

## **Head 117 – Ministry of Transport and Highways**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 117 – The audit of the financial statements of the Ministry of Transport and Highways for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summarized reports on the financial statements of the Ministry of Transport and Highways to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Chief Accounting Officer on 31 May 2024. The detailed management report of Ministry to be submitted in terms of the paragraph 11(2) of the National Audit Act had been submitted to the Accounting Officer on 24 October 2024. This report in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ministry of Transport and Highways as at 31 December 2023 and of its financial performance and its 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 is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for 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 General'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 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 judgement and maintain professional scepticism 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 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 recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiency

#### (a) Property Plant and Equipment

	<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(i)	Vehicles, machinery and equipment amounting to Rs. 5,410.59 million mentioned in the ACA-6-Non-Financial Assets Statement as at 31 December 2023 had not been properly surveyed due to the relevant survey activities being carried out without using the asset and code number lists mentioned in the asset reports of the CIGAS program during the Annual Board of Survey by the Ministry.	<p>Highway Division The asset code numbers provided by CIGAS are being recorded in parallel with the numbers currently provided to all assets of the Ministry in a survey by the Ministry and action will be taken to include it in the fixed asset register of the Ministry and Annual Board of surveys will be conducted accordingly.</p> <p>Transport Division Inventory assets of number of divisions had been coded by CIGAS programme and inventory assets of other divisions will be coded by CIGAS programme and action will be taken to conduct the Annual Board of Survey from that in the future.</p>	Written instructions should be issued to prepare a suitable mechanism to identify the recorded assets clearly and conveniently by paying special attention during system monitoring as per section 38(1)(c) of No. 19 of the 2018 National Audit Act.
(ii)	Assets owned by Ministry which are not in physically	Although 15 motor vehicles owned by transport section had been physically used by other government institutes, action had not be taken to transferred or taken back those vehicles properly. It included 08 vehicles with an accounting value of Rs. 33.7 million and	Action is being taken to transfer the registered ownership. It had been informed that, the vehicles used for essential duties of the Presidential Secretariat will be released to the Ministry.
			The ownership of the vehicles to which possessions were transferred should be transferred formally. Accordingly, asset records should be updated periodically.

07 vehicles that were no longer accounted. Therefore, the accuracy of the asset account of the Ministry was not verified as at 31 December 2023 due to this reason.

(iii) **Misplaced vehicles**

The evidence had not been revealed to the audit regarding formal disposal of 10 cars, 10 cabs, 02 jeeps, 02 motor bicycles and a lorry which had been registered under the name of Ministry and could not be revealed the parties who used currently. The Transport Division had not acted in accordance with Financial Regulations in this regard and the value of assets included in the accounts during the year under review had been understated due to those vehicles were not included in to the vehicle schedule and asset account of Ministry as at 31 December 2023.

It has been made an attempt to find out the vehicles do not belongs to the Ministry by a committee which chaired by SAS (Administration) and the committee report submitted on 20 April 2023 listed 13 vehicles as vehicles that could no longer be found.

A complaint should be made to agencies to enforce the law according to section 38(1)(h) of the National Audit Act in relation to misplaced vehicles.

(b) **Non-maintenance of Registers and Books**

Although a Register of Losses must be maintained in accordance with the format specified for reporting losses in accordance with Financial Regulation 110, the Transport Division had been maintaining a temporary register to record losses related to vehicle accidents only and a Register of Losses had not been maintained to record all losses.

(c) **Lack of Audit Evidence**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
It had been unable to present financial statements and any evidence to the audit to verify all the transactions that occurred in Expressway Transport Company (Pvt) Ltd. during 08 years from 2016 to 2023.	Action will be taken to do this in liquidation process since Expressway Transport Company (Pvt) Ltd. is tend to be liquidated.	The financial statement should be prepared and approved as soon as possible. Disciplinary action should be taken according to Section 29 of Chapter XLVIII of Part II of the Establishments Code by identifying the responsible officers and members of the Director Board.

**2. Financial Review**

**2.1 Management of Expenditure**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) The total net provision of Rs.55,433.70 million allocated for 20 Capital Expenditure Votes and 02 Recurrent Expenditure Votes under the Head of Ministry was saved without being utilized during the year under review. These provisions were saved due to the control of expenditure during the year according to the National Budget Circular No. 03/2022 dated 26 April 2022 regarding control of government expenditure, closing of project management units and though the interim payment certificates had been furnished, payment had not made due to the suspension of loan by Donor Agencies.	The total net provision of Rs.55,433.7 million allocated for 20 Capital Expenditure Votes and 02 Recurrent Expenditure Votes had been saved without being utilized. Out of that, provision had been saved in few expenditure votes due to the matters beyond the control of Ministry owing to the financial crisis prevailed at that time.	Estimates should be prepared with accurate forecasts and updated on a timely basis.
(b) An allocation of Rs.114.84 million and Rs.6.79 million were saved from the allocation of Rs.151.82 million and Rs.7.65 million respectively for 17 Recurrent Expenditure Votes and 03 Capital Expenditure Votes under Programme 01. Those savings ranged from 50 per cent to 99 per cent. The allocations were saved due to the	A sum of Rs.114.84 million and Rs.6.79 million allocations were saved from the allocation of Rs.151.82 million and Rs.7.65 million respectively for 17 Recurrent Expenditure Votes and 03 Capital	Expenditure estimates should be prepared with accurate forecasts.

expenditure was not incurred for requirements during the year, control of expenditure, bills were not presented and restructured of the State Ministry. Expenditure Votes under Programme 01.

- (c) A sum of Rs.55,560.96 million was saved out of the allocation of Rs.64,252.65 million for 25 Capital Expenditure Votes under programme 02 and those savings ranged from 50 per cent to 99 per cent due to reasons such as temporary suspension of some projects, new work had not been started due to economic crisis, limitation of scope as the loan was not received. A sum of Rs.55,560.96 million was saved out of the allocation of Rs.64,252.65 million for 25 Capital Expenditure Votes under Program 02. Expenditure estimates should be prepared with accurate forecasts.
- (d) Initial expenditure estimate of 69 expenditure votes were Rs.68,860.7 million and revised expenditure estimates were Rs.131,798.6 million. Accordingly, there was a difference of Rs.89,414.3 million between initial expenditure estimate and revised expenditure estimate and as a percentage of initial expenditure estimates, it was ranged from 50 per cent to 119,878 per cent. Eg:- A range of 50 per cent to 119,878 per cent was taken as a percentage of the original expenditure estimate between the original expenditure estimate and the revised expenditure estimate for 69 expenditure votes. Expenditure estimates should be prepared with accurate forecasts.

<b>Expenditure Code</b>	<b>Difference (%)</b>
117-2-3-7-2506-4	119,878
117-2-4-29-2506	1650
117-2-4-32-2105	551

The requirement of allocation after initial estimate were raised due to the reasons such as incurring of unexpected expenditure, essential payments had to be made for settlement of finance cost and interest on delay payments under Cabinet Decision etc. and the initial estimates had been revised.

- (e) A sum of Rs.58,283.56 million had been provided under supplementary allocations for the year ended 31 December 2023 under Head 117. A sum of Rs.3,677.06 million had been provided under supplementary allocation for 02 expenditure votes which had not been The same answer given under 2.1 (c) applies. Expenditure estimates should be prepared with accurate forecasts.

allocated under initial estimates. The supplementary allocation had been made due to settling due bills of contractors, the requirement of incurring expenditure of projects on the decisions of the Cabinet decisions. Total sum of Rs.54,606.5 million of supplementary allocation value obtained for 03 expenditure votes were ranged from 101 per cent to 42,377 per cent. Eg:-

<b>Expenditure Code</b>	<b>Difference (%)</b>
117-2-03-07-2506-3-17	673.64
117-2-04-51-2506-0-11	101.62
117-2-02-07-2506-04-11	42,377.50

## **2.2 Incurring of Liabilities and Commitments**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) A sum of Rs.0.84 million paid in the months of January and February 2024 for supplies and services obtained by the Ministry during the year under review had not been identified as liabilities as at 31 December 2023.	Necessary instructions were given to prevent future defaults on liabilities and commitments due to omissions.	Action should be taken to identify the liabilities accurately as at 31 December. Liabilities should not be settled without approval of the Treasury.
(b) According to the information submitted to the audit, the outstanding interim payments for civil works of 04 projects under the Ministry of Transport and Highways out of the expressway, highway and bridge construction projects amounting to Rs. 280.37 million as at 31 December 2023 and the additional commitments as at 31 December 2023 were Rs. 78.81 million due to payments were not made timely relating to civil works and land acquisition.	The value of interim payments outstanding for civil works of 04 projects as at 31 December 2023 is Rs. 280.37 million and the value of additional commitments related to civil works and land acquisition is Rs. 78.81 million as stated in the financial statements submitted by those projects.	Action should be taken to identify the liabilities and commitments accurately.

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

Instances of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed as follows.

	Audit Observation		Comment of the Chief Accounting Officer	Recommendation	
	Reference to Laws, Rules and Regulations	Value Rs.million			Non-compliance
(a)	Asset Management Circular No.02/2017 dated 21 December 2017.	-	i. Action should be taken to register the vehicles in its own name that are used without the registered ownership by the consent of the registered owner or handed over to the organization that has the right of registration. However, it was observed that 09 vehicles owned by the Road Development Authority are being used by the Ministry of Transport and Highways.	Several vehicles had been obtained from the Road Development Authority due to official requirements since the Ministry has a limited number of vehicles in running condition. Relevant documents had been forwarded to the Road Development Authority to take over 09 vehicles to the Ministry.	Action should be taken to take over the legal ownership of vehicles with legal possession.
		20	ii. The jeep bearing KQ-0690 owned by the Ministry had been temporarily transferred to the Presidential Secretariat on 21 June 2023 without transfer of the ownership.	It had been temporarily provided to the Presidential Secretariat at the request of the Presidential Secretary.	Action should be taken to handed over the legal ownership of vehicles that have legal possession.
(b)	The Procurement Guideline 2006 of the Democratic Socialist	-	If the lowest evaluated responsive bid exceeds the engineering estimate by a significant margin, the procurement entity shall consider new bids.	Bid price of AB and C contract packages had been increased by 23.7%, 16.68% and 24.09%	Procurement activities should be done with the maximum benefit to the government according to



Republic of Sri Lanka - Section 7.9.2	Otherwise, should negotiate with the lowest evaluated bidder to try to get a satisfactory bid. However, contrary to it, the contracts had been awarded exceeding the engineering estimates by 34 per cent, 26 per cent, and 33 per cent respectively in packages A,B,C of the Rakwana Suriyakanda A 017 project.	respectively compared to the engineering estimate.	Procurement Guideline and Disciplinary action should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code in respect of responsible officers.	
(c) Supplement 14 of the Procurement Manual of the Democratic Socialist Republic of Sri Lanka	29.23	It was observed that, variation numbers 4 and 5 with a value of 14 per cent of the total cost of the contract package of the Transport Connectivity and Asset Management Project were done without proper approval by changing the basic scope of the contract.	The variation of this contract was 17.79 per cent from cost of the contract.	The correct scope of work should be identified at the initial stage itself. Disciplinary action should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code in respect of responsible officers.

**3. Operating Review**

**3.1 Vision and Mission**

Following observations are made regarding the progress of the measures taken by the Highways Division in achieving its objectives during the year 2023.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) The preparation of feasibility studies and detailed plans for introducing an advanced traffic management system (Advanced Traffic Management System) to Sri Lanka had been completed in 2017 under the leadership of KOICA under the support of the Korean	Comments were not given.	Action should be taken efficiently to obtain the relevant approval.

government for the traffic management of the national road network. Although the current National Land Transport Policy Draft states that it has provided guidance to establish an Intelligent Transport System as one of its objectives, the policy clearance from the Cabinet of Ministers had failed to be obtained so far.

- (b) According to the budget proposals in 2023, establish a road maintenance fund had been proposed and it was mentioned that Rs. 100 million had been allocated for the establishment of the fund in the 2023 budget proposals. Although it was mentioned that the draft bill prepared for tax on vehicle revenue licenses had been submitted to the Department of Fiscal Policies, it had failed to establish the fund up to now and thus the Ministry had failed to achieve the expected objectives.
- A draft bill had been prepared to levy a tax on vehicle revenue licenses for this purpose and the said bill had been submitted to the Department of Fiscal Policy for further action on 28 August 2023.
- Action should be taken efficiently to implement government policies within specific periods. Special attention should be paid to the system monitoring under Section 38(1)(c) of the National Audit Act and written instructions should be issued.
- (c) Although the execution of the works is assigned to the Engineering Division of the Ministry in relation to highway construction, supervising the implementation of highway construction projects, reviewing technical issues and conducting technical audits of the projects on behalf of the Ministry of Transport and Highways, the technical audits had not been carried out since 2019.
- Comments were not given.
- The Chief Accounting Officer must ensure that the tasks assigned to each division are properly performed in accordance with the purpose for which it was established. special attention should be paid to the monitoring of the systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued for this.

### 3.2 Non- performances of Functions

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Road Network Development Advisory Council		
<p>A Road Network Development Advisory Council should be established under Section 6(1) of the National Thoroughfare Act No. 40 of 2008 to advise the Minister in charge of the subject and this committee shall advise the Minister on the following matters:</p> <ul style="list-style-type: none"> <li>• Develop an advanced highways policy</li> <li>• Improvement of road condition</li> <li>• Road research, road design, road development technology and safety measures</li> </ul>		
<p>The following observations are made in this regard.</p>		
(i) Although the advisory council should consist of 15 ex-officio members and 5 members nominated by the minister, the members appointed by the minister had not been appointed.	<p>13 members to be appointed ex officio have been appointed. Also, the Honorable Minister has nominated persons for 04 member positions to be appointed for the said Advisory Council.</p>	<p>A report should be submitted to the Parliament and the instructions given should be followed. With regard to performance of functions under Section 6(2) of the Act without constituting Advisory Councils from the commencement date of the Act.</p>

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| (ii)  | <p>Actions had not been taken by the Secretary, who is officially responsible as a Chairman to call the members appointed as above and perform the assigned duties under 6(2) of the Act.</p>                                                                                                                                                                                                                                   | <p>The committee meetings were not called as the formation of the Road Network Development Advisory Council was not fully completed.</p>                                         | <p>Any violation of the provisions of the Act should be reported to the relevant disciplinary authorities for disciplinary action in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.</p>                                                    |
| (iii) | <p>Instructions had not been given to the Minister regarding the activities assigned under Section 6(2) of the Act by to the officers who appointed to the said Advisory Council.</p>                                                                                                                                                                                                                                           | <p>Necessary actions will be taken after the establishment of the Road Network Development Advisory Council.</p>                                                                 | <p>Actions relating to disregarding the provisions of the Act should be reported to the relevant disciplinary authorities to take disciplinary action in accordance with Section 8 of Chapter XLVII of Part II of the Establishment Code.</p>                                 |
| (iv)  | <p>Under 7(2) of the Act, the following functions are,</p> <ul style="list-style-type: none"> <li>• Formulate of action plan for road network development and maintenance</li> <li>• Co-ordinate and maintenance of development and maintenance activities</li> <li>• Undertake and monitoring of projects handover to a particular party</li> <li>• Recommend road development projects to be undertake and execute</li> </ul> | <p>Steps will be taken to establish the District Road Network Co-ordination Committees mentioned here after electing suitable public representatives for those institutions.</p> | <p>A report shall be submitted to Parliament regarding the performance of the functions under Section 6(2) of the Act from the date of commencement without the establishment of an Advisory Council and action shall be taken in accordance with the given instructions.</p> |
| (b)   | <p>Although it was recognized that asphalt overlaying should be done after 07 years as the road from Pinnaduwa to Kottawa on the Southern Expressway runs through</p>                                                                                                                                                                                                                                                           | <p>Actions are being taken to laying pre-mix in section wise in this year after preparing estimates and selecting pothole areas</p>                                              | <p>Relevant provisions should be included in the preparation of detailed plans, action plans and</p>                                                                                                                                                                          |

soft ground areas, however actions had not been taken for that after 12 years since the completion of the construction work in 2011.

within the two outer circles from Kottawa to Dodangoda.

budgets for carrying out maintenance work in accordance with the technical specifications.

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| <p>(c) 100,000 km Road Project had been commenced in the year 2020 and according to the Cabinet Memorandum No. 47/2020 dated November 26, 2020, the Project had been planned to completed by the end of the year 2024. A length of 11,549 km out of 17,847.14 km of roads on which development work had commenced had been suspended due to difficulties in securing the necessary financial facilities to implement the project, selecting experienced and capable contractors, appointing experts to supervise the construction and finding raw materials for the project etc. A sum of Rs. 167,305.62 million had been incurred by the project for road construction by the end of the year under review.</p> | <p>Disagree with the points made regarding the difficulty in selecting contractors and appointing experts for construction supervision. Agree with the facts stated about the existence of difficulties in obtaining financial facilities and raw materials.</p> | <p>Action should be taken to formally hand over completed roads belonging to local government authorities to those institutions. Action should be taken to formally hand over the uncompleted roads to those institutions after they are rehabilitating to at least their current motorable condition.</p> |
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### 3.3 Activities contrary to Key Functions

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) The Transport Connectivity and Asset Management Project aimed at preparing road allocations and drainage maps and collecting details of existing drainage systems in the Western, North Western and Sabaragamuwa Provinces and identifying required drainage improvements in the national GIS</p>	<p>The decision to provide cabs and drivers was taken by the Project Director based on the transport requirement of the project. This Data Server had been purchased for uploading GIS formatted maps</p>	<p>Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishment Code in respect of the officers who had</p>

model. A sum of Rs.10.79 million had been incurred for payment of the driver's salary and providing cabs by variation orders 01,02,03 and 06 entered into with ED & PMC SKILLS JV Company under this project and the said expenses had not been identified within the scope of the project.

prepared under this approved variation contract. This is within orders outside the scope of the contract. scope.

(b) **100,000 km of Alternative Roads Development Programme**

(i) Although the Western Provincial Project Office had incurred a sum of Rs. 1,826.09 million on the selected roads contrary to the criteria mentioned in paragraph 3.1 of the Cabinet Memorandum No. 2020/01 dated 14 January 2020 relating to the Cabinet Decision No.: AMA/20/0142/221/005 dated 13 February 2020 for the selection of roads under the 100,000 km Road Project, scoring method had not been adopted accordingly. The development work was also 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 apart from the project objective.

The estimates had been prepared for the development of these public places and the relevant projects were carried out after obtaining the relevant approval as these places are related to the national security of the country, the importance of promoting the tourism industry and the living hood of the general public.

Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against officers who approved the construction of roads without complying with the criteria stated in the Cabinet Memorandum.

(ii) Although the Cabinet of Ministers had approved to rehabilitate the suspended roads selected under the 100,000 km Road Project to motorable condition, contrary to this, a length of 212.30 km of new roads was selected to be developed at an estimated cost of Rs.2,891.24 million.

With the selection of most of the roads to be rehabilitated up to motorable condition, the requirement for development arises because some of the connected road sections (included in the 100,000 km project) are not in a motorable condition.

Disciplinary action should be taken in accordance with Section 29 of Part II of Chapter XLVIII of the Establishments Code against the officers who acted contrary to the approval of the Cabinet of Ministers.

### 3.4 Non-Achievement of Expected Output

The following observations are made regarding the progress of the projects implemented under the Highways Division without a separate Project Management Unit for each project for the year ended 31 December 2023.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) A length of 132 km had been expected to be improved under the Widening and Improvement of Road Programme and a length of 27.32 km equivalent to 21 per cent from the expected amount and only 04 bridges had been improved as at 31 December 2023.	Comments were not given.	The expected outcome should be achieved efficiently.
<b>(b) Rural Bridges Project</b>		
(i) Contracts had been awarded for the construction of 466 rural bridges in the year 2021 and only 84 rural bridges had been completed as at 30 June 2023. It was a minimum percentage of 18 per cent of the total number of projects awarded contracts.	It was decided to construct only 84 bridges in the first half of 2021 and therefore the works were completed. Since it was decided to construct only the main bridges out of the remaining bridges, work is being done to complete them under new estimates.	The expected outcome should be achieved efficiently.
(ii) Contracts for 271 rural bridges awarded had been cancelled and it had taken a high percentage of 58 per cent of the total number of bridges. A sum of Rs. 333 million had been paid as at 30 June 2023 to the contractors of 97 bridges whose contracts had been terminated.	According to the National Budget Circular 03/2022 issued by the Ministry of Finance, the regulations on expenditure controls had been furnished and it was requested to temporarily suspend the new projects.	The expected outcome should be achieved efficiently and funds should be obtained and incurred with proper management.
(iii) The number of rural construction projects currently in operation is 111 and it was observed that the progress of 60 bridges were less than 50 per cent, and the progress of 51 bridges were between 51 - 100 per cent.	As per National Budget Circular 03/2022, instructions had been given to restructure the rural bridge Programme. Accordingly, it was decided to restart work on only 112 bridges with the highest priority.	The expected outcome should be achieved efficiently. Action should be taken to identify the officials responsible for the inefficiency.

### 3.5 Non-Achievement of Expected Outcome

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(a) Colombo Suburban Railway Efficiency Improvement Project</p> <p>The main objective of this project was to identify the contribution to be made by the Sri Lankan Railways to the national transport system for the next twenty years and to develop the railway system in the suburbs of Colombo. According to the loan agreement No. 3425, the estimated total cost of the project is US\$ 11.36 million equivalent to Rs.1,654.54 million and the Asian Development Bank had agreed to finance US\$ 9.99 million equivalent to Rs. 1,454.50 million. The project had commence on 28 October 2016 and scheduled to be completed by 31 December 2022. The following observations were observed in this regard.</p>	Comments were not given.	Action should be taken to include projects for which feasibility studies had been conducted in the Public Investment Programme.
<p>(I) The Asian Development Bank had provided US\$ 8.52 million equivalent to Rs. 1,551.36 million to the Project as at 31 December 2023 and 95 per cent of that amount of Rs. 1,469.05 million had been incurred for feasibility studies and consulting services for detailed plans. The feasibility study and detailed planning reports related to this project had been prepared and submitted to the Line Ministry in March 2021 and even though more than 2 years had passed, the use of those reports for future actions to develop the railway system was at a minimum level.</p>		



**(II) Resettlement of families living on either side of the railway premise of the Kelaniveli railway line.**

Agreements had been entered with the Urban Development Authority to purchase 1,244 housing units with the cost of Rs. 5,412 million from 07 housing complexes near the Kelaniweli railway line for housing units required to resettle families living in the right of way (RoW) along the Kelaniweli railway line for Kelaniweli railway line development works. Although the construction of 694 housing units had been completed and handed over to the Project, the construction of the remaining 550 housing units to be delivered this year had not been handed over to the Project due to ongoing constructions.

The following observations were made in this regards.

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| (i) According to the Memorandum of Understanding, 144 housing units from the Colabage Mawatha - Nawala Phase 02 complex and 406 housing units under the Colabage Mawatha - Nawala Phase 01 housing complex had been agreed to be delivered on 24 March 2024 and an amount of Rs. 501.8 million had been paid as at 31 December 2023. It was observed that these 550 housing units are not in a condition to be handed over as at 15 February 2024 due to the physical progress of the construction of the housing complexes was 80 per cent and 39 percent, respectively. | Comments were not given. | Action should be taken to obtain houses as per the agreement. Special attention should be paid to the system monitoring under Section 38(1)(c) of the National Audit Act regarding the completion of project activities within the planned period and written instructions should be issued. |
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| <p>(ii) There was a risk that the price of a housing unit would increase to Rs. 10 million instead of the contracted price of Rs. 5 million due to the Urban Development Authority decided to determine the price of a housing unit after adjusting the future price variations of the currently temporarily suspended Nawala Phase 01 housing complex. According to the main agreement entered with the Urban Development Authority in 2018, the construction of the houses should be completed and handed over to the Project within 02 years from the date of the agreement. Although it was lapsed over 06 years due to repeated extensions of dates and new MoUs being entered into when constructions were delayed, the resettlement of the families living either side of the railway premise is further delayed due to the construction had not been completed so far. It was also observed that due to this, the development of the railway system in the Colombo suburbs is being further delayed.</p> | <p>Comments were not given.</p> | <p>Action should be taken to complete the activities which were planned within the project period. Special attention should be paid to the system monitoring under Section 38(1)(c) of the National Audit Act and written instructions should be issued.</p> |
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(b) **Island wide railway communication system improvement Project**

The contract was awarded to a private company for a sum of USD 7.49 million by inviting international bids to implement the Railway Communication System Improvement Sub-project which was established as a primary completion target of the Colombo Suburban Railway Efficiency Improvement Project by identifying the need for improving railway operational efficiency as a

priority requirement. A sum of USD 7.18 million (Rs. 1,901.27 million) had been incurred for the project as at 31 December 2023. According to the contract agreement, the project was to be completed and handed over to the Railways Department by October 2021. Out of the estimated cost of the entire project of US\$ 11.16 million a sum of US\$ 9.70 million was planned to be financed by the Asian Development Bank and US\$ 1.46 million by the funds of the Republic of Sri Lanka. The Ministry of Transport and Highways acted as the executing agency for this sub-project, the Sri Lanka Railways Department as the project implementing agent and the Colombo Suburban Railway Project as the project management unit. It was expected to provide a more efficient train service to the people under this Project. Following observations were made in this regard.

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| <p>(i) Train drivers should access the communication system using passwords through the communication devices cost of Rs.274.15 million installed in the trains and This will update information about train traffic at railway control centers and railway stations. Although it had been informed that all users should keep their respective applications actively during working hours as per the Circular No. 09 dated 02 May 2023 of the General Manager of Railways, it was observed during the audit that train drivers were acting at their own discretion and were not accessing the system using devices. An average</p> | <p>Comments were not given.</p> | <p>Procedures related to the use of inputs should be prepared. Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of section II of the Establishment Code in respect of officers who do not follow the said procedures.</p> |
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percentage of use of the said devices was only 11 per cent according to the monthly maintenance reports of the company regarding the active use of communication devices. An equipment and devices in some trains were inactive due to lack of usage and other reasons. Necessary measures had not been taken to restore them. It was observed that due to password issues with the devices installed in some trains could not be operated properly and that only a portion of some devices were installed in the train.

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| (ii)  | 1,951 mobile phones valued at Rs. 131.79 million were provided under the project to railway controllers, station masters and officers engaged in shunting duties. Although it is necessary to update information about train traffic by exchanging messages between officers between stations and with the control centre, it was observed that the use of these phones for official purposes is at a minimal level and as a result, it is not possible to identify the technical issues related to these phones and the innovations and improvements that need to be made further as appropriate for the railway service. | Comments were not given. | Procedures should be developed regarding the use of technological devices and utilized for the intended purpose. Special attention should be paid to the system monitoring under Section 38(1)(c) of the Audit Act and written instructions should be issued. |
| (iii) | It was expected to maintaining communication activities among railway officers, railway stations and control centre by fixing fixed line telephones and equipment valued at Rs. 71.91 million to the railway stations, signal rooms and rail gates. It was observed that 40 per cent of the landline phones provided under the project were not actively used due to technical errors and operational weaknesses,                                                                                                                                                                                                          | Comments were not given  | The asset should be used with maximum efficiency. The officers who had failed in their responsibilities should be identified and disciplinary action should be taken in accordance with                                                                       |

and therefore the devices were not being used efficiently.

Section 29 of Chapter XLVIII of Part II of the Establishments Code.

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| (iv) | Although the information including train movements should be updated in the control centres on information given through other telephones by dispatch equipment cost at Rs. 8.16 million for the railway control centers by the Project, the communication equipment provided under the project was not being used by train drivers at the time of the audit and these devices remaining inactive at all train control centres. Further, the System Monitoring Device (SMD) and Voice Recording Device (VRD), which were provided at a cost of Rs. 7.99 million and Rs. 53.47 million respectively for the main railway operation centers had not been utilized due to the non-operation of the communication system due to the lack of access to the system by the train drivers. | Comments were not given | The asset should be used with maximum efficiency. The officers who had failed in their responsibilities should be identified and disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code. |
| (v)  | According to the agreement, although the company should implement the communication network covering the railway system throughout the island, the continuous communication network had not been established throughout the island due to company had not construct the communication network up to now to cover the areas related to the tunnels belonging to the 12.5 km from Ohia railway station to Pattipola railway station on Up Country Railway Line. It was observed that the communication                                                                                                                                                                                                                                                                               | Comments were not given | Expected activates should be completed during the Project period.                                                                                                                                                                                           |

system of said area had not been worked due to this reason.

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| (vi) Although the maintenance and operation work should be carried out by the relevant supply company during the service contract period of 09 years including the warranty period of 03 years from the date of delivery of the communication equipment and accessories to the Railway Department, there was a risk regarding benefits that could be obtained under the service and maintenance agreement due to the Railways Department failed to inform to the institution about technical errors and other problems that occurred in the use of communication equipment. | Comments were not given | Action should be taken to identify the responsible officials who failed to achieve relevant maintenance and operational activities through the relevant institutions during the warranty period and to recover any losses incurred by the government. |
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| (vii) Action had not been taken to assign suitable approved cadre through railway service up to now by planning according to the requirements of the system specification requirements in order to carry out the maintenance and operation of this system without any disruption. As a result, basic monitoring procedures and appropriate staffing had not been identified and implemented at the departmental level to establish appropriate internal controls to ensure the efficient and continuous operation of this communication system. | Comments were not given | Special attention should be paid to this issue during the monitoring of systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced. |
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Accordingly, the implementation of the communication system in line with the requirements set by the Telecommunications Regulatory Commission of Sri Lanka (TRC) and with the expected international standards does not fulfill the expected objectives of the modern railway

communication system established at a cost of Rs.1,901.27 million to ensure a more efficient railway service to the passengers with a train speed of 120 km/h or more and further, it was also observed that the targeted output of improving railway operational efficiency had not been achieved due to the failure of practical implementation currently.

### 3.6 Projects abandoned without completing

The following observations are made.

<b>Audit Observation</b> -----	<b>Comment of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>(a) <b>Kandy Tunnel Construction Project</b></p> <p>As a solution to the heavy traffic congestion in Kandy city for many years, a 5.56 km long 4-lane road consisting of 4 tunnels, 3 bridges and 4 interchanges between Thannekumbura and Suduhumpola, with a distance of 4.36 km was planned to be constructed in 58 months with the EDCF - Korea Financing Agency at a cost of US\$ 252.3 million equaling Rs. 50,461 million and it was scheduled to commence in September 2021. However, the Cabinet Committee on Economic Management had requested on 21 August 2017 to cancel this project and allocate funds to another higher priority project, so that the project was inactive at that time. Subsequently, an agreement was entered into with the Road Development Authority and the University of Peradeniya on 25 March 2021 for the Environmental Impact Assessment of the Kandy Tunnel Construction Project prior to the commencement of the project. The following observations are made.</p>		

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| (i)   | Although the background work had been prepared for the implementation of the Project since 2017, the environmental impact assessment only had been completed by 31 December 2023. Out of the total contract value of Rs.95.75 million, a sum of Rs.78.36 million had been paid to Peradeniya University. This contract period had been extended (EOT) on 03 occasions owing to delays in field work due to the adverse situation in the country and disruptions to the bore exploration process due to fuel shortages. | Agree with the points mentioned here.                                                                                              | Feasibility study completed. Projects should be included to the National Deployment Plan.         |
| (ii)  | A total sum of Rs. 90.75 million had been incurred by local funds for the preparation of the Environmental Impact Assessment Report as at 31 December 2023, preparation of the action plan for resettlement and project administration activities, and 2.9 percent physical progress only had been achieved.                                                                                                                                                                                                           | Agree with the points mentioned here.                                                                                              | Action should be taken to complete the relevant works according to the agreements.                |
| (iii) | Although the land acquisition, consultation and civil works had been scheduled to be commenced in 2021, the activities on the Environmental Impact Assessment Report had not been completed up to now.                                                                                                                                                                                                                                                                                                                 | The final draft of the environmental study report was forwarded to the Central Environment Authority on 8 November 2023.           | Environmental Assessment Reports should be approved immediately.                                  |
| (iv)  | According to the audit and management committee report conducted in 19 December 2023 and the National Operational Room (NOR) Committee Meeting dated 04 December 2023, it was observed that the Project had been suspended due to the conflict situation in the country and the current economic crisis. Accordingly, it was observed that the total cost of Rs. 90.50 million was an idle expenditure.                                                                                                                | The total cost incurred on it cannot be accepted as idle expenditure and can be considered as a future investment for the country. | Environmental study reports should be included in the National Development Plan after completion. |
| (b)   | A sum of Rs. 10,258.71 million had been incurred for the Colombo-Ratnapura-Pelmadulla Expressway Project and Rs. 1,239.6 million for the                                                                                                                                                                                                                                                                                                                                                                               | It was decided to temporarily suspend these three projects as a result of a discussion                                             | It should be ensured that economic benefits to the costs incurred.                                |



Elevated Expressway Project from the New Kelani Bridge to Athurugiriya from local funds as at 31 December 2023. Construction of the Central Expressway Project-section 04 also had been abandoned without completion.

(c) **Expressway Transport Company (Pvt) Ltd.**

Although operating a bus company under the Road Development Authority is not a relevant subject matter under the Road Development Authority Act No. 73 of 1981, the Expressway Transport (Private) Company Limited was incorporated on 6 May 2014 under the Companies Act No. 07 of 2007 as a company wholly owned by the Road Development Authority to carry out projects related to passenger transport on expressways through the use of buses. However, Cabinet approval No. 23/0394/608/033 dated 23 March 2023 was granted to transfer the buses to the Sri Lanka Transport Board and liquidate the company due to the failure of this company.

of the RAMP.  
 Comments were not given  
 The responsible officers for starting and operating the company contrary to the decisions of the Cabinet and poor management should be identified and disciplinary action should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

**3.7 Delays in the Execution of Projects**

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) <b>Colombo National Highway Rehabilitation and Improvement Project</b>		
(i) According to the progress report dated 31 December 2023, although 2 years had passed since the completion date of Phase II of the Orugodawatte-Ambatale road, the contract had still at the progress only 94.2 per cent and	The construction works of the relevant project had been delayed due to the new pipe laying project of the National Water Supply and Drainage Board (NWS& DB) and the procurement for the time	The competent authorities must follow the prescribed procedures and act in accordance with the terms of the contract before the

the project is being implemented without any time extension. extension is currently being processed. contract period expires.

- (ii) According to the bid document submitted by the bidder who submitted the lowest bid, although they have experience in constructing expressways such as the Central Expressway Project - Part 2 and the Extension of Southern Expressway, the Technical Evaluation Committee had rejected the bid valued at Rs. 1,061.59 million considering it to be a lack of experience in a similar project based on physical size, complexity, methodology and technology. Accordingly, the next lowest bidder who offered Rs. 1,070.65 million was selected and the construction of the Piliyandala - Maharagama road had been temporarily halted due to the relevant bidder filed a case against the project in the Supreme Court.
- The construction company that submitted a bid of Rs. 1061.51 million was not included in the experienced bid for expressway construction.
- An investigation should be conducted regarding the actions taken within the prescribed procedure when rejecting the bids.

(b) **Kandy Suburban Railway Efficiency Improvement Project**

A sum of US\$ 5.3 million was allocated for this project, which sought to obtain relevant consultancy services for the preparation of a feasibility study and detailed engineering plans for the improvement of the Kandy suburban railway service. The contract for this was awarded to IDOM Consulting Engineering, Architecture, S.A.U. (Spain) in joint venture with Samon Corporation (Korea) with the approval of the Cabinet at a value of USD 2.64 million, Rs. 194.13 million and EUR 1.39 million, to be completed within 18 months from 28 November 2019. Construction of dual and alternative railway lines, improvement of railway stations and improvement of facilities around

The comments were not furnished.

Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced. An investigation should be conducted into the incurrence of uneconomical expenses.

railway stations were expected from the said project. For the aforementioned purposes, it was expected that the relevant consulting company would conduct financial, environmental and social analyses to obtain feasibility study reports, detailed engineering designs and tender documents and final reports, and assess the residents for resettlement. It was spent more than 5 years on these activities from 2019 to 2024 and the expenditure incurred as at 31 December 2023 was Rs. 719.20 million. Although preliminary experimental plans for this project are being prepared, funding mechanism has not been adopted to begin the targeted work of the overall project. It was observed that the potentiality to utilize the costs incurred so far for the consultation reports containing the relevant basic experimental plans prepared from time to time over 5 years for the use of the efficiency of the transport service is very low due to these reasons.

### 3.8 Foreign Funded Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) <b>Central Expressway Project -Section-01</b>		
(i) Although the contract agreements for the road construction packages I and II from Kadawatha to Mirigama had been signed, the commencement of work was delayed until 15 September 2020 due to the delay in signing the loan agreement with the Export-Import Bank of China until 22 September 2020. Further, the actual progress of Packages I and II as at 31 December 2023 was 39.65 per cent and 35.37 per cent respectively due to the	Agree with the points stated here.	The work plan should be revised with proper approval as per the contract conditions.

delay in the disbursement of loans by the Export-Import Bank of China.

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| (ii)  | The contractor had claimed a finance charge of Rs. 8,206.57 million and US\$ 4.282 million in terms of contract condition 14.8 due a sum of Rs. 29,014.99 million and US\$ 145.20 million were not paid to the contractor by 31 December 2023 for the completed works in these packages.                                                                                  | Agree with the points stated here.                                                                                                                                                | It is necessary to ensure that contract administration activities are carried out in accordance with the terms of the contract so as to protect the rights of the government. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced. |
| (iii) | Although 5,245 plots of land were acquired for the project during the year under review, the Road Development Authority had acquired the rights of only 1,211 plots of land under Section 44 of the Land Acquisition Act. A sum of Rs. 901.05 million had been paid as late interest as at 31 December 2023 and the late interest further payable was Rs. 220.45 million. | Agree with the points stated here.                                                                                                                                                | Properly documented information regarding land acquisition and compensation for projects should be maintained and relevant procedures should be prepared. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.                     |
| (iv)  | “Notice to Reducing Rate Work” had been submitted by the contractor on delay in payment of interim payment bills in accordance with clause 16.1 of the contract conditions due to the prevailing economic crisis in the country. It was observed that an extension of time had been granted as per FIDIC Conditions                                                       | Once the contractor receives the funds from the Export-Import Bank of China, construction work is carried out accordingly by obtaining a revised work plan from that institution. | Action should be taken as per the agreement to avoid additional costs has to be incurred by the employer due to the extension of the contract period.                                                                                                                                                                                                                    |

No.16.1 and 8.4 for Package 01 until 09 November 2023. Although a revised work plan should be submitted in accordance with FIDIC Clause 8.3, such revised work plan had not been submitted. Further, although the contractor continued the contract work at slow progress under these conditions, it was observed that the growth in construction progress in this year compared to the previous year was 1.46 per cent. It is observed that the Road Development Authority and the Ministry should discuss with the Treasury and take alternative measures to prevent the increase in multiple claims relating to expenditure incurred on additional time to complete the project or abandonment of the project by the contractor in the future i.e. idling of resources and expenses incurred at the reduced rate of works. Further, it was observed that the amount requested by the contractor due to the delay in handing over the work site of Package 01 and Package 02 is Rs. 2,598.76 million.

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| (v) | Although the total cost was estimated at Rs. 158.39 billion if the construction work of this project could be completed by 31 December 2023, it was observed that the estimated cost of the project would increase up to Rs.450.35 billion owing to the project having to be extended until September 2026 due to the project being abandoned. The audit observed that the delay in this project also resulted in a decline in the overall quality of the project's construction. | Efforts are being made to restart the project as soon as possible by considering the importance of the project. The repair works will be carried out immediately through the contractor once the funds are received from the EXIM Bank of China. | Contract administration activities should be carried out in accordance with the terms of the contract by avoids additional costs to secure the rights of the government. |
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**(b) Transport Connectivity and Asset Management Project**

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| (i) | A contract valued at Rs. 190.77 million was awarded to a private company to prepare road separation corridor maps, road sides and cross roads as GIS format files in ACAD format in Uva, Eastern and | The contract completion date had been extended up to 31 August 2023. The payments had not been made since March 2023. A Dispute | An investigation should be conducted to verify whether contract administration activities have been carried out to |
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Sabaragamuwa regions under the Transport Connectivity and Asset Management Project and it was scheduled to begin on 24 June 2021 and end on 23 February 2023. There was only 85 per cent physical progress as at 31 December 2023 and although the performance of the service provider is very poor, the project had not taken steps to recover liquidation damages of Rs. 9.5 million from the contractor in accordance with Section 3.8.1 of the Special Conditions of the Contract.

Adjudication Board (DAB) had been appointed to resolve disputes arising out of this contract.

protect the rights of the employer.

- (ii) Although a sum of Rs. 161 million had been paid to the above service provider, the final output of the project could not be used for highway geometric designs. According to Section 3.1 of the General Conditions of the Contract, although the service provider must perform the services according to the specifications and job description, the service provider had not complied with it. Further, the payments were made without obtaining reports as per the contract agreement was problematic during the audit.

The service provider has provided reports related to the contract and the changes were provided to the services provider through a committee appointed by the Road Development Authority by coordinate those reports.

An investigation should be conducted to verify whether contract administration activities have been carried out to protect the rights of the employer.

(c) **Rehabilitation and Improvement of Colombo National Highways Project**

- (i) According to sub-clauses 128 and 129 of the special conditions of the contract, the laboratory, equipment and furniture must be handed over to the contractor on the date of issuance of the Taking Over Certificate and the survey equipment must be handed over to the contractor at the end of the contract. This project had paid a sum of Rs. 15.66 million for field laboratory equipment and survey equipment as a lump sum as at 31 December 2023 and it was observed that such unfavorable contract conditions may lead to additional benefits to the contractors.

The previously carried out process was the transfer of the relevant laboratory equipment and furniture to the Road Development Authority at the end of the contract and the specifications had been adjusted so that these items were again vested to the contracting company since the Authority had more than the required amount of laboratory equipment and furniture.

It is necessary to adequately evaluate the impact of the relevant conditions and ensure that amendments are made with proper authority before approving the bidding documents.

- (ii) According to the final interim payment certificate as at 31 December 2023, a sum of Rs.144.4 million had been paid more than the agreed Bill of Quantities (BOQ) for primary and general items. This project was delayed due to the pipe laying construction of the National Water Supply and Drainage Board and the project construction period was also extended accordingly. Accordingly, the estimated cost of item 01 of Bill of Quantities was higher. When planning road development projects, efforts should be made to minimize costs through coordination with institutions such as the Water Supply and Drainage Board and the Electricity Board. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.
- (d) **Rehabilitation and Improvement Project of A-017 Road** - The following observations are made regarding the contract administration activities of the Rakwana Suriyakanda Project.
- (i) According to sub-clauses 128 and 129 of the contract specifications, the laboratory, equipment and furniture must be handed over to the contractor on the date of issuance of the Taking over Certificate and the survey equipment must be handed over to the contractor at the end. However, the project had made a lump sum payment of Rs. 49.08 million for field laboratory equipment and surveying equipment as at 31 December 2023. Accordingly, a sum of Rs. 27 million had been paid from the project exceeding the Engineering Estimate. It was observed that unfavorable contract conditions may lead to additional benefits to contractors. The specifications had been made so that the laboratory equipment and furniture would be reverted to the contractor. It is necessary to adequately evaluate the impact of the relevant conditions and ensure that amendments are made with proper authority. Before approving the bidding documents.
- (ii) According to the Bill of Quantities (BOQ) of the third contract package, the payment for civil works was estimated at Rs. 1,296 million for 330 items. However, even The majority of items are reserved for day works out of pay item No. 330 and progress on other items It should be confirmed that only essential items are included before approving estimates.

though more than a year had passed since the contract period, payment had not been made in this regard. Accordingly, the above payment items were problematic during the audit. should be reviewed by the end of the project.

(e) **Project to Reconstruction of 25 Weak and Narrow Bridges**

(i) Although 10 years had passed since the date of the loan agreement by the end of 2022, a sum of Rs. 4,233 million, equivalent to KWD 6.83 million had been disbursed by the end of 2023 out of the total loan amount of Rs. 4,632 million, equivalent to KWD 10 million. This situation was directly affected by factors such as the poor performance of the consulting company in Contract Package 01 and the delay in civil works, the COVID-19 pandemic situation and the suspension of payments from the Kuwaiti loan from 8 June 2022. The comments were not furnished. Actions should be taken to achieve project objectives in a timely manner. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

(ii) The contractor had submitted a Cost Claim Application of Rs. 151.47 million to the project on 22 April 2022 including a loss of profit of Rs. 63.25 million due to the limitation of the contract work in Package 02 of the project and the project had agreed to pay Rs. 9.44 million by the end of 2023. The comments were not furnished. An inspection should be conducted to ensure that contract administration activities are carried out to protect the rights of the employer.

(f) **Road and Bridge Widening and Improvement Project in Central and Uva Provinces**

(i) According to the agreement entered into with the foreign donor dated 07 June 2018, the project was scheduled to end on 28 September 2021. However, the project was extended until 28 September 2022. Further, although the Ministry of Transport and Highways had submitted a request to the Department of External Resource on 21 October 2022 to extend the project period until 31 December 2023. The Ministry of Highways has made relevant requests to the Department of External Resources to extend the contract loan period subject to the approval of the Cabinet. Actions should be taken to complete project activities on time. A formal investigation should be conducted regarding the failure to complete the project within the expected time.



due to the inability to complete the contract within the extended period, the relevant approval had not been received as at 31 December 2023.

- (ii) The estimated contract value had increased by Rs. 1,154.83 million. This was directly affected by the failure to complete the contract works within the agreed contract period and although the initial estimated cost for the project was Rs. 12,675 million, the total cost incurred by the completion of the project was Rs. 18,070 million.
- The contracting company could not be able to complete the project as planned due to various crises in the country.
- A formal investigation should be conducted regarding the project activities and contract delay. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.
- (g) **Kohuwala and Gatambe flyover Design and Construction Project**
- (i) According to a preliminary assessment conducted by the Line Ministry in 2018, although it had been identified that the construction of the Kohuwala and Gatambe flyovers could save Rs.4.26 million per day for the national economy, the outcome of the project was delayed due to the non-completion of construction works.
- The Hungarian government's Exim Bank suspended loan payments due to the economic downturn. Delays in construction work resulted in poor physical and financial progress of the project since it couldn't be able to pay money to the contractor carrying out the construction works.
- Action should be taken to achieve maximum economic benefits by completing project activities on time. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.
- (ii) The physical progress of the Kohuwala and Gatambe flyovers as at 31 December 2023 was 73.5 per cent and 36 per cent respectively. The delays in land acquisition and non-payment to the contractor were adversely affected to this low performance. It was also observed that there was heavy traffic congestion in those areas due to the closure of the flyovers.
- It was stated that the construction works had been abandoned due to the lack of funds and therefore the financial and physical progress of the project were slowed down.
- Actions should be taken to achieve maximum economic benefits and minimize inconvenience to the public through efficient completion of project activities.

- (iii) Although the project was scheduled to be completed on 30 April 2024, the cost incurred to the project was Euros 20.155 million as at 31 December 2023. Accordingly, the utilization of loans as a percentage of the total loan amount was 39.5 per cent.
- It was stated that the construction work had been abandoned due to a lack of funds and therefore, the physical and financial progress were slowed down.
- Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act regarding the completion of project activities within the expected period and effective internal controls should be introduced.
- (h) **Kandy Multimodal Transport Terminal Development Project**
- (i) Although the project started on 6 May 2021, the civil works of the project had not commenced due to delays in the procurement process for civil and consultancy works. According to the Project Operations Manual, the project had spent only Rs. 215 million as at 31 December 2023 out of the expected expenditure of US\$ 30.50 million equivalent to Rs. 5,772.12 million. It was about 3.72 per cent of the expected value to be incurred.
- A cabinet paper had to be submitted for approval by the Cabinet of Ministers since the bid value of the lowest bidder for the contract exceeded the loan amount provided under the World Bank assistance. It took over 6 months.
- Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act regarding the completion of project activities within the scheduled period and effective internal controls should be introduced.
- (ii) A sum of Rs. 712 million had been paid as compensation to 825 individuals for business losses from 2021 to 31 December 2022 due to delays in construction work. It was observed that these compensation payments will have to continue until the construction work is completed and 17 individuals out of the above individuals who were paid compensation, had been paid Rs. 11.49 million and Rs. 1.9 million for the years 2023 and 2024 respectively and further Rs. 9.7 million was to be paid.
- The Claims Assessment Committee under the World Bank's Social Protection Program had decided to provide compensation to 17 people living in the buffer zone until the completion of the project constructions.
- Necessary measures should be taken to minimize costs through completing the construction efficiently and to identify those who are responsible for inefficiencies.

(i) **Transportation projects facilitating Project**

(i) According to the Project Administration Manual, the Asian Development Bank had provided USD 10 million for the road component. However, a sum of USD 2.53 million only had been utilized as at 31 December 2023. Failure to carry out the relevant procurement and consultancy works due to non-implementation of the proposed expressway development project and the abandonment of the Elevated Highway Project connecting Athurugiriya and Baseline Road resulted in this poor utilization of funds.

Agreed

Projects should be selected according to a long-term plan and the selected projects should be included in the National Development Plan for implementation under a specific funding arrangement.

(ii) Although the Road Development Authority can prepare expressway development plans utilizing the knowledge gained in expressway construction over the past decade, the preparation of the Expressway Development Plan which was a key factor in the project had failed to be completed until the project was over due to the Secretary to the Treasury deciding that as not a high-priority task.

Agreed

The knowledge gained should be used in the preparation of road development plans and special attention should be paid to this during the system monitoring under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

(j) **Inclusive Connectivity and Development Project**

(i) It was observed that only 251.18 km of road length had been completed by 31 December 2023 out of the targeted road length of 1,096.8 km in the first two years of the program. Therefore, the overall physical progress of civil works was only 27.04 per cent even after 2 years after the commencement of the project.

The expected progress and achievement of the project as of 31 December 2023 are 35.22 per cent and 27.04 per cent respectively.

Action plans should be prepared for the utilization of foreign aid funds within the agreed period and activities should be carried out accordingly.

(ii) According to the first year program of the project, the contracts for the rehabilitation of roads in 24 lots in 07 Districts had been awarded. The road rehabilitation works had been completed in only 02 lots as at 31 December 2023 and it was observed

The economic crisis prevailing in the country at the time, resulting in fuel shortages, construction material shortages, import restrictions and travel

Action plans should be prepared for the utilization of foreign aid funds within the agreed period and activities should be carried out

that the physical progress of the remaining 22 lots ranges from 15.45 per cent to 99.3 per cent. Further, although the initial contract period of 09 lots in Ratnapura, Matale and Anuradhapura Districts had expired on 31 December 2023, the construction had not been completed. restrictions had a significant impact on the above contracts. accordingly.

- (iii) According to the Cabinet approval No. 21/1524/319/028 dated 16 August 2021 for Cabinet Memorandum No. CM: 34/2021 dated 16 August 2021, It was recommended to develop a methodology in collaboration with the Ministry of Agriculture to develop and establish a mechanism to implement a program to improve the supply chain and access for farmers, which is the second component of the project. Initially, a sum of USD 50 million was allocated for this component, which was reduced to USD 15 million by the restructuring paper dated 09 May 2023. However, a joint program had failed to be formulated so far. Accordingly, the project had failed to implement the tasks related to the second component so far. The delay is due to the delay in granting final approval by the National Planning Department and the World Bank to the proposal submitted by the Ministry of Agriculture. Action plans should be prepared in accordance with policy decisions and actions should be taken to achieve the desired objectives.
- (iv) According to the Project Appraisal Document, a sum of US\$ 5 million was allocated for improving the institutional and policy framework of the road sector under sub-component 1.2 of the project. However, it was observed that the project had failed to implement the activities of the above component even 2 years had passed since the commencement of the project. Actions will be taken to implement the above-identified proposal through the PMU in the future in collaboration with the Road Development Authority. Action plans should be prepared within a specific time frame and action should be carried out to achieve the desired objectives.
- (v) A sum of US\$ 8.75 million was also allocated for capacity building in the road sector and communities under sub-component 1.3. A plan for implementing the above activities during the project period had not been furnished to the audit. Further, a sum of US\$ 7.25 million had Since the proposed activities under Component No. 1.3 were not limited to the project alone, it was necessary to obtain the support of the relevant divisions of the Road Development Authority to Every effort should be taken to achieve the desired goals of the project within the specified time frame.

been provided from this allocation for capacity building in the road sector and the community in addition to covering project operating costs. Although 2 years had passed since the project was commenced, the capacity development activities had remained at a very slow level.

(k) **Integrated Road Investment Program**

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(i) According to sub-clause 108.4 of the contract specifications, although the laboratory equipment and furniture in the main and field laboratories must be reverted to the contractor at the end of the program, a sum of Rs. 397.77 million had been made for those items as lump sum payments in 17 RMC packages and 16 rural road packages. Thus, these unusual contract conditions may lead to gain more benefit to the contractors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                | <p>Action will be taken to find out the possibility of removing this item in future contracts.</p> <p>The Special Conditions of the contract should be reviewed before being enforced. The Technical Evaluation Committee and the Procurement Committee should pay special attention when reviewing bid documents to protect the rights of the employer, maintain value for money and prevent undue benefits to contractors.</p> |
| <p>(ii) The Balangoda-Bowatta-Kalthota road was rehabilitated in 2022 as a variation of the Pelmadulla-Embilipitiya-Nonagama road contract under RMC 04 package in 2022. The total length of this road is 16 km and that part was given without any procurement procedure to the same 4 contractors who carried out the rehabilitation work of the Pelmadulla - Embilipitiya - Nonagama road. It was observed that this road had been rehabilitated contrary to the original work plan of the program as an access road to the Kuragala Temple on the occasion of the National Vesak Festival. Although the Ministry conducted a preliminary investigation in this regard and the relevant report was submitted by the Director General (Engineering) on 30 November 2023, evidences were not revealed regarding further action taken on this investigation.</p> | <p>The variation was not recommended when the TEC report on this variation was submitted for Project Procurement Committee approval.</p> <p>Adhere to the conditions of the procurement guidelines. Disciplinary action should be taken against the officers responsible for non-compliance with the guidelines in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.</p>                         |

(1) **Second Integrated Road Investment Program**

- (i) According to the Public Expenditure Review Committee (PERC) report for the Ministry of Transport and Highways released on 13 July 2023, It was recommended to hand over the roads those renovations had already been commenced to the relevant state institutions by doing crucial activities only up to motorable condition. However, during the sample inspection was revealed that rehabilitation in several rural roads those works had not previously commenced had been started contrary to it.
- The comments were not furnished.
- The responsible officers should be identified who were not given priority to the committee recommendations and disciplinary action should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.
- (ii) Although the contractors are required to provide performance security at their own expense in accordance with Sub-Clause 4.2 of the General Conditions of Contract, it was observed that a separate payment item was prepared in the BOQs under Preliminary and General items so as to the contractors could be claimed. Accordingly, a sum of Rs. 85.64 million had been paid to contractors in the Uva Province to reimburse the cost of Performance Bonds as at 31 December 2023.
- The comments were not furnished.
- Procurement and Technical Evaluation Committees should review contract conditions again and special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.
- (iii) Although all laboratories, furniture and survey equipment were revert to the contractor at the end of the program in accordance with sub-Section 108.4 and 120.7 of the conditions of the contract, a sum of Rs. 518.99 million and Rs. 14.13 million had been paid as a lump sum payment for laboratories, furniture and surveying equipment respectively as at 31 December 2023. Accordingly, it was observed that favorable contract conditions may lead to undue benefits to the contractor.
- The comments were not furnished.
- The special conditions of the contract must be reviewed by the Technical Evaluation Committee before being implemented. The Technical Evaluation Committee and the Procurement Committee should pay special attention when reviewing bid documents to protect the rights of the employer and economy to prevent

undue benefits to contractors.

(m) **Badulla Chenkaladi Road Improvement Project**

The OPEC Fund for International Development (OFID) had provided a loan of US\$ 60 million for the rehabilitation and improvement of roads in two phases and it was planned in 2015 to rehabilitate and improve the road section from Badulla to Bibila (130+800 km to 190+800 km) under the first phase. This portion was divided into three packages and awarded to three contractors selected through competitive bidding. Out of the three packages, the package from Lunugala to Bibila (171+800 km to 190 + 800 km) was awarded to the contractor K.D. Ebert & Sons Holdings (Pvt) Ltd. on 12 June 2017 at a contract value of Rs. 2,006.43 million on the basis of completion within 30 months. The contract was terminated on 29 June 2021 due to the poor performance of the contractor and his inability to complete the contract within the agreed timeframe and its physical progress was 60.32 per cent at that time. It was observed that the project had paid a sum of Rs. 1,204.95 million to the contractor at the time of termination. The remaining part of the above works were re-awarded in two packages to a value of Rs. 2,919.56 million to be completed within 10 months by utilizing the remaining loan amount. The following observations are made in this regard.

- (i) The opinion of the Attorney General was also sought regarding the termination of the initial contract by mutual consent. It was observed that provision was not made for the termination of the contract by mutual consent as per FIDIC conditions (Clause 15 of the contract - General Conditions) and this was also emphasized
- The comments were not furnished.
- It must be ensured that contractual arrangements are made in a manner that protects the rights of the employer. Disciplinary action should be taken against

by the Attorney General.

officers who violate the conditions in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

- (ii) The project cost had increased by Rs. 2,154.37 million due to the failure to successfully complete the initial contract, the failure to terminate the contract and recover the loss from the performance bond as per the contract conditions and the abnormal extension of the contract period.
- The comments were not furnished.
- Disciplinary action should be taken against officers who violate the instructions of the Attorney General and contract conditions in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

**(n) Port Access Elevated Highway**

The following observations are made regarding contract administration activities.

- (i) According to the progress report of the consultant on the construction of the Port Access Highway, it was observed that there is a delay attributable to the contractor and the completion of the work by the expected completion date of 08 September 2024 is uncertain. Accordingly, action had not been taken by the project to charge late fees after May 2024 which was the last date of the extensions were approved. It was observed that the project had paid a sum of Rs. 493.03 million for the extension costs as at 31 December 2023.
- The contractor has the right in accordance with the agreement to extend the contract period due to the Covid pandemic, delays in providing sites and adverse weather conditions.
- Action should be taken in accordance with the contract agreement to avoid additional costs to the employer due to extend the contract period.
- (ii) A sum of Rs.221.53 million had been incurred by the project as at 31 December 2023 under 03 variation orders to relocate the existing staff of the Sri Lanka Ports Authority due to the delay in completing the Maritime Facilitation Centre building and handing it over to the Sri Lanka Ports Authority.
- The approval had been given for variations valued at Rs.87.3 million and Rs.108.2 million for relocating the staff of the Ports Authority by variances Nos.15 and 31 respectively.
- It must be ensured that contract variations are made with proper authority. Special attention should be paid to this issue during the monitoring of the systems under



Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

- (iii) It was observed that 21 Non-Conformance Reports issued on defects such as exceeding the sequential temperature, high level changes in ABC, cracks on top and side surfaces, low strength in towers, improper measures taken for slope protection and non-conformity of bottom ducts etc. during 2021, 2022 and 2023 had not been corrected as at 31 December 2023.
- According to these Non-Conformance Reports (NCRs), 22 defective conditions had been observed and the process of correcting those errors is underway.
- Immediate actions should be taken to correct defects mentioned in Non-conformance reports. A formal investigation should be conducted and disciplinary action should be taken against the officers responsible for poor supervision in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

### 3.9 Projects Implemented with Local Funds

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) <b>Central Expressway Project - Section 03</b>		
According to the Cabinet approval No. CP/20/2072/319/021 dated 11 January 2021 granted for this expressway running from Pothuhera to Galagedara, Construction works on the first 12 km of the total length of 31.7 km were commenced directly by the Road Development Authority in January 2021. The following observations are made in this connection.		
(i) After 6-month periods since construction were restarted in July 2023, 11 contract packages out of 17 had reported very low progress (less than 20 per cent). According to the	Contract work on each package was restarted upon Cabinet approval dated 04.07.2023 and all packages except 7 packages had	Steps should be taken to complete the contract works on time according to the Action Plan. Special attention should

action plan of the project for the year 2023, Construction in 12 packages should be completed as at 31 December 2023 and the physical target for the remaining 05 packages should have been between 80 to 90 percent. Although Notice to Correct had been issued to 7 contractors to rectify the slow progress, the measures taken to expedite these activities and increase progress were not presented for audit. Accordingly, it was observed that the remaining works on the contract packages with low progress were uncertain to be completed before the extended deadline.

achieved the required progress according to the construction schedules temporally prepared for each package.

be paid to this during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

- (ii) 4,163 land plots were to be acquired for Phase I and II of the project and out of it 2,395 plots were related to Phase II. Section 38 Gazette notification had been issued for 2345 land plots in Phase II. Further, compensation amounting to Rs. 3,140.02 million for 1,719 land plots and late interest amounting to Rs. 15.31 million for 50 land plots had been paid as at 31 December 2023. Late interest must be paid for 2,045 land plots and the cost will increase further due to the delay in settling compensation bills. However, it was observed that there is no program/plan for utilizing the land plots acquired for Phase II of the project. Although the financial statements state that the government intends to implement Phase II as a PPP/BOT project through a suitable investor, the procurement process had not commenced even as at March 2024.

The compensations and late interest payments for lands acquired for the project are made from government fund allocations based on the amount of those allocations received to the project.

The procurement for Phase II of the project to be implemented through BOT/PPP commenced in 2021 and the procurements were canceled in March 2022 with Cabinet approval due to the government not receiving an acceptable project proposal from investors. Subsequently, the procurement for this section was temporarily halted pending instructions from the Ministry of Finance due to the economic situation in the country.

An action plan should be prepared and a program should be implemented immediately to pay the relevant compensation related to land acquisition. The cost of late payment interest should be minimized from it. Sources of funds should be determined before commencement of the project activities. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

(b) **Project to construct flyovers over the railway lines near the Slave Island railway station and the Uttarananda Mawatha**

It had been proposed to construct flyovers connecting the main roads namely Justice Akbar Mawatha, Malay Street, Sri Uttarananda Mawatha and Baladaksha Mawatha in the Slave Island area to improve traffic flow and prevent heavy traffic congestion. Accordingly, agreements had been signed to construct two flyovers over the Uttarananda Mawatha and Justice Akbar Mawatha railway lines in Slave Island and to construct a flyover over the railway lines connecting Baladaksha Mawatha and Chittampalam A. Gardiner Mawatha in Beira Lake and Slave Island. The following observations are made in this connection.

- (i) The constructions of the above 03 flyovers were planned to commence on 07 June 2021 and be completed by 31 December 2022. However, the project failed to complete the constructions and although the revised construction completion date is stated as 10 May 2024, formal approval in this regard had not been furnished to the audit.
- It is mandatory to acquire the 07 buildings with 3 stories at the Slave Island Police Station to complete the project and it is unable to complete the construction work since the police had not handed over the 07 buildings to the Road Development Authority up to now.
- Project work should be conducted according to an Action Plan. Additional costs should be avoided by expediting the Land acquisition activities. Special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.
- (ii) Although the construction of the flyover to be built over the Beira Lake and the railway line in Slave Island connecting Baladaksha Mawatha and Chittampalam A. Gardiner Mawatha, requires the acquisition of premises with 07 buildings with three stories including 42 housing units belonging
- The Road Development Authority, Urban Development Authority and the Sri Lanka Police Department agreed that 22 housing units will be provided by the Road Development Authority through the Urban
- The additional costs should be avoided by expediting the Land acquisition activities. Special attention should be paid to this issue during the monitoring of the systems under Section

to the Police Department, the project had failed to acquire 20 housing units at the end of the year under review. Further, it was observed that the delay in these acquisitions had directly affected to the poor physical progress of the project.

Development Authority from the Slave Island Metro Housing Complex in the initial phase out of the 7 three-stories buildings with 42 housing units to be acquired by the Police Department and the remaining 20 houses will be provided from Colombo or a nearby area by the end of 2023.

38(1)(c) of the National Audit Act and effective internal controls should be introduced.

(iii) According to the agreement, the estimated total cost of the project was Rs. 9,133.25 million and a sum of Rs. 7,154.6 million had been incurred through local funds as at 31 December 2023. A sum of Rs. 1,894.2 million had been allocated under the expenditure vote 117-02-06-27 for the year under review and out of this, a sum of Rs. 1,865.16 million had been incurred. It was observed that the civil construction of these two flyovers had not been completed as at 31 December 2023.

The average financial and physical progress of the construction of the flyover to be constructed over the Beira Lake and railway line in Slave Island connecting Baladaksha Mawatha and Chittampalam A. Gardiner Mawatha is 74.52 per cent and 80.4 per cent respectively and the average financial and physical progress of the construction of the flyover over the railway line at Slave Island Justice Akbar Mawatha and Utthrananda Mawatha is 77.28 per cent and 84.14 per cent respectively.

Action should be taken to minimize additional costs by completing projects within the planning period.

(c) **Extension of Marine Drive parallel to Galle Road to Panadura**

It is proposed to extend the existing Marine Drive to Galle Face to improve connectivity and accessibility with the proposed Port City development and it was also proposed to extend the Marine Drive to Dehiwala as an alternative route to avoid the heavy traffic congestion in the Dehiwala area. A sum of Rs. 169 million had been incurred on this project during the year under review. It had been agreed with the contractor to complete the project to rebuild the bridge over the Dehiwala Canal within 455 days at an estimated

project cost of Rs. 232.15 million. The following observations are made in this regard.

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| <p>(i) According to the project contract agreement, The project completion date was 13 September 2021 and although more than 2 years had passed, the civil works had not been completed by 31 December 2023.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>The comments were not furnished.</p> | <p>The extension of the contract period should be made in accordance with the agreement to avoid additional costs to the employer.</p>                 |
| <p>(ii) The contractor had requested time extensions (EOT) from time to time and approval had been granted on 6 occasions so far. Therefore, the project was delayed by 581 days and the approved revised completion date was 20 April 2023. Further, the 7 time extension (EOT-07) had been rejected by the employer and further information was requested for the 8 time extension (EOT-08). Accordingly, civil works on the project had been carried out without approval. It was also observed that the extension of the project period for various reasons directly affects the increase in the cost of the project.</p>                                                                                          | <p>The comments were not furnished.</p> | <p>The extension of the contract period should be made in accordance with the agreement to avoid additional costs to the employer.</p>                 |
| <p>(iii) Although the total cost estimated of expenditure items P-003 to P-008 mentioned in the Engineering Estimate for the initial contract period (15 months) is Rs. 9.2 million, a sum of Rs. 16.81 million had been paid as at 31 December 2023 and it was observed that the total estimated project cost had been exceeded by 83 per cent as at 31 December 2023. Further, although the estimated total cost of ensuring the safety of road users, including safety signs, lighting, traffic control, for the initial contract period under pay item 103(1) is Rs. 2.25 million, it was also observed that payments had been made in excess of that estimate by Rs. 3.04 million as at 31 December 2023. The</p> | <p>The comments were not furnished.</p> | <p>The Logbooks should be maintained at the field. Payments should be made accordingly and appropriate precautions should be taken during payment.</p> |

failure to complete the construction within the expected time frame and the periodic extension of the project completion period were the main reasons for these situations. It was further observed that the project being delayed by more than 2 years would inevitably result in additional costs for the government.

(d) **Program to develop 100,000 km of alternative roads**

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| <p>(i) The Treasury had released bonds amounting to Rs. 40,651.55 million on two occasions to pay the amount due to the contractors for the services obtained by the project. Treasury bonds valued at Rs. 121.17 million were issued to nine contractors on 11 occasions due to the project not correctly calculating the value (liabilities) to be paid to an external party at the time the bonds were released and an amount equaling to that value was later paid to the project. In this way, the difference between the interest paid by the government on the over-issued Treasury Bills and the face value issued at a lower value was observed as a loss to the government.</p> | <p>The Department of Treasury Operations was unable to transfer the necessary funds to the Ministry of Highways due to the economic crisis prevailing in the country at that time. Accordingly, the Ministry of Highways had issued instructions given by the Treasury Operations Department regarding the issuance of Treasury Bonds for the value of the bills of the contractors. The relevant information on 34 qualified contractors was provided within a very short period of time to the Ministry and the relevant Treasury Bonds had been issued as at 31.12.2022.</p> | <p>When sanctioning the estimates, liabilities and commitments should not be incurred beyond the limits of the provisions before entering into liabilities and commitments. An investigation should be conducted into the matter and disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of the Establishments Code. Action should be taken to establish an effective internal control system for financial control and review it periodically during the monitoring of the system under Section 38(1)(c) of the National Audit Act.</p> |
| <p>(ii) The Construction Guarantee Fund provides guarantees for contractors who are unable to obtain guarantees from a financial institution, i.e., for contractors with limited financial capacity and Performance Bonds amounting to Rs.1,800 million and Mobilization Advance Bonds</p>                                                                                                                                                                                                                                                                                                                                                                                                | <p>The Construction Guarantee Fund (CGF) is an institution established under the Government Treasury. That institution had provided guarantees for other projects carried out under the supervision of the Road</p>                                                                                                                                                                                                                                                                                                                                                             | <p>Steps should be taken to encash Performance Guarantees against claims made by contractors who violate contract conditions. An investigation should be conducted in this regard</p>                                                                                                                                                                                                                                                                                                                                                                                                                     |

amounting to Rs.452.2 million had been issued to 313 contractors in relation to this project. The Authority had not taken steps to recover Rs. 259.26 million due from this fund for Mobilization Advances relating to 22 contractors by the end of the year under review and the relevant value also included Rs.52.73 million related to 09 contract packages those works were not commenced since more than 2 years.

- (iii) A sum of Rs. 4,542.99 million Treasury Bond issue was made to Access Engineering PLC under the first Treasury Bond issue related to the 100,000 km road project and this is an increase of Rs. 306.43 million over the value of bills in hand as at 15 December 2022. Although the relevant company later presented bills to offset the value of the excess Treasury Bonds issued, the bills relating to Rs. 10 million had not been submitted by the end of the year under review. Accordingly, Treasury Bonds were issued without accurate information and it was observed that assuming that the over-issued Treasury Bonds mature in 491 days; the Government of Sri Lanka would incur a loss of approximately Rs. 399.18 million, including interest of Rs. 92.75 million and the nominal value of the over-issued Treasury Bonds.

Development Authority. Therefore, the Ministry of Highways accepted the CGF guarantees provided by the contractors for the contracts awarded under the 100,000 km project.

Treasury Bonds amounting to Rs. 4,542.99 million were issued to Access Engineering PLC as at 15/12/2022 for the supply of goods and services by the company in the years 2020, 2021 and 2022. The information obtained from the provinces and the total of all Access Engineering PLC bills received by the Project Office at that time was Rs. 4,542.99 million. However, according to the accounting reports provided by the provinces, there was a deficit of Rs. 260.99 million as at January 2023 when accounting the bills used for Treasury Bonds. The Government of Sri Lanka has not incurred any loss as all the supplies made in relation to the Treasury Bills were paid for projects carried out prior to the issuance of Treasury Bonds.

and special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act and effective internal controls should be introduced.

An investigation should be conducted in this regard and special attention should be paid to this issue during the monitoring of the systems under Section 38(1)(c) of the National Audit Act regarding the maintenance of payment records and effective internal controls should be introduced. Action should be taken to settle the liabilities through the bonds after clearly identifying the actual liabilities to be settled to the contractors and if an overpayment had occurred, a proper investigation should be conducted and disciplinary action should be taken against the responsible parties in accordance with Section 29 of Chapter XLVIII of the Part II of the Establishments Code.

### 3.10 Procurements

The following observations are made regarding the procurement process of the 100,000 km Alternative Road Development Program.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to Section 5.3.4 of the Procurement Guidelines, although a detailed evaluation should be made regarding weighting the experience of the bidders, requirements to be met when determining eligibility etc., according to the procurements carried out to select contractors for the Longitudinal &amp; Cross Section Survey of 50 km and 100 km roads covering the entire island at the beginning of this project, 10 contracts with 50 km totaling Rs.79.26 million and 08 contracts with 100 km totaling Rs.121.45 million were awarded to a private company. However, it was observed that the Technical Evaluation Committee had not conducted an evaluation of the equipment owned by the relevant institution when awarding the contract. Further, the amount of contracts awarded to the relevant contractor was 44 per cent of the total surveyed length of 2,975 km.</p>	<p>According to Section 5.3.4 (A) of the Procurement Guidelines, the instructions to bidders state the requirements to be met when determining the experience and qualifications of the bidder. The document clearly states the list of equipment required for survey activities and the qualifications of the staff involved in survey activities and the Technical Committee report had been prepared after a quantitative and qualitative evaluation of how they have been fulfilled.</p>	<p>A formal investigation should be conducted by identifying responsible officers regarding evaluating and awarding the contracts contrary to the provisions of the Procurement Guidelines and disciplinary action should be taken against the officers responsible for this in accordance with Section 8 of Chapter XLVII of the Part II of the Establishments Code.</p>
<p>(b) Accordance to the Supplement 39 issued to Guideline 5.3.5 of the Government Procurement Guidelines through a Cabinet Memorandum prepared by the Secretary to the Ministry of Highways, it was observed that, the contract value limits that could be awarded to contractors had been unusually increased from a minimum of Rs. 75 million to a maximum of Rs. 300 million contrary to the CIDA ratings for the highways sector.</p>	<p>It was identified that the capacity of the CIDA registered contractors was not sufficient to complete the project within the stipulated time frame since the project had been instructed to prepare plans to complete it in a short period of 5 years. Therefore, in order to achieve the targeted objective of this project, approval was given through a Cabinet Memorandum to increase the capacity and</p>	<p>Disciplinary action should be taken against the responsible officers in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code relating to the responsible officers after conducting a formal investigation regarding the violation of the relevant conditions before submitting the matter to the Cabinet regarding exceeding the limits set by</p>



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|     | contract value limits of the contractors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | the Procurement Guidelines without obtaining clearances accordance with the prevailing state policies from the relevant line institutions and a formal evaluation.                                                                                                                                                                                                                                                                                                                                                                            |
| (c) | Registration and rating of contractors is carried out in accordance with Section 13(A) of the Construction Industry Development Act No. 33 of 2014 and although a scoring system was used by taking into consideration the factors such as contractor's financial capacity, technical capability, machinery, organizational establishment and organizational management in determining the CIDA grade and contract award value to be awarded to contractors, it was not disclosed to the audit regarding the criteria considered in increasing the relevant limits in the Cabinet Memorandum dated 14 January 2020 and 26 November 2020 prepared by the Ministry. Further, the Ministry had not taken steps to obtain the consent of CIDA before changing the relevant criteria. | It was identified that the capacity of the registered contractors was insufficient to complete this project within the stipulated time frame. Further, steps had been taken through a Cabinet Memorandum to increase the capacity of contractors since this project is expected to provide small-scale contractors with the necessary experience in road construction and thereby increase competitiveness in the road construction sector in the future.                                                                                     |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Disciplinary action should be taken against the responsible officers in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code relating to the responsible officers after conducting a formal investigation regarding the violation of the relevant conditions before submitting the matter to the Cabinet regarding exceeding the limits set by the Procurement Guidelines without obtaining clearances accordance with the prevailing state policies from the relevant line institutions and a formal evaluation. |
| (d) | The bid invitation had stated that the engineering estimate prepared in relation to the contract packages should be submitted to the bidder and a maximum discount should be offered 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 Bill of Quantities were prepared by adding 20 per cent overhead and profit when preparing engineering estimates and sample audits revealed that approximately Rs. 3,484 million had                                                                                                                                                                                                                                               | The relevant provincial directors had been informed to revisit the estimates. However, since the project was awarded at a competitive discount for the engineering estimate, the contracting companies expressed their opposition in writing that they would not agree to any revisions to the contracted amount. Accordingly, there was no overestimation or loss to the                                                                                                                                                                     |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Procurement activities should be carried out to achieve maximum economic benefits. Disciplinary action should be taken against officers responsible for acting on incorrect Engineering Estimates in accordance with Section 29 of Chapter XLVIII of the Part II of the Establishments Code.                                                                                                                                                                                                                                                  |

been overcharged from the contractors as at 31 December 2023 in relation to the awarding of contracts in 09 Provinces due to incorrect Engineering Estimates being used in the preparation of Engineering Estimates. Accordingly, it was observed that more benefits could have been attained other than the benefits from the discount if the selection of contractors had been carried out through calling quotations without publishing the relevant Engineering Estimate.

government due to award of the contract at a discount based on the Engineering Estimate.

We are not aware that the inclusion of the overestimated values of Rs.3,484 million mentioned here.

### 3.11 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to the letter No. MOH/ACC/13/2023/07 dated 31 May 2023 relating to the observations made by the Secretary to the Ministry of Highways on the Auditor General's Summary Report No. RAH/A/MOTH/FA/2022/62 dated 22 May 2023, it was stated that CAO-3475 was temporarily assigned to the Ministry of Digital Infrastructure and Information Technology on 10 April 2019 and it was handed over again to this Ministry on 10 July 2019 and the vehicle bearing number KY-8445 was transferred to the Ministry of Justice on 05 November 2018 through MTA 6/8 form. However, it was observed that the motor car bearing the number CAO-3475 was still in the premises of the Ministry of Digital Infrastructure and Information Technology at the end of the year under review and the vehicle bearing the number KY-8445 which was transferred to the Ministry of Justice was still included in the Asset Register of the Highways Section as at 31 December 2023.</p>	<p>The vehicle bearing CAO-3475 was temporarily attached to the Ministry of Digital Infrastructure and Information Technology on 10-04-2019 and it was returned to this Ministry on 10-07-2019. The Commissioner General of Motor Transport had been informed on 2021-12-29 with a copy to the Chief Financial Officer to register this vehicle under the name of the Ministry after the financial lease period has expired. The vehicle bearing the number KY-8445 had been transferred to the Ministry of Justice on 2018-11-02-05 through MTA 6/8 forms.</p>	<p>Special attention should be paid to this issue and effective internal controls should be introduced in the monitoring of the systems under Section 38(1)(c) of the National Audit Act regarding the maintenance of proper records to confirm the existence, usage and ownership in the transfer of assets owned by the Ministry.</p>

(b) **Integrated Road Investment Programme**  
According to the information furnished to the audit by the programme and the Road Development Authority, 168 motorbikes and 335 motor cars were purchased through the programme at a cost of Rs. 1,499.58 million and all vehicles, except 08 cars and 09 motorcycles, had been handed over to the Road Development Authority by now. The following observations are made in this regard.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(i) Out of the vehicles handed over by the programme to the Road Development Authority, 05 vehicles had been given to the Presidential Secretariat, 02 vehicles to the Prime Minister's Office and 06 vehicles also given to the Ministry.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>The vehicles that were deployed in those packages had been handed over to the Road Development Authority due to the completion or suspension of project works.</p>                                                                                                                                                                  | <p>Action should be taken to use the assets for the intended purpose for which they were purchased. Immediate actions should be taken to formally hand over the vehicles given to other institutions or to repossess them to the Road Development Authority.</p> |
| <p>(ii) A cab purchased by the programme at a cost of Rs. 7.47 million was met with an accident on 7 December 2019. The vehicle had been handed over to a private garage for repairs and the repair estimate was Rs. 6.93 million. According to the information provided to the audit, the amount agreed to be paid by the insurance company was Rs. 4.00 million and accordingly, the additional cost to be incurred is Rs. 2.93 million. It was observed that initial and final investigations had not been conducted and steps had not been taken to identify the responsible parties in accordance with Financial Regulation 104 and it was also observed that the vehicle had not been repaired and handed over to the Road Development Authority.</p> | <p>A preliminary investigation had been conducted regarding the accident met with this vehicle and a preliminary report was submitted. After a final discussion held on 28.03.2024 between the contractor and the company that took over the vehicle repair, the company informed that the repair would be completed in 04 months.</p> | <p>Disciplinary actions should be taken on the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code. Action should be taken to recover the loss from the responsible parties.</p>                          |

- (iii) Although 318 out of 335 vehicles purchased through the programme were given to the Road Development Authority, the road rehabilitation works of the programme had not been completed up to now. Therefore, 14 vehicles were rented for use in the project office and provincial offices during the year under review under this programme and over Rs. 16 million were paid as rent for those vehicles in 2023.
- 14 vehicles were acquired on a rental basis during the period when the contract work of the project was temporarily suspended as the required number of vehicles to carry out the necessary work couldn't be obtained from the Road Development Authority.
- An investigation should be conducted. Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against officers who recommend hiring vehicles without utilizing the vehicles acquired for project activities.

### 3.12 Losses and Damages

The unwritten-off carried forward balance of loss from vehicle accidents as at 31 December 2023 was Rs.26.28 million and the losses and omissions out of it valued at Rs.0.36 million were incurred in previous years and action had not been taken to recover or write off those balances even as at 31 December 2023. The following observations are made in this regard.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Toyota Land Crusher Jeep bearing number KX-5322 owned by the Rural Road Development Division had met with an accident on 24 December 2022 and the repair expenditure was Rs.17.78 million. The 03 methods had been offered by the insurance company to settle the insurance claim and on 27 July 2024 it had been decided by the procurement entity to repair this vehicle by incurring Rs.2.10 million costs by the government as its first recommendation. Accordingly, it was observed in the audit that, an amount of Rs.2.10 million to be borne by the government for the repairing of the vehicle was a loss to the government.	The money of 2,098,697.33 rupees was the amount that had to be borne by the government, and it was taken from the treasury by the Ministry to carry out the repair of the vehicle and paid to Toyota Lanka Institute. That amount was the amount to be charged from the driver, and due to an appeal made by the driver on 07.12.2023, the Provincial Director of the Road Development Authority (Batticalo) was ordered to carry out a preliminary inquiry and the preliminary inquiry report had been received accordingly. The recommendation had	Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII, Part II of the Establishment Code, in respect of officials who have responsible to this loss.

been requested as per the F.R. 104(4) inquiry. Further action will be taken after receiving those reports.

- (b) The motor car bearing number KR-5447 belonging to the Rural Road Development Division had been met with an accident on 03 April 2023 and Rs.6.2 million had been identified as its loss. Although the applications of claims had been submitted to the insurance agency to get the insurance claim for this accident, the insurance claim had been refused since the driver of the vehicle at the time of the accident was not the driver named in the claim application.
- Answers were not submitted.
- Action should be taken to recover the loss by conducting an inquiry in this regard. Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII, Part II of the Establishment Code, in respect of responsible officers.
- (c) Only a part of the losses incurred in the vehicles that met with an accidents belonging to the Transport Division had been reimbursed by the insurance company and losses of Rs.1.40 million not covered by insurance had not been recovered from the responsible parties even at the date. Also, the damage value of the vehicle bearing KA-1279 and the loss of Rs.1 million due at the end of the year under review had not been recovered.
- The repair work related to the accident of vehicle number KA-1279 has been completed. The total loss to the government due to this accident is Rs.1,299,950 and Rs.300,000 had been released by Sri Lanka Insurance Institute as the claim amount. Action will be taken to recover the amount of Rs.999,950, according to the recommendations of the final inquiry report of F.R. 104(4) that had not been covered by the insurance.
- Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII, Part II of the Establishment Code, in respect of officers who have responsible to the loss of the government.

### 3.13 Uneconomic Transaction

The following observations were made regarding the Central Expressway Project - Phase 03

	<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a)	According to the National Budget Circular No. 03/2022 dated 26 April 2022, action had not been taken to control government expenditure and it was observed that a sum of Rs.3.15 million had been incurred uneconomically for the vehicles obtained on a rental basis for the period of 3 months while the project had a sufficient vehicle fleet.	Some vehicles had to be driven under control due to the disruption of the fuel supply and fluctuations in fuel prices in the current situation in the country. The vehicles acquired on a rental basis had to be managed in this situation.	A formal investigation should be conducted regarding the responsible officers for non-compliance with the Circular.
(b)	The work on the project had been stopped during the period of 15 months from April 2022 to July 2023. However, a sum of Rs. 21 million had been paid as project allowances to the project staff during this period. It was problematic to the audit that project allowances had been paid during this period when there was no physical progress on the project.	Instructions were not given regarding the actions to be taken regarding the staff during the period in which the instructions were given to temporarily stop the project work. Therefore, actions were taken in accordance with the instructions given by the Ministry from time to time.	Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishment Code in respect of officers who had not given instructions regarding the deployment of staff for the suspended period of 15 months.
(c)	05 vehicles had been used and 20,594 km were driven by non-entitled non-staff officers during the sample period of 03 months which the project was suspended.	The audit observation report is accepted and kindly informed that the officers who use the vehicles should sign the number of kilometers they use and it is kindly informed that in many	Disciplinary action should be taken as per Chapter XLVIII Section 29 of Part II of the Establishments Code. Special attention should be paid to this issue and effective internal controls should be introduced in the

cases, we will take monitoring of systems under actions to rectify the Section 38(1)(c) of the signing of the subject National Audit Act regarding officer in the future. the maintenance of running charts and the use of vehicles.

### 3.14 Failure to reply Audit Queries

Three instances had been observed that the failure to respond audit queries submitted by the Auditor General within one month during the year under review. Even though extensions were given for these audit queries, the answers had been delayed for a period of 24 to 47 days.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Acquisition, maintenance and reporting of assets	Answers for Some audit queries could not be able to submit within specified dates due to most of the projects being suspended, taking time to check the related documents of completed projects and most of the project staff vacating the post.	Action should be taken to submit replies to audit queries without delay.
(b) Kandy Tunnel Construction Project		Action should be taken to submit the answers without delay as per the provisions of Section 38(1)(e) of the National Audit Act in this regard.
(c) Reconstruction of Bridge over Dehiwala Canal at Dehiwala for Marine Drive Extension Project.		

### 3.15 Management Inefficiencies

Following observations are made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Although 5 years had passed since the Cabinet decision was taken regarding the A-017 Road Rehabilitation and Improvement Project (Rakwana-Suriyakanda), Suriyakanda had not been developed as a crucial trade centre. Therefore, the need to initiate this project with an initial cost estimate of Rs.6,947.20 million, including	Suriyakanda has not been developed as a trading centre up to now due to the economic crises in the country. Further, it can be assumed that the situation may arise after the construction of this road. The tourist attraction will increase and this situation	Arrangements should be made to include them in the National Development Plan after the feasibility study and environmental assessment reports are completed.

Rs.1,449.30 million for land will help the development acquisition and overheads was of Suriyakanda area after questionable to the audit. the construction of this road,

- (b) It was observed that, the Mobilization Advances amounting to Rs.2,793.41 million had not been recovered from the suspended contractors on 12 contract packages in 05 Provinces under the Integrated Road Investment Programme as at 31 December 2023.
- Advances had not been recovered due to the obtaining of court injunctions stopping the encashment of guarantees of eight (8) contracts. Advances of Rs. 447 million from the 4 contracts were recovered through the local bank funded project.
- Proper investigation should be conducted and discipline action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code regarding responsible officers who delayed recovering advance guarantees related to suspended contracts on the due dates.

#### 4. Achievement of Sustainable Development Goals

##### 4.1 Progress of achieving of the Sustainable Development Goal

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The goals and indicators related to 03 sustainable development objectives for the year under review were identified by the Highways Division of the Ministry and according to the annual performance report, the progress of those indicators was in the range of 80 per cent to 100 per cent. Although it was planned to reach the goal identified under Sustainable Development Goal No. 12 by the year 2030, the progress of achieving that goal was only 80 per cent on 31 December 2023.</p>	<p>Some large-scale road development projects for which environmental feasibility studies were conducted had to be suspended due to the prevailing economic crisis. There were instances where projects had to be implemented without obtaining environmental study reports due to road widening and improvement projects which must be completed within the same year for which annual budget allocations are made. Therefore, the progress was reported as low as 80 per cent in 2023.</p>	<p>Sustainable development goals should be achieved according to plans.</p>



## 5. Human Recourse Management

### 5.1 Assigned and Actual Cadre

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The following observations are made regarding the staff composition of the Ministry as on the last date of the year under review.		
(i) Although the Department of Management Services had approved for 80 secondary level posts of Development Officers in the Highways Division on 31 December 2023, it was observed that there was an excess of 07 posts.	Based on the policy decision of the government, 365 development officers were assigned to this Ministry in the year 2013 and the approval of the carder had also been received. It is impossible to retain all officers in the Ministry, and they have been assigned to the regional offices of the Road Development Authority near their respective places of residence.	Officers should not be assigned in excess of the approved number. Action should be taken in accordance with the instructions given by the relevant appointing authorities regarding officers who cannot be retained within the Ministry. Public officials should not be employed in corporations and boards contrary to approved procedures.
(ii) It was observed that 21 officers who recruited for Road Development Authority had been assigned to the Ministry and out of that, 07 officers were Management Assistants. These assignments had been made in the year under review and previous years as well.	Management Assistants, Drivers and Office Aids of the Road Development Authority had been temporarily assigned due to there are not enough government officers as Driver, Office Assistant and other vacancies in this Ministry in order to carry out the normal administrative activities of the Ministry.	The physical and human resources of statutory institutions should not be used for the activities of the Ministry. A formal study should be conducted on the number of employees in the Ministry and the institutions under it and steps should be taken to make effective assignments.

(iii) There were 52 vacancies in 12 posts and 06 surpluses in 04 posts had been observed while observing the approved cadre and actual cadre in the transport sector as at 31 December 2023. According to the information, there were 6 vacancies in 4 senior level posts and a surplus in one post. Further, it was observed that the Administrative Officer belong to the tertiary level, 17 posts of development officer, 01 post of painting officer, 07 Management Assistants, 13 posts of drivers and 05 posts of Office Assistants had been vacant.

It was informed to the Ministry of Public Administration, Home Affairs, Provincial Council and Local Authorities to fill the vacant senior level positions at 31 December 2023.

Assigned excess officers should be released.

(b) **Central Expressway Project – Section 03**

Salaries and other allowances had been paid for 31 employees of 10 posts without obtaining approval from the Management Services Department.

Some officers working in the Road Development Authority were recruited when assigning posts to the Advisory Services Division and arrangements were made to recruit from outside for some positions not serving under the Road Development Authority.

Recruitments or assignments should not be made beyond the approved carder.