submitted for inviting Requests for Proposals (RFP).	Actions should be taken to achieve the expected outcome to the public as soon as possible.

22 April 2022 at a cost of USD 0.8 million. Moreover agreement had been signed on 21 October 2019 to import 34 railway wagons from the Indian company at a value of USD 2.3 million but it was not possible to procure railway wagons even at the end of the year under review and the agreement had been canceled due to non-submission of the structural conceptual plan as per the agreement by the concerned institution. However, the physical progress had been achieved by spending Rs.24,016 million for this project was 92 percent as at 31 December 2023. Although the Ministry had planned to complete the work and start the operations of this project based on public-private partnership, it had not been implemented yet.

### 3.5 Projects abandoned without completing

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Davulugala weekly market development project with an estimated value of Rs.10 million was supposed to be completed on 17 April 2022, but the physical progress achieved was 40 percent as at 31 December 2022 and Rs.	The project was completed at the existing level according to the circular Nos. 3/2022, 4/2022, 5/2022 issued by the Treasury.	The initiated projects should be completed and delivered to the beneficiaries by providing required funds.

1.57 million had been spent during the year 2023. But this project had been suspended and the incurred expenditure had become fruitless.

- (b) The estimated value of Rs.207.6 million Ampara Satipola Development Project, which had to be completed on 15 December 2023 and the physical progress was only 52 percent by spending Rs. 40.63 million as at 31 December 2022. Any work had not been done on this project in the year 2023, and the cost incurred so far for a major public need was an idle cost.
- A problematic situation has been arisen between the contractor and the Urban Development Authority, and the contractor has taken action to go to the adjudicator now.
- The project should be completed and the expected benefits should be achieved.
- (c) 12 housing construction projects had been started under the Middle Income Housing Project, with the contribution of middle income earners in the years 2020 and 2021. A sum of Rs.11,353.15 million had been incurred for 09 housing projects consisted with 2,939 housing units as at 31 December 2023. However, the construction work of this project was not in progress after 31 December 2022.
- 04 projects have been stopped by following the instructions of National Budget Circular No. 03/2022. Buyers had not come to buy houses due to the increasing prices of houses in 02 projects. One project has been completed on 05.05.2024. Construction of one project has been completed and deficiencies are being rectified.
- The project should be completed and the expected benefits should be achieved.

- (d) Construction of 615 houses on Colombage Mawatha an estimated cost of Rs.2,546.10 million under the Urban Regeneration Project, for the low-income earners started on 30 October 2014. But construction had been suspended at 39 percent of its physical progress on 20 November 2020. At that date the Authority had spent of Rs.1,255.30 million or 49 percent of the total estimated value. Due to non-use of houses over 3 years, the amount of Rs.1,255.30 million had been incurred for the said project could be a useless expenditure.
- No comments.
- The project should be completed and the expected benefits should be achieved.

### 3.6 Delays in the Execution of Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Ministry had assigned Engineering Services Private Company for the reconstruction of the Jaffna Municipal Council building at a contract value of Rs.2,142.48 million. The project was planned to be started on 10 October 2019 and to be completed on 9 October 2021, but the construction work could not be completed within the stipulated period. Therefore, 04 time	The Jaffna Municipal Council refused to accept the project based on the RAMP decision, and the RAMP committee convened another meeting. It was informed to consider a suitable solution for the completion of the project. Accordingly, it was planned to complete only the part identified as phase 1 and hand over the entire project to the Jaffna Municipal Council for acceptance.	That the recommendations of the Committee on Re-programming and Acceleration of Major Projects (RAMP) should be followed.

extensions of 1,125 days had been given up to 09 October 2024. As at 31 December 2023 its physical performance was 66 percent and financial performance was Rs. 1,636.15 million. Furthermore the contract sum of this project had been increased by Rs.1,627 million up to Rs. 3,769 million. The poor supervision of contract administration and consultancy units had been affected for that. Moreover it was decided to transfer the entire building to the Jaffna Municipal Council along with the responsibility of completing the balance work of the project, by regarding Re-programming and Acceleration of major Projects (RAMP).22/1286/604 /022 and orders given by the cabinet decision dated 05 September 2022. But action had not been taken for that according to the decision.

- (b) The contract for the construction of Panadura Public Market Complex with 258 stalls had been awarded to the contractor who was
- This project is currently implementing in properly. The request for extension duly studied and it has been forwarded for approval.
- The attention of the Ministry should be focused on directing and supervising the construction work of the projects, and action should be taken to complete the work within the stipulated time.

rejected during the preliminary bid qualification test at a cost of Rs. 385 million (excluding VAT) on 23 September 2021 and the construction to be completed on 24 March 2023. But 297 days' time extension had been given up to 15 January 2024 due to non-completion of the work on the scheduled date. The construction work could not be completed even within the revised contract period due to poor supervision and monitoring of the construction work by the Ministry.

- (c) It was proposed to construct 14,022 housing units for low-income families under the "Obeta Geyak Ratata Hetak Project" with the treasury allocation of Rs. 8,413 million. Although the construction of this project had to be completed by December 2022, only 79 percent progress or 7,744 housing units had been completed as at 31 December 2023 by spending Rs.7,704.95 million and construction of 75 housing units had been suspended.
- The entire number of Projects should be completed houses could not be completed within the stipulated year due to non-availability of allocation from the treasury properly.



- (d) Although an amount of Rs.375 million had been allocated for the construction of 500 housing units in the year 2023, the physical progress was at a low percentage of 5 percent. Beneficiaries had not contributed the program due to the inability to build a house for an amount of Rs.750,000. Therefore, the required number of beneficiaries could not be identified. Projects should be started only after proper study. Therefore the expected benefits had not been received for low income families by the housing projects.
- (e) The physical progress were only 35 and 31 percent for the project of constructing 40 housing units at Marandagahamulla in Siapatha and the project of constructing the hostel of Katana Police Training Institute after spending Rs.110.66 million and Rs.132.8 million respectively. The construction cost of the houses in the Marandagahamulla housing project has been increased during the construction and accordingly it was decided to revise the selling price of the houses and reduce the number of floors up to 04. Projects should be completed promptly and the desired benefits should be achieved. Due to suspending the activities of these projects in the year 2023, the expenditure of Rs.243.46 million had incurred by the Ministry so far could be an uneconomical expenditure.

- (f) A sum of Rs.11,105.86 million had been expended by the annual allocation 2023 for 130 projects completed as at 01 January 2023 under the Hundred Cities Urban Infrastructure and Urban Development Program, Although 53 projects had been completed for more than 2 years and the liability period had also been exceeded, The projects had not been handed over to the relevant institutions. Furthermore out of the above projects a sum of Rs.1,240.09 million had to be paid for 110 projects and Rs.113.76 million had been paid exceeding the TEC value for 14 projects.
- The prices of the projects had been changed due to an increasing the price over the engineering estimate at the time of project planning.
- The projects should be completed and handed over to the beneficiaries immediately.

### 3.7 Projects that have not progressed even though funds have been released

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although a sum of Rs.71.24 million had been spend for 05 development projects with an estimated value of Rs.621.62 million which were planned to be implemented under the Hundred City Development Program by the Ministry of Urban Development and	Covid pandemic and the shortage of raw materials and the unexpected increase in prices had been affected for this project.	Projects should be completed on timely and expected benefits should be achieved.

Housing, It was controversial that projects had not been achieved any physical performance.

### 3.8 Locally funded projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) <b>Underutilization/ idleness of project assets</b>		
(i) The front shops and the canteen with all facilities of Mahara administrative and commercial complex had been remained idle over 05 years which was valued at Rs. 370 million and work completed on 30 September 2019. Furthermore two elevators and auditorium with 428 seats with all facilities had not been used since the date of completion of the work and Some group had removed the lightning conductors and electrical circuits of the building. Moreover retention money of the contract had been settled against bills and retention money payable for other projects on 06 June 2023. Further it was observed that The non-use of this building was an inefficient use of public funds and no action had been taken by the Ministry in this regard so far.	It has been proposed to construct a multi-purpose building at the place where the building owned by the local council to overcome the lack of a formal place for government institutions and public affairs in the Mahara area.	Revenue should be generated in favor of the government by completing the defects of construction of the building and utilizing fruitfully.

- (b) Construction of Beliatta Ampitiya Lake walkway and landscape improvement project had been completed on 30 August 2022 at a cost of Rs. 65.77 million. Although the project should be completed and handed over to the Beliatta Local council, the council had refused to take up this project due to the weaknesses of weeding of access road, muddy pits making it difficult to walk along the walkway, weakness of the culvert system of the lake, weakness in the flow of water into the lake and non-drainage of water stored in private lands. Therefore, the amount of Rs. 65.77 million had been incurred for the project was a fruitless expenditure due to idling this project over 02 years without any effective use.
- The former chairman had avoided taking over the project citing various deficiencies of the project. However, a field inspection was conducted on 03 May 2024 at the initiative of the Urban Development Authority. The relevant parties had agreed to resolve the identified minor problematic situations. The current management of the Beliatta Local council expressed their willingness to take over the project as soon as the issues were resolved.
- The existing problems should be resolved promptly and the constructions should be utilized effectively.

### 3.9 Procurement

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to 2.3.1 (a) of the Procurement Guidelines, the total cost estimate including all associated costs as per the 4.3.1 and initial environmental assessment, environmental impact assessment, and social impact assessment should	All procurement had been done by the Ministry of Mega police and Western Development.	Actions should be taken as per the Procurement guidelines.

be prepared by the procurement entity. However, those reports had not been prepared and approved for the Holuwagoda Agro- Park project at a contract value of Rs.120.7 million and the construction of Borlasgamuwa multipurpose building project at a contract value of Rs.795.5 million.

- |     |  |  |  |
|-----|--|--|--|
| (b) | Although action had been taken to construct the Mahara Administrative and Commercial Complex at the budget allocation of Rs.445 million, a fundamental feasibility study had not been done before starting the contraction work as per 2.3.1(a) of the procurement guide line. Furthermore as per 4.3.1 of the Procurement Guidelines, a total cost estimate including all associated costs had not been prepared by the procurement entity. | After the approval of initial total cost of Rs.455 million, the detailed quantity sheets had been prepared by phases wise to complete the stages of the plan according to the receiving allocations. | Actions should be taken as per the provisions of the procurement guidelines. |
|-----|--|--|--|

### 3.10 Assets Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) According to paragraph, 2(i) of Asset Management Circular No. 02/2017 dated 21 December 2017; vehicles that are used without registration rights in the name of their organization should be registered in the	Due to problems in taking over the title, there has been a delay in taking over the legal ownership of those vehicles.	Actions should be taken as per the circular instructions.

organization or formally transferred to the owner organization. However, Ministry had used 31 vehicles at a value of Rs.414.81 million without legal ownership.

- (b) 29 projects valued at Rs. 8,845 million had not been legally handed over to the relevant institutions which were done under the Hundred Cities Programme, due to non-including of those assets in the account statements of any organization. There was a possibility of been left these assets in the accounts.
- Although the relevant institutions have given their consent to undertake them at the time of the implementation of these projects, but after the completion of the construction, they are delaying the acceptance of the projects by presenting some problems.
- Assets should be handed over to the relevant institutions legally.

### 3.11 Uneconomic Transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Construction of Beliatta Ampitiya Lake Walkway and Landscaping Improvement Project had been awarded to the Sri Lanka Land Development Corporation at a cost of Rs.79.56 million. But, without any approval the corporation had sub-leased this contract to Land Reclamation and Development Company Limited at a work value of Rs.69.41 million with a profit of Rs.10.15 million.	No comments.	A formal approval should be obtained for awarding subcontracts.

- (b) Although the Holuwagoda Agro- Park project had been awarded to the Sri Lanka Land Development Corporation under the direct contract method, the contractor had sub contracted by keeping a profit margin. As a result Sri Lanka Land Development Corporation had earned a financial profit of Rs.13.36 million.
- It is a decision taken by the Secretary to the Ministry dated 22.01.2021 on behalf of the Ministry Slandered Technical Evaluation Committee.
- Direct Contractors should have not been given the opportunity to earn additional profits.

### 3.12 Failure to reply Audit Queries

Description of the audit query	Comments of the Chief Accounting Officer	Recommendation
(a) According to the Sections 38 (17) (e) and 42 of the National Audit Act No. 19 of 2018 and Section 155 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and the letter issued by the President's Secretary PSMD/AD/2/1/1/26 dated 09 April 2012, it is the responsibility of the Chief Accounting Officer and the Accounting Officer to act promptly and provide complete answers to the audit queries. But Replies had not been submitted for 17 audit queries which were issued in the year 2023.	At present, action had been taken to answer the audit queries without delay.	Actions should be taken according to the provisions of the Audit Act, F.R and circular instructions.

#### 4. Achievement of Sustainable Development Goals

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Although ensuring access to adequate, safe and affordable housing and basic services for all by 2030 and improving slum housing was identified as a sustainable development goal, less than 49 percent progress had been achieved during the year under review.	No comments.	Formal actions should be taken to achieve the expected sustainable development goals.

#### 5. Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Although 48 development officers working in the Resettlement Division of the Ministry of Urban Development and Housing and those officers had been assigned to 05 district secretariats and 24 divisional secretariats, their performance had not been evaluated.	All the salary sheets of the officers who were working in the North East District Secretariats have been signed by the relevant officers and the information has been given to the audit on 27/05/2024.	The performance of the officers who assigned to the district secretariats should be evaluated.