

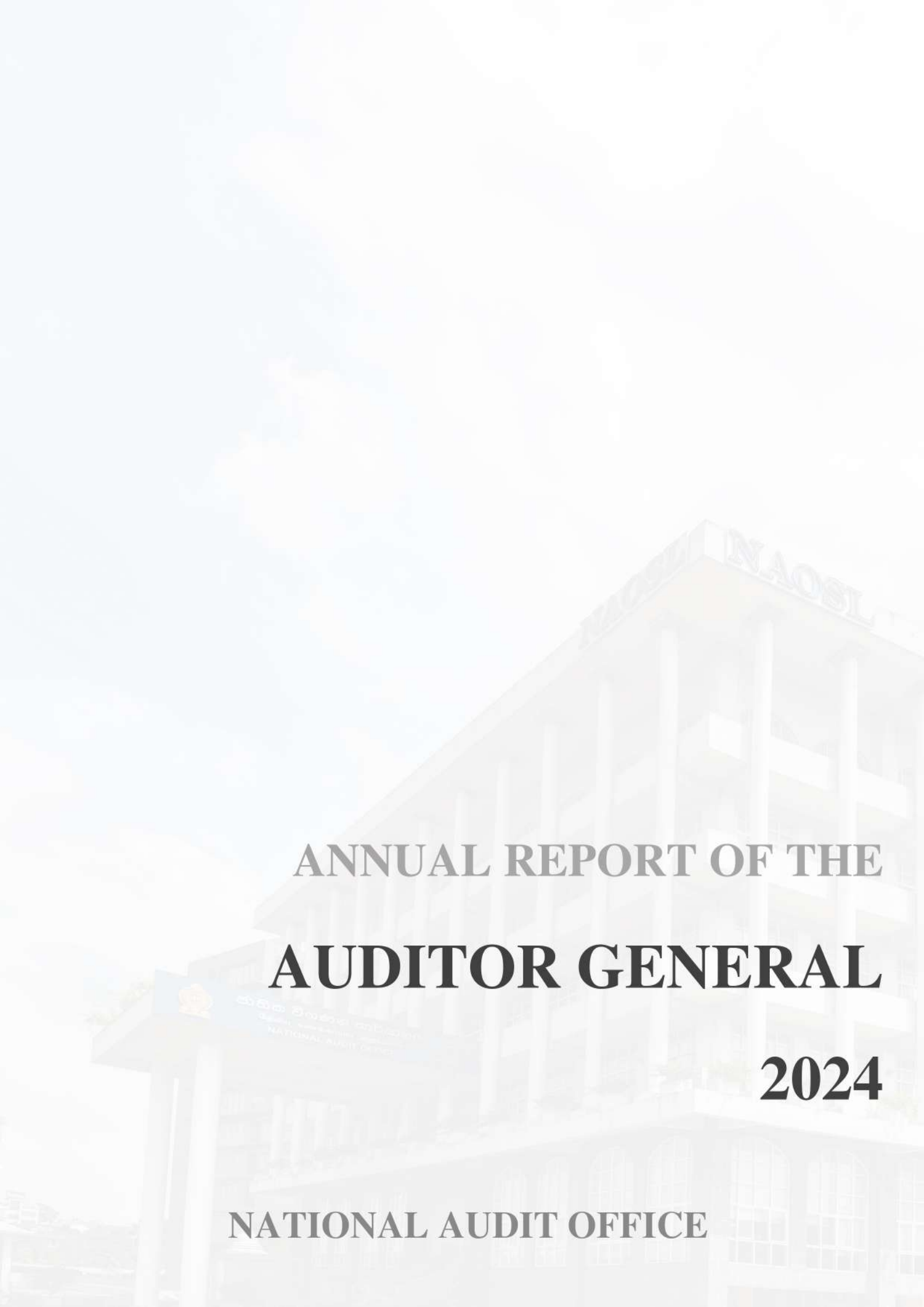


Tenth Parliament of
Democratic Socialist Republic of Sri Lanka
(First Session)



Auditor General
Annual Report

2024



ANNUAL REPORT OF THE **AUDITOR GENERAL**

2024

NATIONAL AUDIT OFFICE

Our Vision

To be the flag bearer of the public sector towards public accountability and good governance.

Our Mission

Enhance good governance and public accountability through the conduct of audits to ensure better financial management and optimum use of public resources to maintain sustainable development.

Our Values

**Excellence
Innovation
Leadership**

Our objectives

- 1.To carry out an independent examination whether the managements of the institutions to which the custody of the resources are entrusted have discharged the public accountability developed on them and report to parliament.
- 2.Assist two oversight committees of the parliament namely Committee on Public Accounts (COPA) and Committee on Public Enterprises (COPE) to examine the performance of the public entities.
- 3.Assist the auditee institutions to improve their accountability by making recommendations through issuing management reports.

Official Emblem of the National Audit Office



Symbols used in this Official Emblem reflect the following

- The Lion at the top of the emblem depicts Sri Lanka.
- The weighing scales at the Centre reflects independence and impartiality.
- The two olive branches surrounding it reflects peace and prosperity.
- The “palaa pethi” designs surrounding it reflects the national culture.

Note of the Auditor General

According to Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the control of public finance lies with Parliament. In ensuring that this control is exercised efficiently and effectively, the Auditor General is constitutionally entrusted under Article 154 to independently examine the manner in which the Executive discharges its duties and to report to Parliament in accordance with internationally recognized auditing principles. For the financial year 2024, audit reports prepared under my direction have been submitted to Parliament under eleven categories, as follows:

First Installment	- Ministries and Departments
Second Installment	- Public Corporations, Authorities, Boards, and Statutory Funds
Third Installment	- Non-statutory Funds
Fourth Installment	- Foreign Aid Projects
Fifth Installment	- Provincial Councils
Sixth Installment	- Local Government Institutions
Eighth Installment	- Performance and Environmental Audit Assignments
Ninth Installment	- State-Owned Companies
Tenth Installment	- Special Audit Assignments
Eleventh Installment	- Triennial Reports

The Mexico Declaration on SAI Independence (2007) established internationally accepted principles emphasizing the administrative and financial independence of Supreme Audit Institutions (SAIs). In line with these principles, the 19th Amendment to the Constitution, enacted in 2015, by establishing Audit Service Commission through introducing required in amendment to the Article 154 of the Constitution.

The National Audit Act, No. 19 of 2018 established to provide for the powers, duties and functions of the Audit Service Commission, the establishment of the office of the National Audit Office and the Sri Lanka State Audit Service, to specify the role of the Auditor General over public finance and to make provision for matters connected therewith or incidental thereto.

Renaming the Auditor General's Department, which carried out state auditing activities in Sri Lanka, as the National Audit Office; establishing a State Audit Service for the audit staff; and delegating the powers of appointments, promotions, transfers, disciplinary control, and preparation of the annual estimates of the National Audit Office to the Audit Service Commission, these measures are intended to protect administrative and financial independence in the state audit process in line with international standards.

However, after many challenges issuance of Extraordinary Gazette No. 2366/31, new service minutes with effect from of 16 January 2024; to establish new Sri Lanka State Audit Service was significant milestone in the history of public auditing in Sri Lanka. .

Despite numerous challenges and having around 40% shortages of the approved cadre of 1995, with the brilliant sacrifices of my staff including 226 non-audit staff, the National Audit Office successfully discharged its constitutional responsibilities in year 2024 by completing audits and submitting reports within the prescribed timeframes in respect 2368 of auditee entities which consist Ministries, Departments, Statutory Bodies and Projects.

According to the assessment conducted in 2018 by the institution for evaluating the performance of Supreme Audit Institutions, several areas that the National Audit Office needs to develop further have been pointed out. Concurrently, to enhance the capacity of the National Audit Office in line with international standards and modern practices, the Sri Lanka Financial Management Development Project (2023-2026) is being implemented with financial assistance from the European Union, accredited by World Bank. Through this, technical developments necessary to submit higher-quality audit reports within stipulated time frames are proposed. Overcoming the challenges to its smooth operation, it is expected that the anticipated activities can be completed in the coming years.

The oldest documented evidence of state auditing activities in Sri Lanka, the Mihintale Stone Inscription (AD 956-972), mentions a process of imposing penalties based on shortcomings revealed during account examinations. The seventh principle of the Mexico Declaration emphasizes the need for an effective follow-up mechanism for implementing audit recommendations.

Although the Establishment code and Financial Regulations delegate powers and responsibilities to Chief Accounting Officers and Accounting Officers for rectification, prevention, and recovery of matters revealed through audit observations, the fact that this is not properly implemented has been brought to attention by Parliament on various occasions. This is evidenced by the Twelfth Report of the Committee on Public Accounts published under Parliamentary Announcement No. 89 on April 25, 1986, and Treasury Circular No. 320 dated July 21, 1993. However, the reports I have submitted provide evidence that the parties managing state financial activities have not acted with sufficient interest in this regard. This situation has been a major factor in directing the country toward an economic crisis. Therefore, establishing a mechanism for rectification, prevention, and recovery of matters observed in audit reports with special attention is a timely necessity.

Despite deficiencies in physical and human resources challenging the fulfillment of the constitutional responsibilities, through the strong dedication of my staff, audit functions were completed as required, and reports were submitted within the targeted time periods to the maximum extent. To optimally fulfill national audit activities, as well as to ensure a good understanding of the inherent conditions and operations in the state sector, and to issue audit reports efficiently and effectively, the National Audit Office has initiated a series of activities, which are continuously reviewed and developed.

Since the Auditor General position became vacant in April 2024 until now, in performing the acting responsibility of that position, working with the staff of the National Audit Office dedicated to state auditing activities to fulfill the constitutional responsibility of examining the strengthening of state financial control has been a privilege for me. Despite various obstacles in performing duties, I appreciate the dedication shown by my staff while maintaining professional dignity.

I take this opportunity to extend my sincere appreciation to the Hon. Speaker of Parliament, Chairpersons and Members of the Committees on Public Accounts, Public Enterprises, and Public Finance, the members of the Audit Service Commission, the Secretary to the President, the Secretary to the Treasury and officials of the Ministry of Finance, the Attorney General, the Institute of Chartered Accountants of Sri Lanka, audit firms, and international development partners particularly the World Bank and the European Union for their invaluable cooperation and support to develop the Institutional capacity.


G. H. D. Dharmapala
Auditor General (Acting)

30 October 2025

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Part I

Our Organization

Introduction

Structure of the Report

The first section of the report consists of institutional information such as identification of the institution, authority, independence of audit, audit functions, support to Parliament, imposition of surcharges, examination of public representative, organizational structure, staffing, training, financial statements, etc.

The second section of the report outlines the key observations that came to light during the annual audits of audit entities such as ministries, departments, special expenditure units, statutory bodies, state companies, statutory and non-statutory funds, foreign aid projects, provincial councils, local government institutions, etc. with these observations categorized such as central government institutions, provincial councils and local government institutions, etc.

The third section of the report provides information on other specialized audits that are not annual audits, such as performance audits, special audits, environmental audits, special investigations, etc. However, the key observations revealed by those audits have been included as observations under the relevant audit field in Part II.

Location

The National Audit Office is located at No. 306/72, Polduwa Road, Battaramulla and the main branch office is located at No. 07, Kota Terrace, Borella. Furthermore, audit activities are carried out through 231 Senior Assistant Auditor General Offices and Branch Offices within the premises of government institutions in the Western Province alone.

In addition, 192 Senior Assistant Auditor General Offices and Audit Branches have been established in the remaining 8 provinces for the audit of local government institutions and for the audit activities of central government institutions operating in the province.

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Auditor's Mandate

History of the State Audit

The origin of state auditing in Sri Lanka date back to 1799. Records confirm that after then British colonized the coastal areas of the island in 1796, Mr. Cecil Smith was appointed as the Accountant and Auditor General in 1799. Subsequently, until 1931, this position evolved into the roles of Auditor General and Colonial Auditor. In 1931, under the Donoughmore Constitution, the title of Auditor General was officially introduced as the head of the Audit Department. Since then, the title of Auditor General has remained unchanged, and the Audit Department was re-branded as the National Audit Office in 2018.

The responsibilities of the Auditor General were outlined in the Donoughmore Constitution of 1931 and the Soulbury Constitution of 1947. However, the 1972 Republican Constitution incorporated provisions regarding the audit of local authorities and state corporations.

Current Authority for Auditing

➤ 1978 Constitution of the Democratic Socialist Republic of Sri Lanka

- According to Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General shall audit all departments of the Government, the Presidential Secretariat, the Prime Minister's Secretariat, the Cabinet Secretary and the offices of the Ministers, the Judicial Service Commission and other independent commissions, the Provincial Public Service Commissions, the Parliamentary Council and the Secretary General of Parliament, Local Government Institutions, State Corporations, Other State Enterprises and companies in which more than 50 percent of the shares are held by the State, Corporations or Local Government Institutions, including their accounts.
- Under Article 154(3) of the Constitution, it is specified that the Auditor General shall perform and discharge such duties and functions as may be prescribed by Parliament by law. In fulfilling and discharging the duties of the Auditor General, the Constitution grants the authority to engage qualified auditors to assist in carrying out these responsibilities. Additionally, provisions are made to obtain expert assistance to address technological, professional, and scientific issues relevant to auditing.
- As stipulated in Article 154(5) of the Constitution, provisions are made for the Auditor General to access all books, records, returns, and other documents; to enter stores and other properties of auditee or public institutions; and to seek any information and explanations necessary for performing these duties and functions.

National Audit Act No. 19 of 2018

The National Audit Act has been enacted to establish provisions for clearly defining the duties of the Auditor General regarding public financial management as provided by the Constitution. Accordingly, Section 3(1) specifies the audit scope applicable to the entities audited by the Auditor General.

Thus, all income received by the Consolidated Fund and all expenditures made from it should be audited.

In performing these audits, the Auditor General has the authority to access or request relevant written or electronic records, obtain necessary copies, summon individuals in possession of such information, whether in service or not, and, following authorization from the Magistrate's Court, inspect accounts, transactions, and other documents of any institution found to have made erroneous or fraudulent payments.

Other specific Acts and Ordinances

- Part II of the Financial Act No. 38 of 1971, which provides for the establishment of audit procedures for state corporations
- Section 23 of the Provincial Councils Act No. 42 of 1987, which provides for the establishment of audit procedures for the provincial councils.
- Section 219 of the Municipal Council Ordinance (Cap. No. 252), which provides for the establishment of audit procedures for the municipal councils.
- Section 181 of the Urban Council Ordinance (Cap. No. 255), which provides for the establishment of audit procedures for urban councils.
- Section 172 of the Pradeshiya Sabhas Act No. 15 of 1987, which provides for the establishment of audit procedures Pradeshiya Sabhas.
- Section 58 of the Agrarian Development Act No. 46 of 2000, which provides for the establishment of audit procedures for agricultural development councils
- Section 9 of the Sports Associations Act No. 47 of 1993, which provides for the establishment of audit procedures for sports associations.

Independence of Audit

International Requirements Regarding Independence

The International Organization of Supreme Audit Institutions (INTOSAI), through the "Lima Declaration" adopted in 1977, has focused on the principles concerning the independence of state auditing from a technical and professional perspective. Thirty years later, at the XIX Congress of the International Organization of Supreme Audit Institutions (in Mexico, 2007), the "Mexico Declaration" identified the following eight essential principles to affirm the independence of supreme audit institutions for effective auditing in the public sector.

Principle 1 An appropriate and effective constitutional/statutory/legal framework and the existence of effective implementation arrangements within that framework. It is necessary to enact legislation that clearly outlines the extent of independence enjoyed by Supreme Audit Institutions.

Principle 2 The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.

Principle 3 A sufficiently broad mandate and full discretion, in the discharge of SAI functions,

SAIs should be empowered to audit the following functions:

- Use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;
- Collection of revenues owed to the government or public entities;
- Legality and regularity of government or public entities accounts;
- Quality of financial management and reporting; and
- Economy, efficiency, and effectiveness of government or public entities operations.

Except when specifically required to do so by legislation, SAIs do not audit government or public entities policy but restrict themselves to the audit of policy implementation.

While respecting the laws enacted by the Legislature that apply to them, SAIs are free from direction or interference from the Legislature or the Executive in the;

- selection of audit issues;
- planning, programming, conduct, reporting, and follow-up of their audits;
- organization and management of their office; and
- enforcement of their decisions where the application of sanctions is part of their mandate.

SAIs should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit

SAIs should submit an annual activity report to the Legislature and to other state bodies - as required by the constitution, statutes, or legislation - which they should make available to the public.

Principle 4 Unrestricted access to information SAIs should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities.

Principle 5 The right and obligation to report on their work SAIs should not be restricted from reporting the results of their audit work. They should be required by law to report at least once a year on the results of their audit work.

Principle 6 The freedom to decide the content and timing of audit reports and to publish and disseminate them

- SAIs are free to decide the content of their audit reports.
- SAIs are free to make observations and recommendations in their audit reports, taking into consideration, as appropriate, the views of the audited entity.
- Legislation specifies minimum audit reporting requirements of SAIs and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate.

- SAI may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government.

Principle 7 The existence of effective follow-up mechanisms on SAI recommendations

- SAI submit their reports to the Legislature, one of its commissions, or an auditee’s governing board, as appropriate, for review and follow-up on specific recommendations for corrective action.
- SAI have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee’s governing board, as appropriate.
- SAI submit their follow-up reports to the Legislature, one of its commissions, or the auditee’s governing board, as appropriate, for consideration and action, even when SAI have their own statutory power for follow-up and sanctions.

Principle 8 Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

- SAI should have available necessary and reasonable human, material, and monetary resources - the Executive should not control or direct the access to these resources. SAI manage their own budget and allocate it appropriately.
- The Legislature or one of its commissions is responsible for ensuring that SAI have the proper resources to fulfill their mandate.
- SAI have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their mandate.

Our Independence

According to Article 153 of the Constitution, the position of Auditor General has been established, and it has been confirmed that a qualified auditor must be appointed as the Auditor General by the President, subject to the provisions of Article 41(a) of the Constitution. The Auditor General shall hold his office for as long as he duly maintains his tenure.

Furthermore, according to Article 170 of the Constitution, the Auditor General is included in the "specific list of non-state officials." This provision is established to further affirm the administrative independence of the Auditor General.

Audit Service Commission

According to the 21st Amendment to the Constitution published in the gazette on 4 November 2022, the Audit Service Commission has been established by the provisions from Article 153(a) to (h) of the Constitution, and with the establishment of the State audit service, the Audit Commission came into effect from 10th April 2023. Under the chairmanship of the Auditor General, the National Audit Office is composed of two retired Deputy Auditor General or senior officials, a retired judge from the Supreme Court, Court of Appeal, or High Court, and a retired administrative officer of Grade 1.

According to Article 153, the Commission has the authority over the appointment, promotions, transfers, and disciplinary control of members of the state audit service, and under provision 153(a) 2 (a), the preparation of estimates for the National Audit Office is a responsibility of the Commission. This structure establishes the financial and administrative independence of the National Audit Office.

Accordingly, with the implementation of the 21st Amendment to the Constitution and the full enforcement of the National Audit Act No. 19 of 2018, actions have been taken to align with the fundamental principles of the International Organization of Supreme Audit Institutions, which are based on the independence of supreme audit institutions.

Until 2018, the Auditor General had to rely on the Ministry of Finance for adequate provisions for his expenses. However, under the National Audit Act No. 19 of 2018, similar to other commonwealth countries, the budget for the Auditor General of Sri Lanka and the

National Audit Office, including his staff, is approved by Parliament after a thorough examination by the Committee on Public Finance, and decisions regarding his budget are made independently of executive control. Accordingly, the provisions made for Parliament to decide separately on the Auditor General's budget have confirmed the financial independence of the Auditor General in carrying out his duties.

It is stated in the Constitution that it is the Auditor General, not the staff of the Auditor General, who holds the position. Therefore, similar to other countries, the necessity to detail the functions and authority of the staff of the National Audit Office has been fully addressed by the National Audit Act No. 19 of 2018, effective 01 from August 2018.

The annual budget estimate of the National Audit Office must be prepared within a specific time frame as determined by the Minister assigned the subject of finance, and it should be submitted to him on a date decided by the Speaker. The estimate should be tabled in Parliament by the Speaker within 10 days following the Minister of Finance's review. The estimate approved by Parliament must then be submitted by the Speaker to the Minister of Finance for inclusion in the national budget.

Our Duties

The Constitution of the Democratic Socialist Republic of Sri Lanka and the National Audit Act.

The National Audit Act No.19 of 2018 has made provisions for the establishment of the office of the National Audit Office and the Sri Lanka State Audit Service; to specify the role of the Auditor-General over public finance and to make provision for matters connected therewith or incidental thereto. Accordingly, the duties of the Auditor General are as follows.

The Auditor-General shall,

- audit all income received to the Consolidated Fund and all expenditure from the Consolidated Fund;
- ascertain whether the moneys shown in the accounts of auditee entities as having been disbursed were legally available for and applicable to, the services or purposes to which they have been applied for or charged with;
- determine whether the expenditure conforms to the authority which governs it; and
- in each audit, examine income, expenditure, transactions and events.
- conduct audits of accounts, finances, financial position, and financial control of public funds; to inspect the properties of audited institutions; and to carry out performance audits, environmental audits, technical audits, and other special audits.

Audit Methodology

Sri Lanka Auditing Standards, established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 by the Auditing Standards Committee, are applied by the National Audit Office in its auditing activities. In designing a financial audit according to these standards, a risk-based sample is identified, and, for risk identification, the transactions, events, or balances are taken into account based on their quantitative significance and materiality as directed by the standards.

In annual audits, the examination is not limited to financial transactions alone but extends to assessing the performance of entities, including existing assets within specified limits. Accordingly, observations made regarding the performance of entities are appropriately presented to the respective entity.

Presentation of reports regarding the audit of annual financial statement.

As required by the National Audit Act, No. 19 of 2018, the following audit reports should be presented after the audit of annual financial statements.

- According to Section 10 of the Act, a report on the results of each audit must be presented to Parliament within the specified time frames following the end of each financial year
- According to Section 11 of the Act, the Auditor-General shall issue a Summary Report within five months after the end of each financial year to an auditee entity in respect of any financial statement or any account submitted by such entity, other than public corporations or companies.
- According to Section 12 of the Act, the Auditor-General shall, within three months of the receipt of the approved annual financial statement and other relevant documents and information of a public corporation or a company in which the Government or a public corporation holds more than fifty per centum of the shares, present a report to such public corporation or company for publication in its annual report.
- According to Section 11(2) of the Act, the Auditor General shall submit an annual detailed management audit report to the governing body of each audited entity within five months of the end of each financial year, with copies to the Minister responsible for the audited entity and the Minister responsible for finance.
- According to Section 14 of the Act, a report on the audited balances shall be tabled in Parliament within 9 months of the end of every 3 financial years.

Accordingly, the audited entities relevant to the submission of the above reports in the year 2024 are as follows.

Table No 1.1 - Audit Entities relevant to the submission of the reports in the year 2024

Service Recipient	No. Of Institution
Ministries	29
Departments	121
District Secretariats	25
Divisional Secretariats	341
State Corporations, Boards, Authorities and transferred businesses	222
State companies	117
State Banks	09
Statutory and other Funds	67
Foreign Funded Projects	113
Other Independent Institutions	11
Provincial councils	09
Local Authorities	341
Agricultural Service Centers	565
Sports Associations	66
Ministries, Departments and Special Expenditure Units of Provincial Councils	273
Institutions established under Provincial Council Statutes	70
Total	2379

Audits not in the form of Annual Financial Statements

In this audit, in-depth investigation and reporting are conducted regarding specific areas unrelated to financial statement-based audits, such as performance, special, environmental, special investigations and forensic audits etc, to scrutinize transactions or incidents that may impact performance and give rise to disputes.

Support to the Parliament

Participation in Committees on Public Accounts and Public Enterprises sessions involves reviewing reports tabled in Parliament by the Auditor General concerning individual institutions, under the oversight of the Committee on Public Accounts (COPA) and the Committee on Public Enterprises (COPE), which are established in Parliament under Standing Orders 119 and 120.

The role of the Committee on Public Accounts, established under Standing Order 119, is to examine, with the assistance of the Auditor General, the accounts that demonstrate how funds allocated by Parliament to ministries and departments for public expenditure have been utilized. The Committee on Public Accounts periodically reports to Parliament on the examination of the accounts, finances, financial procedures, performance, and management of any department or local government institution in general, including any matters arising from such examinations.

The mandate of the Committee on Public Enterprises established under Standing Order 120 is to examine, with the assistance of the Auditor General, the accounts of state corporations, fully or partially government-funded organizations, and any enterprise or assignment transferred to the government under specific written law, as presented before Parliament. The Committee on Public Enterprises periodically reports to Parliament regarding the examined accounts of any state institution or enterprise, or any assignment transferred to the government under specific legislation, covering budget estimates, annual estimates, financial aspects, financial procedures, performance, and general management, as well as any related matters that arise.

Both the Committee on Public Accounts and the Committee on Public Enterprises are empowered to appoint subcommittees, comprising members of the main committee, whenever deemed necessary. Both the committee and its subcommittees are vested with the authority to summon individuals for questioning, obtain and examine any letter, book, document, or other records, and access stores and other properties to fulfill their respective duties.

The Committee on Public Accounts and the Committee on Public Enterprises consist of 16 members for each appointed by the Select Committee in a manner that ensures proper representation from both the ruling party and the opposition in Parliament. The responsibilities of the Auditor General include not only verifying whether the recommendations made by the Committee on Public Accounts and the Committee on Public Enterprises have been accepted by the executive but also assessing whether those recommendations have been implemented effectively and comprehensively. This involves examining whether significant improvements have been made in financial efficiency and service quality and reporting back to the committees on the implementation processes.

The Auditor General and/or their representatives directly support the committees. The discussion notes containing relevant observations related to the organization in question will be prepared and submitted to the committee for discussion, along with an updated review of the current status of significant observations included in the audit report. Based on this, the committee chairperson will lead the discussion regarding the current performance.

The committee generally provides a period of one month to the relevant state institution to submit a report containing written information regarding the current status and operational performance related to the contents of the report prepared by the Auditor General intended for discussion. Based on the report submitted with a copy to the Auditor General, the Auditor General will prepare a relevant discussion note, which will also include points that need further discussion regarding the progress of implementing directives given during previous meetings.

During the committee meeting, the role of the Auditor General is to provide background information on the topics to be discussed and to offer insights on the matters being considered, thereby supporting the committee. In this capacity, the Auditor General also addresses questions raised by committee members and shares thoughts on the points presented by officials from the invited institution.

Accordingly, during the year 2024, the Committee on Public Accounts convened 35 institutions and the Committee on Public Enterprises convened 13 institutions for inspection, and at that time, the Auditor General's reports, special audit reports or performance reports tabled in Parliament in terms of Article 154(6) were discussed and the Auditor General assisted in the committee meetings.

Questionnaire for Assessing Financial Management and Performance in Public Institutions

In addition, the National Audit Office officials supported the Committee on Public Accounts in preparing a questionnaire based on information technology to assess the financial management and performance of ministries, departments, provincial councils, local government institutions, and independent commissions. Furthermore, the Auditor General continues to assist the committee by annually in successfully completing the relevant assessment activities by verifying the accuracy of the responses provided by each institution to those questions and reporting on them.

Assistance to other Committees

Additionally, by representing the Auditor General at various parliamentary committees such as the Finance Committee and the Budget Committee, the Auditor General has also supported parliamentary activities in a constructive manner during the year 2024, beyond fulfilling the constitutional duties assigned to him.

A further notable duty undertaken by the Auditor General during the year includes the examination and submission back to Parliament of response reports related to government accounts, following the Committee on Public Accounts' reports submitted under Parliamentary Standing Order No. 119(4) to the Minister of Finance and the responsible Minister, in accordance with Parliamentary Series No. 114, within an eight-week time frame.

Surcharges imposed by the Auditor General

Unless otherwise specifically provided in any other written law under section 19 of the National Audit Act, No. 19 of 2018, with the coming into force of Act No. 19 of 2025 (amended), the Auditor-General shall, where the Auditor-General has reasonable grounds to believe that any transaction of an entity being audited has been carried out in contravention of any written law and that any deficiency or loss has been caused by fraud, wilful negligence, misappropriation or corruption on the part of the persons involved in that transaction, make his recommendations to the Surcharge Review Committee appointed under section 21 for the imposition of a surcharge on the value of any deficiency or loss incurred in that transaction. The decision of the Surcharge Review Committee, based on the recommendations made by the Auditor General, shall be reported by the Chief Accounting Officer of the audited entity by issuing an Surcharge Certificate to each person responsible for a deficiency or loss.

The responsibility for recovering the reported value, whether jointly or separately, from those accountable for the respective loss or deficit is assigned to the relevant chief accounting officer.

The Surcharge Review Committee appointed under section 21 of the amended Audit Act shall publish a report on a semi-annual basis on the website of the National Audit Office established under section 29, containing the number of recommendations received from the Auditor General, the number of surcharges imposed, the number of recommendations modified, the surcharges imposed and the surcharges actually levied, as well as details of audit irregularities that have been overlooked.

Further, since before the National Audit Act came into force, the Auditor General has been carrying out the surcharge process on Universities and Local Government Institutions under the powers conferred on him by other written laws, with the intervention of the Auditor General.

Accordingly, in accordance with the aforementioned amended Act, legal provisions have been made for the surcharge process to be implemented more actively by the Surcharge Review Committee with recommendations from the Auditor General.

Levy of Surcharge on Local Authorities

There are 341 local authorities in Sri Lanka, comprising 28 municipal councils, 37 urban councils, and 276 Pradeshoya Sabhas. These local authorities are audited by the Auditor General in accordance with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the National Audit Act No. 19 of 2018, and provisions in relevant Acts and Ordinances.

Through these Acts and Ordinances, the Auditor General has been granted the authority to impose surcharge on subjects related to payments contrary to laws, losses incurred due to negligence or irregularities, and items that should be reflected in the accounts but are not presented.

In accordance with the said power, in accordance with the powers vested in the Auditor General by Section 226 of the Municipal Council Ordinance and Section 172 of the Pradeshiya Sabha Act, surcharge notices worth Rs. 17.10 million were issued to 89 stakeholders in the year 2024 and out of those surcharge notices, surcharge notices worth of Rs. 1.15 million were issued to 40 stakeholders.

Out of the surcharge notices issued as above, surcharge certificates worth Rs. 1.15 million were also issued to 40 stakeholders in the year 2024.

University Surcharges

In accordance with the powers vested in the Auditor General by Section 107(6)(a) and (b) of the Universities Act, No. 16 of 1978, surcharge notices amounting to Rs. 16.54 million were issued to 26 stakeholders in the year 2024. An amount of Rs. 5.6 million was collected in respect of the surcharge notices issued as above.

Examination of public representation

As stipulated in Section 4 of the National Audit Act No. 19 of 2018, the Auditor-General may examine any matter relating to an auditee entity brought to his notice by any member of the public in writing along with substantial proof of the matters asserted, and report thereon to Parliament.

The National Audit Office has established a separate unit within the office to handle written representations received from the public, either privately or through public representatives and various organizations. This unit registers and examines the representations received by the institution, considering the nature and significance of the representation, and presents them through the public representation management information system to the special audit and forensic audit unit, or to the relevant audit branch or specialized audit units established regionally for specific subject matters. After taking into consideration the quantitative and qualitative aspects of the observations made during the audits conducted based on the information included in the representations, the relevant evaluations will be submitted to Parliament in the annual audit reports or presented to Parliament through special reports, carried out by the National Audit Office. Nevertheless, focusing on the restrictive regulations outlined in Section 09 of the National Audit Act No. 19 of 2018, the results of these audits will not be directly informed to the parties that submitted the relevant representations. However, apart from anonymous representations, it will be communicated to the respective parties that their submissions have been received and that measures will be taken to review them and report suitably to Parliament.

In 2024, the National Audit Office received 2686 public representations, of which 2156 were on administrative matters of the Government or public institutions and 114 were on grievances from various parties. Another 1318 representations were on institutional fraud and corruption and 26 were on personal matters of various parties. Further, out of these

representations, 945 were submitted with the identity of the submitter, and 1,741 representations were submitted anonymously. Most of these were submitted with sufficient or some degree of evidence. Complaints received without any evidence are also investigated. When conducting a sectorial classification of the written representations sent for further investigation, 413 were mainly for the education sector, 109 for the provincial councils, 190 for the local government sector, 294 for the health sector, 282 for the divisional secretariats, 116, 88, 82, 59, 54, 49, 36, 33 and 36 for the agriculture, roads, higher education, water supply and sanitation, land, plantations, banks, security and energy sectors respectively, and another 530 representations were received by the National Audit Office for various government institutions.

Legal Division

This division coordinates the Attorney General's Department in the legal proceedings of the National Audit Office, making the Auditor General and the officers of the National Audit Office parties, providing necessary legal advice and assistance in audit proceedings, and providing legal assistance in appeals filed before the Right to Information Commission in accordance with the Right to Information Act No. 12 of 2016.

Accordingly, in the year 2024, legal advice and legal assistance were provided to various parties in 34 cases referred to the courts for assistance in legal proceedings related to the National Audit Office, 81 legal advice and legal assistance was provided to various parties in relation to other matters, and 09 appeals were also filed before the Right to Information Commission.

Our Organizational Structure

Table No. 1.2 - Organizational Structure

Organizational Structure of the Audit Staff of NAO SL (2025)

AUDITOR GENERAL	Senior Deputy Auditors General	Deputy Auditors General	Senior Assistant Auditors General	Assistant Auditors General	Superintendents of Audit	Audit Officers
			Sector Code			
Central Government Audit & Assurance		Defence, Judicial, Law and Order (DJLO)	Defence (DEF)			
			Judicial, Law & Order (JLO)			
			Disaster Management (DMG)			
			Parliamentary Affairs and Independent Commissions (PIC)			
		Transportation, Aviation, Ports and Shipping (TAP)	Community Transportation (COT)			
			Port & Shipping (PAS)			
			Aviation (AAV)			
			Communication and Media (CAM)			
		Power and Energy (POE)	Power (PWR)			
			Energy (ENR)			
		Foreign Funded Projects, Sports and Youth Affairs	Sports and Youth Affairs (SYA)			
			Performance, Environmental & Citizen Participatory Audits (PEE)			
		Special Audit Assignments (SPA)	(SPC)			
			Public Representation Division (MSU)			
		Health, Welfare and Social Security (HWS)	Medical Supplies (THO)			
			Teaching Hospitals (MED)			
		Irrigation, Water Resources & Mining (WIM)	Medical Administration (LSW)			
			Labour and Social Welfare (WAS)			
			Irrigation, Water Resources & Mining (IWM)			
			Training, Research & Development (TRD)			
Central Government Audit & Assurance (CGAA-2)		Industries, Trade & Commerce, Public Administration and Foreign Affairs (ITP)	Quality Assurance (QEA)			
			Parliament Reporting & Coordination (PRC)			
			LEGAL DIVISION (LEG)			
			IT Audit (ITA)			
			Taxation & Procurement Audits (TAX)			
			Banking (BAN)			
			Treasury & Public Debt (TPD)			
			Public Revenue (PUR)			
			Insurance & Finance (INF)			
			Industries and Manufacturing (IMT)			
			Public Administration & Foreign Affairs (PAF)			
			Trade and Commerce (TAC)			
		Agriculture, Plantations, Fisheries and Irrigation (APF)	Fisheries & Livestock (FLS)			
			Agriculture & Related Industries (ARI)			
		Tourism, Investment Promotion, Wild Life, Forest, Culture and Arts (TWC)	Plantations & Land (PAL)			
			Cultural Affairs and Arts (CAA)			
Zonal Audit & Assurance (ZOAA)		Local Government Authorities (LPS)	Forest, Wild Life and Environment (FWL)			
			Tourism & Investment Promotion (TIP)			
			Education (EDU)			
			Vocational Training (VOT)			
			Higher Education (HED)			
			Road & Highways (RAH)			
			Construction & Engineering (CAE)			
			Housing & Urban Development (HUD)			
			Local Authorities of Central Province (CPLG)			
			Local Authorities of Western Province (WPLG)			
			Local Authorities of Sabaragamuwa Province (SGLG)			
			Local Authorities of North Central Province (NCLG)			
			Local Authorities of Northern Province (NPLG)			
			Local Authorities of Southern Province (SPLG)			
			Local Authorities of Eastern Province (EPLG)			
			Local Authorities of North Western Province (NWLG)			
			Local Authorities of Uva Province (UPLG)			
		Provincial Councils Institutions (PCI)	Institutions of the Central Province (CPPC)			
			Institutions of the Western Province (WPPC)			
			Institutions of the Sabaragamuwa Province (SGPC)			
			Institutions of the North Central Province (NCPC)			
			Institutions of the Northern Province (NPPC)			
			Institutions of the Southern Province (SPPC)			
			Institutions of the Eastern Province (EPPC)			
			Institutions of the North Western Province (NWPC)			
			Institutions of the Uva Province (UPPC)			
		Utilization of Central Government Allocation in Provincial Level / Administration (CGW / ADM)	Central Govt. Allocation and institutions in Central Province (CPCG)			
			Central Govt. Allocation and institutions in Western Province (WPCG)			
			Central Govt. Allocation and institutions in Sabaragamuwa Province (SGCG)			
			Central Govt. Allocation and institutions in North Central Province (NCCG)			
			Central Govt. Allocation and institutions in Northern Province (NPCG)			
			Central Govt. Allocation and institutions in Southern Province (SPCG)			
			Central Govt. Allocation and institutions in Eastern Province (EPCG)			
			Central Govt. Allocation and institutions in North Western Province (NWCg)			
			Central Govt. Allocation and institutions in Uva Province (UPCG)			
			Special Investigation and Forensic Audits (SIF)			
			Secretary of the Auditor General & International Relations (AGS)			
			Training, Research and Development (TRD)			

The Auditor General is the Head of the National Audit Office and he functions as a Chief Accounting Officer as well in terms of the Financial Regulation 124(2) in respect of financial activities of the Department. The present organizational structure of the National Audit Office comprises five (5) levels in its hierarchy with specified numbers of officials in each level, in conformity with the cadre as approved by the Department of Management Services of the General Treasury.

The first level consists of three Senior Deputy Auditor Generals. The second level is made up of 15 Deputy Auditor Generals, who are responsible for overseeing the policy and overall management of public audit activities. Under the Deputy Auditor Generals, 72 divisions have been established, with each division supervised by Senior Assistant Auditor Generals representing the third level. The leadership of the “branches” in a division assigned to the divisional heads is held either by an Assistant Auditor General or a Superintendent of Audit as the “head of the branch”, with a specific number of auditing institutions assigned to him. They belong to the fourth level. Accordingly, the divisional heads bear full responsibility for managing and supervising how the audit branches under their oversight should operate. The implementation of audits for state institutions assigned to branch heads is conducted by the Assistant Superintendent of Audit and Audit Officers, who are engaged in their roles effectively and efficiently. Thus, these officials are classified at the fifth level.

Audit Officers assist their Branch Heads in carrying out audits of the State institutions assigned to them by carrying out inspections, observations and field duties in accordance with their approved programmes in accordance with Sri Lanka Auditing Standards, statutory and other legal requirements and practices. Out of the 72 Heads of Divisions belonging to the above-mentioned third level, 27 Heads of Divisions are in charge of regional audits at the district level and their supervision is exercised by three Deputy Auditors General.

The overall financial and administrative operations of the National Audit Office are conducted by the Director, Administration (Control) from the Establishments Division, and by the Chief Accountant from the Accounts Division under the supervision of a Senior Deputy Auditor General.

An internal audit unit consisting of development officers operates under the chief internal auditor to fulfill the objectives outlined in Financial Regulations 133, and it works directly under the direction and supervision of the Auditor General.

Table1 1.3 - Approved and Actual Cadre

Details regarding the approved and actual cadre of the National Audit Office as of 01 January 2024, and 31 December 2024.

	Post	Cadre as at 2024.01.01			Cadre as at 2024.12.31		
		Appr oved	Actu al	Vacanci es	Appro ved	Actu al	Vacanci es
1.	Auditor General	1	1	0	1	1	0
2.	Senior Deputy Auditor General	3	0	3	3	2	1
3.	Deputy Auditor General	15	12	3	15	13	2
4.	Director (Control)	1	1	0	1	1	0
5.	Chief Accountant	1	1	0	1	1	0
6.	Chief Internal Auditor	1	1	0	1	1	0
7.	Senior Assistant Auditor General	72	43	29	72	60	12
8.	Assistant Auditor General	455	15	215	455	89	60
9.	Superintendent of Audit		255			306	
10.	Assistant Director (Administration)	1	1	0	1	1	0
11.	Accountant	1	1	0	1	1	0
12.	Assistant Director (IT)	1	0	1	1	0	1
13.	Legal Officer	1	1	0	1	1	0
14.	Administrative Officer (M.S.O.S. - Supra)	3	2	1	3	2	1
15.	Technical Officer Special	1	0	1	1	0	1
16.	Assistant Superintendent of Audit	360	188	172	360	117	243
17.	Audit Officer	1090	752	338	1090	555	535
18.	Information and Communication Technology Officer	3	2	1	3	1	2
19.	Translator	10	8	2	10	7	3
20.	Development Officer	73	62	11	73	69	4
21.	Librarian	1	1	0	1	1	0
22.	Technical Officer - I	1	0	1	1	0	1
23.	Information and Communication Technology Asst	6	1	5	6	2	4
24.	Management Services Officer	121	119	2	121	109	12
25.	Report Processor *	41	38	*	41	36	*
26.	Offset litho press operator	1	0	1	1	0	1
27.	The driver	48	46	2	48	45	3
28.	Circuit bungalow caretaker	13	6	7	13	6	7

29.	Electrician	1	1	0	1	1	0
30.	Plumber	1	1	0	1	1	0
31.	K.K.S.	148	144	4	148	144	4
32.	Departmental Labor **	2	1	**	2	1	**
	Total	<u>2477</u>	<u>1674</u>	<u>799</u>	<u>2477</u>	<u>1574</u>	<u>897</u>

* This position will be subject to cancellation upon its continuation as personal to the officer currently holding it in the department

** This position will be subject to cancellation upon its continuation as personal to the officer currently holding it in the department.

Staff training

National Audit Office examines whether the Government institutions have correctly performed the responsibility of discharging financial and performance functions to make sure of providing a quality and reliable public service necessary contribution and the guidance to strengthen the utilization of state resources in an economic, efficient and effective manner and reported to parliament.

At present, the National Audit Office makes use of the contribution of the staff of 1143 audit officers and 431 offices in supporting services to fulfill this statutory role.

In fulfilling these statutory requirements in an efficient and effective manner, the following areas have been identified as required for the training perspectives of the staff of the National Audit Office.

- Development of knowledge and technical skills of the Officers.
- Enhancement of efficiency and the performance.
- Improvement of management skills of the Officers.
- Dissemination of knowledge, tools and technical knowledge required for the performance of duty.
- To impart knowledge on Service Rules and Finance
- Development of team spirit.
- Attitudinal improvements of the officers.

In order to achieve the above objectives, the National Audit Office had identified and emphasized the requirement of training officers at least cover 100 hours of Continuous Professional Development (CPD) in both theory and practical in relation to the Local and Foreign training programmes.

Training sessions are being arranged by the National Audit Office to cover the below mentioned fields in order to improve the professional development of the officers

• Financial Audit	• Taxation
• Investigation Audit	• Requirements of Sections 4 and 5 of the Audit Act
• Performance Audit	• Local Government Accounts and Audit
• Environmental Audit	• Surcharge Process
• Forensic Audit	• Audit Reporting
• Procurement and Construction Audit	• Computer Skills Development
• Project Audit	• Language Skills Development
• Sri Lanka Accounting Standards and Auditing Standards	• Data Analysis

Accordingly, the National Audit Office's Training Division organizes local and international training programmes to equip officers with the necessary skills required for their professional duties, providing them with the necessary support and motivation to participate.

Furthermore, from 2023 to 2026, under Component 2 of the Public Financial Management Strengthening Project (PFMSP) funded by the European Union (EU), domestic and international training programs will be organized to enhance the institutional capacity of the National Audit Office, and the necessary support for this will be provided.

The assistance of qualified and competent officers employed by the National Audit Office as resource persons, as well as the assistance of external lecturers as required, is sought, and the relevant training needs are met by using lectures, discussions, practical training and field trips for training programs.

Local Training Programs

In order to achieve the above objectives, in 2024, the Training Division of the National Audit Office conducted 22 training programs under 6 topics covering the above-mentioned fields for audit officers and training facilities were also provided for non-audit staff officers.

Overseas Training Programs

During the year under review, 13 officers participated in overseas training programs and various workshops.

Details of the local and overseas training programs and workshops held for officers of the National Audit Office covering the above mentioned fields during the year under review are given in the table below.

Table 1.4 - Local Training Programs

	Details of the Programme	No of Progra- mes	Number of officers involved	No. of Training Hours
Local training Programmes				
1	State Banks Financial Audit Training	4	99	826
2	Training on Sri Lanka Public Sector Auditing Standards	4	401	11,629
3	Training on Rules and Regulations	10	995	21,641
4	Induction Training Programme for Promoted Audit Superintendents	2	218	13,845
5	Training on Disciplinary Procedures	1	81	1,175
6	Environment Audit Trainin	1	48	1,044
7	Training for non audit Staff	2	85	1,370
Total		24	1927	51,530
Foreign Training Programmes				
1	(International Auditor Fellowship Programme – united State)		01	652
2	Seminar on government Effectiveness and Efficiency for Developing Countries - China		01	101
3	Government Audit on Public construction work – JICA - Japan		01	174
4	Induction to Environmental Auditing – India		04	377

5	Knowledge sharing workshop on Citizen Participatory Audit Practice- Nepal	05	181
6	Training programme for Island Service Officers of Sri Lanka – ITEC – India	02	174
Total		14	1,659

Providing Resource persons to External Entities

5 officers serving in the National Audit Office have contributed their expertise to enhance the knowledge and skills to develop the knowledge and capabilities of other officers serving in the public service on the National Audit Act and fields related to auditing during the year 2024.

Providing Professional Training Opportunities

Necessary arrangements have been made to offer the required professional training opportunities to registered trainee officers of the Institute of Chartered Accountants of Sri Lanka, with the purpose of developing the professional skills of officers working in the National Audit Office.

Deployment of Qualified Auditors

It was necessary to employ qualified auditors in order to fill the gap in resources arising from the vacancies in the audit staff and in cases where specialized services are required for the audit of State Banks and State Companies. For this purpose, the Auditor General has been empowered by Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In procuring the services of qualified auditors for the audit of state-owned banks, the Central Bank of Sri Lanka made the relevant selections based on the list of qualified auditors issued by it for the audit of licensed commercial banks and licensed specialized banks, and factors such as the quality of services previously provided by them, the number of partners in the firm, their educational, professional qualifications and experience, the number of audit trainees employed with them and the experience gained from previous relevant audits were considered. Accordingly, the selection of auditors has been made in accordance with the procurement procedures.

The audit of the Central Bank of Sri Lanka, Bank of Ceylon and People's Bank, which belong to the state-owned bank category, for the year 2024 was entrusted to a qualified private audit firm and a sum of Rs. 31.7 million has been paid for it.

Further, technical advisory support from a qualified audit firm was obtained for the direct audit of the National Savings Bank, Housing Development Finance Corporation Bank, Regional Development Bank and State Mortgage and Investment Bank in the year 2024, and an amount of Rs. 3.1075 million has been paid for it.

Out of the 125 companies with 50 percent or more state ownership that came within the scope of the Auditor General under the 19th Amendment to the Constitution, I was assisted by 2 qualified audit firms to conduct the audit of only 18 companies in the year 2024, for which an amount of Rs. 40.75 million had paid.

The audit of the Colombo Port City Economic Commission and the Colombo Port City Economic Commission Fund was assigned to me, for which an amount of Rs. 0.47 million had been paid for the year 2024.

Sri Lanka Public Financial Management Strengthening Project.

It is a great opportunity to the National Audit Office (NAO) of having a foreign funded project under a Grant from the World Bank with the collaboration of the European Union. According to the analysis done by the Supreme Audit Institution, few areas have been highlighted which are to be improved by the NAO. Simultaneously, the project will strengthen the NAO to deliver on its enhanced audit mandate under the Constitution and the National Audit Act of Sri Lanka. It will help the NAOSL in improving the quality of audits in the public sector and deliver the audit reports in a timely manner. It will enhance the skills and competences available at the NAOSL and ensure compliance with international standards and best practices. The development of the NAOSL into a gender-sensitive, competent, and professional Supreme Audit Organization following international best practices and delivering effectively on the enhanced mandate is the key overall outcome of the component. The ultimate expected outcome is enhanced audit oversight and improved transparency and accountability in the public sector.

According to the signed grant agreement, US\$ 3.5 million is to be received and the project activities are to be completed by 30 November 2026. According to the action plan prepared for the project, the estimated cost for the project period is Rs. 1,050 million.

The following sub-groups (Core-Groups) are operational from the year under review to develop the special audit areas of the National Audit Office.

- Risk Based Audit Methodology
- Procurement Audit
- Environment Audit
- Citizen Participatory Audit
- Performance Audit

The officers selected under the above sub-groups will be trained by consultants recruited under the project and new audit methodologies and checklists related to those areas are being prepared. Pilot audits will also be conducted under the sub-groups and the reports are planned to be tabled in Parliament and made public in the coming year.

Furthermore, it is planned to impart the subject knowledge acquired by the sub-groups to all audit officers of the National Audit Office through Training of Trainers (TOT).

In addition, the project has been successfully completed in the year under review and the subject knowledge acquired by the officers is being used in the audit, thereby improving the quality of the audit.

Table No. 1.5 - Details of the Training Programmes conducted to enhance officers' capacities

Training Sessions				No. Of Training sessions expected	Training sessions conducted as at 31.12.2024	No. Of Auditor Officers participated
i.	Auditing Standards			01	01	257
ii.	Rules and regulations			12	12	1073
iii.	Soft Skills			16	06	376
vi.	Sri Lanka Auditing Standards (SLAuS)			07	07	949
v.	Improving skills on Information Technology			16	07	266

The staff shortage of about 40 percent during the year under review, the long time taken to recruit individual consultants/consulting firms, and the lack of a separate Project Management Unit (PMU) remained a challenge to the smooth functioning of the project. It is expected that this situation will be overcome with the new recruitment in 2025.

Submission of Information under the Right to Information Act

In terms of the Right to Information Act, No. 12 of 2016, an Information Officer and a Designated Officer have been appointed for the National Audit Office. Requests for information are submitted to the Information Officer by post as well as by email. In the year 2024, 105 requests for information were received under the Right to Information Act, of which information was provided for 81 and 24 requests received were rejected under Section 5 of the Act. Most of the rejected requests for information were submitted for copies of audit inquiries, and since it is not possible to provide information and documents relevant to the audit in terms of Section 9 of the National Audit Act, No. 19 of 2018, copies of audit inquiries have been refused.

National Audit Office Financial Statements as at 31 December 2024

Statement of Financial Position
As at 31st December 2024

	Actual	
	2024	2023
	Rs	Rs
<u>Non Financial Assets</u>		
Property, Plant & Equipment	1,535,599,281	1,499,559,208
<u>Financial Assets</u>		
Advance Accounts	147,646,428	149,680,375
Cash & Cash Equivalents	4,055,490	-
Total Assets	1,687,301,199	1,649,239,583
<u>Net Assets / Equity</u>		
Net Worth to Treasury	146,903,251	148,755,223
Property, Plant & Equipment Reserve	1,535,599,281	1,499,559,208
Rent and Work Advance Reserve		
<u>Current Liabilities</u>		
Deposits Accounts	743,177	925,152
Unsettled Imprest Balance	4,055,490	-
Total Liabilities	1,687,301,199	1,649,239,583

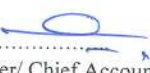
The Financial Statements have been prepared in accordance with the Government Financial Regulations 150 & 151 and State Accounts Guideline No. 06/2024, dated 16.12.2024 and hereby certify that figures in these Financial Statements, Notes to accounts and other relevant accounts were reconciled with the Treasury Books of Accounts and found in agreement.

We hereby certify that an effective internal control system for the financial control exists in the Reporting Entity and carried out periodic reviews to monitor the effectiveness of internal control system for the financial control and accordingly make alterations as required for such systems to be effectively carried out.


Chief Accounting Officer

Name :
Designation :
Date :

.....
Accounting Officer
Name :
Designation :
Date :


Chief Financial Officer/ Chief Accountant/
Director (Finance)/ Commissioner (Finance)
Name :
Date : 20 25/02/25

W.P.C. Wickramaratne
Auditor General
National Audit Office
306/72, Polduwa Road,
Battaramulla.

K. Nilanthi Fernando
Chief Accountant
National Audit Office
306/72, Polduwa Road,
Battaramulla.

Basis of Reporting

Basis of Preparation of Financial Statements

The Financial Statements have been prepared in accordance with the Government Financial Regulations 150 & 151 and State Accounts Guideline No. 06/2024, dated 16.12.2024.

Reporting Period

The reporting period for these Financial Statements is from 01st January to 31st December 2024.

Basis of Measurement

The Financial Statements have been prepared on historical cost modified by the revaluation of certain assets and accounted on a modified cash basis, unless otherwise specified.

The figures of the Financial Statements are presented in Sri Lankan rupees rounded to the nearest rupee.

Recognition of Revenue

Exchange and non exchange revenues are recognised on the cash receipts during the accounting period irrespective of relevant revenue period.

Recognition and Measurement of Property, Plant and Equipment (PP&E)

An item of Property, Plant and Equipment is recognized when it is probable that future economic benefit associated with the assets will flow to the entity and the cost of the assets can be reliably measured.

PP&E are measured at a cost and revaluation model is applied when cost model is not applicable.

Property, Plant and Equipment Reserve

This reserve account is the corresponding account of Property Plant and Equipment.

Cash and Cash Equivalents

Cash & cash equivalents include local currency notes and coins in hand as at 31st December 2024.

In cases where there are transactions which are specific to a particular reporting entity, relevant information can be entered in and revisions can be made as needed in the formats and the disclosure required for those specific transactions may be included under “Reporting Basis”

Only the accounting policies relevant to the reporting entity should be disclosed under the reporting basis.

Statement of Financial Performance
for the period ended 31st December 2024

Revised Budget Allocations 2024		Actual	
Rs.		2024 Rs.	2023 Rs.
300,000,000	Revenue Receipts	413,597,899	415,611,400
-	Income Tax	-	-
-	Taxes on Domestic Goods & Services	-	-
-	Taxes on International Trade	-	-
-	Non Tax Revenue & Others	-	-
300,000,000	Total Revenue Receipts (A)	413,597,899	415,611,400
-	Non Revenue Receipts	-	-
-	Treasury Imprests	2,034,823,000	1,769,796,000
-	Deposits	167,008,259	172,584,544
-	Advance Accounts	75,944,829	83,389,954
-	Other Main Ledger Receipts	81,269,037	53,828,162
-	Total Non Revenue Receipts (B)	2,359,045,125	2,079,598,660
	Total Revenue Receipts & Non Revenue Receipts C = (A)+(B)	2,772,643,024	2,495,210,060
	Remittance to the Treasury (D)	31,876,504	50,251,023
	Net Revenue Receipts & Non Revenue Receipts E = (C)-(D)	2,740,766,520	2,444,959,037
	Less: Expenditure		
-	Recurrent Expenditure		
2,163,700,000	Wages, Salaries & Other Employment Benefits	2,011,825,901	1,795,785,797
614,300,000	Other Goods & Services	413,905,603	414,843,197
21,500,000	Subsidies, Grants and Transfers	12,948,384	14,186,831
-	Interest Payments	-	-
-	Other Recurrent Expenditure	-	-
2,799,500,000	Total Recurrent Expenditure (F)	2,438,679,888	2,224,815,825
	Capital Expenditure		
	Rehabilitation & Improvement of Capital		
32,600,000	Assets	19,533,411	10,418,737
48,500,000	Acquisition of Capital Assets	45,551,121	20,669,581
-	Capital Transfers	-	-
-	Acquisition of Financial Assets	-	-
5,400,000	Capacity Building	2,886,148	2,900,130
368,000,000	Other Capital Expenditure	28,404,146	1,087,688
454,500,000	Total Capital Expenditure (G)	96,374,826	35,076,136
	Deposit Payments	167,190,234	432,815,339
	Advance Payments	73,910,882	38,961,782
	Other Main Ledger Payments	81,269,037	53,828,162
	Total Main Ledger Expenditure (H)	322,370,153	525,605,283
3,254,000,000	Total Expenditure I = (F+G+H)	2,857,424,867	2,785,497,243
	Balance as at 31st December J = (E-I)	(116,658,347)	(340,538,207)
	Balance as per the Imprest Adjustment Statement	(120,713,837)	(340,538,207)
	Imprest Balance as at 31st December	4,055,490	-
		(116,658,347)	-

**Statement of Cash Flows
for the Period ended 31st December 2024**

	Actual	
	2024 Rs.	2023 Rs.
<u>Cash Flows from Operating Activities</u>		
Total Tax Receipts	-	-
Fees, Fines, Penalties and Licenses	413,597,899	415,611,400
Profit	-	-
Non Revenue Receipts	-	-
Revenue Collected on behalf of Other Revenue Heads	81,090,867	331,911,553
Imprest Received	2,034,823,000	1,769,796,000
Recoveries from Advance	76,644,843	83,799,160
Deposit Received	167,008,259	172,584,544
Other Main Ledger Receipts	81,269,037	53,828,162
Total Cash generated from Operations (A)	2,854,433,905	2,827,530,819
<u>Less - Cash disbursed for:</u>		
Personal Emoluments & Operating Payments	2,417,371,598	2,202,032,094
Subsidies & Transfer Payments	12,948,384	14,186,831
Expenditure incurred on behalf of Other Heads	9,800,671	5,645,156
Imprest Settlement to Treasury	31,876,504	50,251,023
Advance Payments	71,060,288	35,950,225
Deposit Payments	167,190,234	432,815,339
Other Main Ledger Payments	81,269,037	53,828,162
Total Cash disbursed for Operations (B)	2,791,516,716	2,794,708,830
NET CASH FLOW FROM OPERATING ACTIVITIES(C)=(A)-(B)	62,917,189	32,821,989
<u>Cash Flows from Investing Activities</u>		
Interest	-	-
Dividends	-	-
Divestiture Proceeds & Sale of Physical Assets	-	-
Recoveries from On Lending	-	-
Total Cash generated from Investing Activities (D)	-	-
<u>Less - Cash disbursed for:</u>		
Capital Expenditure	58,861,699	32,821,989
Total Cash disbursed for Investing Activities (E)	58,861,699	32,821,989
NET CASH FLOW FROM INVESTING ACTIVITIES(F)=(D)-(E)	(58,861,699)	(32,821,989)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (G)=(C) + (F)	4,055,490	-
<u>Cash Flows from Fianacing Activities</u>		
Local Borrowings	-	-
Foreign Borrowings	-	-
Grants Received	-	-
Total Cash generated from Financing Activities (H)	-	-
<u>Less - Cash disbursed for:</u>		
Repayment of Local Borrowings	-	-
Repayment of Foreign Borrowings	-	-
Total Cash disbursed for Financing Activities (I)	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES (J)=(H)-(I)	-	-
Net Movement in Cash (K) = (G) + (J)	4,055,490	-
Opening Cash Balance as at 01st January	-	-
Closing Cash Balance as at 31st December	-	-



Part-II

Audit Observations

Presidential Secretariat and Presidential Fund

Implementation of Development initiative Projects

11,234 projects had been approved under development initiative co-ordination and monitoring and 3,544 projects out of that or 32 percent from the approved projects had been cancelled as at 31 December 2024. More than 50 percents from the approved projects had been cancelled in 07 districts. Furthermore, 04 projects with approved provision of Rs.24.57 million had been commenced the work and halted in Mulativu district for development initiative co-ordination and monitoring as per the progress reports as at 31 December 2024. Similarly, the work progress of 748 projects was between 61 percent 86 percent for granting land ownership to the people of estate sector in 06 districts as per the progress reports as at 31 December 2024.

Youth Enhancement Program

The projects on which the provision of Rs.25.4 million and Rs.2.45 million had been approved for Anuradhapura and Rathnapura districts respectively Under Youth Enhancement Program had not been completed even by the end of year 2024. 156 or 63 percent from the approved projects out of 248 in Ampara district had not been completed. Even though there are no approved projects for Nuwaraeliya district for Youth Enhancement Program, a provision of Rs.29 million had been granted for such district and Rs.0.335 million had been incurred for the paper advertisements for purchase of sport equipment, sport goods for the sports clubs in Nuwaraeliya district. Moreover, totaling to Rs.58.35 million Provision granted to 04 District Secretariats had not been utilized for any youth enhancement program and the total provision had remained.

Incurring for President's Fund

Even though there is no object for the activities of President's Fund within the expenditure estimates of the President's Fund, totalling Rs.51.13 million had been paid by the Secretariat as Rs.47.37 million for the salaries and the allowances for the

permanent and temporary staff of the Fund, Rs.0.97 million as maintenance expenses and Rs.2.79 million as other expenses in the year under review.

Providing assigned Vehicles

In accordance with the section 3(2) of Presidents Entitlements Act No.04 of 1986, it was observed that totaling 38 vehicles by 03 to 14 vehicles for each person had been provided in excess exceeding the maximum official transport entitled for former 04 Presidents up to January 2025.

Vehicles not Existed physically

As per the information of Department of Motor Traffic, it was revealed that there were 29 vehicles registered in the name of the Presidential Secretariat by 09 June 2025 but in the physical verification they couldn't be verified. No any written evidence had been submitted to audit that these vehicles had been handed over to an institute /person or missing. Moreover, 27 vehicles transferred to Ministry of Buddhasasana, Religious and Cultural Affairs had been further mentioned as the vehicles belonging to Presidential Secretariat.

Vehicle Repairs

The overall expense of Rs.645.34 million had been incurred for the vehicle repairs of the Presidential Secretariat within the year 2024 and it was observed 53 incidents of repairs in the range of 10 – 17 times of repair of same vehicle within the year. Furthermore, the range of Rs.01 million 28 million had been incurred for repairs per one vehicle within 2024 for 189 vehicles with the assessment value from Rs.01 million to Rs.40 million as per the information received to the audit.

Providing fuel to The vehicles

A Benz vehicle had been provided by the Secretariat for the duties of Special Project Unit and this vehicle can be run 6 km from a fuel liter in accordance with the report of Transport Division. This vehicle had been run 30,689 km from November 2022 to September 2024 and accordingly, though

approximately 5,150 fuel liters is required for that, 7,425 fuel liters otherwise 2,300 liters more than the general requirement had been obtained for this vehicle by using fuel coupons of Secretariat.

Import of official Vehicles

In 2013, a vehicle in model of Mercedes Benz G63 AMG had been purchased from a foreign supplier for the usage of former President by the Secretariat and it had not been verified that the Procurement Guidelines had been followed for this purchase and Rs.16.49 million had been remitted to British supplier by Secretariat for this on 14 November 2013 through the letter of credit. In addition, Rs.16.25 million had been paid to the private party on 07 March 2014 and 09 May 2014 again and it had been informed that such amount had been paid to the foreign supplier by the private party as fees. However, it had not been verified the payment in that manner and it had not been disclosed in the audit the basis for payment of government money to a third party while the letter of credit had been opened by Secretariat.

It had not been verified that such motor vehicle had been imported by that private party and provided to the Secretariat and the vehicle received to Sri Lanka on 21 November 2013 as per the cus-dec had been registered in Department of Motor Traffic on 10 December 2019 after six years. As per the cus-dec, the approval of the relevant authorized officers for release of this vehicle without payment of Rs.45.98 million payable as import duty as per the cus-dec had not been verified in the audit and the payment vouchers and other documents related to the payments had not been submitted to the audit.

This vehicle had been only run about 49,950 km for a period of 10 years from 24.07.2015 to 17.03.2025 and a sum of Rs.14.51 million had been incurred as repair, maintenance and periodic service expenses as per the information received to the audit.

President's Fund

Granting of medical aids Without considering the criteria

A sum of Rs.131.37 million had been granted to 56 parliamentarians and council members without consideration the criteria such as formal application, monthly income limit received, report of Divisional Secretary, their financial assets, maximum medical aids restrictions considered in granting medical aids by President's Fund during 2005-2024 as per audit sample test.

Not payment back of Medical loan amounts

The provisions had not been made to grant money as loans in terms of the President's Fund Act, a sum of Rs.29.81 million had been provided by Fund in 2012 and 2014 for obtaining the medical facilities to former Prime Minister and Rs.13.75 million out of that had been provided on payment back basis as per the information received to the audit. However the relevant money had not been recovered up to June 2025. Apart from that, even though a medical expenses of Rs.10.91 million had been granted by President's Fund to a parliamentarian on payment back method as per the letter No. PF/M/78/06 dated 02 February 2015, such money had not been recovered even up to June 2025.

Providing monthly

Allowances to the Patients The fund had invested Rs.3.45 million in 03 state banks during 1988-2019 for 11 persons who had been identified as diseased for the whole life and opportunity had been provided to monthly gain its benefits to such patients. No step had been taken by Fund to evaluate whether the benefits received to the relevant patients by investment are adequate to their illnesses and to make required amendments in compliance with that by the end of year 2024.

Independent Commissions

Public Service Commission

Resolution of Appeals. During the year 2024, 1453 appeals had been resolved. Considering the time taken for resolution of appeals, 393 appeals had been resolved within one year, 502 appeals had been resolved within 02 years, 199 appeals had been resolved within 03 years, 102 appeals had been resolved within 04 years, and resolution of 257 appeals had taken more than 05 years. Accordingly, resolution, observation and recommendations or reports had been completed within one year only with respect to 27 per cent of the appeals received.

Administrative Appeals Tribunal

Resolution of Complaints. The Administrative Appeals Tribunal had 1007 complaints waiting to be resolved at the beginning of the year 2024 and 522 more complaints had been received during the year, thus a total of 1529 complaints were waiting for resolution. Of them, 455 complaints had been concluded within the year in a manner that 141 complaints had been set aside, 216 complaints had been dismissed, 67 complaints had been withdrawn, 36 complaints had been resolved.

Delimitation Commission – Sri Lanka

Discharge of Functions. The Delimitation Commission had been constituted by the President on 13 November 2015 for delimiting the electoral boundaries in Sri Lanka. As a period of 10 years had elapsed since the Commission's inception, it was observed in audit that attention should have been brought on identifying the functions of the Commission specifically and discharging them within a stipulate timeframe.

Human Rights Commission

Resolution of Complaints. There existed 8,778 complaints to be resolved as at 01 January 2024 with 9,844 complaints received during the year 2024. As such, a total number of 18,622 complaints were waiting to be resolved during the year, 8,135 complaints therefrom, equivalent to 44 per cent had been concluded.

Considering the time taken to resolve those complaints based on the years of receipt, 11 complaints had been resolved within one year, 22 complaints had been resolved within 02-04 years, 09 complaints had been resolved within 06-08 years, 03 complaints had been resolved within 08 years, with one complaint resolved within a period of over 10 years.

Implementation of the Recommendations.

According to the follow up actions taken by the Commission on 68 recommendations given after examining the complaints received during 2001-2024, only 12 recommendations had either been implemented or consent had been obtained thereon within a period of 20 years since the recommendations had been given.

Audit Service Commission

Preparation and Implementation of Rules.

Subject to the policies formulated by the Cabinet, Rules on appointments, promotions, transfers, disciplinary control and dismissal of the members belonging to the Sri Lanka State Audit service should be made by the Commission under the Article 153 (c) of the Constitution, and the relevant approvals should be obtained in accordance with Paragraph 48 of the National Audit Act, No. 19 of 2018. Nevertheless, such Rules had not been prepared and made effective even by 31 December 2024.

Finance Commission of Sri Lanka

Lack of a Follow-up Methodology on Investments.

Having approved the proposed development plans under the capital grants, funds had been given to the Provincial Councils for implementing such plans. However, a methodology to evaluate the results and output mentioned in the plan through

supervision, review and follow-up on the investment of those funds, has not been vested in any independent institution or party at present; and, the recommendations in that connection, had not been included in the report of recommendations presented to the President with respect to the year under review.

Non-receipt of Provision for Provincial Development Programs.

Following recommendations of the Finance Commission for the implementation of provincial development programs under province-specific development grants, sums of Rs.10,111 million, Rs.16,900 million and Rs.25,500 million had been allocated through the budget for the years 2022, 2023 and 2024 respectively. However, the release of imprests in that connection amounted to Rs.5,055 million, Rs.8,600 million and Rs.17,889 million, equivalent to 50 percent, 51 percent and 70 percent of the budgetary provision respectively. Accordingly, budgetary provision had been granted for provincial development programs under approval of the Finance Commission though, it is observed that provincial development programs could not be implemented as planned as well as the objective of bringing balanced development to the region could not be achieved as the Treasury has not released imprests adequately.

Commission to Investigate Allegations of Bribery or Corruption

Resolution of Complaints. There existed 2,353 files waiting for investigation at the beginning of the year 2024. With the 2,941 files received for investigation during the year 2024, a total of 5,294 files remained in the Investigation Division during the year 2024 and 2,933 of those files had been investigated in the year 2024. A number of 2,361 files remained active at the Investigation Division as at 31 December 2024. Based on the year in which

the complaint had been submitted, there existed 715 files relating to a period of less than one year, 1,283 files belonging to 01-05 years, 347 files belonging to 05-10 years, and 16 files older than 10 years.

Right to Information Commission of Sri Lanka

Presentation of Annual Reports.

By the year 2024, a period of 08 years had elapsed since the inception of the Commission. However, the Commission did not possess a list of general authorities specifically identified in accordance with Section 43 of the Right to Information Act No. 12 of 2016. As such, an annual report should have been prepared by including their duties and information in terms of Section 05, 10 and 08 of the said Act, and the report, so prepared, should have been presented by 31 December of the year immediately following the year to which the report related. However, the general authorities that had not been so presented, could not be specifically identified.

Buddhasasana, Religious and Cultural Affairs

At the beginning of 2024, the Ministry of Buddhasasana, Religious and Cultural Affairs and 09 Departments and 10 Statutory Boards/Institutions under its purview had been functioned under of Ministry of Buddhasasana, Religious and Cultural Affairs.

Audit Observations

Department of Muslim Religious and Cultural Affairs

Management of

Non-statutory funds

Non-statutory funds should be abolished with immediate effect and the funds therein should be credited to the Consolidated Fund and if there are reasonable grounds to maintain such a fund, steps should be taken to legalize it through an Act of Parliament. However, the Hajj Fund maintained by the Department of Muslim Religious and Cultural Affairs had not been legally established through an Act of Parliament and the fund had not been abolished and its funds had not been credited to the Consolidated Fund in accordance with the Financial Regulations.

Department of Buddhist Affairs

Recognition of places

of worship as per the Act

As per Section 3 of the Buddhist Temporalities Ordinance No. 19 of 1931, the Department of Buddhist Affairs had not identified the number of all the shrines in the island and the number of shrines exempted from the provisions of the Act, actions had not been taken to introduce criteria to identify the shrines that fall under the Ordinance and those that are exempted.

Obtaining Half Yearly

Accounts Reports

Although, as per Section 36(1) of the Act, the accounts prepared by the temples and shrines for the six months ended on 30 June and 31 December of each year are to be examined by the Commissioner General of Buddhist Affairs, 51 first half-

Audit of Shrines

yearly accounts and 59 second half-yearly accounts of the 216 temples that were to be obtained in the year 2024 had not been obtained and 01 second half-yearly account out of the 38 shrines that were to be obtained had not been obtained.

The Commissioner General of Buddhist Affairs had confirmed that the number of shrines under his control was 254 and it was reported to the audit that only 16 and 06 shrines out of those 254 shrines had been audited in the years 2023 and 2024 respectively. Due to the fact that the said number was only 6 percent and 2 percent of the number of shrines mentioned, it was not observed that the function under Section 38(1) of the Act had been fulfilled.

Further, although the officer conducting the investigation is required to submit a report to the Commissioner of Buddhist Affairs at the end of such investigation in accordance with Section 38(2) of the Act, the audited reports relevant to verifying whether that condition of the Act has been fulfilled and the details of the action taken on the matters contained in those reports were not submitted to the audit. Further, a formal procedure had not been introduced to verify all the accounts of the trustees of shrines in accordance with Sections 38(1) and 38(2) of the Act.

Samastha Lanka Sasanarakshaka Mandalaya

Fulfilling duties

Although 05 tasks have been identified and included in the annual action plan as the main tasks of the Samastha Lanka Shasanarakshaka Mandalaya, namely, providing assistance for surgeries of Dhamma school teachers, providing dry ration assistance to temples, providing assistance for houses under the programme of the Buduputh Mapiya Upahara, providing building assistance to temples and providing Sisu Saviya scholarship assistance to Dhamma school students, the

provision of Sisu Saviya scholarship assistance to Dhamma school students and building assistance to temples had not been carried out after the year 2020. Further, the provision of building assistance to temples had been only carried out during the period 2019-2021, when the Covid-19 pandemic was in force. It was also not observed that a formal program had been prepared to carry out the relevant tasks.

Hindu Cultural Fund

Criteria for Selecting Beneficiaries

Although aid payments of Rs. 12.80 million had been made to Hindu Kovils, Dhamma schools and various institutions in the year 2024, the audit could not ascertain the basis on which the beneficiaries were selected and the accuracy of the expenditure, as any criteria for selecting the beneficiaries were not submitted to the audit.

Department of Cultural Affairs

The John De Silva Memorial Theatre

The John De Silva Memorial Theatre had been planned to be renovated in two phases and work had commenced since 2013 and the relevant contractor had handed over the constructed building under Phase I on 24 November 2018, that is, with a delay of 03 years. Further, the amount of Rs. 38.66 million charged by the contractor as late fees had been paid back to the contractor without proper approval and verification of reasonable facts and although the contractor had been notified on 10 May 2021 to pay that amount back, that amount had not been recovered even by 31 December 2024.

Art conservation and holding workshops

Although a provision of one million Rupees had been allocated in 2024 for the conservation of paintings and conducting workshops under the project to promote and edit priceless heritage, any program had not been conducted during the year.

Compilation of
Encyclopedia

The target number of encyclopedia volumes to be compiled to meet the need to provide universal knowledge in Sinhala Language was 20 and only 14 volumes had been released even by 2014 and although 9 years had passed since the last volume was released, the next 6 volumes had not been released to date.

Arts Council of Sri Lanka

Preparation of
Video programs

Although video clips had been produced in 2024 at a total cost of Rs. 1.44 million for the program on the heritage of Raigam Korala, the program on “Hela Vedakama Kurunegala District” and the Kithula documentary programs with the aim of educating the necessary parties, they had not been broadcasted until the audited date of 28 March 2025.

Department of Archaeology

Failure to protect
and document
archaeological heritage

Although the objectives of establishing the Department of Archaeology include the protection of the entire archaeological heritage and the documentation of the archaeological heritage, 110 out of the 275 inscriptions scattered throughout the island had not been transcribed and published from 1 January 2019 to 30 September 2024 .

Department Of National Museums

Failure to publish antiques
Collection management
Policy

The National Museums Department had not published an Antiques Collection Management Policy until December 2024.

Theft of antiques

Although the theft of 221 antiques worth an estimated Value of Rs. 4.44 million from the Colombo National Museum on 16 March 2012 has been ongoing for 12 years as of 31 December 2024, the case has not been concluded as the Attorney General's Department has not filed charges against the accused.

Sri Lanka National Archives

Establishment of a Digital Repository

The Cabinet of Ministers had approved the establishment of a reliable digital repository on 20 April 2021 and a provision of Rs. 120 million had been allocated for this purpose in the year 2024. Although the Departmental Procurement Committees had decided on 28 August 2024 to select a foreign professional company for the installation and maintenance of Atom and Archivematica software to acquire server computers and capacity and to submit a Cabinet paper to the Cabinet of Ministers, actions had not been taken until 31 December 2024.

Tower Hall Theatre Foundation

Making the foundation a self-financing institution

In accordance with the Cabinet decision given in relation to the joint memorandum dated 16 July 2024, decisions had been taken to vacate the building premises immediately, pay the outstanding rent of Rs. 145 million promptly and to make the Tower Hall Theatre Foundation a self-financing institution from the year 2027. However, the Construction Industry Development Authority Office had not vacated the Savsiripaya Building premises even by 31 December 2024. Further, only Rs. 25 million out of the Rs. 145 million in arrears of rent to be recovered as per the said Cabinet decision, had been recovered during the year under review.

J.R.Jayawardene Centre

Lack of Recruitment procedure

Even though 36 years have passed since the J. R. Jayewardene Center was established as at 31 December 2024 , actions had not been taken to prepare and approve a recruitment procedure for the staff of the Centre.

Establishment of a company called J. R. Jayewardene Information Centre

The Board of Governors had approved the establishment of a company called the J.R.Jayewardene Information Centre under Order No.02 of Board meeting No 07 of Governors, dated 19 January 1996 and accordingly a private limited company had been registered. The said company had been given an initial capital of Rs.5 million by the Jayewardene Centre and in return, the company had issued 0.5 million shares of Rs. 10 each. However, the approval of the Board of Governors had been received for this purpose. The Private Commercial Bank account opened with that money was closed in 2008 and although transactions of Rs.7.50 million had been made including the money remitted on various occasions up to the date of closure, there was no information as to what they were used for. only Rs. 0.70 million out of the Rs. 5.00 million due to the institution, had been repaid due to the closure of that company and the remaining amount had not been recovered even by 31 December 2024.

Non-transfer of Ownership of land

Although the land, which was 3 roods and 4.47 perches in extent in which the Center is located, had been used since its inception in 1988, actions had not been taken to transfer ownership of the land to the Center.

National Film Development Fund

Income Receivable

Although a sum of Rs. 23.29 million out of the total balance amount of Rs. 30.15 million, including the rental contribution receivable from the Sri Lanka National Film Corporation to the Fund of Rs. 26.62 million and the income receivable from film screenings of Rs. 3.53 million, had exceeded 05 years as at 31 December 2024, the management had not taken the necessary steps to recover this money expeditiously. Further, although it had been stated in response that efforts would be made to generate income by screening films through television media in the future, this had not been done in the year 2024.

National Film Corporation

Contributions of E.P.F. and E.T.F. Non-payment of dues

A surcharge of Rs.12.21 million had been paid due to non-payment of the Corporation's Employees' contribution to the Provident Fund and Employees' Trust Fund.

Receivables

The Corporation was due a total of Rs.88.38 million from loans granted to film production and cinemas over a period of more than 25 years, and a total of Rs.476.80 million, including arrears due to the Corporation from cinemas as at 31 December 2024. A amount of Rs.360.97 million out of that total receivable, had not been changed as that amount, had been adjusted as surcharges and impairments.

Construction of a museum within the corporation premises

The State Engineering Corporation had been awarded the construction and consultancy services for the construction of a museum and library in the corporation premises in the name of “Dr. Mr.Lester James Peiris” at an estimated total cost of Rs.

**Delay in installing
a computer system**

99.96 million and its construction had commenced on 05 April 2019. Although a total of Rs. 3.13 million had been paid for this construction, which was commenced without the approval of the Urban Development Authority and the Cabinet as at 31 December 2024 the construction had been stopped its way.

Even though the work to establish the computer system related to the regularization of film import, distribution and registration had been planned to commence in March 2021 and be completed by October under a provision of Rs. 15 million, the computer system had not been established even by 30 May 2025 and a sum of Rs.7.32 million had been paid.

Central Cultural Fund

Although the administration, management and control of the Fund had been vested in the Board of Governors in terms of Section 3(1) of the Fund Act, the meetings held by the Board of Governors in the last 3 years was 6 in number. Accordingly, it had become an obstacle to the effective and efficient achievement of the objectives of the Fund.

Department of Public Trustee

The maintenance and repairing of the Richmond Castle building, which is of historical value and is under the Department of Public Trust and situated at in Kalutara Palathota, had not been carried out in a timely manner. As a result, although a condition report had been obtained from the National Building Research Organization in August 2023 to carry out repairs due to water leaking from the roof and damage to the walls, the repairs had not been carried out even by 31 December 2024.

Ambuluwawa Disanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund

Staff

The Fund had not taken steps to establish a formal organizational structure and recruit a staff in a formal manner, in accordance with Section 6(2)(1)(e) of the Ambuluwawa Biodiversity Complex Trust Fund Act No. 44 of 2009, by approving the rules relating to staff and their recruitment even after 15 years of its inception.

Activities contrary to objectives

Although the objectives of the Act establishing the Fund had been identified as protecting religious centers and promoting religious development, it was observed that the Trust had acted contrary to its objectives by incurring expenses for starting a beer counter in the complex during the year 2024.

Projects that have been halted in halfway

Although a total of Rs. 10.31 million had been spent on carving a stone Buddha statue in the complex, constructing 02 parking lots and initiating the Tree Top project without preparing feasibility study reports, plans and estimates, their construction was stopped on its way by the year 2022 and construction work had not been resumed by the end of the year 2024.

Irregular procurement activities

After calling the procurement on 16 January 2023, 7 months later, that is, on 16 August 2023, a company registered under the Companies Register was entrusted with the management of the computer system and Rs. 20.01 million had been paid during the year 2024.

Cable Car Project

It had been decided at the Board of Trustees meeting held on 10 June 2023 to lease a separate company to construct and operate a cable car project at an estimated cost of Rs. 1.2 billion and bear 16 percent of the estimated cost by the Trust and a contract had been entered into with a company registered on 16 June 2023, that is, 6 days after the Board of Trustees meeting

without calling for tenders. A total of Rs. 93.15 million had been paid for the project in 2024 through 19 vouchers and the schedule along with the payment voucher was not submitted for audit to confirm the purpose for which it was used. It was observed that an estimate of Rs. 250.36 million had been prepared for the development of the infrastructure of the cable car project, of which 37 percent had been spent by the Trust so far.

Kandy Esala Perahera Trust

Annual budget

Although the annual budget prepared in accordance with the objectives of the Fund in accordance with paragraph 4.1 (a) of Public Finance Circular No. PF/423 dated 22 December 2006 and the letter dated 16 July 2020 of the Director General of Public Finance, should have been submitted to the Director General of National Budget and the Director General of Public Finance before 30 September by its Board of Governors and the Secretary to the Ministry after receiving the approval of relevant minister before 15 September of the proceeding year a sum of Rs. 15.99 million had been spent in the year 2024 without taking action accordingly.

Management Inefficiencies

Although the Trust was required to implement a program regarding the production of goods required for use in the Esala Perahera in accordance with Section 06 (d) of the Kandy Esala Perahera Trust Act No. 34 of 1980, actions had not been taken to act accordingly.

Financial Activities

Government Revenue

According to the annual budget estimate approved by Parliament, government revenue of Rs. 4,127 billion has been expected for the year 2024. Compared to the government revenue estimate of Rs. 3,408 billion for the year 2023, the government revenue for the year 2024 had been estimated with an increase of 21.1 percent or Rs. 719 billion.

Gross Domestic Product

The Gross Domestic Product for the year 2024 was Rs. 29,899 billion, and in comparison with the Gross Domestic Product amounting to Rs. 27,586 billion in the year 2023, this had been increased by 8.38 percent or Rs. 2,313 billion.

Revenue Estimation

According to the initial revenue estimates for the year 2024 approved by the Parliament, revenue of Rs. 4,127 billion had been expected. According to the records of the Central Bank of Sri Lanka and the data of the Ministry of Finance, the total revenue collected was Rs. 4,091 billion. Consequently, it had been able to reach towards the revenue estimate by a value of more than 99 percent of the revenue.

Interest Payments

As per the statement of budget performance and deficit financing, out of the government revenue of Rs. 4,091 billion collected in the year 2024, an amount of Rs. 2,690 billion or 65.7 percent had to be used for the payment of interest on state debts. This has been calculated relative to the total government revenue (Rs. 4,091 billion). However, this higher percentage shows the depth of the debt crisis in Sri Lanka and the challenges to financial performance of the government.

Arrears of Revenue Balance

Among the major revenue collecting institutions, the Department of Inland Revenue, Sri Lanka Customs, Excise Department and the Department of Motor Traffics had a revenue deficit of Rs. 1,216,591 million as at 31 December 2024.

Government Investments

Although a sufficient revenue could not be collected to cover even the recurrent expenditure over the past two decades, the investments amounting to Rs. 10,936 billion had been made through state debt during the period 2006-2024, and the state investments of Rs. 791 billion had been made only in the year 2024.

Revenue Estimation

The revised estimated revenue and the actual revenue collected by the Department of Inland Revenue, Sri Lanka Customs, Department of Motor Traffics and Excise Department for a period of 5 years including 2024 are as follows.

Table No.2.1 - The revised estimated revenue and the actual revenue collected by the Department of Inland Revenue, Sri Lanka Customs, Department of Motor Traffics and Excise Department for a period of 5 years including 2024 (in Rs. Million)

Year	2020		2021		2022		2023		2024	
Institution	Estimated Revenue	Collected Actual Revenue	Estimated Revenue	Collected Actual Revenue	Estimated Revenue	Collected Actual Revenue	Estimated Revenue	Collected Actual Revenue	Estimated Revenue	Collected Actual Revenue
Department of Inland Revenue	575,403	511,190	612,615	619,715	1,131,012	1,045,189	1,761,984	1,832,274	2,740,443	2,605,027
Sri Lanka Customs	634,560	566,463	553,053	522,419	513,341	523,346	628,054	694,082	819,822	869,846
Department of Motor Traffics	8,445	9,027	7,002	7,709	6,130	7,928	13,150	15,262	15,530	17,532
Excise Department	130,035	121,028	140,035	138,674	185,036	165,227	182,000	171,273	232,000	214,584
Total	1,348,443	1,207,708	1,312,705	1,288,517	1,835,519	1,741,690	2,585,188	2,712,891	3,807,795	3,706,989

Source: Revenue estimates and annual financial statements of the Department of Inland Revenue, Sri Lanka Customs, Department of Motor Traffics and Excise Department

Observations

Inland Revenue Department

Requirement of achieving the appropriate mix of direct and indirect taxes

In the policy formulation of Sri Lanka, 60:40 is targeted as the appropriate mixture of direct and indirect taxes that influences on the total government revenue, and the revenue estimate conducted for the year 2024 included direct tax revenue as 40 percent and indirect tax revenue as 60 percent approximately. Accordingly, the Department of Inland Revenue which is the main tax collection department of the government was at a

challenging status to achieve this appropriate tax mixture, and it is observed that the Department should proceed further to give the attention of the policymakers on achieving this appropriate mixture.

Arrears of income

As per the Section 128 (2)(c) of the Government Finance Regulations, the half-yearly default tax reports should be submitted by the Commissioner General of Inland Revenue to the Auditor General by 31 July and 31 January of the following financial year respectively. Accordingly, the details of the report submitted to the Auditor General and the arrears of income for the last 5 years including the year 2024 are as follows.

Table No 2.2 Details of Legacy and RAMIS systems about the default tax and collected revenue of past 5 years including the 2024

Year -----	Revenue Collected Rs. Million -----	Accumulated Arrears of Revenue as at 31 December Rs. Million -----
2020	511,190	56,722
2021	619,715	619,726
2022	1,045,189	904,342
2023	1,832,274	1,066,789
2024	2,605,027	1,150,004

Suspended Tax, Fines and Interests

A 84.72 percent of the total outstanding taxes, fines and interest revenue to be collected by the Department; that is Rs. 974,307 million had been identified as temporarily suspended taxes, fines and interest. A quantity of 85.74 percent from the value of the taxes, fines and interest revenue amounting to Rs. 961,921 million outstanding as at 31 December 2024, i.e. Rs. 824,835 million had been identified as taxes, fines and interest of which the recovery has been temporarily suspended, and Rs. 137,086

million, i.e. 14.26 percent, had been identified as recoverable arrears of taxes and fines related to the RAMIS computer system. Those figures as per the Legacy computer system, Rs. 149,471 million out of the total outstanding tax and fines value amounting to Rs. 188,082 million as at 31 December 2024, that is 79.47 percent, was the tax and fines and interest of which the recovery has been temporarily suspended.

Since a considerable amount of the total arrears of taxes, fines and interest revenue consists of temporarily suspended taxes, fines and interest, and as the expected tax revenue to be collected by the Department is determined by the resolution of the appeal process, it was observed that a considerable period of time is taken to determine whether those taxes, fines and interest are be collected or whether there is no arrears of tax to be collected.

Performance of RAMIS System

The maintenance service contract at a value of 21,053,371 Singapore Dollars (approximately Rs. 3,155 million) had been awarded to a subcontractor of the Singapore Cooperation Agency for a period of 3 years up to 31 January 2024. As it was unable to take over the maintenance works of the system before the end of that period, an agreement was signed on 13 September 2024 to extend it for another 3 years from February 2024 to January 2027. It was observed that the contract value was 31,808,289 Singapore Dollars (Approximately Rs.7,315 million).

Since the copies of the aforesaid agreements entered into with the Singaporean institution Agency have not been provided to the Auditor General by Department of Inland Revenue, it has not been possible to verify during the audit whether the

payments related to the RAMIS system have been made in accordance with the relevant agreements.

Further, 29 institutions were decided to be linked to the RAMIS system in 4 phases, and therein 07 institutions, namely Sri Lanka Customs, People's Bank, Bank of Ceylon, Ministry of Finance, Department of Registrar of Companies, Lanka Clear Private Limited, and Registration of Motor Vehicles Department have already been linked. However, the remaining institutions have not been connected yet due to various issues, and it was observed that the information of those institutions has not been able to be taken to the RAMIS system through online method.

Land Acquisition

In accordance with the Cabinet Decision No. CP/07/1625/342/021 dated 27 September 2007 for the Cabinet Memorandum dated 12 September 2007, an advance mount of Rs. 50 million had been paid to the Building Materials Corporation without entering into an agreement to transfer a land lot with an extent of 100 perches belonging to the Building Materials Corporation located at Sri Sangharaja Mawatha, Colombo 12 to the Inland Revenue Department, and a disclosure had not been made in the accounts to date regarding this transaction. Further, it had been decided that the said land was not suitable for an office complex, and although the discussions were held regarding the transfer of a land in the Kalutara Urban Area owned by the Building Materials Corporation to the Department in lieu of that amount, a positive solution had not been given for the problem to date.

Works in progress

In terms of the Guideline for valuation of Non-Financial Assets of the Democratic Socialist Republic of Sri Lanka issued by the Office of the Comptroller General along with the Asset Management Circular No. 04/2018 dated 31 December 2018, it

has been stated that the total cost incurred to date for a construction in progress should be accounted as work in progress. However, the amount incurred to date for the vehicle yard, which is being constructed at the Head Office of the Inland Revenue Department under an initial estimate of Rs. 176 million and of which the construction has been stopped without being brought to a usable level had not been accounted as work in progress. In the observation of the present status of the yard, it was observed that it has been severely decayed and dilapidated.

Idle Assets

As the 02 transformers that were provided to the Department at the time of renovation of the building had not been connected to the main electricity system, and therefore, those machines had not been used since the year 2010, and had remained inactive for nearly 15 years.

Not using CCTV Camera System

The CCTV camera system of the department had been completed by a private company under the supervision of the State Engineering Corporation and handed over to the State Engineering Corporation in May 2010, and the one-year warranty period had expired even by that time. The evidences to prove that the State Engineering Corporation had formally handed it over to the department had not been presented, and the 70 CCTV cameras not used to date were not in working status and the cost incurred for this; according to the documents, had been Rs. 7.98 million.

Sri Lanka Customs

The Sri Lanka Customs, of which the start dates back to 1806, is an institution that operates with the vision of "Secure and prosperous nation through strong borders" and the mission of "Providing world-class Customs service to secure revenue, protect the environment and society, and promote the seamless flow of trade and travel, with integrity and

professionalism." As its objectives, it is mainly focusing on the core areas of revenue maximization, law enforcement, providing facilities for trade and social security and is preparing its strategic plan from the year 2024 to the year 2028 and the proceedings are done accordingly.

Arrears of tax revenue By the end of the year 2024, the outstanding tax revenue of the Customs was Rs. 57,707 million, and a sum of Rs. 22,044 million or 38.2 percent from these arrears of tax revenue consisted of import duties.

Table No. 05 - The particulars of the receipt of revenues and the accumulated arrears of revenues from the year 2020 to the year 2024

Year	Total Receipt of Revenues (Rs.Million)	Accumulated arrears of revenue as at 31 December (Rs.Million)
2020	566,463	63,459
2021	522,419	60,885
2022	523,346	61,254
2023	694,082	58,479
2024	869,846	57,707

**Not Furnishing Finger
Scanner Machine
Records**

The fingerprint machine records; the evidence to verify that 2335 Sri Lanka Customs officers reported for duty in the year 2024, were not submitted for the audit. Accordingly, it was unable to verify in the audit the accuracy of overtime payments amounting to Rs. 988 million.

**Not taking disciplinary
actions on the non-
conduct of custom
inspections**

(i) Any disciplinary action had not been taken in accordance with the provisions of the Establishments Code of the Democratic Socialist Republic of Sri Lanka against the Customs officers who had taken actions to release 609 units of undeclared and under-declared vehicle spare parts without inspection and a container with 122 seats and 18 tires of used vehicles for which the permits from the Department of Import and Export Control should be obtained.

(ii) As a result of customs investigations conducted in relation to a consignment of cigarettes shipped from Singapore under the method of transferring goods from ship to ship (transshipment) by a foreign private company, the consignment of cigarettes had been confiscated and subsequently auctioned for a sum of Rs. 5.90 million. However, the customs was found guilty in the case filed by the importer against the said confiscation and a compensation of Rs. 69.45 million had to be paid to the importer. As mentioned above, the officers responsible for the loss caused to the government had not been identified, and the actions had not been taken to proceed with disciplinary action against them and to recover the loss caused to the government.

(iii) In 27 cases where imported goods were released on bank guarantees during the prevention activities, the recovery of penalties and forfeiture to be levied in respect of the goods released on bank guarantees of Rs. 100.17 million had become uncertain as the investigations were not completed within the validity period of the guarantee or the validity period of the bank guarantees was not extended in parallel with the investigation period. Although a period of 1 ½ to 12 years had passed as at the end of the year under review since the commencement of the said investigations, the actions had not been taken to complete the inquiry or to take disciplinary steps against the officers responsible for keeping the bank guarantees as valid until the completion of the investigations.

Not charging penalties and forfeitures

A sum of Rs. 4800 million from the value of penalties and forfeitures imposed by the Sri Lanka Customs regarding various customs offences committed by parties involved in the import and export process had not been recovered even as at 31 December 2024, and the said penalties and forfeitures had not

been accounted as arrears of revenues in the financial statements.

Not securing the government revenue adequately by the customs investigations

In 21 Customs inspections carried out by varied divisions of Sri Lanka Customs in respect of the customs offences, it was revealed that importers/exporters had made attempts to default the payment of duty amounting to Rs. 607 million. However, subsequent to the completion of customs inspections, only Rs. 293 million of the penalties and forfeitures that had been imposed in this regard was credited to the government revenue, and the remaining penalties and forfeitures had been credited to the Customs Rewards and Fund Grants.

Not settling the advances

The advance amount of Rs. 6.46 million, which was taken 05 years ago from the Advance Account for Seized and Confiscated Goods to meet the expenses incurred in 216 investigations conducted by 14 different divisions of the Customs, had not been settled even by the end of the year 2024. Also, even if the advances taken immediately after the completion of the investigations should be settled promptly, the advance amount of Rs. 1.12 million taken for 11 cases about the completion of investigations had not been settled.

Obtaining Production Tax Concessions by the Importers who obtain Manufacture in Bond (MIB) facility

As per the Section 84(a)(3) of the Customs Ordinance No. 17 of 1869, the duty on imported goods are not charged from the importers who obtain the Manufacture in Bond (MIB) facility when those are brought into the warehouse, and the goods in the warehouse should be treated as imported goods when they are manufactured therein and released for local use and the duty thereon should be paid accordingly. If a value not less than 30 percent is added locally to the vehicles assembled in such a bonded warehouse, a 70 percent production tax concession can be granted on the recommendation of the Minister of Industries. 7 such companies had requested for 70 percent production tax

concession granted on the recommendation of the Minister of Industries during the year under review. However, the tax concessions had been granted by the Customs without properly calculating the cost as per the provisions of the Customs Ordinance and without considering the relevant 30 percent local value addition. In the year 2024, 538 motor cars and 53,381 motorcycles had been assembled in warehouses and released to the local market by seven (7) manufacturing companies that own the bonded warehouse. According to the calculations made by the audit, the production tax to be collected on those vehicles should have been Rs. 10,744.33 million. However, the Customs had collected only Rs. 3,356.78 million. Consequently, there had been a loss of production tax revenue amounting to Rs. 7,387.55 million.

Charging a sum less than payable tax amount as penalties and forfeitures

An investigation had been conducted by the Customs regarding importation of jewellery worth Rs.753.21 million and defaulting of import tax by a well-known company involved in the import and sale of jewellery. The duty payable by the said company to Customs was Rs. 219.82 million and although these goods could have been confiscated and forfeited three times the value of the goods in terms of Sections 107 and 129 of the Customs Ordinance, the forfeiture of Rs. 2,919 million had been reduced to Rs. 190 million at the end of the investigation. Due to this reduction, the importer had been able to release the goods by making an underpayment of Rs. 29.82 million less than the tax amount payable.

Department of Motor Traffic

Providing an efficient and effective service with the objectives of motor vehicle registration, regulation, issuance of driving licenses, road safety and the use of environmentally friendly vehicles has been identified as the main objective of the Department of Motor Traffic in Sri Lanka.

Calculation of Luxury Income Tax

According to the luxury income tax calculation, Rs. 3,005 million for the year 2024 and Rs. 137 million outstanding in the previous year making a total of Rs. 3,142 million were to be collected. However, the Department of Motor Traffic had failed to collect luxury income tax revenue of Rs. 131 million out of the said amount.

Maintenance and Services of SRITIS Computer Software

The contracts to obtain the maintenance and services of SRITIS computer software used for printing driving licenses had been awarded to a private company for the years 2023 and 2024 for an amount of Rs. 154.10 million and Rs. 181.97 million respectively without undergoing a proper tender procedure.

Assigning the task of printing Driving Licenses to a Private Company

Since the recommendation was made to proceed as the government incurs a loss of Rs.265 per card in accordance with the agreement entered into with a private company to purchase the driving license cards for a period of one year from 15 September 2023, the government incurred a loss as a sum of Rs. 134.57 million was overpaid for 507,807 cards printed by the said private company procuring the cards by themselves from the date of the agreement to July 2024.

Purchasing of Driving License Cards

The estimated average monthly issuance of driving licenses by the Department of Motor Traffic is 90,000 units. Accordingly, the annual requirement for the issuance of driving licenses is 1,080,000 cards. However, a provision had been made to purchase only 400,000 cards, which would not be sufficient even for a period of at least 06 months.

Revising the contract price of supplying the number plates with vehicle identification number

The Commissioner of Motor Traffic had inquired from the Attorney General through the Letter No. DMT/11/DE/02 dated 09 February 2023 whether the agreement contains legal provisions to provide a price revision in accordance with

condition no. 30 of the agreement that had been entered into with a private company to supply the vehicle number plates, and the Attorney General had pointed out that “the matters included in the press release issued by the Central Bank with no statement about any legal provisions do not fall within the scope stipulated in the clause 30 of the agreement.” However, without considering the opinion of the Attorney General and without the approval of the Cabinet of Ministers, the steps had been taken to amend Clause 14 of the agreement entered into with the contractor enabling a price revision of 62.5 percent subsequent to the amendment of the clauses mentioned in the contract agreement.

Issuance of International Driving Permits

Although it has been stated that every person applying for an International Driving Permit should be examined by an authorized officer appointed for the ad-hoc works by the Commissioner General prior to the issuance of an International Driving Permit, the International Driving Permits had been issued for the applications submitted by the respective association without the applicant conducting no test to determine whether the physical organs of the applicants required for the driving task function properly (e.g. Whether the hands, legs, eyes are functioning properly).

As per the provisions of the Extraordinary Gazette No. No. 2301/17 dated 10.10.2022 of the Democratic Socialist Republic of Sri Lanka, the normal service charge for issuing an International Driving Permit is Rs. 3,000 and the charge of the one-day service is Rs. 3,500 and the said fees should be collected by the Department of Motor Traffic. However, the said association had collected an amount of Rs. 10,394 per one International Driving Permit, and accordingly, it was observed that an additional fee of Rs. 7,394 had been collected per one Driving Permit. As per the details submitted to the audit, it was

observed that an additional amount of Rs. 527.30 million had been collected so in the years 2023 and 2024.

Changing the data included in the Computer System of the Department

The motor vehicle with chassis number AT-212-0066488 had been registered on 15 August 2007 under the Registration Certificate No. LOT S 0034392 of the Department of Motor Traffic in the name of the Secretary to the President, Presidential Secretariat, Colombo 01. The main registration data of the owner of the vehicle including the name, address, chassis number, engine number; which had been included in the database of the Department of Motor Traffic under the said registration number, had been changed fraudulently. Instead, the details of a person from the area of Galle had been entered into the Motor Traffic Database under the same Registration Certificate and the details of the said vehicle belonging to the Presidential Secretariat had been fraudulently deleted from the data system.

Excise Department

Arrears of Excise Revenues

The arrears of revenue that should be collected by the Excise Department as at 31 December 2024 were Rs. 8,749 million and when it is compared with the previous 04 years, a situation of gradual increase was observed. The details of the arrears of revenue in the year under review and the previous 4 years are as follows.

Table No. 2.3 The particulars of the arrears of revenues of the Excise Department from the year 2020 to the year 2024

Year	The arrears of tax revenue as at 31 December (Rs. Million)
2020	3,969
2021	4,550
2022	5,569
2023	7,271
2024	8,749

According to the reports on the arrears of revenues as at 31 December 2024, arrears of tax revenue amounting to Rs. 8,590 million from 09 liquor production companies, Rs. 63 million from 05 distilleries, Rs. 92 million from 03 liquor production houses for production waste exceeding the average waste, and Rs. 4 million from two institutions for tobacco, totaling Rs. 8,749 million, were to be collected.

Excise Abatement on Liquor Exportation

As per Excise Notification No. 04/2023 published in the Extraordinary Gazette No. 2364/35 dated 31 December 2023, 20,976,757 liters of pure alcohol had been exported by 03 manufacturing companies on 35 occasions during the year 2024 and the excise duty at a value of Rs. 12,194 million had been abated on that.

As the approval was not granted for a Vote suitable for the Excise Department to account only the net excise revenue from which the relevant abatements were made and to account the tax refund related to the exported liquor, and the approval required to account the respective excise abatement amount through the said vote was not granted. Consequently, the tax revenue and the total expenditure on liquor in the year under review had been understated by about Rs. 12,194 million in the financial statements.

**Proposed Revenue
Administration System
of the Excise
Department (RASED)**

Although the provision totaling to Rs. 1,041.8 million had been allocated by the general treasury from the year 2022 to the year 2024 to develop the Revenue Administration System (RASED) of the Excise Department, no step had been taken to utilize any fund to achieve the relevant objective by the end of the year 2024. Consequently, the important fields such as license issuance process related to the Excise Department, factory supervision, regulation of distribution and supply chain, data on crimes and legal management, excise and tax administration, and the process of exchanging information through the integrated system, linking with the operational information systems of the Sri Lanka Customs, Inland Revenue Department and the Ministry of Finance, was getting delayed further.

**Non-implementation of
recommendations
included in preliminary
investigation report**

As stated in the investigation reports presented by a committee appointed by the Commissioner General of Excise regarding the fire occurred in a liquor factory on 26 May 2024 and the seizure of 25 barrels of spirits and 8,446 bottles of liquor in 3 lorries belonging to a liquor factory while it was in private premises, the recommendations such as it has been confirmed that the fire has been set deliberately; a formal investigation should be conducted about the issuance of an unusual amount of stickers to the factory and taking legal actions for the responsible officials; and calculating and charging the excise duty considering as the bottles of liquor were produced using the amount of stickers relevant to the difference between the amount of stickers that had been documented and the actual amount of stickers that were at the time of the fire. However, the steps had not been taken to implement the relevant recommendations.

National Lotteries Board

The National Lotteries Board was established in the year 1963 under the Finance Act No. 11 of 1963 with the objective of increasing the contribution to the government by increasing the existing level of income and profitability.

Not crediting the profit to the consolidated fund

Although, the balance after the deduction of specified expenses from the lottery revenue of the Board should be credited to the Consolidated Fund in terms of Section 17(2) of the National Lotteries Board Act No. 11 of 1963, the accumulated profit amounting to Rs. 4,040 million as at 31 December 2024 had been retained in the Board's fund instead of crediting to the Consolidated Fund.

Confiscating the prizes not claimed

In accordance with Section 16 (4) of the National Lottery Board Act No. 11 of 1963 and Sections 4 (4) and 5 (4) of the Amendment Act No. 35 of 1997, if a prize is not claimed within a period of 06 months from the date of the draw, the said prize amount should be confiscated and credited to the Consolidated Fund, it was observed that prize amount of Rs. 76 million; not claimed within a period of 06 months in relation to 05 types of lotteries drawn in the year 2024, had not been confiscated and given to the Consolidated Fund.

Lotteries Printing Procurement Delay

The main procurement related to printing 5 types of lotteries and the procurement related to the printing of scratch lottery tickets were delayed by more than 6 months. Consequently, preventable additional costs of approximately Rs. 53 million had to be borne as the lottery tickets had to be printed from the previous supplier at a higher price.

Development Lotteries Board

Festival Expenditures

A sum of Rs. 73.27 million had been spent by the Development Lotteries Board to organize scholarship programs and ceremonies sponsored by the President's Fund on behalf of 6000 selected students studying from Grade 1 to Grade 11 in schools and Pirivenas in the island from 19 June to 24 July 2024 violating the Section 11 of the Development Lotteries Board Act No. 20 of 1997, Section 12.3 of the Budget Circular No. 01/2024 dated 10 January 2004 of the Department of National Budget and Section 14.1 of the Circular No. 01/2024 dated 28 February 2024 of the Department of Public Enterprises.

Special Audit Report on Value Added Tax that should be collected by the government according to Inland Revenue Department sources but has not yet been collected.

Value Added Tax (VAT) arrears and penalties therefor

The value of the value added tax arrears and penalties for which recovery has been temporarily suspended according to the Legacy and RAMIS computer systems was Rs. 139,309 million and Rs. 115,691 million respectively as at 31 December 2022.

Withholding VAT without remitting it

Value Added Tax arrears and the fines for the same that the Inland Revenue Department has identified as being recoverable without any hindrance and without suspension were Rs. 62,781 million and Rs.51,513 million respectively. It was observed that 31 percent of the value of the tax identified as being recoverable without hindrance was old value added tax up to 13 years old. Moreover, it was observed to the audit that although the values mentioned as taxes, excluding fines, are referred to as "outstanding taxes", these amounts are amounts that have already been collected from the general public as VAT by private or government institutions and these parties have

Proceedings related to the collection of evaded taxes

retained those amounts without remitting them to the government and are considered public property.

Out of the Rs. 114,294 million identified as recoverable without hindrance as per the amendments made in the year 2008, the government's ability to recover that revenue is at risk as the arrears of taxes and fines of Rs. 22,185 million have become impossible to initiate proceedings due to the fact that they have been outstanding for 5 ½ years. Accordingly, it was observed that the Inland Revenue Department, as a major institution entrusted with the collection of revenue for the government, has not acted with due efficiency and responsibility, with nearly 20 percent of the revenue that should be collected and identified as collectable having been delayed to the point where it is completely uncollectable.

Unresolved appeals

Out of the 9,620 appeals/administrative reviews still pending in the departmental appeals process, there were 4,499 appeals worth Rs. 98,459 million that had not been resolved due to controversial circumstances as at 25 May 2023. This included 2,459 appeals worth Rs. 31,041 million that had exceeded the 02-year period but the Commissioner General of Inland Revenue had failed to give his decision. In addition, it was observed that there were 1,603 appeals worth Rs. 9,177 million that had exceeded the additional 02-year period granted to the Commissioner General by the Coronavirus Disease Act, No. 17 of 2021. Accordingly, in a case where (as per the appeal) no agreement is reached or a decision is not made regarding that appeal within the relevant period, that appeal should be deemed to have been allowed and the tax should be levied accordingly and since such cases may be disadvantageous to the government, the audit observed that the Inland Revenue Department has not taken steps to collect revenue in a manner that is most beneficial to the government.

Non-payment of taxes According to self-assessment

It was observed during the audit conducted using the Legacy computer system that arrears of Rs.721 million of value added tax revenue, the recoverability of which is uncertain, had not been

Outstanding balances of 46 cases for recovery of arrears of taxes are not in the Legacy system

collected due to non-payment of tax as per the taxpayer's self-assessment.

Although 46 cases were initiated to recover outstanding taxes worth Rs.296 million, the existence of such outstanding balances was not reflected in the Legacy system. Accordingly, it was observed that the Department had not taken steps to properly maintain and update the data system.

Taxes that have not been properly settled by the taxpayers

The taxpayers had not taken steps to properly settle to the Department the VAT amounting to Rs. 883 million paid to their suppliers by 13 government institutions from 2018 to 2023.

Special Audit Report on the Management/Administration of Various Funds in Sri Lanka Customs

Distribution of reward money among relevant officials and informants

Although the reward money was supposed to be distributed among the relevant officers and informants in accordance with a scheme approved by the Minister of Finance in terms of Section 153 (2) (b) of the Customs Ordinance No. 17 of 1869, the Department had paid reward money since 1988 solely on the basis of internal orders prepared at its discretion without such approval from the Minister and based on information available for audit, Rs. 24,226 million had been paid only from 2012 to 31 August 2023. Sri Lanka Customs had stated in response to the draft of this report that documents indicating that the approval of the Minister of Finance had been obtained could not be found within the institution at this time.

Money credited to the Reward Fund and Consolidated Fund

If the imports that are the subject of customs offences were otherwise made correctly, the tax money imposed on them would be fully

credited to the government revenue when the money is recovered by imposing penalties, 50 percent of it is credited to the Reward Fund, 20 percent to the Management and Compensation Fund and only 30 percent is credited to the Consolidated Fund. Accordingly, during the period from 2012 to 31 August 2023 alone, while Rs. 24,226 million was transferred to the Reward Fund, only Rs. 14,535 million had been credited to the Consolidated Fund.

Lack of a centralized information system

Although many sections of the department involved in the goods clearance process were engaged in customs investigations initiated due to incidents, there was no system for knowing the progress of those investigations and each section conducted its own investigations and after the investigations were completed, they were referred to the Finance Division for payment of rewards. Information on investigation files was decentralized in each division and accordingly the Department did not have a centralized information system required for making management decisions on the progress of investigations and for performance monitoring. Furthermore, although customs investigations were conducted by various divisions, out of the investigations being conducted under 42 divisions, 2,661 were delayed by more than 05 years and 4,147 had been delayed by 02 to 04 years and reasonable grounds for the delay were not revealed during the audit.

Expenditure of funds from the Management and Compensation Fund for postgraduate course

The amount spent from the Management and Compensation Fund for postgraduate courses during a period of 6 years from 2017 to 2022 was Rs. 127 million and although 323 officers had studied the courses by 31 December 2022, only 149 officers had completed the courses and submitted certificates. The department did not have information on whether the remaining officers successfully completed the course or dropped out and there was no follow-up mechanism.

Value paid to officers from overtime Fund and revenue credited to the government

90 percent of the Customs Overtime Fund had been paid to officers regardless of whether or not they worked outside normal working hours and only a very small amount of 10 percent had been credited to state revenue. The value paid to officers from the overtime fund in 2021 and 2022 was Rs. 948 million and Rs. 939 million respectively while the revenue credited to the government was only Rs. 86 million and Rs. 84 million respectively.

Payment of panel fees to staff

Although it was stated in Departmental Regulation 1140 that one should report to duty before 06.00 a.m. on weekdays and before 09.00 a.m. on weekends and public holidays in order to claim customs cargo inspection fees and otherwise there is no entitlement to panel fees, it was observed to the audit that Rs. 3,242 million was paid as panel fees from the year 2012 to August 2023 without confirming their arrival/departure of the staff of the Sri Lanka Customs as per the existing circulars.

02. Public Expenditure and Public Debt

The parliament shall have full control over public finances in terms of the provisions of Article 148 of Chapter XVII of the Constitution of the Democratic Socialist Republic of Sri Lanka in relation to public financial control. As per Article 149 of the Constitution, the revenue and receipts collected by the government should be credited to the Consolidated Fund, and according to Articles 150 and 152 of the Constitution, it has been specified how payments should be made from the Consolidated Fund. The main mechanism for planning, directing and monitoring these functions is the Treasury. As observations on government revenue are presented in a separate paragraph, this section presents information and observations on public expenditure and public debt and public enterprises.

Government Expenditure

The necessary legal provisions for government expenditure for the financial year 2024 had been made by Appropriation Act No. 34 of 2023. Accordingly, the provision of Rs. 11,276,838 million had been made available for government supplies and services, including

provision for special legal services, which is an expense to the Consolidated Fund and has been approved by the provisions of the Appropriation Act and the existing laws. In addition to that, a supplementary estimate for the year 2024 was presented to the Parliament and a provision of Rs. 234,623 million had been made available. A provision of Rs. 473,012 million had been made available through a Special Legal Service Warrant under Article 150 of the Constitution, and the provisions of Rs. 5,000 million had been made in terms of Article 150(4) of the Constitution. Accordingly, a net provision of Rs. 11,754,850 million had been made for the supplies and services in the year 2024. The particulars are given in Table No.2.5

Table No.2.5 The provision made available for government supplies and services

Financing	Capital Provision	Recurrent Provision	Total
	Rs. Million	Rs. Million	Rs. Million
Provision made available in Appropriation Act for Supplies and Services (Schedule I of Appropriation Act)	1,714,424	2,596,422	4,310,846
Provisions for Special Legal Services authorized by existing laws, which were an expense to the Consolidated Fund (Schedule II of the Appropriation Act)	4,263,745	2,702,247	6,965,992
Additional provision made available for supply and service expenses (by way of supplementary estimates)	10,264	224,359	234,623
Frozen provisions for making supplementary provision	(198,801)	(35,822)	(234,623)
Provision given additionally for special legal service expenses	362,000	111,012	473,012
Provisions transferred to capital by recurrent provisions in terms of Financial Regulations	75,533	(75,533)	-
Provisions approved by Article 150(4) of the Constitution	-	5,000	5,000
Total	6,227,165	5,527,685	11,754,850

Source - Appropriation Act No. 34 of 2023 and Supplementary Estimates and Annual Report 2024 of the Ministry of Finance, Planning and Economic Development

In accordance with Section 6 of the Appropriation Act No. 34 of 2023, under Head 240 - the Development Program of the Department of National Budget, additional allocation of Rs. 201,118 million had been given to be used only for the tasks mentioned in paragraph 3.1 of the Annual Budget Estimate under the Complementary Support Services and Emergency

Needs Responsibility Project. Out of that total provision, Rs. 177,649 million had been transferred to other expenditure heads. Accordingly, the provision of Rs. 23,469 million had been saved. The details are shown in table 2.6.

Table No.2.6 Allocations under the Supplementary Support Services and Emergency Needs Liability Project and transfer of those allocations to other Expenditure Heads

Nature of Expenditure	From Appropriation Act	From Supplementary Assessment	F.R. 66/69 Transfers	Net Provision	Transfer of Provisions to Expenditure Heads	Saving of Provisions
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Recurrent	138,900	(19,172)	-	119,728	(117,682)	2,046
Capital	81,390	-	-	81,390	(59,967)	21,423
Total	220,290	(19,172)	-	201,118	(177,649)	23,469

Source - Financial Statements 2024 of Department of National Budget

Savings of Total Provision

A provision of Rs. 11,754,850 million had been made available for government supplies and services in the year 2024 and the provision made available for the previous year was Rs. 17,675,999 million. Accordingly, as compared to the previous year, the allocation for the year 2024 had decreased by Rs. 5,921,149 million equal to 33 per cent. Due to the utilization of Rs. 10,806,431 million from the total provision made in the year 2024, a sum of Rs. 948,418 million equal to 8 per cent of the total provision had been saved.

Saving of Recurrent Provisions

The total net provision for recurrent expenditure had been Rs. 5,598,719 million and due to the utilization of Rs. 5,370,510 million in the year 2024, a provision of Rs. 228,209 million had been saved. The said saving had been 4 percent of the total recurrent provision.

Savings of Investment Provisions

A net provision of Rs. 1,525,736 million had been made available for public investment and out of the said amount, a sum of Rs. 817,091 million had been utilized in the year 2024. Accordingly, the provision of Rs. 708,644 million had been

Saving of Provisions made for repayment of loan installments

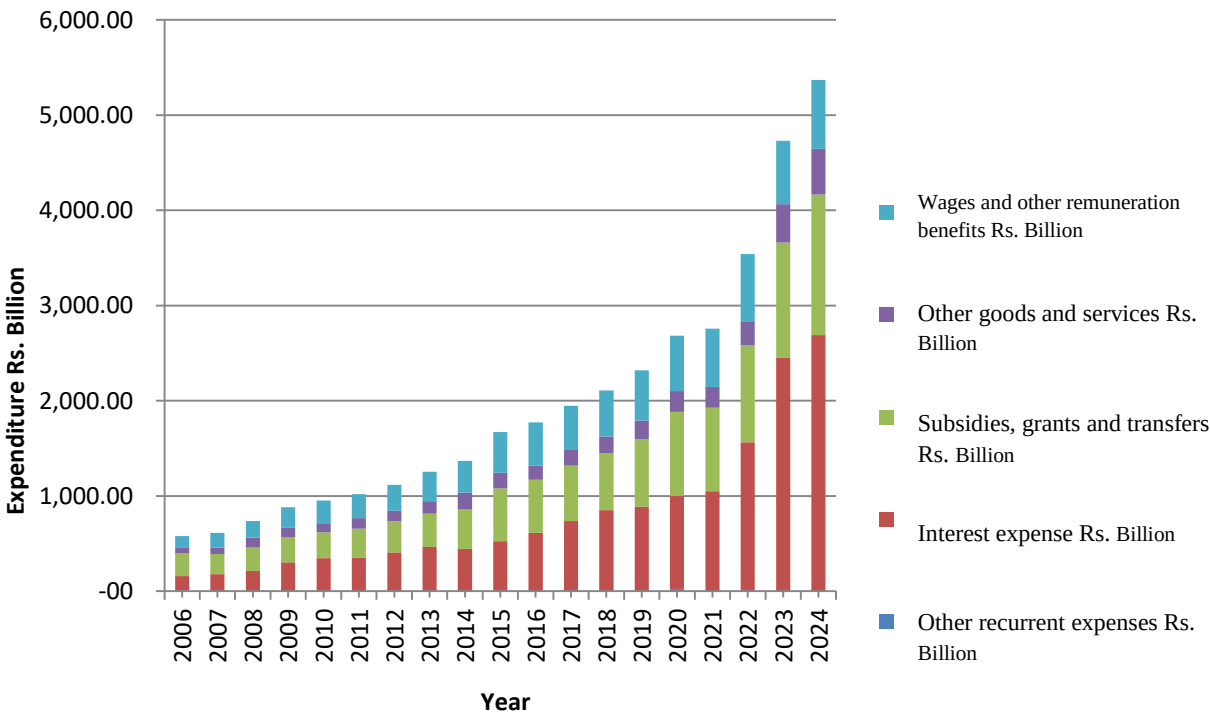
saved. The said saving had been 46 per cent of the net provision made available.

Out of the net provision of Rs. 4,630,395 million made available for domestic and foreign loan installments, a sum of Rs. 4,618,830 million had been spent for repayment of loans. Accordingly, out of the provision made available, a sum of Rs. 11,565 million from the net provision had been saved.

Growth in Interest Expense

A sum of Rs. 2,689,500 million had been spent for interest in the year 2024. The said amount had been Rs 2,455,599 million in the preceding year and as compared to preceding year, it had increased by Rs 233,901 million equal to 9.5 per cent. The details are given in diagram.

Diagram 2.1 Total Recurrent Expenditure and Interest Expenses



Source - Government Financial Statements

Deficit of Revenue

As per the statement of budget performance and deficit financing in the financial statements submitted to the audit for the year 2024, the revenue deficit had been Rs. 1,309 billion and it had been Rs. 1,650 billion in the preceding year.

The minimum value of the revenue deficit had been recorded in the year 2007 and the said value had been Rs.43 billion representing 7.52 percent of the collected government revenue. During the said period, the total revenue deficit had been Rs.9,279 billion. Local and foreign loans and foreign grants had been taken to cover the said deficit.

Obtaining loans and grants to settle Revenue Deficit

Local loans amounted to Rs.29,893 billion, foreign loans amounted to Rs.8,651 billion and foreign grants of Rs. 330 billion totaling to Rs. 38,874 billion had been obtained during the period from 2006 to 2024. The revenue deficit had been financed by percentages ranging from 4.44 percent to 57.92 percent of the loans and grants so obtained in each year. 20.25 percent in the year 2019, 45.59 percent in the year 2020, 42.39 percent in the year 2021, 30.59 percent in the year 2022, 19.65 percent in the year 2023 and 57.92 in the year 2024 had been utilized to settle recurrent expenditures without making investments from the loans and grants that had been obtained.

Table No.2.7 Utilization of Loans and Grants to settle the Deficit of Revenue that could not be settled by Recurrent Expenditures

Year	Actual Revenue	Actual Recurrent Expenditure	Deficit of Revenue	Deficit of Revenue as a Percentage of collected Revenue	Foreign Loans, Grants and Local Loans	Deficit of Revenue as a Percentage of loans and grants
-----	Rs. Billion -----	Rs. Billion -----	Rs. Billion -----	Percent -----	Rs. Billion -----	Percent -----
2006	477	579	102	21.38	514	19.84
2007	572	615	43	7.52	587	7.33
2008	664	736	72	10.84	678	10.62
2009	708	882	174	24.58	1,019	17.08
2010	826	951	125	15.13	918	13.62
2011	943	1,020	77	8.17	998	7.72
2012	997	1,118	121	12.14	1,108	10.92
2013	1,066	1,254	188	17.64	1,289	14.58
2014	1,128	1,370	242	21.45	1,397	17.32
2015	1,394	1,673	279	20.01	1,750	15.94
2016	1,699	1,771	72	4.24	1,623	4.44
2017	1,845	1,946	101	5.47	1,466	6.89
2018	1,935	2,109	174	8.99	1,883	9.24
2019	1,907	2,322	415	21.76	2,049	20.25
2020	1,379	2,683	1,304	94.56	2,860	45.59
2021	1,467	2,757	1,290	87.93	3,043	42.39
2022	1,999	3,539	1,540	77.04	5,035	30.59
2023	3,078	4,729	1,651	53.64	8,396	19.66
2024	4,061	5,370	1,309	32.23	2,260	57.92
Total	28,145	37,424	9,279		38,873	

Source - Government Financial Statements from the year 2006 to the year 2024

Growth in Interest Expense

An interest of Rs.2, 689 billion had been paid in the year 2024 and it had represented 50.08 percent from the total recurrent expenditure. The interest payment in the preceding year was Rs.2,455 billion or 51.91 percent from the total recurrent expenditure. When comparing the payment of interest with the preceding year, it had increased by Rs.234 billion. Furthermore, certain loan installments and interest had been suspended from 13 April 2022 to closing date of 2024 as per the inter-periodically foreign debt servicing suspension policy decision issued on 12 April 2022 by former Ministry of Finance, Economic Stabilization and National Policies. If the payment related to that had been made, it was observed that such

shortage will further grow.

In 2006, the interest payment was Rs.151 billion and it had increased up to Rs.2,689 billion or 1,681 percent by the year 2024. The loans had to be obtained for financing the budget deficit and the payment of interest for that had increased annually. As per the Budget Performance and Deficit Financing Program Publication, Rs.2,689 billion or 66.22 percent had to be paid as interest from the public revenue of Rs.4,061 billion collected in 2024. This condition had continuously developed annually during the relevant period and it had rapidly grown since 2006. The details are mentioned in the following chart No.2.8.

Chart No.2.8 Incurring more percentage for payment of interest for loans from revenue collected

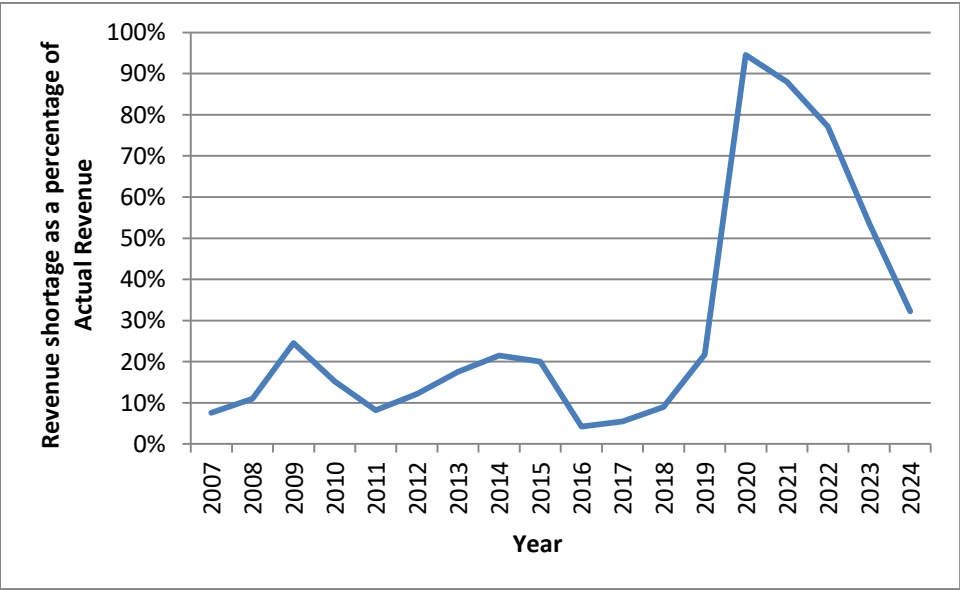
Year	Actual Recurrent Expenditure	Interest expense	Interest expense as a percentage of total recurrent expenditure	Actual Revenue	Payment of interest as a percentage of actual revenue
	Rs.Billion	Rs.Billion	Percent	Rs. Billion	Percent
2006	579	151	26.08	477	31.66
2007	615	181	29.43	572	31.64
2008	736	212	28.80	664	31.93
2009	882	303	34.35	708	42.80
2010	951	348	36.59	826	42.13
2011	1,020	353	34.61	943	37.43
2012	1,118	409	36.58	997	41.02
2013	1,254	465	37.08	1,066	43.62
2014	1,370	446	32.55	1,128	39.54
2015	1,673	527	31.50	1,394	37.80
2016	1,771	611	34.50	1,699	35.96
2017	1,946	736	37.82	1,845	39.89
2018	2,109	852	40.40	1,935	44.03
2019	2,322	889	38.29	1,907	46.62
2020	2,683	975	36.34	1,379	70.70
2021	2,757	1,048	38.01	1,467	71.44
2022	3,539	1,565	44.22	1,999	78.29
2023	4,729	2,455	51.91	3,078	79.76
2024	5,370	2,689	50.07	4,061	66.22
Total	37,424	15,215		28,145	

Source - Government Financial Statements from 2006 to 2024

Obtaining Government Loans

The government had to obtain loans due to non-preparation of the revenue estimates or non-collection of revenue as per the revenue estimates prepared and existence of revenue shortage. Due to gradually increase of Government loans, loan interest cost had increased annually and correspondingly, the recurrent expenditure had also increased. Accordingly, the revenue shortage had annually increased owing to inability to collect the estimated revenue as expected, gradual increase of recurrent expenditure and inadequate revenue for covering the annual expenditure. The details are mentioned in the following chart.

Diagram 2.2 - Revenue shortage as a percentage of Actual Revenue



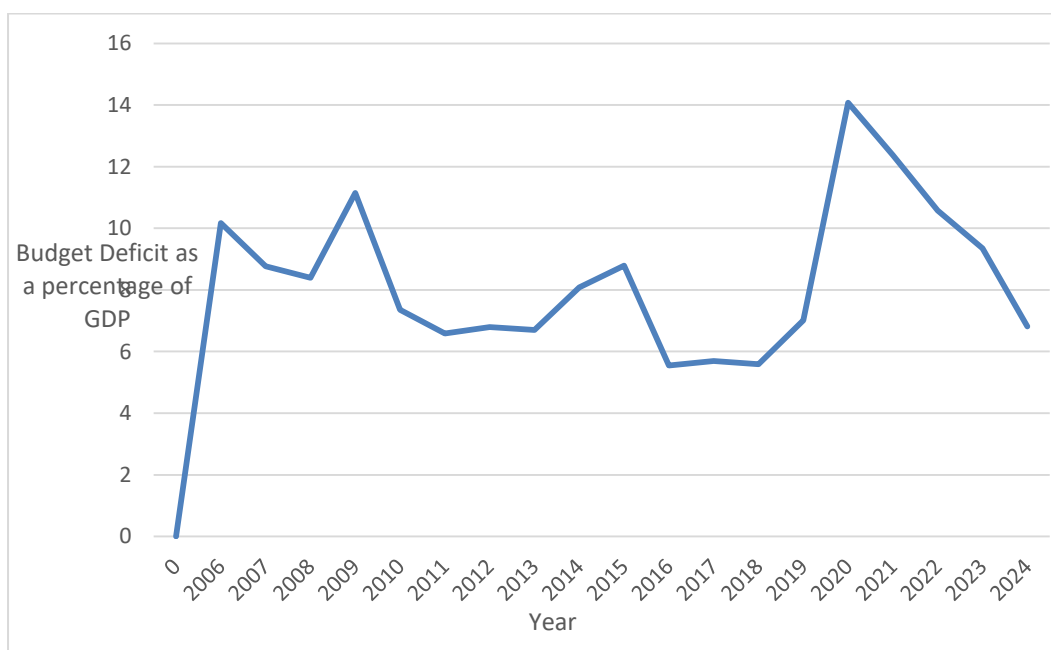
Source - Government Financial Statements 2007 -2024

Growth of Budget Deficit

As per Government Financial Statements, the budget deficit was Rs.2, 126 billion in the year 2024 and it was 7.11 percent from Gross Domestic Production. The budget deficit was Rs.2, 584 billion in the year 2023 and it was 9.35 percent from the Gross Domestic Production. There was a budget deficit in the whole period time from 2006 to year 2024 and the budget deficit which was Rs.300 billion in 2006 had grown up to Rs.2,126 billion by the year 2024. Within that time range, the highest budget deficit had been recorded in the year 2023. The

budget deficit as a percentage from the Gross Domestic Production from 2006 to 2024 had been in the range of 5.55 percent to 14.08 percent. In terms of the section 3(a) of Finance Management (Liabilities) Act No.3 of 2003, (enforced up to 08 August 2024) the limit of 5 percent on which the actual budget deficit should be existed as a percentage of Gross Domestic Production had not maintained in any year during that period. The budget deficits from 2006 to 2024 as a percentage of Gross Domestic Production are as follows.

Diagram 2.3 Budget Deficit as a percentage of GDP



Sources - Annual Reports of Ministry of Finance and Government Financial Statements 2006- 2024

Budget Deficit mentioned in Annual Economic Review of Central Bank of Sri Lanka

The different values had been reported in the budget deficit mentioned in the Government Financial Statements and the budget deficit mentioned in the Annual Economic Review of the Central Bank of Sri Lanka (as per the statistics of Annual Report of Ministry of Finance, Planning and Economic Development).When it had been inquired in this regard, the Department of Fiscal Policy had mentioned that the

Government Financial Statements had been prepared in accordance with the accounting classification, the budget deficit mentioned in the Annual Report of the Central Bank of Sri Lanka had been calculated as per economic classification. In accordance with the Annual Report 2024 of Central Bank of Sri Lanka, the budget deficit was Rs.2,039.9 billion. But, said deficit was Rs.2,126.19 billion as per the Government Financial Statements. Accordingly, there was a difference of Rs.86.29 billion.

Financing of Budget Deficit

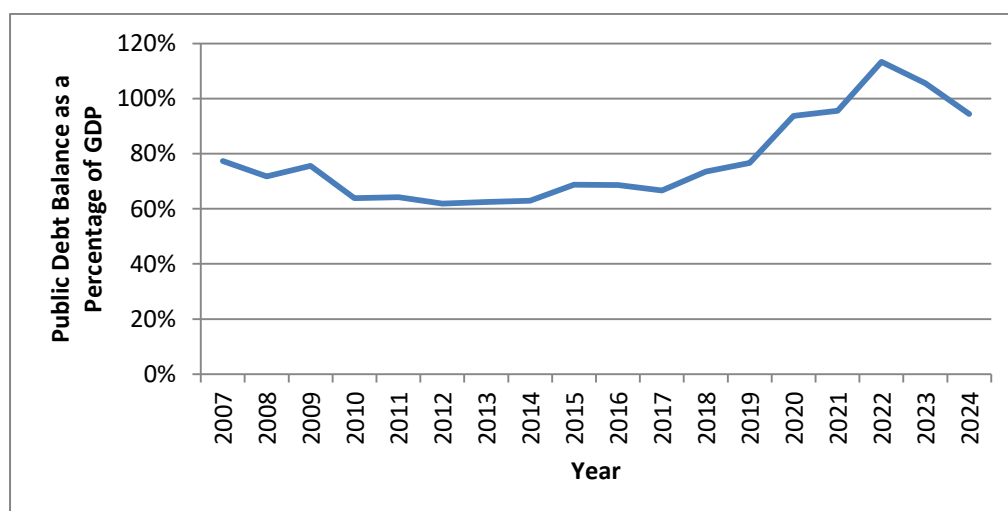
The budget deficit was Rs.2,126 billion in 2024 as compared with the budget deficit of Rs.2,583 billion in the preceding year as per the Government Financial Statements and the budget deficit had decreased by Rs.457 billion or 17.7 percent. It had to be obtained net foreign loans of Rs.333 billion and net local loans of Rs.1,868 billion to settle the budget deficit in 2024.

Growth of Loan Balance

Amidst the growth of annual budget deficit, **the** obtaining loans had also increased. As per the Government Financial Statements, the loan balance to be paid by Government was Rs.29,627 billion by the end of year 2024. The said balance had consisted with local loan of Rs.18,893 billion and foreign loans of Rs. 10,734 billion. In 2023, the Government loan balance was Rs.29,150 billion. Accordingly; the loan balance had increased by Rs.478 billion or 1.64 percent in 2024 as compared with 2023. The loan balance of Rs.2,431 billion existed in 2006 was 82.72 percent from the Gross Domestic Production and the loan balance was Rs.29,627 by the end of year 2024 and it was 99.09 percent from the Gross Domestic Production. Furthermore, though the government liabilities should be reduced to less than 80 percent from Gross Domestic Production in terms of section 3(f) of amended Public Finance Management (Liabilities) Act No.15 of 2013, the Government

loan liability except other liabilities was only 99.09 percent from Gross Domestic Production at the end of year 2024. This condition of exceeding the limit had existed in 2020, 2021 and 2022 also. The details are as follows.

Diagram 2.4 Public Debt Balance as a Percentage of GDP



Sources - Government Financial Statements 2007-2024 and Annual Reports of the Central Bank of Sri Lanka

Public Debts

Even though the planned value of Treasury Bonds was Rs. 2,409,700 million as per the basic borrowing program for the year under review, a total of Rs. 3,071,892 million had been borrowed through Treasury Bonds as at 31 December 2024. Accordingly, Rs. 662,192 million or 27 percent more than the planned amount had been borrowed through Treasury Bonds.

The estimated and actual value of the external loan and grant proceeds as per the performance plan for the year 2024 were as follows

Chart No. 2.10 **Estimated and Actual Value of the External Loan and Grant Proceeds as per the Performance Plan for the year 2024 (US\$ million)**

Development Stakeholder	Disbursed Estimate including Grants 2024	Actual Disbursed value Including Grants 2024	Variance	Variance, as a percentage of the Disbursed Estimate (%)
World Bank	397	564.9	167.9	42
Asian Development Bank	600	862.1	262.1	44
China	281	51.9	(229.1)	(82)
Japan	59	37.3	(21.7)	(37)
Korea	39	4.3	(34.7)	(89)
Middle East countries and OPEC Fund	83	39.3	(43.7)	(53)
South Asian countries	124	-	(124)	(100)
Russia, Australia and Western countries	122	7.94	(114.06)	(93)
UN Agencies including IFAD	48	16.4	(31.6)	(66)
International Monetary Fund	0	334	334	-
Total	----- 1,753 =====	----- 1,918 =====		

Source - Performance Plan for the year 2024

Disbursed Value

Even though the total value of the disbursed estimate for the year 2024 was US\$ 1,753 million, the actual disbursed value was US\$ 1,918 million, which is about 9.4 percent higher than the disbursed estimate by US\$ 165 million. The actual disbursed value of the debts received from the World Bank and the Asian Development Bank increased by 42 and 44 percent, respectively, compared to the disbursed estimate.

The expected loans from China, Japan, Korea, Middle East countries and OPEC Fund, South Asian countries, Russia, Australia and Western countries and UN agencies including IFAD ranged from 37 to 93 percent.

Even though it was estimated that loans would be obtained from South Asian countries by the end of 2024, these loans had not been obtained by the end of the year.

Even though no disbursement was expected from the International Monetary Fund (IMF) as per the disbursement estimate in the year 2024, US\$ 334 million had been disbursed.

Obtaining Local and Foreign Loans in 2024

According to the financial statements of the government in the year 2024, foreign loans amounted to Rs. 579,957 million and local non-bank loans (including net borrowings through Treasury Bills) amounted to Rs. 2,973,903 million, totaling Rs. 3,553,860 million. This is a decrease of Rs. 4,819,373 million or 57.56 percent when compared to the amount of loans of Rs. 8,373,233 million (including net borrowings through Treasury Bills) obtained in the previous year. The government had given more attention to local loan in the year 2024. Details are shown in Table 2.11 below.

Table No.2.11 Local and Foreign Borrowings Obtained by the Government

Description	2024 Rs. Million	2023 Rs. Million
Foreign Borrowings	579,957	831,951
Local Borrowings		
Treasury Bills (Net)	(22,040)	(33,929)
Treasury Bonds	3,071,892	7,614,523
Foreign Currency Banking Units (Non-Development Bonds)	(75,949)	(39,656)
	-	344
Total local Borrowings	2,973,903	7,541,282
Total amount of Borrowings during the year	3,553,860	8,373,233

Source - Government Financial Statements 2023 and 2024

Balance of Total Public Debts to be Paid

The total balance of public debt to be paid (excluding bank overdraft) as at 31 December 2024 was Rs. 29,627,610 million as per the Government financial statements, and it had increased by Rs. 477,221 million or 1.64 percent compared to the total balance of public debt (excluding bank overdraft) of Rs. 29,150,389 million as at 31 December 2023. A description of the total public debt at the end of the year 2023 and the year 2024 is shown in the table 2.12 below.

Table No. 2.12 **Loan Balance classified as at the end of the year**

Description	Balance as at 31 December	
	2024	2023
	Rs. Million	Rs. Million
Treasury Bills	4,070,414	4,092,454
Treasury Bonds	14,130,862	12,021,359
Local loans in foreign currency	-	77,742
Foreign Currency Banking Units (Projects)	16,267	20,269
Loans taken for Construction of Suhurupaya Buildings	3,413	3,982
Treasury Bonds (Active Liability Management Act)	8,000	23,000
Retirement Gratuity Loans	40,783	44,854
Leaseholders	1,031	1,313
Local Term Loan Facilities		-
People's Bank	159,823	
Bank of Ceylon	462,783	
Ceylon Petroleum Corporation guaranteed by the government	-	788,682
Total local Debts	18,893,378	17,073,655
Foreign (Projects)	6,918,540	7,301,756
Term Loan Facilities in Foreign Currency	715,520	709,741
International Sovereign Bonds	3,100,172	4,065,237
Total Foreign Debts	10,734,231	12,076,734
Total Public Debt Balance	29,627,610	29,150,389
Estimated Gross Domestic Production	29,899,000	28,103,000
Total Public Debt Balance as a Percentage of Estimated Gross Domestic Production	99.09	103.73

Source - Government Financial Statements 2023 and 2024

Exceeding of

Maximum Liability Limit According to the Fiscal Management (Responsibility) Act No. 3 of 2003 (as amended), the maximum liability value that could exist at the end of a given year should not exceed 80 percent of the estimated gross domestic product for that year. However, when taking into account the foreign debt not accounted as at 31 December 2024, the liability limit had been exceeded by 94.39 percent in the year 2024. Details are shown in Table 2.13.

Table No. 2.13 - Exceeding of Maximum Liability Limit

Liabilities	Value of Liabilities as at 31 December 2024 Rs. Billion
Bank Overdraft	105
Public Debt (As per Government Financial Statements)	29,627
Central Bank Advances	-
Liabilities not accounted for in the Financial Statements:	
Foreign Debts Not Accounted	01
Total Liabilities	29,733
Estimated Gross Domestic Production	31,500
Total liabilities as a Percentage of Estimated Gross Domestic Product	94.39

Source – Government Financial Statements

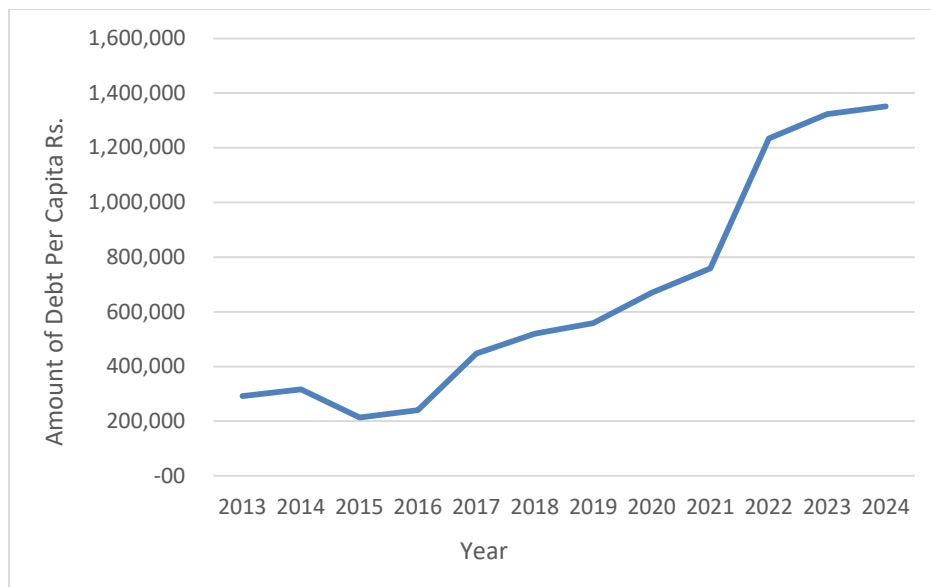
**Value of Guarantees
and Letters of Comfort
given to Banks for
Loans of Public
Enterprises**

The value of guarantees and letters of comfort given to banks for loans obtained by public enterprises on guarantees of the General Treasury, amounting to Rs.1,454 billion, and the value of Rs.84 billion included in the liabilities statements of the annual financial statements of Ministries, Departments and special spending units, are also not included in the above liabilities.

**Amount of Debt
per Capita**

As per the above information, the total public debt, compared to the median annual population, had increased from Rs.0.26 million as at 31 December 2012 to Rs.1.35 million as at 31 December 2024. It had also increased by Rs.29,078 or about 2.19 percent when compared to the Debt per capita of Rs.1.32 million as at 31 December 2023. The Debt per capita in 2024 and the previous 12 years is shown in Diagram 2.5.

Diagram 2.5: Amount of Debt Per Capita

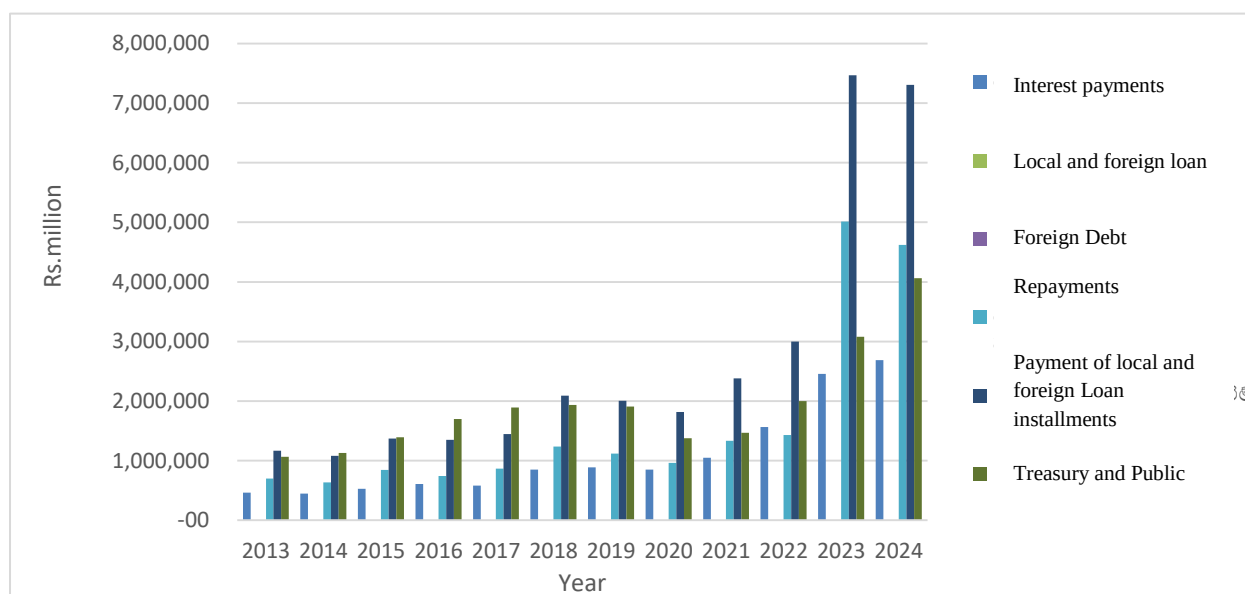


Sources - Government Financial Statements 2007-2024 and Annual Reports of the Central Bank of Sri Lanka

Decrease in Government Revenue and Increase in Payments of Loan Installments and Interest

Net borrowings (local and foreign) at the end of 2024 had increased by Rs.477,220 million compared to 2023 and interest payments on loans had increased by Rs.233,901 million or 9.53 percent in 2024 compared to 2023. As in previous years, the income collected in 2024 was not sufficient to pay the loan installments and interest. Details are shown in the diagram 2.6.

Diagram 2.6 : Insufficient income collected to pay loan installments and interest



Source - Government Financial Statements 2013- 2024

Capital Contribution of Government to Public Enterprises

As per the government financial statements as at 31 December 2024, value of the capital contribution for 156 Public enterprises was Rs.2,493,231 million and the same value was Rs. 2,407,633 million as at 31 December 2023. Accordingly, the capital contribution to Public enterprises had increased by Rs.85,598 million or 3.55 percent in relation to the year 2024. Out of the 335 Public enterprises supervised by the Department of Public Enterprises, 52 Public enterprises have been identified as playing a catalytic role in transforming them to a national high level and the following points were observed while analyzing the financial statements of those 52 strategically important Public enterprises in relation to the year 2023.

Public Enterprises continuously incurring Losses

The value of 6 Public enterprises for which the government had provided the capital contribution as at 31 December 2024 was Rs.218,245 million and that value was Rs.204,367 million as at 31 December 2023 and according to the financial statements of those institutions, their net assets (total assets - total external liabilities) as at 31 December 2023 had been a negative value of Rs.412,450 million. Accordingly, although these capital contributions were shown under financial assets in the government's financial statements, it was

observed that their value had been fully impaired and the relevant institutions were in a position to be maintained entirely under external liabilities. This was primarily due to the fact that the retained profits had taken a negative value due to the continuous losses incurred by the relevant institutions.

Public Enterprises whose Capital Contribution is impairing

The net assets of 05 public enterprises with a government capital value of Rs.1,935,428 million as at 31 December 2023, had been Rs.550,744 million as per the financial statements of those institutions. Accordingly, it was observed that the capital contribution value invested in these public enterprises is undergoing impairment.

Public Enterprises whose Net Assets are impairing

According to the government's financial statements, the capital contribution to 156 Public enterprises was Rs.2,407,633 million as at 31 December 2023, of which Rs.2,344,598 million had been invested in 47 public enterprises, including government corporations, statutory boards and state-owned companies, which are considered strategically important. However, according to the financial statements of these strategically important Public enterprises, the net asset value as at 31 December 2023 was Rs.2,161,258 million. Accordingly, it was observed that the government's capital contribution to those institutions has been impaired by negative 7.6 percent or negative Rs.183,340 million compared to the net assets of those institutions.

Total Net Loss

Even though a net profit of Rs.378,702 million has been earned in 2023 in relation to 52 strategically important Public enterprises invested by the government, it was observed that a loss of Rs.5,093 million was incurred in relation to 07 state corporations, a loss of Rs. 324 million in relation to 02 statutory boards and a loss of Rs. 1,086 million in relation to 03 state-owned companies.

Risk of Facing Liquidity Difficulties

The current ratio of 08 strategically important public enterprises remained weak by the end of 2023. In particular, it was observed that the current ratio of Sri Lankan Airlines and Sri Lanka Plantations

High Capital Leverage Status

Corporation was at a very low value of 0.15 and 0.17 respectively. Accordingly, it was further observed that these public enterprises are at high risk of facing liquidity difficulties.

It was observed to have a high capital leverage status in relation to 16 strategically important Public enterprises by the end of 2023. Further, public enterprises with negative total ownership were also observed and these institutions had been financed entirely through long-term debt. Accordingly, it was further observed that all these institutions were facing high financial risk and severe risk of going concern.

Increase in Capital Contribution of State Owned Enterprises during the year

As per the government's financial statements, the increase in capital contributions of state-owned enterprises was Rs.87,285 million during the year 2024, of which Rs.33,674 million, or 38 percent, had consisted of funds released from the General Treasury for recurrent payments of individual institutions, that is, loans and interest payments on loans and salaries and wages.

03. Ministry of Finance, Planning and Economic Development & Treasury Operational Activities.

Ministry of Finance, Planning and Economic Development

Progress of utilization Of provision

A totaling provision of Rs.956 million had been made from the supplementary estimates for the restructuring unit, social security project and Stability and Reformation in Financial Sector Project (ADB) belonging to the Government and 04 objects of program on which the provisions had not been made from the annual estimates. Even though the provision of Rs.430 million from the supplementary estimates for one object of Social Security Project, Rs.375 million had remained. Such balance was 87 percent from the net provision.

Delays in functioning the**Projects**

Rs.541 million out of total net provision of Rs.588 million in relation to establishment of Inter Treasury Management and Information System project implemented with the utilization of local funds in the year under review had not been utilized and remained.

State Owned Enterprises Restructuring Unit**Functionality of Unit**

The State Owned Enterprises Restructuring Unit established under former Ministry of Finance, Economic Stabilization and National Policies with regard to restructuring the state owned enterprises had been implemented on 01 December 2022. However, even though it had been decided to establish a holding company and take over 72 institutes listed for the restructuring as per the Cabinet Decision 15 May 2023 as affiliated companies of the holding company as mentioned in the principle 02 of State Owned Enterprises Reforms Policy, no holding company had been established for restructuring even up to 31 December 2024.

Further, 08 institutes mentioned in the list in Annexure No.01 of the memorandum proposed to be restructured after taking over to such holding company had selected the transaction advisors for divesting process under restructuring and entered into the bid calling process for these institutes under their assistance without taking over to the holding company. Accordingly, the approval of the Cabinet of Ministers had been granted to appoint the transaction advisors in 2023 for 07 institutes out of 08 selected. It was observed that a sum of Rs. 193 million had been paid from General Deposit Account bearing ministry No. 18/62P in 2024 for two foreign companies entered into agreement as the transaction advisors.

Though the basic objective of this is to maintain inefficient institutes which make losses in an efficient and effective manner, it was observed in the audit that 04 institutes out of 08

selected for the divesting process in the first stage had earned profit before tax in 2022 and 2023. Moreover, the financial contribution had not been provided to these institutes from the Treasury and the information contained in the study reports carried out in relation to restructuring these institutes as per (i) of paragraph 04 of the Cabinet Memorandum No. MF/052/CM/2022/177 dated 31 August 2022 had not been submitted to the audit.

Rs.121 million had been incurred for the maintenance of State Owned Enterprises Restructuring Unit for the years 2023 and 2024 and Rs.58 million out of that or 48 percent from total administrative expenses had been incurred for the payment of salaries for that unit. However, State owned Enterprise Restructuring Unit had been Temporary suspended in February 2025 as per the information received to the audit.

Public Private Partnership National Agency

Functions of Agency

As per the paragraph 03 of the Cabinet Memorandum No. MF/051/CM/2022/176 approved on 13 September 2022, the Public Private Partnership Agency had been established with an objective of introducing a method by the public private partnership structure for delivery the public services efficiently and encouragement of the investments. 14 projects including 12 projects commenced in the year 2023 had been implemented by this Agency up to 31 October 2024 under this method and further 72 projects had been listed for implementation under this method 30 September 2024. However, even though two years had lapsed from the establishment of the Agency by the end of year under review, it was observed that the projects which had been identified and commenced and the proposed projects to be commenced under this method couldn't be completed as expectedly as per a definite time frame due to non-establishment of the Act for Public Private Partnership

Program formally. However, the activities of this unit had been temporarily suspended on 25 February 2025 as per the information received to audit.

Tax Appeals Commission

506 appeals which had been registered in Tax appeals Commission but not concluded had existed up to 31 January 2025 and the tax value related to that is Rs.110, 395 million. Within these appeals, 29 appeals totaling Rs.70, 494 million exceeded the billion and 107 appeals of Rs.33, 096 million between Rs.100 to Rs.1000 million had been included. Though 27 appeals with tax value of Rs.3,408 million registered from 2011 up to the end of 2024 but it had not been commenced the hearing had been started the hearing, 483 appeals totaling to Rs.106,990 million which had not been determined had been included. Furthermore, even though the hearing of appeal shad been completed from 2022 to 28 January 2025, 233 reserved cases which had not been determined had prevailed and the tax value related to that is Rs.36, 514 million. It was observed that a considerable delay had occurred for collection of the revenue recoverable to the government as per the judgments of the Commission due to non-completion of the final stage of tax appeals resolving process for a long-time.

Department of Management Services

Maintenance of Data system

It had been proposed that the first step of the Department of Management Services established is the establishment of common data sources in Department of Management Services and integration, update and centered the data scattered among various agencies in disorder manner under Department of Management Services as per the Circular No. DMS/E/1/99

dated 05 May 1999 of Secretary to Treasury and Secretary of Finance and Planning. Accordingly, the necessity of maintenance of a data system of the employees in the public sector and provincial public service had been identified as the key functions of the department. However, though 24 years had lapsed the establishment of department by the end of year under review, no step had been taken to create the data system and maintain relevant update information.

Maintenance of actual Cadre information

Even though it had been entrusted the responsibility of maintenance and update of data system on the staff in the public sector by mention the changes related to the facts such as the recruitments, resignations, vacation of post, dismissals, retirements and deaths of the officers of all public institutions to the Department as per the Cabinet Decision dated 15 August 2017, it was observed that such system had not been maintained.

Staff Review

In accordance with the Management Services Circular No.01/2017 dated 21 January 2017, it had been specified to identify the minimum staff required for maintenance the functions of the public institutions in an optimum level, report to Director General of Management services on that matter and decide the optimum staff required for each institute by a staff review committee based on such information. However, the department was unable to obtain the staff review reports from 765 public institutions out of 1027 even up to 31 December 2024.

Department of Project Management and Monitoring

Performing the Functions

There were 226 mega and large scale development projects implemented under various line ministries in 2024 and 120 projects out of that had been financed by the local funds and loans and 106 projects had been financed by the foreign funds

and grants. However, only 23 projects out of 110 projects due to be completed in 2024 had been completed and 02 projects had been halted due to the performance issues by the end of year and 85 projects couldn't be completed as expectedly. Similarly, though approximately Rs.705 billion had been allocated for these projects in 2024, only Rs.402 billion or only 57 percent from the provision had been utilized by the end of the year. Accordingly, it was observed that the Department had failed to direct the activities enabling to fully fulfil the objectives of department for enhancement of the generation of expected development results. Even though it had been targeted 79 project field tour investigations within the year, only 41 projects had been covered. as per the performance report related to the year under review.

Uneconomic transactions The open quotations had been called in 2021 for the establishment of project monitoring system based on the web by using the new technology for National Development Information System (NDIS) for usage as a main media for essential data collection and evaluation for project progress monitoring and management which is the main role of the department and the contract had been awarded to a company at a contract value of Rs.135.72 million with tax. This contract had been halted on 31 August 2022 due to the poor performance of the contractor and it had failed to modernize the relevant information system even up to 31 December 2024. Accordingly, it was observed that the resolving and co-ordination of the issues arisen in review, reporting, co-ordination and implementation them in the project management are functioned with minimum efficiency.

Comptroller General's Office

Performing the functions The Comptroller General's Office had been established in accordance with a budget proposal approved by the Parliament of Sri Lanka in 2017 with objectives of the management of government assets through central documentation of all government assets, cost management on assets and monitoring. Accordingly, documentation of the all assets belonging to the government locally and internationally including lands, buildings, motor vehicles, ships, aircrafts and machinery centrally had been identified as a priority task to be performed by this office. Accordingly, even though 07 years had lapsed from the establishment of this office as at 31 December 2024, the Office had failed to prepare the documentation centrally including the above mentioned all assets and update those.

Department of Fiscal Policy

Recovery of revenue in Arrears

Though the responsibility on government revenue of the Accounting Officer is to diligently collect the revenue in arrears receivable to the government as per F.R.128 (2) e, the any amount of outstanding Social Responsibility Levy of Rs.62.78 million as at 31 December 2024 existed before 2010 had not been recovered within 2024 and the department had failed to an appropriate step related to that even up to 31 December 2024.

Department of Trade and Investment policies

South Asian Free Trade Agreement

Sri Lanka had signed for the South Asian Free Trade Agreement (SAFTA) established with the participation of 08 SAARC regional countries in 2005. Even though it had been proposed to reduce the duty write-off of 7.5 percent and 6 percent implemented now for 50 custom codes (with 08 codes)

prepared under final category of second phase of Trade Liberalization Program of this trade agreement to 5 percent in December 2018, the department had failed to take action to perform said actions even up to 31 December 2024.

Preferential Trade Agreement Between Bangladesh

And Sri Lanka (BS-PTA) The approval of the Cabinet of Ministers had been granted on 14 June 2021 to commence the discussions in relation to entering into agreement for preferential trade agreement between Sri Lanka and Bangladesh. As per the data submitted related to such task, the trade between both countries had earned favorable trade balances and high import coverage rate between Bangladesh and Sri Lanka from 2016 to 2020. Accordingly, though it had been come to a concurrence for a work plan related to signing a Bangladesh Sri Lanka Preferential Trade Agreement and it had been scheduled to sign the agreement by both countries in January 2022, it had failed to perform such activities by 31 December 2024 as per the concurrence.

China –Sri Lanka Free Trade Agreement

The discussions for reaching to a concurrence on China Sri Lanka Free Trade Agreement had been commenced in 2014 and conducted up to 2017. The Cabinet of Ministers had decided to restart the discussions in 2022 and it was observed that it was in the discussion level even up to 31 December 2024.

Department of Census and Statistics

Safety of Server Computers

The machine in Teenair type out of 02 precision air cooling systems which are essential for continuous regulation of temperature established in server computer room directly affected to the performance of department had been non-

operational since 02 years and it was observed that there is a technical fault in the machine in Liebert type since 09 months and the normal cooling system in Frostair type for temporary cooling requirement had been non-operational also. Accordingly, it was observed that the formal measures had not been taken by the department so far for ensuring the protection of the data which are very important nationally in the server computers.

Non-functioning of UPS Purchased

18 UPS machines had been purchased by department at a cost of Rs.16.32 million on 29 December 2014 without carrying out a proper study before procurement and it was observed that all machines are in non-operational level including 02 machines which had been inactive since the date of purchase. The performance securities had not been obtained for this. Rs.17.03 million had been paid under 05 agreements for the service activities of these machines. Accordingly, it had been disclosed to the audit that the machines including the computers which handle a large number of very important data nationally are operational unsafely without UPS machines.

Purchase of Computers Not in compliance with Specifications

The Technical Evaluation Committee had not recommended the purchase after inspecting the conformity of samples of 10 laptop computers purchased at a cost of Rs. 2.98 million on 29 December 2023 with relevant specifications and the Information Technology Unit had recommended on 08 January 2024 that the all computers are not conformity with the specifications of department after receipt of all computers to the department. However, the action had been taken to pay the complete value on 16 February 2024 and 03 September irrespective of relevant recommendations.

Department of Valuation

Revenue in arrears

Only Rs.149.76 million or 16.7 percent out of Rs.896.49 million of outstanding valuation revenue existed at the beginning of the year had been recovered within the year under review. Furthermore, 90.47 percent or Rs.677.34 million from total shortage valuation revenue of Rs. 748.73 million existed at the end of year under review as per the information submitted to the audit relates to 10 institutes and it was observed that 66.48 percent from that should be recovered from Urban Development Authority (UDA), S.W.R.D. Bandaranayake Memorial National Foundation and Ministry of Urban Development and Housing.

Related to the period 2008-2013, Rs.171.81 million and Rs.9.55 million recoverable from UDA and Sri Lanka land Reclamation and Development Corporation respectively had been brought forward without recovery up to now due to non-maintenance of formal reports on outstanding valuation revenue. Moreover, outstanding revenue of totaling Rs.0.84 million related to 04 files on which the institutes can't be identified and 04 files on which the file number had not been mentioned had existed as per outstanding revenue report.

Furthermore, though more than 10 year had elapsed for outstanding valuation revenue of Rs.17.10 million recoverable from Bank of Ceylon by the end of year 2024 as per outstanding valuation revenue report, it had not been recovered up to the date of report and a draft valuation report related to the valuation had been issued on 31 January 2014 without charge a fee.

Valuation of vehicles

Irrespective of the recommendation of an Inspection Officer of Department of Motor Traffic in relation to the valuation of damage cost of a vehicle damaged belonging to a parliamentarian and inquiry report of an Assistant Valuer of department inspected physically on the same date, it had been

reported the impairment cost of the vehicle as Rs.11 million as per a minute noted by Senior Valuer to Deputy Chief Valuer based on the recommendations received from North Western Regional Engineer of Sri Lanka Transport Board.

Decrease of valuation Amounts

The monthly rent of the building located No.321/1/A, High-level Road, Makubura, Pannipitiya for National Language Education and Training Institute had been valued as Rs.1.25 million as per the valuation report dated 15 December 2016 and the monthly rent had been valued as Rs.0.8 million or less than 36 percent from the original valuation as per the valuation report issued on 14 February 2024 after 07 years for that building. Moreover, the valuation file in 2016 had not been submitted to the audit for further investigation.

Reporting of the property damages occurred on 09 May 2022

In accordance with the sample test on issuance of the assessment reports for the property damages occurred due to the violence acts on 09 May 2022, The amounts of such assessment values had been increased in the range of 22 percent to 158 percent by the Chief Valuer taking into consideration of the Cabinet Decisions and orders of President, requests of District Secretary/Divisional Secretary and the requests of property owners subsequent to submission of relevant preliminary valuation reports. Accordingly, totaling assessment values had been reported an increase of 51 percent from Rs.384.08 million up to Rs.580.15 million from second valuation report in comparative with the first valuation reports in relation to 16 valuations.

Department of Public Finance

Closing of non-statutory Funds

In accordance with the provisions of Public Finance Circular No.02/2018 dated 18 August 2018 and the Public Finance

Maintenance of e-GP System

Management Act No.44 of 2024, it had been recommended to close 13 non-statutory funds, the action had not been completed in relation to 02 funds even up to the end of year under review.

Even though it had been entered into the preliminary agreement for development of e-GP system on 25 November 2019, the system had been developed by calling bids only under the shopping method even up to 31 March 2025. The registration activities of number of institutes expected to be carried the procurement activities through e-GP system to this system had not been completed. Though it had been planned to develop the system enabling to carry out procurement of goods under national and international bids calling up to 31 March 2025, said activities had not been completed even up to 31 March 2025.

In addition, though it had been entered into agreement with Theekshana institute on 25 November 2019 at a cost of Rs.71.50 million for development of e-GP system contract, an adequate performance had not been shown by the contract even up to 31 December 2021. In this backdrop, an addendum to the original contract had been signed with above-mentioned contract company on 22 March 2023 for the preparation of the system within the period of 20 months at a contract value of Rs.152.87 million included Rs.81.37 million to original contract for creation of new version of this system. Even though a period of 27 months had lapsed from the date of agreement by 30 June 2025, it was observed that the System Developer had not performed the expected role under new agreement too. It was observed that the compliance process of the government procurement to an electronic procurement method from which a higher performance can be obtained had delayed more than 06 years.

Department of Information Technology Management

Information Systems

An agreement with a value of Rs. 84.24 million had been entered into with a private company on 14 September 2018 for maintenance of the software and hardware operations of the information systems executed in the Treasury. The bid had been awarded to the former contractor without calling opening competitive bids after its warranty period and a fair verification for that had not been provided by Technical Evaluation Committee and Department Procurement Committee. Furthermore, though the approval had been granted to enter into a service maintenance agreement for this for a period of one year by Department Procurement Committee, there were no recommendation of technical committee and approval of procurement committee in relation to entering into an agreement for maintenance period of 40 months and a sum of Rs.46.02 million had been paid for this.

Banking Sector

By the end of year 2024, the banking sector consists with 30 licensed banks i.e. 24 licensed commercial banks including 11 foreign banking units and six licensed special banks. Within 2024, 13 bank branches and 368 automatic teller machines had been established and 10 bank branches and 24 automatic teller machines had been closed. Accordingly, number of overall bank branches and number of automatic teller machines had increased up to 7,613 and 7,286 respectively by the end of year 2024.

Table:2.14 Distribution of Banks, Bank Branches and Other Banking Outlets

Table 2.2: Distribution of Banks, Bank Branches and Other Banking Outlets		
Category	End 2023 (a)	End 2024 (b)
Licensed Commercial Banks (LCBs)		
I. Total No. of LCBs	24	24
Domestic Banks	13	13
Foreign Banks	11	11
II. Total No. of LCB Banking Outlets	6,816	6,907
Branches (c)	2,934	2,936
Domestic Banks' Branches	2,889	2,895
Foreign Banks' Branches	45	41
Student Savings Units	3,882	3,971
III. Automated Teller Machines	6,439	6,782
Licensed Specialised Banks (LSBs)		
I. Total No. of LSBs	6	6
National Level Savings Banks	1	1
Housing Finance Institutions	2	2
Other LSBs	3	3
II. Total No. of LSB Banking Outlets	705	706
Branches (c)	705	706
National Level Savings Banks	267	268
Housing Finance Institutions	64	64
Other LSBs	374	374
III. Automated Teller Machines	503	504
Total No. of Bank Branches and Other Outlets	7,521	7,613
Total No. of Automated Teller Machines	6,942	7,286

(a) Revised
(b) Provisional
(c) All Banking Outlets excluding Student Savings Units.

Source: Central Bank of Sri Lanka

Assets in banking Sector

The banking sector had continuously expanded as per its asset basis within 2024 and the increase of investments had mainly caused for that. The total asset basis of this sector had increased by Rs.1,781.3 billion within 2024 and it had been reported as Rs.22.2 trillion by the end of year and it had been reported a growth of 8.7 percent by the end of year 2024 as compared to

the growth of 5.0 percent on the annual point basis prevailed at the end of year 2023. The investments mainly contributed for expansion the assets had increased by Rs.1, 783.8 billion within 2024 it had been reported a growth of 24.4 percent as compared with a growth of 23.1 percent on annual point basis at the end of year 2023. Furthermore, the liberalization of monetary policy through deduction of policy interest rates implemented from time to time since June 2023, considerable increase of market liquidity and return the trend for going down the loan growth and control of deterioration of the quality of assets had caused. Accordingly, loans and receivables was in contraction of 2.6 percent on annual point basis by the end of 2023 had increased a growth of 4.1 percent by the end of year 2024.

Responsibilities in The banking sector

The deposits represented 81.0 percent from overall liabilities and equity by the end of year 2024 had continuously existed as the main source of providing the funds in the banking sector and equity and borrowings had represented 9.2 percent and 5.8 percent respectively from overall liabilities and equity. Within 2024, overall deposits had improved by Rs.1, 338.9 billion and increase of time deposits had contributed to 82.9 percent of it. By the end of year 2024, the time deposits from overall deposits were 67.6 percent and the saving deposits and demand deposits were 25.1 percent and 6.2 percent respectively. The current and savings account ratio had slightly dropped from 32.3 percent to 31.2 percent from 2023 to 2024. The overall borrowings in the banking sector had recorded a contraction of 25.3 percent in 2023 had dropped by Rs.474.2 billion. As compared with this, it had dropped by Rs.117.4 billion by showing a contraction of 8.4 percent in 2024. The decrease of the foreign currency borrowings in 2024 by US \$ 281.8 million and reporting a contraction of 27.0 percent while contraction of the rupee loans by 0.2 percent or decrease by Rs.2.3 billion had mainly caused this.

Table: 2.15 Composition of Assets and Liabilities of the Banking Sector

Table 2.3: Composition of Assets and Liabilities of the Banking Sector						
Item	2023 (a)		2024 (b)		Change (%)	
	Rs. bn	Share (%)	Rs. bn	Share (%)	2023	2024
Assets						
Loans & Receivables	11,020.8	54.0	11,473.7	51.7	-2.6	4.1
Investments	7,299.9	35.8	9,083.7	41.0	23.1	24.4
Others (c)	2,073.7	10.2	1,618.2	7.3	-4.5	-22.0
Liabilities						
Deposits	16,630.5	81.5	17,969.4	81.0	8.7	8.1
Borrowings	1,397.4	6.9	1,280.0	5.8	-25.3	-8.4
Capital Funds	1,765.5	8.7	2,043.2	9.2	10.5	15.7
Others	601.0	2.9	883.1	4.0	-7.3	46.9
Total Assets/Liabilities	20,394.4	100.0	22,175.7	100.0	5.0	8.7

(a) Revised
(b) Provisional
(c) Includes cash and bank balances, placements, reverse repurchase agreements and fixed assets.

Source: Central Bank of Sri Lanka

Table:2.16 Composition of Deposits of the Banking Sector

Table 2.4: Composition of Deposits of the Banking Sector						
Item	2023 (a)		2024 (b)		Change (%)	
	Rs. bn	Share (%)	Rs. bn	Share (%)	2023	2024
Demand Deposits	1,082.5	6.5	1,109.6	6.2	1.7	2.5
Savings Deposits	4,292.5	25.8	4,502.6	25.1	15.8	4.9
Time Deposits	11,045.8	66.4	12,155.9	67.6	6.3	10.1
Other Deposits	209.7	1.3	201.2	1.1	58.1	-4.1
Total Deposits	16,630.5	100.0	17,969.4	100.0	8.7	8.1

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka

Loan ratio prevailed under

Stage 3 in banking sector Even though Non-performing loan ratio in the banking sector depicted by the loan ratio prevailed under third stage had shown a decrease by the end of year 2024 as compared with 2023, it was further in a higher level. By indicating a growth in loan quality within the year, the non-performing loan ratio had slightly decreased up to 12.3 percent at the end of year 2024 as compared with 12.8 percent by the end of year 2023. The growth of overall loans and slight contraction in non-performing loans at the end 2024 had mainly caused for the growth of loan quality. This shows a positive impact on loan supply and payment back by improved macro-economic conditions. Moreover, provision for non-performing loan coverage ratio of 49.0 percent at the end of 2023 had improved up to 54.1 percent by the end of 2024 by the growth of 10.1 percent occurred in the provision on non-performing loans on annual point basis.

Liquidity in banking Sector

The liquidity in the banking sector had grown in 2024 as indicated by Liquidity Coverage Ratio and Net Stable Funding Ratio. The Rupee Liquidity Coverage Ratio had increased up to 349.9 percent from 340.9 percent prevailed by the end of 2023 and it had depicted that the liquidity assets in high quality denominated in rupees adequate for their rupees liquidity requirements for banks had existed. The all money liquidity coverage ratio which is an index of overall liquidity in the banking sector had improved up to 313.8 percent by the end of 2024 as compared to 288.4 percent by the end of year 2023.

Profitability in banking Sector

The profitability had shown a considerable growth within the year due to increase of net interest income and return of loan impairment provision made previously for restructure of international sovereign bonds mainly. Within 2024, the interest income in the banking sector had decreased by 13.7 percent but net interest income had increased by 28.2 percent due to decrease of interest expenses by 29.5 percent. As a result of that, the net interest margin existed as 3.7 percent at the end of 2023 had increased up to 4.3 percent by the end of 2024. Within 2024, non-interest expenses had increased by Rs.73.9 billion due to increase of employee cost Rs.54.5 billion mainly and loan impairment and provision for other losses had decreased by Rs.238.1 billion owing to return of international sovereign bonds and linked loan impairment provision mainly. The banking sector had paid Rs.409.3 billion as total tax including Value Added Tax, Nation Building Tax, other taxes on financial services and Corporate Tax for the financial year 2024 and it was Rs.184.4 billion for the financial year 2023. As per regulatory reporting, profit before Corporate Tax was Rs.563.1 billion for the year 2024 and it had increased by Rs.272.0 billion as compared with the preceding year. In 2024, profit after tax in the banking sector was Rs.309.7 billion and it is a growth of 60.8 percent as compared with the preceding year. This is depicted by increase of benefit (before tax) on assets ratio from 1.5 percent at the end of year 2023 to 2.6 percent at the end of year 2024 as well as increase of benefits (after tax) on assets ratio from 11.5 percent in the year 2023 to 15.6 percent in the year 2024. Furthermore, the efficiency in the banking sector had slightly deteriorated from 40.5 percent at the end of year 2023 to 40.7 percent by the end of year 2024 due to increase of operating cost mainly.

Table:2.17 Profit of the Banking Sector

Table 2.5: Profit of the Banking Sector				
Item	2023 (a)		2024 (b)	
	Amount (Rs. bn)	As a % of Avg. Assets	Amount (Rs. bn)	As a % of Avg. Assets
Net Interest Income	714.6	3.7	916.0	4.3
Interest Income	2,610.2	13.4	2,252.0	10.5
Interest Expenses	1,895.6	9.7	1,336.0	6.2
Non-Interest Income	207.4	1.1	183.8	0.9
Net Fee & Commission Income	132.2	0.7	147.0	0.7
Non-Interest Expenses	373.4	1.9	447.3	2.1
Staff Cost	189.9	1.0	244.4	1.1
Impairment for Loans & Other Losses	171.6	0.9	-66.5	-0.3
Profit Before Tax (Before VAT, NBT and Other Taxes on Financial Services, and Corporate Tax)	377.0	1.9	719.0	3.4
VAT, NBT and Other Taxes on Financial Services	85.9	0.4	155.9	0.7
Corporate Tax	98.5	0.5	253.4	1.2
Profit After Tax	192.6	1.0	309.7	1.4
(a) Revised	Source: Central Bank of Sri Lanka			
(b) Provisional				

In compliance with capital Requirements by banking sector

Within 2024, the banking sector had complied with the capital requirements as overall. The banks had been encouraged to absorb the losses occurred due to the risks arisen on challenging business conditions and collect the capital in higher quality in order to enhance the strength of the banking sector. As a result of that, the bank had increased first layer capital through increase of the share capital by Rs.30.3 billion within 2024. Within the year, the regulatory capital in the banking sector had reported a growth of 6.8 percent and the first layer capital had contributed for increase of 53.0 percent out of that growth. At the end of year 2024, overall capital ratio had existed as 18.4% and the first layer capital ratio had slightly reduced up to 14.9 percent at the end of year 2024 as compared with 15.2 percent by the end of year 2023.

Table:2.18 Composition of Regulatory Capital of the Banking Sector

Table 2.6: Composition of Regulatory Capital of the Banking Sector				
Item	Rs. bn		Composition (%)	
	2023 (a)	2024 (b)	2023 (a)	2024 (b)
Tier I: Capital	1,395.1	1,455.5	100.0	100.0
Share Capital	385.8	416.1	27.7	28.6
Statutory Reserve Funds	87.7	88.7	6.3	6.1
Retained Profits	720.0	710.5	51.6	48.8
General and Other Reserves	332.3	330.4	23.8	22.7
Others	93.1	70.8	6.7	4.9
Regulatory Adjustments	-223.8	-161.0	-16.0	-11.0
Tier II: Capital	291.9	345.4	100.0	100.0
Revaluation Reserves	44.1	52.6	15.1	15.2
Subordinated Term Debt	147.9	196.8	50.7	57.0
General Provisions and Other	100.5	97.4	34.4	28.2
Regulatory Adjustments	-0.6	-1.5	-0.2	-0.4
Total Regulatory Capital Base	1,687.0	1,800.9		
a) Revised				
b) Provisional				

Source: Central Bank of Sri Lanka

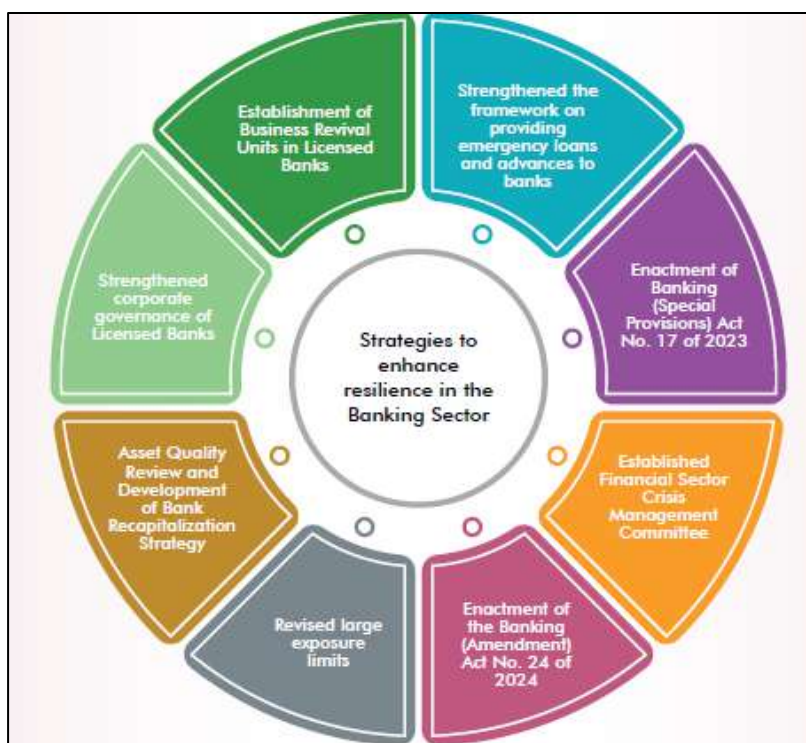
Reforms made in the banking sector recently For strengthening the Withstanding

Strengthening the existing framework for providing emergency loans and advances to the banks which have temporary liquidity crisis

- Establishment of Financial Stability Fund and taking necessary measures for strengthening the institutional provision of Sri Lanka Deposit Insurance Scheme and improve the financial capacity
- Establishment of Crisis Management Committee in the financial sector under the Bank Act (Special Provisions) with an objective of strengthening the policy co-ordination between Central Bank of Sri Lanka and ministry of Finance on crisis management in the financial sector for minimization of the impact of crisis

- Enforcement of Bank (Amendment) Act No.24 of 2024
- Amendment of exposure limits of large transactions
- Review on quality of assets and preparation of the strategy for bank recapitalization
- Strengthening the institutional good governance
- Establishment of revival units of licensed banking business and action for providing concessions

Table:2.19 Strategies to enhance resilience in the Banking Sector



Central Bank of Sri Lanka

The Central Bank of Sri Lanka is the apex institution in the financial system of Sri Lanka. The Monetary Law Act No.58 of 1949 which had been established the Central Bank of Sri Lanka as semi-autonomous institute in 1950 had been revoked by the Sri Lanka Central Bank Act No.16 of 2023 passed in September 2023. Under this new Act, the Central Bank of Sri Lanka had been established as a body corporate with legal personality.

Under the new Act, the Central Bank of Sri Lanka shall be autonomous and accountable. As a corporate body with legal personality, the Central Bank of Sri Lanka shall be responsible for the administration of the monetary, financial and payment systems of Sri Lanka. As per

Central Bank Act, the Secretary to the Treasury is no longer a part of any of the Central Bank's decision-making bodies.

The new governing structure comprises two parallel decision-making bodies namely the Governing Board (GB) and the Monetary Policy Board (MPB) both of which are headed by the Governor.

- a) Governing Board – Oversees the administration and management of the affairs of the Central Bank of Sri Lanka and determines general policies of the CBSL other than the monetary policy
- b) Monetary Policy Board- formulates monetary policy of the CBSL and implements a flexible exchange regime in line with the flexible inflation targeting framework in order to maintain domestic price stability

Overall, in addition to its primary objective, the CBSL seeks to achieve and maintain a healthy and stable economic and financial system while maximizing resource utilization. Thus, its new objectives are:

- a) Primary Objective: Achieve and maintain domestic price stability –CBSL shall consider the stabilization of output towards its potential level
- b) Other Objective: Secure the financial system stability – CBSL shall consider the development and efficiency of the financial system.

The governor of the CBSL would continue to function as its Chief executive Officer. In addition to the Governor, the senior management would comprise Deputy Governors, Assistant Governors and Heads of Departments. The Bank consists of 29 Departments and 6 Regional Offices. The departments are headed by a Director (or equivalent) reporting to the Governor or a Deputy Governor through an Assistant Governor. Further, the CBSL also serves as Advisor on Economic Affairs and Banker Government of Sri Lanka (GOSL).

Repatriation of export proceeds

In service sector to

Sri Lanka

The export proceeds in relation to the all goods exported and/or services supplied outside Sri Lanka should be compulsorily repatriated to Sri Lanka by every goods and/or services exporter within 180 days from the date of shipping the goods or date of supplied the service as applicable in terms of the provisions of Monetary Law Act and Central Bank of Sri Lanka

Act No.16 of 2023 and rules issued by the Bank. Taking into consideration the necessity of efficiently monitoring the repatriation the export proceeds into Sri Lanka, the Export Proceeds Monitoring System had been introduced by Bank in June 2022 and said system facilitates repatriation the export proceeds within the specified time period and monitoring of conversion of export proceeds into local currency. The Bank, Sri Lanka Customs and Licensed Traders are main three participants of the system. Since the service exports are not performed through Sri Lanka Customs, such export proceeds couldn't be reconciled with the information supplied by licensed traders. Therefore, it was observed that repatriation of service export proceeds is not completely monitored by above system.

**Reporting of a
Deduction in a note
Packaging (Bundle)**

As per the media notice issued by bank on 20 April 2023, it had been revealed a decrease of a packaging of notes with a value of Rs.5 million (Rs.5,000 notes) in a vault inside the Central Bank of Sri Lanka while in the operating activities of currency on 11 April 2023. An internal inquiry had been immediately commenced in this regard and a complaint had been lodged in Fort Police Station. However, no responsible party had been identified for decrease of a packaging of notes (bundle) even up to 15 September

**Achievement of inflation
Targets by banks**

In terms of section 26(1) of the Central Bank of Sri Lanka Act No.16 of 2023, the Monetary Policy Framework Agreement indicated the inflationary targets to be reached by bank should be signed by the minister and bank. The minister and the Governor had entered into Monetary Policy Framework Agreement on 03 October 2023 (as published in the Extraordinary Gazette Notification No.2352/20 dated

05.10.2023) and accordingly, the Bank should target to maintain the quarterly average headline inflation in the level of 5 percent under the agreed Monetary Policy Framework agreement. In addition, the margin percentage for the inflation target is ± 2 for the requirement in the section 26(5) of the act. Accordingly, the simple average of annual point percent difference of monthly Colombo Consumer Price Index for 03 months in the relevant quarter published by Department of Census and Statistics were 2.97 percent, 4.4 percent and 1.37 percent for the last quarter of 2023 and first 02 quarters of 2024 respectively. Therefore, it was observed that the actual inflation is less than targeted inflation from October 2023 to December and April 2024 to June. However, since the quarterly inflation rate had not increased/decreased by 2 percent more than 5 percent, targeted inflation had not been violated.

Bank of Ceylon

Bank of Ceylon is a licensed commercial bank established under the Banking Act No.30 of 1988 and duly incorporated on 01 August 1939 under Bank of Ceylon Ordinance No.53 of 1938. The vision of Bank of Ceylon is to be the nation's preferred bank with a strong global presence providing customer centric innovative financial solutions and its mission is to provide highly efficient, customer focused, technologically sophisticated, resilient and innovative financial services to the nation with global access, empowering employee's and enhancing values to the stakeholders.

The operating result in the year under review was a profit of Rs.64,387 million and the corresponding profit in the preceding year was Rs.26,694 million. Accordingly, an improvement of Rs.37,693 million of the financial result was observed. The reversal of international security bond by Rs.14.1 billion, reversal of loan impairment by Rs.20,343 million and renewal of deposits at a lower rate had mainly affected for this improvement.

**Taking 10 highest
non-performing Loan balance
a considerable amount
From total loan
advance balance**

As at 31 December 2024, aggregate of 10 highest non-performing loan balances was Rs.46,250.44 million and it was 1.90 percent from total loan and advance balance on that date. Similarly, it is an increase of Rs.8, 857.02 million or 23.69 percent as compared with the preceding year and it was 12.41 percent from total loan and advance balance of stage III of bank on that date.

**Delays in acquisition of
Properties again**

06 properties acquired by the bank had been temporarily handed over to Sri Lanka Army in 2020 and 2021 for maintenance of the quarantine centers with the covering approval of the Board of Directors. However, since the bank was unable to acquire such properties again, the further recovery measures couldn't be taken by auctioning the property at a fair value and settling the non-performing loan facility. Presently, the efforts are being taken to discuss with the Treasury and Ministry of Defense.

**Reconciliation process of
CEFT and ATM
transactions Carried out
through "Lanka Pay"**

There is no reconciliation process for the CEFT and ATM transactions carried out through "Lanka Pay". Accordingly, a difference of Rs.597 million had been identified among 04 general ledger accounts related to CEFT transactions as at 31 December 2024 and reconciliation documents and a difference of Rs.52.7 million had been identified among 04 general ledger accounts related to ATM transactions and reconciliation documents.

The non-availability of proper daily reconciliation process creates a considerable risk for internal frauds and faults and it may tarnish the goodwill of the bank.

People's Bank

The People's Bank had been incorporated under the People's Bank Act No.29 of 1961 and is a licensed commercial bank established under the Banking Act No.30 of 1988. As per the section 4 of People's Bank Act and its amendments, the objectives of the bank are to assist for the development of cooperative campaign, rural banking, agriculture and industry and carry out pawn brokering business and act as a commercial bank.

By the end of December 2024, the total asset base of the bank had been reported as Rs. 3,297,799 million and the total deposit base of the bank Rs. 2,854,704 million. The bank had reported a profit before tax of Rs. 41,583.7 million in the year 2024.

As at 31 December 2024, gross loan and advances of the bank had been reported as Rs. 1,671,180 million and it had been reported a decrease of Rs.175, 210 million as compared with the end of the preceding year. The loans classified under stage 2 and stage 3 was Rs. 490,822 million as at 31 December 2024 and it is represented 29.4 percent of gross loans and advances of the bank.

The total recoverable loans and advances belonging to the central government and public enterprises had been reported as Rs. 455,957 million or 27.28 percent from total loans and advances portfolio of the bank as at 31 December 2024. However, the loan balances recoverable from the public enterprises had decreased by Rs. 325,445 million or 41.65 percent as compared with preceding year. As at 31 December 2024, the government investments and other receivables from the government were Rs. 1,505,120 million and accordingly, the total exposure to the central government and the public enterprises was Rs.1,961,077 million and it is represented 59.47 percent from the total assets of the bank.

Even though the Board of directors should be consisted with 10 directors in terms of section 8(1) of the People's Bank Act No.29 of 1961, the Board of Directors had been constituted with only 05 Directors by 31 December 2024. Furthermore,

the number of Directors of Board of Directors shall be not less than 07 and not more than 13 of licensed banks in accordance with the Guidelines of Bank Act No.05 of 2024 effective from 01 January 2025. However, the Board of Directors had consisted only with 05 Directors by 30 June 2025.

National Savings Bank

The National Savings Bank had been established under the National Savings Bank Act No.30 of 1971 by consolidating 04 specific institutions which had engaged in providing financial services to the people and it had been identified as a licensed specialized bank by the Banking Act No.30 of 1988.

Under the main mission of fulfilling the expectations of the all parties of the bank and providing the financial solutions for making the savings and investments of the customers optimum, the bank performs the daily activities through 04 fields such as branch banking activities, institutional banking activities, international banking activities and Treasury banking activities.

Loans and Advances As at 31 December 2024, the value of gross loans and advances of the bank was Rs. 561,314 million and this is an increase by 2.3 percent as compared with Rs. 548,898 million in the preceding year. Rs.259, 160 from total loans and advances or 46.17 percent had been provided under private loans and housing and property loans. Furthermore, Rs.119, 691 million or 21.3 percent and Rs.28, 122 million or 5 percent had been provided as mortgage loans and employee loans respectively.

Foreign loans provided to a private company in Maldives

Rs.3, 518 million from total loans and advances is foreign loans and the total value of that is US\$ 9 million provided to a private company in Maldives in 2018 and the outstanding interest on it calculated as at 31 December 2024. The evidences had not been disclosed to the audit that a comprehensive loan evaluation or risk assessment had been carried out before granting this loan.

The one year grace period for payment the capital money given by the bank had been extended from time to time up to 2022. However, no capital payment had been made by the loan borrowing company up to 31 December 2024. This loan amount had been classified as non-performing loan and it was observed that a field inspection had not been performed up to date by an independent party with technical skills and competence related to this matter.

Recovery of joint property

Loans

On 23 December 2020, a joint property loan of Rs.164.73 million had been provided to two persons by the bank. The loan borrower had paid only two installments and its total outstanding loan balance was Rs.220.75 million as at 21 July 2025. The property related to this loan amount had been transferred to the bank after the auction held on 06 February 2024 and its market value was Rs.197.4 million as per the valuation report dated 04 July 2024. Accordingly, it is uncertain to recover the balance of Rs.23.355 million.

Losses occurred

From frauds

The total loss occurred to the bank from 104 fraudulent activities was Rs.118.37 million as at 30 June 2025 and Rs.74.49 million out of that had not been recovered. The total loss of Rs.84.84 million occurred to the bank from 14 fraudulent activities had been performed by the staff members and the non-recovery balance of such losses Rs.46.68 million or 55 percent from the total loss as at 30 June 2025. 49 fraudulent activities occurred from 2021 to 2024 are frauds related to automatic teller cards. 39 fraudulent activities out of that with a value of Rs.3.22 million had been done through the online transactions by usage of the information relevant to the cards hacked by a payment application by a third party. No insurance compensation had been received for such 39 incidents up to 30 June 2025 which was the date of audit. In

addition, the fraudulent activities related to a loss of Rs.40.48 million more than 05 years old had been included in these fraudulent activities.

Housing Development Finance Corporation Bank

The Housing Development Finance Corporation Bank had been incorporated under Sri Lanka Housing Development Finance Corporation Bank Act No.07 of 1997 (amended by Act No.15 of 2003 and Act No.45 of 2011) and had become a licensed specialized bank by the Banking Act No.30 of 1988. As per section 12(a) of Act and amendments, the objective of the bank is to become the undisputed market leaders in housing finance to make the housing finance to make the housing dream of all Sri Lankans a reality.

Housing Development Finance Corporation Bank operates its banking operations through a total of 39 branches and 494 staff and had a credit rating of BB+ (Ika) at the end of 2024.

Loans and advances

As at 31 December 2024, total gross outstanding of loans and advance was Rs.43, 226 million and it was Rs. 43,621 million in the preceding year. As at that date, stage 3 loan balance was Rs. 21,029 million. Rs. As sum of 667 million in the stage 3 loan balance was the capital and interest granted to two companies of the same group. It is an increase of Rs.2, 081 million as compared with the stage 3 loan balance of Rs.18, 948 million in the preceding year. Moreover, Rs.2, 595 million had been allocated for the impairment provision for stage 3 loans as at 31 December 2024 and compared with Rs.2, 047.5 million in the preceding year.

Penalty interest over charged

From the customers

In accordance with the instructions and circulars of Central Bank of Sri Lanka issued in relation to penalty interest from July 2013 to August 2024, the penalty interest rates charged for all loans and advances including the loan facilities already granted, in excess of approved limit or for arrears should be reduced to a level not exceeding 200 basis point per annum

within the overdue period by every licensed commercial bank (LCB) and licensed specialized bank (LSB). (Not exceeding 400 annual basis marks from October 2019 to August 2020)

However, a uniform penalty interest rates had been charged by the bank for all loan types from 2017 to 31 August 2024 irrespective of individual rates and in contrary to the instructions of Central Bank of Sri Lanka. Further, the considerable higher penalty interest rates ranging from 16 percent to 30 percent had been charged by the bank during that period and these rates are relevant to the loans previously granted at low interest rates. As a result, excess penalty interest had been charged from the customers.

A sum of Rs.149, 813,905 and Rs.58, 214,455 charged by the bank related to additional penalty interest during the period from 01.01.2023 to 31.12.2023 and from 01.01.2017 to 31.12.2022 respectively had been adjusted in the financial statements for the year ended 31 December 2024.

Employees' Provident Fund

Loans refused recovery

Central Bank of Sri Lanka rejected the settlement of 70 provident fund loans submitted for the year 2022. Though the funds had been remitted by the Central Bank of Sri Lanka before 2022 for totally settle of 52 loans out of that, the bank had failed to settle recover such loans due to the negligence of the staff. Those are delay of some settlement, settle as monthly installments instead of total settle, not being updated the loans in old system, non-recovery due to not being transferred to new system and issuance of form 14 considering loan balances as zero. Furthermore, the additional interest and penalties had been collected for those loans in previous years and the total outstanding for 43 Employees' Provident Fund loans was Rs.9.46 million as at 31 December 2024 and balance 09 loans had been fully recovered.

Regional Development Bank

The Regional Development Bank had been established as a licensed specialized bank in Sri Lanka belonging to government by consolidating 06 provincial development banks in 2010 by the Regional Development Bank Act No.41 of 2008. The objectives of the bank which is in national level and owned by the government is to provide the facilities for whole zonal economic development activities such as agriculture, industries, trade, commerce, livestock and fishery and empower the women by giving financial aids to micro finance institutions and small and medium scale entrepreneurs.

The return on assets of the Bank (ROA) was 1.03 percent for the year 2024 and it is 1.4 (BT) percent for licensed specialized banking sector. Moreover, the return on equity of the bank (ROE) 5.85 percent for the year 2024 and it was 12.4 percent for licensed specialized banking sector.

Vacancies and Acting appointments

Within 2024, the posts such as General Manager, Chief Information Officer, Deputy General Manager (Loans, Special Projects and Policy Implementation) and Deputy General Manager (Renewable and Recovery) in the bank had been appointed on acting basis and Chief Internal Auditor and Chief Risk Officer had been vacant. Further, the Board of Directors of the licensed specialized banks shall be not less than 07 and not more than 13 as per the paragraph 3(1)(iii) of the Guidelines issued by the Central Bank of Sri Lanka on 02 December 2013. However, the Board of Directors of the bank had consisted with only 06 members as at 31 December 2024. A Director had not been appointed from the General Treasury up to 08 November 2024 for the year 2024 and the relevant 03 Directors had not been appointed from 03 banks owned shares in the last quarter of 2024.

State Mortgage and Investment Bank

The State Mortgage and Investment Bank is a licensed specialized bank established under the Banking Act No.30 of 1988 and incorporated under the State Mortgage and Investment

Bank Act No.13 of 1975 and the amendments made to such Act. As per section 2 of this Act, the objective of this bank is to give assistance for the development of the sectors such as agriculture, industry and housing by providing finance and other aids in compliance with the laws. No new branches had been established by bank after 2016 and it functioned with 25 branches throughout the country by the end of year 2024.

Financial result in

2024

Within 2024, the bank had reported a profit before tax of Rs.157.79 million and profit after tax of Rs.32.04 million. These profits is a considerable growth as compared with loss before tax and loss after tax which are Rs. 1164.78 million and Rs. 1,003.13 million respectively in the preceding year. The decrease of interest expense by 38 percent from Rs. 8,732.59 million in 2023 to Rs. 5,392.22 million in 2024 had affected to this growth. The return on assets ratio was minus 2.01 percent in 2023 and it had grown up to 0.28 percent up to year 2024.

Loan advances

Non-performing loan rate In 2023, the loan and advances of the bank were Rs. 38,603 million and even though it had shown a growth of 8.1 percent and increased up to Rs. 41,730 million in 2024, the total non-performing loan rate had increased from 23.07 percent in 2023 to 29.13 percent in 2024 and the percentage increase of total non-performing loan rate was 26.27 percent.

Minimum regulatory

Capital requirement

As specified by the orders of the Banking Acts No.05 of 2017 and No.04 of 2022, the minimum regulatory capital requirement of Rs.7500 million had not been completed by the bank before 31 December 2024. As at 31 December 2024, the reported capital was Rs. 4,787 million and the capital shortage was Rs. 2,713 million.

Board of Directors

Though 09 qualified persons should be appointed to the Board of Directors in accordance with State Mortgage and Investment Bank (Amendment) Act No.29 of 1984, the Board of Directors is consisted only with 06 Directors.

Sri Lanka Savings Bank

This bank had been incorporated under the provisions of the Companies Act No.17 of 1982 and it is a public limited company reregistered under the Companies Act No.07 of 2007. Further, this had been established as licensed specialized bank under the Banking Act No.30 of 1988. In compliance with the proposal submitted by the Budget 2016, the National Savings Bank had fully acquired the Sri Lanka Savings Bank with effect from 11 October 2019. In accordance with the letter dated 11 January 2024 of Banking Monitoring Director of Central Bank of Sri Lanka, the consolidation activities with the National Savings Bank should be completed by 31 March 2024 and it had been granted an extension for this up to 30 June 2025 by the letter 10 April 2025 of Banking Monitoring Director. However, the consolidation activities of Sri Lanka Savings Bank with the National Savings Bank had not been completed up to this date of reporting.

Non-Banking Financial Institutions Sector Finance Companies

Finance Companies sector had recorded a considerable expansion within the year 2024 and the capital and liquidity had maintained higher than the minimum regulatory requirement and existed robustly. The asset basis of this sector had improved by 13.9 percent or Rs.23.2 billion at the end of year 2024 and increased up to Rs.1, 930.7 billion as compared the growth of 5.7 percent by the end of year 2023. Since gross non-performing loan rate had decreased up to 11.3 percent by the end of year 2024 as compared 18.0 percent at the end of year 2023, the loan quality of the finance companies sector had increased. It was able to maintain the liquidity of finance companies sector at a higher value than minimum regulatory level within 2024.

By the end of 2024, the overall regulatory liquidity assets existed with this sector in 2024 was Rs.220.9 billion against Rs.115.8 billion which was the minimum liquidity assets requirement at the end of year 2024 and it had been reported a liquidity surplus of Rs.105.1 billion at the end of year 2024 as compared with the liquidity surplus of Rs.151.5 billion reported at the end of year 2023. By the end of year 2024, the customer deposits which was 54.7 percent from the total liabilities in the finance company sector had taken the priority from the liabilities and it had been reported the equity and borrowings from the total liabilities as 24.3 percent and 15.8 percent respectively. Within 2024, the deposits had increased by 13.0 percent or Rs.121.4 billion up to Rs.1, 056.4 billion. Meanwhile, the borrowings had

increased by 15.3 percent or Rs.40.5 billion up to Rs.305.4 billion within 2024. The capital basis of the finance companies sector had increased by Rs.28.3 billion from Rs.329.1 billion at the end of year 2023 to Rs.357.4 billion at the end of year 2024 and it had been reported a growth of 8.6 percent within the year.

Merchant Bank of Sri Lanka and Finance PLC

The Merchant Bank of Sri Lanka and Finance PLC had been incorporated in 1982 as the first and sole specified merchant bank in the Island. This company had been listed in Colombo Stock Exchange in 1991 and the license had been obtained in 2000 for performing the activities as a finance leasing company. In 2014,

In 2014, this company had renamed as Merchant Bank of Sri Lanka and Finance PLC and in 2015 it had been registered as authorized licensed finance company for carrying out money business activities under Money Business Act. The vision of the company is to become the innovative business solutions provider to the nation. Presently, the company is implemented throughout the island through a network with 47 branches and it is implemented only in Sri Lanka.

Company's Operating Result

In the year under review, the operating result of the company was a profit of Rs. 240.45 million and the corresponding profit was Rs.20.8 million in the preceding year. Accordingly, an improvement of Rs.219.6 million was observed as compared with the preceding year. As compared with the preceding year, increase of total operating revenue by Rs.975.7 million in the year under review had mainly caused to this improvement of the financial result. Much of revenue is the profit from the sale of government securities and listed shares. By the end of the year, the assets of the company had shown an increase of 19.3 percent and the balance sheet of the company had increased up to Rs.40.2 billion at the end of December 2024. The decrease of deposits established in the banks and financial institutions by Rs.371.2 million and increase of the financial investments

made in government securities and listed companies by Rs.373.5 million, increase of loans and receipts by 36.1 percent as compared with the preceding year had mainly affected to the increase of the assets in that manner. As compared with the preceding year, deposit base of the bank had increased by 2.0 percent which was less.

At the end of year 2024, the tier 1 capital and overall capital ratios were 11.97 percent and 14.45 percent respectively and even though it had fulfilled the minimum regulatory requirement of Central Bank of Sri Lanka, those values had taken lower values as 13.60 percent and 16.75 percent than prevailed values at the end of year 2023.

Non-performing loans

A sum of Rs.108.7 million in relation to 87 non-performing loans which couldn't be recovered in 2024 had been written off.

As at 31 December 2024, the outstanding loan balance of 10 main non-performing customers was Rs.1,578.82 million and it had represented 26.77 percent from total non-performing gross loan and advances on that date.

Regulation of Insurance Industry Act, No. 43 of 2000 and its amendments provide the relevant legal framework for the regulation and supervision of insurance companies, insurance brokerage companies, insurance agents and loss adjusters and the Insurance Regulatory Commission of Sri Lanka exercises the supervisory responsibility of the insurance industry in Sri Lanka by enacting laws, rules, and regulations, and circulars related to the insurance sector with the aim of protecting the rights of insurance policyholders and conducting the insurance industry honestly in Sri Lanka.

By the end of the year 2024, twenty-nine (29) companies were operating as insurers. Out of the 29 operating companies, one company was a composite insurer, 15 companies were operating as long-term insurance companies, and 13 companies were operating as general insurance companies. Out of the above institutions, Sri Lanka Insurance Corporation General Limited, Sri Lanka Insurance Corporation Life Limited, National Insurance Trust Fund Board, and People's Insurance PLC, and the Insurance Regulatory Commission, the regulatory body for the insurance sector, are also subject to the audit of the Auditor General.

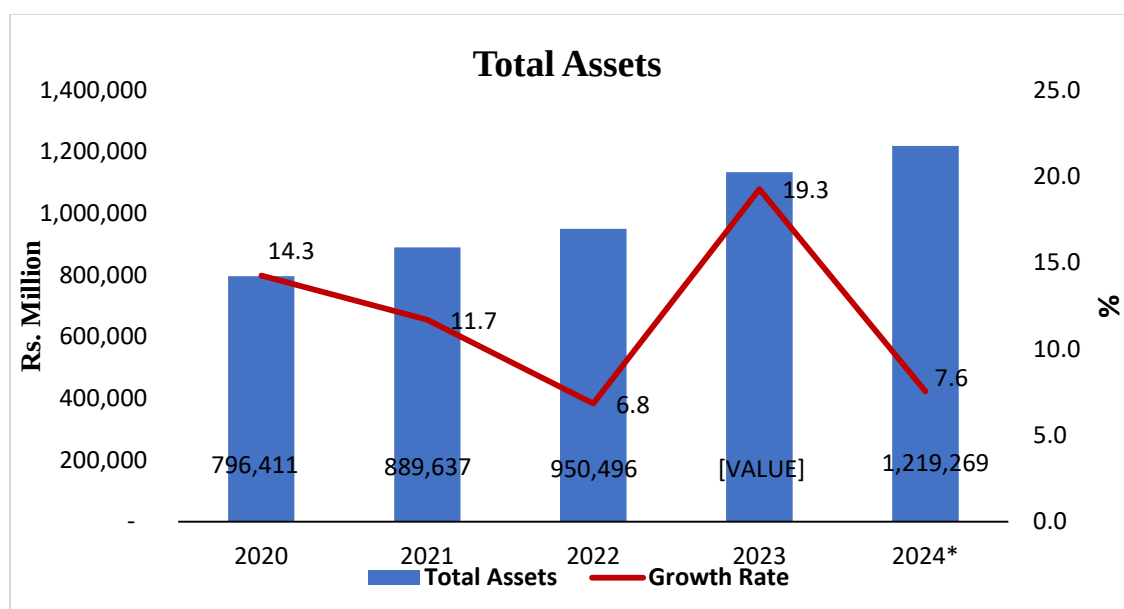
Performance of the Insurance Industry

Total Assets

By the end of the year 2024, the total assets of the insurance industry have reached Rs.1,219,269 million, which is a growth of 7.6 percent compared to the previous year. The growth rate of this year shows a decrease of 11.7 percent compared to the year 2023. Similarly, the assets of the long-term insurance industry in the year 2024 were Rs.921,171 million, which was mainly represented by investments of Rs.495,085 million in government debt securities.

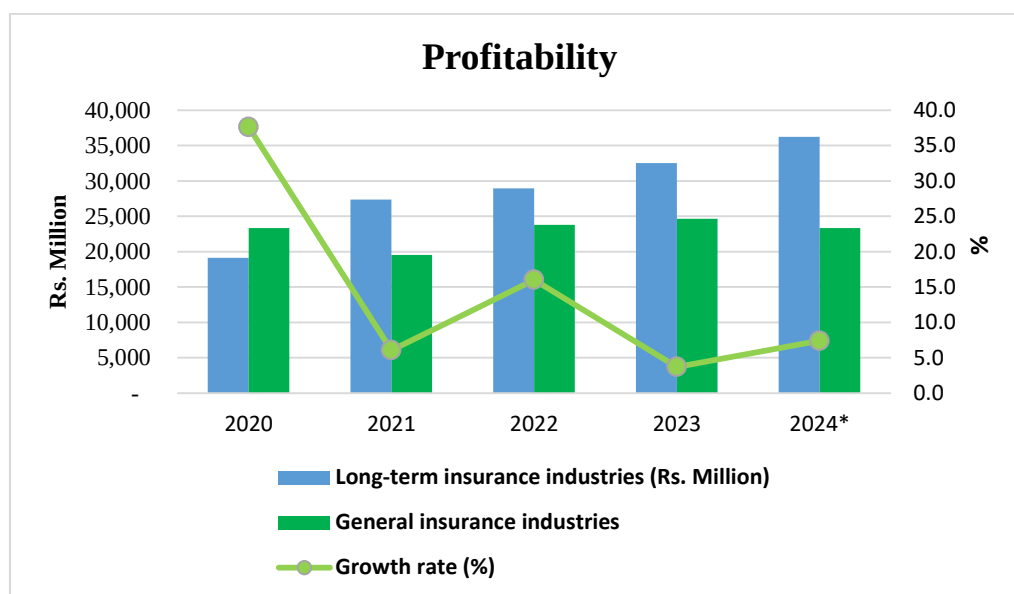
The assets of the insurance and the growth of the total assets of the insurance industry during the five years from 2020 to 2024 are shown in Graph No. 2.7

Diagram 2.7- shows the profitability of the insurance industry over the five years from 2020 to 2024.



Source: Annual Reports of the Insurance Regulatory Commission of Sri Lanka
* 2024 - Statistical Manual

Diagram 2.8 - Profit from 2020 to 2024



Source: Annual Reports of the Insurance Regulatory Commission of Sri Lanka
* 2024 - Statistical Manual

Profitability

In the year 2024, insurance companies operating in the insurance industry reported a total profitability of Rs.59,945 million, a growth rate of 7.4 percent compared to the previous year. There is a significant decrease in profitability growth in

the year 2023 and in the year 2024 compared to the year 2022. The profitability of the long-term insurance industry shows an increase of 11.4 percent compared to the previous year, while the profitability of the general insurance industry shows a decline of 5.5 percent.

Sri Lanka Insurance Corporation Limited

The Sri Lanka Insurance Corporation was established as a government-owned corporation under the provisions of the Insurance Corporations Act, No. 2 of 1961. In the year 1993, the Corporation was converted into a wholly government-owned limited liability company under the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987 and the Secretary to the Treasury owned 100 percent of its shares. Under the privatization programme of the government, the Company was privatized in the year 2003 and remained under private management for a short period of six years. Pursuant to the Supreme Court judgment dated 04 June 2009 quashing the privatization, 99.97 percent of the shares were transferred to the Secretary to the Treasury on behalf of the Government of Sri Lanka, and thereafter, it operates as a state company.

In accordance with the guidelines of the Insurance Regulatory Commission and the directions of the Government, Sri Lanka Insurance Corporation Limited was subject to a legal restructuring with effect from 01 February 2024. As a result, the company was established as three separate legal entities namely, Sri Lanka Insurance Corporation Limited, Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited.

Audit Observations

Sri Lanka Insurance Corporation Limited

Not being Updated

on the Approved Cadre

The cadre of the Sri Lanka Insurance Corporation Life Limited and the Sri Lanka Insurance Corporation General Limited has not been updated, and it was observed that the management is still making decisions using the cadre approved in 2019/2020.

Lack of Succession Plan

As per Guideline 3.4 of the Operations Manual for State-Owned Enterprises, every State-Owned Enterprise should properly identify its human resource needs, and through such a plan, identify vacancies, new positions to be created and the skills required for the positions. However, it was observed that there was no succession plan in both Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited.

Lack of System Monitoring

It was observed that there was no proper monitoring of the Privileged User Accounts in both Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited. The lack of continuous monitoring and regular review of privileged user accounts in the system was observed to facilitate unauthorized system access.

Reinsurance

It was observed that Sri Lanka Insurance Corporation Life Limited was primarily dependent on one reinsurer. For this, Rs.673 million was paid as premiums in the year 2023. Even though reinsurance is a key strategy for managing risks in the insurance sector, it was observed that relying on only one reinsurer may lead to a concentration risk situation.

Absence of a Related Party Transactions Review Committee

As per Section D.5.2. of the Guidelines on Good Governance of the Institute of Chartered Accountants of Sri Lanka, a Related Party Transactions Review Committee consisting of three independent non-executive directors should be established, which should meet quarterly. The Chairman of this Committee should be appointed by the Board of Directors. However, it was observed that Sri Lanka Insurance Corporation Life Limited and the Sri Lanka Insurance Corporation General Limited do not maintain such a committee.

People's Insurance PLC

Recoveries of Reinsurances And Excess Premiums

As at 31 December 2024, an amount of Rs.21 million remained outstanding as reinsurance receivables from reinsurance claims for insurance claims paid exceeding the period of 365 days. Out of the above outstanding amount, a sum of Rs.11 million is recoverable from foreign reinsurers, and a sum of Rs.9 million is to be recovered from the National Insurance Trust Fund.

As at 31 December 2024, it was observed that there were excess premium balances of Rs.228 million exceeding 365 days and Rs.238 million of motor claims to be paid exceeding 365 days.

Insurance Regulatory Commission of Sri Lanka

The Insurance Regulatory Commission of Sri Lanka (the Commission), established under the Regulation of Insurance Industry Act, No. 43 of 2000 (as amended) (the “Act”), is responsible for the development, supervision and regulation of the insurance industry of Sri Lanka.

Recruitment of Actuaries In terms of the Regulation of Insurance Industry Act, No. 43 of 2000 (as amended), the Commission is required to have qualified professionals with insurance-related knowledge and operational expertise to carry out the supervisory and regulatory functions of the Act. However, it was observed that the post of Actuary, approved in the year 2016, has been vacant for about 8 years.

The Commission had decided to procure the services of a private consultant from India for a period of two years with effect from 01 August 2024 and had spent Rs. 44.7 million for the year 2024. According to the audit test check conducted, it was observed that the above consultant had issued actuarial reports for two insurance companies in Sri Lanka. Accordingly,

it was observed that this may have an impact on the independence of the activities of the Commission.

Getting Buildings for Rent The Commission had obtained an office space of 8,741 square feet on the 11th floor of the East Tower of the World Trade Center under a lease agreement without selecting an economically viable location for carrying out official duties. In the year 2024, the Commission had incurred a sum of Rs.44.3 million for rent and service charges, Rs.1 million for parking charges and a sum of Rs.3.2 million for electricity (total Rs.48.5 million). The rental cost of the building represented 13 percent of the total expenditure and 10 percent of the total revenue in the year 2024. The lease agreement was renewed for another five years from 01 October 2024 to 01 October 2029, without analyzing economically viable alternative premises.

Payment for the Staff There was no specific “Salary Increment Policy” approved for the staff of the Commission, and Approval of the Department of Management Services had not been obtained for the Scheme of Recruitment (SOR), salary scale and salary codes for employees.

Policyholders Protection Fund

A fund to be known as the “Policyholders Protection Fund” should be established in terms of Section 103 of the Regulation of Insurance Industry Act, No. 43 of 2000, and under Section 7 of the Act, “Cess Income” should be credited as its income. The fund should be used for the general protection of insurance policyholders and for any other specific purpose as may be determined by the Board by rules made in that behalf. However, it was observed that for the year ended 31 December 2024, the Commission had spent 0.03% of the Policyholders Protection Fund i.e. Rs.4.5 million from the Commission Fund for public awareness expenses. Therefore, it was observed that

this fund has not been used for the general protection of policyholders for a significant period of time.

National Insurance Trust Fund

Weaknesses of Internal Control

The National Insurance Trust Fund did not have an integrated system with master data of policyholders. Therefore, there were irregularities in accepting claim applications, loss of claim information, delays in correcting errors in claim applications and unnecessary delays in the claim payment process. By 28 February 2025, the total number of policyholders of the Agrahara Insurance Schemes for government employees and pensioners was 1,362,886 and by 30 May 2025, the National Insurance Trust Fund had failed to provide the total number of beneficiaries of the Agrahara Insurance Policyholders and their details

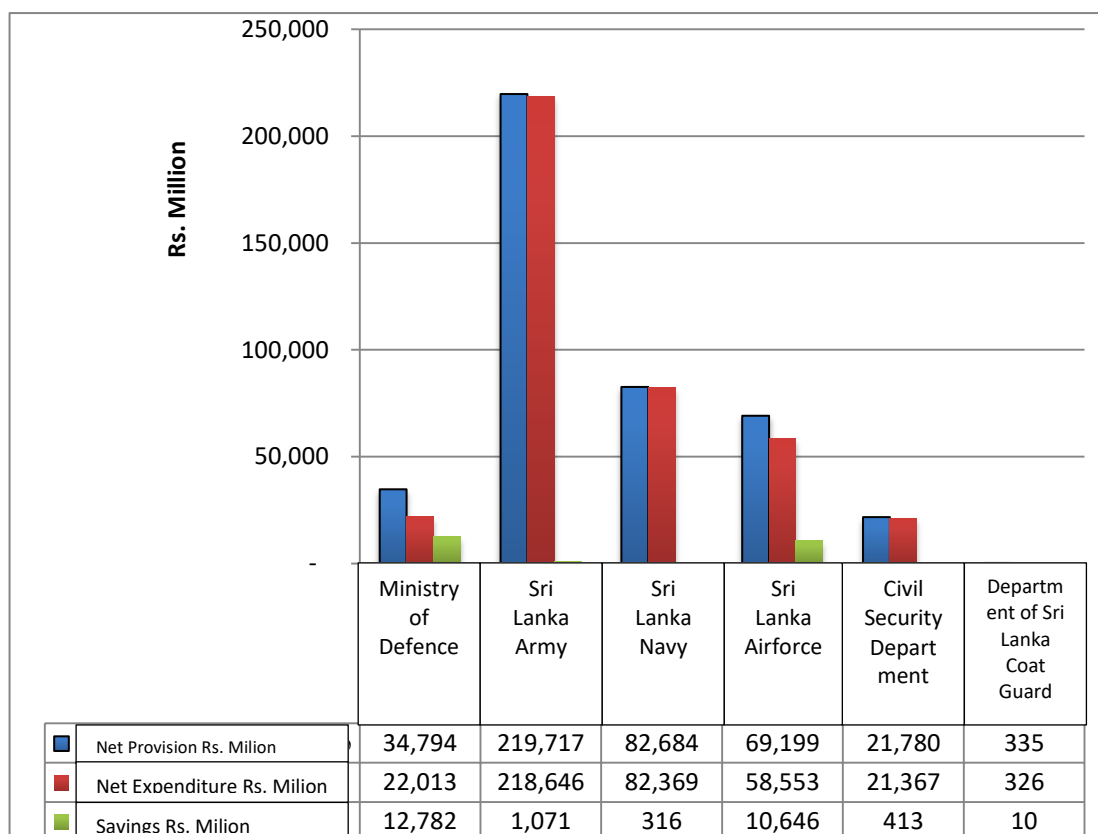
The reinsurance claims to be paid as at 31 December 2023 were Rs.3,233.7 million, and the reinsurance claims paid for the year under review were Rs.192.3 million and USD 12,387. Excel sheets were used to record and maintain information on reinsurance claims. Therefore, it was observed that there was no proper system for handling the reinsurance claims.

National Security

Ministry of Defence

There were 06 departments and 16 statutory boards/institutions under the Ministry of Defence. The net allocation, expenditure and balance made to the Ministry of Defence in the 2024 annual budget are as follows.

Diagram 2.9 – Provision allocated and Expenditure



Source - 2024 Annual Financial Statements

The significant audit observations revealed during the sample audit tests conducted during the year under review are summarized below.

Audit Observation

Limiting competition in the Supply of raw and dry Food for the tri-forces

Although, the procurement of raw and dry food for the three armed forces is carried out centrally, the opportunity to submit bids has been given to each camp in the submission of bids. However, pre-qualifications were not introduced that were

categorized according to the supply quantities and identified separately for each category as appropriate. Accordingly, the submission of manufacturer's certificates of authority, calling for quotations and submitting samples under the specified brand names, requesting quality certificates for vegetables and fruits, etc., which could only be fulfilled by large-scale suppliers, had to be fulfilled by small-scale suppliers. This situation had led to the reduction of competitiveness in procurement and the increase in the prices offered. Although there were about 2,088 supply opportunities for 217 different food categories for 147 camps belonging to the three armed forces, 24 suppliers had secured all the supply opportunities, and one supplier had secured 36 percent of the total supply or Rs. 34.9 billion in 2023 and 33 percent of the total supply or Rs. 28 billion in 2024. Furthermore, in 2023 and 2024, 90 percent of the total supply or over Rs. 76 billion was divided between 06 bidders and the remaining 10 percent among 18 bidders.

Failure to revise fees on time

Although, in accordance with the provisions of paragraph (05) of the Public Financial Policy Circular No. 1/2015 of 20 July 2015 and Financial Regulation 128 (2)(i), the fees charged for various services should be revised from time to time. However, the fees charged for the use of guns under the Guns (Amendment) Act No. 22 of 1996 had not been revised in a timely manner. Accordingly, it was observed that since the issuance and renewal of licenses has been in operation for about 29 years at fees ranging from Rs. 10 to Rs. 2000, a significant amount of state revenue is being lost annually.

Possession of firearms without licenses

Although, it is stated in Section 22(1) and Section 29(1) of Chapter 182 of the Firearms Ordinance that no person shall keep, possess or use a firearm unless a license is held, the

Contradictions of Firearm Statistics

number of firearms whose licenses have not been renewed as at 31 December 2024 was 7,125.

According to the records of firearm licenses to be maintained by the Secretary to the Ministry as the Superintendent of Licenses, and in terms of Section 27 of Chapter 182 of the Firearm License Ordinance, the number of licenses issued for agricultural and non-agricultural (for crop protection and property protection) purposes from 1995 to 31 December 2024 was 25,064. However, when compared with the quarterly reports furnished by the District Secretariats submitted for audit, there was a difference of 12,981 licenses in the number of firearm licenses as at 31 December 2024.

Failure to obtain desired Outcome from the Relief Services Centre

The National Disaster Relief Service Centre was planned to construct 5,025 houses under the project of resettlement of the residents who were affected by disasters and who were lived in risky areas. Although, the construction of 4,898 houses has been launched accordingly, construction of 1,179 houses has been abandoned. Additionally, though, a sum of Rs.583.83 million had been spent for this project by the end of the year 2024, due to the reasons such as a lack of infrastructure and the residents' refusal to move from risky areas, it was observed that the occupation of the constructed houses were not in a progressive manner.

Although, the Cabinet decision dated 04 October 2016 had directed the Secretary to the Ministry to take steps to promptly complete Buildings 06, 07 and 08 of the Defence Headquarters Complex and to relocate the office premises currently maintained on a rented basis in those buildings, the Office of the Chief of Defence Staff had been operating in a rented building since 2009. Although, the construction of Building 08, consisting of 09 floors and covering an area of about 19,000 square meters, had been

completed by January 2021, due to non-compliance with the aforementioned Cabinet decision, approximately Rs. 211.6 million had to be spent on building rent for the period from May 2021 to November 2024. However, the relevant post was abolished on 31 December 2024.

Using vehicles addition to the official vehicles

Although, the Treasury Secretary's letter to the Defence Secretary on 02 June 2022, titled "Controlling State Expenditure," emphasized that when assigning official vehicles to officers of the three armed forces and the Department of Civil Security, procedures should be used to limit excessive fuel costs, including limiting the use of vehicles only for the approved entitlements and allocating only one vehicle to officers with official right, it was observed during sample inspections that there were instances where military officers attached to the ministry had regularly obtained official vehicles and fuel from the permanent workplace while they had used vehicles and fuel belonging to the ministry as well.

Releasing Vehicles to the Ministry

The Sri Lanka Army had informed the audit that **11** vehicles and a motorcycle owned/hired by the Sri Lanka Army had been released to the Ministry of Defence for use with fuel, the Ministry had reported to the audit that those vehicles had not been accepted by the administration division of the Ministry of Defence and that those vehicles had not been assigned to duty within the pool of the Ministry of Defence.

Sri Lanka Air Force

Outstanding aircraft Rental income

Actions had not been taken to recover the outstanding aircraft rental income of Rs. 12.7 million, which had existed for periods between 06 and 21 years by the end of 2024.

Ownership of Land and Building

The Air Force has been using 639 hectares of land and 07 buildings for a long time without acquiring legal ownership, and the process of acquiring legal ownership has been very slow. Furthermore, three unauthorized occupants have occupied the 01 acres and 7.9 perches of land that was given to the Katukurunda camp as a donation in 2001, and no necessary action has been taken in this regard.

Unregistered and Uninsured Vehicles

833 vehicles and 396 motorcycles in different models were utilized without insurance coverage and 625 vehicles and 113 motor cycles in different models were utilized without vehicle registration.

Failure to take Appropriate Actions for losses

No appropriate action had been taken regarding losses of Rs. 71 million in relation to 15 incidents over 10 years old, and Rs. 89 million in relation to 12 incidents between over 5 years old and less than 10 years old, which occurred to various assets of the Air Force.

Sri Lanka Army

Shortcomings in the Calculation of Advance Personal Income Tax

The government had lost tax revenue exceeding Rs. 112 million for a period of 24 months due to shortcomings in the calculation of Advance Personal Income Tax (APIT).

Pallekele, Kandy Hospital

The newly constructed hospital in Pallekele, Kandy, at a cost of approximately Rs.1,393 million, had not been opened for hospital operations since July 2021.

Shortcomings in Revenue Management

Although, the Army had utilized resources of 1,586 personnel, 115 vehicles, 249,074 square feet of buildings and 113 acres of land, and had collected an income exceeding Rs. 1,357 million

in the year 2024 through 18 Army farms and 05 welfare hotels, issues related to the preparation of income estimates, reporting and remittance of income to the Consolidated Fund had not been resolved.

Sri Lanka Navy

Incurring Expenditures for other Expenditure Heads

The Sri Lanka Navy had spent Rs.373.98 million on fuel for the Sri Lanka Coast Guard Department and Rs. 369.95 million on the deployment of navy officers and seaman for projects of other ministries and departments in the year 2024 without being reimbursed.

Not presenting the Values of 135 buildings in the financial statements

The value of 135 buildings belong to the Eastern, West, Northern, North Central, South, Northwestern and Southeastern Commands were not included under non-current assets in financial statements hence those were not revalued.

Maintaining Non-statutory fund

It was stated in the Public Finance Circular No. 01/2020 dated 08 August 2020 and the Public Finance Circular No. 04/2024 dated 06 November 2024 that non-statutory funds should not be maintained and that if there are reasonable grounds to continue maintaining non-statutory funds, those funds should be legalized through an Act of Parliament. The Navy maintains 04 non-statutory funds using the physical and human resources of the Navy, namely the Navy Compass Hospitality Service, the Navy Fuel Station, the Whale Watching Project and the Navy Agriculture Project, and maintains 41 bank accounts in relation to those 04 funds. As per the above circular, the funds were dissolved after their operations were terminated or, if there are reasonable grounds to continue maintaining the funds, the

funds were legalized through Acts of Parliament, it had not been done until May 2025.

Civil Security Department

Failure to recover losses No any note had been made in the losses and damage register or in the financial statement regarding the irregularities of Rs. 20.8 million that occurred in the process of providing food to the troops reported by the external force conducted under the Welisara Special Project and the process of marketing the rice/grains produced by the force. Furthermore, no action had been taken to recover those losses.

Although, in accordance with the board reports, recommendations had been given to recover Rs. 6.3 million from the responsible parties in relation to 10 damage and loss incidents, the Department had failed to recover that money even by the end of 2024.

Arrears of Revenue The total receivables from rice sales to Medirigiriya, Uhana and Mahaoya Brigades in the years 2022 and 2023 amounting to Rs.2.26 million had not been identified by the Projects Division and recorded in the arrears of revenue.

Idle Assets 19 stock items worth of Rs.3.26 million and 22 stock items of which value could not be identified, received by the battalions in 2021 and 2022 for the greenhouse chilli project in operation of the Kebitigollewa battalion had remained idle for a period of 02 to 03 years.

Department of Sri Lanka Coast Guard

Failure to enact new legislation Although, approval had been granted by the Cabinet Decision dated 08 November 2016, bearing Cabinet Paper No. 16/2249/703/093, to repeal the Sri Lanka Coast Guard

**Failure to follow-up
the seized narcotics**

Department Act No. 41 of 2009 and formulate a new Act, the said work had not been completed even by 31 December 2024.

Out of the narcotics seized in the year 2024, 15,067 kilograms of KENNDU LEAVES were handed over to the Sri Lanka Customs for further action and all other narcotics were handed over to the Sri Lanka Police for further action. However, no follow-up had been carried out on the further action taken in this regard.

**Projects that have not
made progress despite
the funds being released**

Plans had been made to construct a new four-storey building with residential and administrative facilities for the Coast Guard Varuna Institute at an estimated cost of Rs. 98 million. Although, Rs. 10 million and Rs. 35 million were allocated for the construction of the building in the years 2022 and 2023 respectively, totaling of Rs. 45 million, information had been furnished that the actual expenditure was Rs. 4.91 million and Rs. 13.71 million respectively, totaling Rs. 18.62 million during those years. However, information had been submitted that the physical progress of the project was zero.

**Incurring expenditures
from other expenditure
heads**

In the year 2024, fuel amounting to Rs. 373.98 million had been obtained from the Navy for the ships, vessels and vehicles used by the Department. This expenditure had not been accounted for as a departmental expenditure.

Kothalawala Defence University

**Not presenting income,
expenditure of the Press
in the financial statements**

On 08 March 2023, the Board of Management had approved the establishment of the University Press as an independent

institution without a legal basis. On 13 March 2023, Rs. 5 million was provided to the Press. Furthermore, from 07 March 2023 to 31 December 2023, the income of the Press, expenditure and debtor balance as at 31 December 2023 were Rs.18.5 million, Rs.8.43 million and Rs.4.5 million respectively, while the income of the press, expenditure, stock and cash balance as at 31 December 2024 were Rs. 19.11 million, Rs.15.56 million, Rs. 5.66 million and Rs.0.81 million had not been presented in the financial statements.

Purchase of chairs For the Auditorium

The warranty period for defects was one year as per clause 35.1 of the agreement signed on 10 March 2023 to purchase 1,275 chairs worth Rs. 84.85 million for the University Auditorium. Although, these chairs were received by the University on 14 November 2023, those were still lying idle in the auditorium building under construction as at 31 December 2024 due to the incomplete construction of the auditorium.

Idle Assets

As at 31 March 2025, 136 units owned by 14 medical equipment items worth Rs. 13.99 million, which had exceeded their warranty period, had been lying idle in the warehouse for a long time and those items had been received in the warehouse in the years 2018, 2019 and 2021. Furthermore, 05 units of 02 medical equipment items worth Rs. 186.51 million purchased for the Cardiothoracic Unit in the years 2022 and 2023 had been lying idle in the warehouse for a period of 1 and 2 years and 03 units of a medical equipment item out of that worth Rs. 58.2 million had exceeded their warranty period. Additionally, 14 hospital beds purchased in the year 2017 had been stored unused as of the date of the audit.

Acquisition of land Belong to Teaching Hospital

The University Teaching Hospital had been established on a 21.5815 hectare land belonging to the Sri Lanka Transport Board in the Kesbewa Divisional Secretariat. The value of the

buildings belonging to the teaching hospital constructed on that land was Rs. 45,385.48 million, and a cost of Rs. 1,216.88 million had also been incurred for the development of the land. Although, more than 08 years had passed since the completion of the construction by the end of the year 2024, the acquisition of the relevant land had not been completed.

Revenue in Arrears

The tax revenue of Rs. 6 million due from KDU Hotel had not been collected in the income of the year 2024. Additionally, the amount of Rs. 5.31 million due from Planning and Development Finance Institution, University Hospital and World Food Programme for the supply of electricity and water had not been collected for a period of 01 to 04 years. Furthermore, the outstanding amount of Rs. 119.47 million due to the breach of agreements by university students, permanent employees and cadet officers had to be collected within a period of 2 to 5 years.

Idle Stock

A quantity of 675 wires worth Rs. 2.79 million, purchased in the year 2021 without properly identifying the necessity, had been stored idle in the stores of the South Campus, and the University had not taken steps to utilize these wire stocks for any useful economic activity or to generate income by selling them.

Underutilized assets

Wards 5A, 7A and 7B and Intensive Care Units 02, 03 and 04 of the University Hospital remained unutilized from May 2022 to the end of 2024, and the medical equipment worth Rs. 210.2 million in them also remained idle.

Expired Medicines

363,012 units of medicines and vaccines had expired in the University Hospital by the end of 2024, worth Rs. 16.44 million. Accordingly, it was observed that the medicines were stored in the stores and various departments of the hospital for periods ranging from 1 to 6 years after their expiry.

Payments and losses Not in accordance with the Circulars

According to Section 11.4 of the Public Enterprises Circular No. 01/2024 dated 28 February 2024, even if an officer who is eligible to receive an official vehicle works in several government enterprises under any employment, only one vehicle should be provided for that officer. However, in the year 2024, the Sri Lanka Army had provided 03 vehicles with fuel and driver to three officers, while the University Hospital had also provided 03 vehicles reserved by it to the above officers, thus incurring a rental cost of Rs. 2.4 million and a fuel cost of Rs. 1.32 million in contrary to the above circular. Furthermore, during the year 2024, the University had incurred a loss by paying Rs. 5.87 million in fines due to non-payment of electricity bills on time.

Defence Services Command and Staff College

Outstanding course fees Although, the outstanding course fees due to the college from the year 2023 are USD 286,815 or Rs. 83 million, adequate measures had not been taken to recover it.

Failure to legally acquire Land ownership Although, the college had carried out various constructions on a land measuring 11 acres and 10 perches belonging to the Land Reforms Commission at a cost of Rs. 557 million, no steps had been taken to acquire the legal ownership of that land.

Ranaviru Seva Authority

Outstanding Loans Action had not been taken to recover the total amount of Rs. 7.3 million from 2011 to 2017, due to non-settlement of advances, irregularities in the payment of parental care allowances and from an employee who left the service, even up to the end of the year.

Disciplinary Procedure

Even though, more than 25 years have passed since the establishment of the authority, no steps have been taken to formulate a disciplinary procedure.

Idle Lands

Although, it was planned to establish a Senehasa Educational Resources Research and Information Center using the land and building measuring 01 acre, 03 roods, 22 perches with an assessed value of Rs.27 million received as a donation to the Authority in the year 2009, the relevant asset remained idle even at the end of the year.

Judicial and Prison Activities

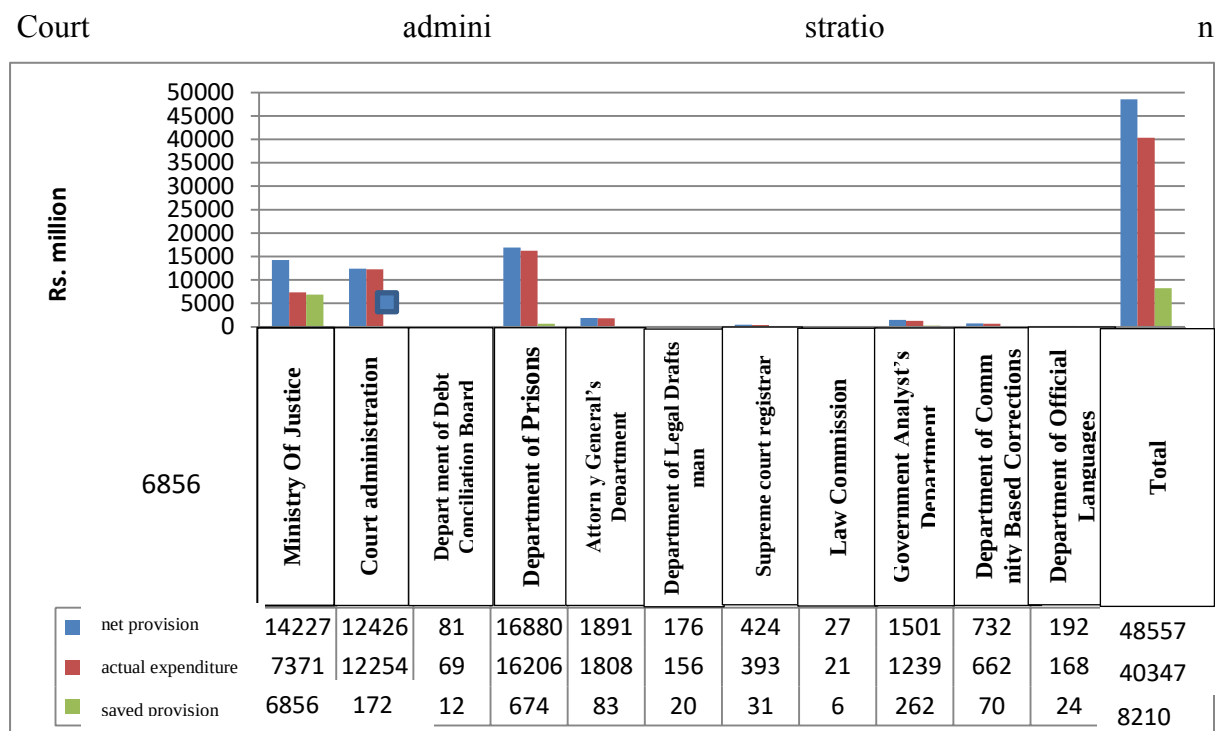
The Ministry of Justice, comprises 09 Departments and 11 statutory boards/institutions. Although the Sri Lanka Law College had been gazetted under this Ministry, no provision had been made thereon.

Under the vision of a legal system trusted by the people of the country and a fair Sri Lanka, the following objectives are expected to be achieved by creating a stable, fair and free environment for the people of Sri Lanka through efficient judicial administration centered on the people.

- ❖ Effective and timely law reforms
- ❖ Policy development initiatives
- ❖ To cooperate and connect with international organizations.
- ❖ Community Legal Services

In the year 2024, Parliament had provided a total of Rs. 48,557million in allocations to the Ministry of Justice (Including court Administration) and 09 departments and a total of Rs. 40,347 million had been utilized by the end of the year 2024. Particulars are given in the following Table.

Diagram No. 2.10- Provisions and utilization provided to the Ministry of Justice and 09 Departments in the year 2024



Source. Ministry of Justice

Ministry of Justice and National Integration

Non holding of training unit programs

The computer training programs are an activity of the Judicial Officers Training Unit and it had not been initiated during the year and the computer unit was also not in a functional state. The 23 CPUs, 26 Monitors, 39 UPSs and wooden equipment in the computer lab remained idle.

Courts Administration

A total of Rs.34.99 million should have been collected from 66 retired officers, Rs.8.26 million from 30 deceased officers, Rs.4.45 million from 71 suspended officers and Rs.10.16 million from 80 officers who have left the service as at 31 December 2024.

Department of Debt Conciliation Board

Performance

The actual number of cases to be resolved as at 31 December 2024 was 745, which was 36 percent of the total number of cases to be resolved during the year, which was 2,058. Out of these, 109 cases were pending in the Main Board, 113 cases in the Colombo Branch and 293, 154 and 76 cases in the Gampaha, Kurunegala, and Galle Branches respectively. Accordingly, the highest percentage of the remaining cases as at 31 December 2024, compared to the number of cases to be resolved during the year, was from the Gampaha Branch, which had been 39 percent.

Attorney General's Department

Contract of Janitorial Services

The contract had been awarded to the same Janitorial services company for 25 consecutive years from 1998 to 2024 and from 22 November 2021 to 10 December 2024, an amount of Rs.39.54 million had been paid to the relevant company for Janitorial services without a formal contract agreement.

Legal Draftsman's Department

Performance

According to the performance report submitted by the Department as at 31 December 2024, 289 were submitted as drafts or preliminary drafts as at 01 January 2024, awaiting observations and advice from the Attorney General or other Ministries and Departments and 96 requests for which drafting was not completed as at 01 January 2024. Out of these, 95 files out of a total of 385 requests were closed for a long time without advice, and 45 requests for which drafting was not completed as at 31 December 2024.

Department of Prisons

The objectives of the Prisons Department are to transform prison inmates into law-abiding, humane individuals through formal rehabilitation, contribute to the creation of a civilized society and to motivate prison officers and build a sense of team spirit within the department.

Underutilization of Assets

Although a total of Rs.140.11 million had been incurred for repair and maintenance work from the date of purchase to the year 2022, as Rs.16.35 million and spent on the purchase of 10 parcel and body scanner machines amounting to Rs. 123.76 million for 09 prison institutions, 04 parcel scanner machines and 04 body scanner machines in 08 institutions had remained inactive for a period of 04 years and 04 months even by 31 December 2024,.

Deficiencies of Vehicle Management

Although 5 years have elapsed since the vehicles in the possession of 21 prison institutions were recommended for disposal, there were 33 vehicles for which disposal had not been carried out even by 31 December 2024.

Unclaimed lands

Although the ownership of 49 plots of land in the prison institutions, totaling the extent of 357.8139 acres, had not been acquired, these lands had been used by the Prisons Department

**Proposal to relocate
Welikada Prison**

as prisons, cells, open-air prison camps, rehabilitation centers and farms.

A project was planned to relocate the Welikada Prison Complex (including the main prison, Welikada Prison, Colombo Remand Prison, Prison Hospital, Female Section, and Magazine Prison) to the Horana Millawa area in order to reduce prison overcrowding. Although approximately 16.436 hectares of land were assigned to the Urban Development Authority on November 16, 2022, through a free grant system, the land in the Horana Millawa area had not been transferred to the Department of Prisons. According to the assessment of the Government Valuation Department on 11 January 2024, the value of the land located in Borella was Rs.31,844.85 million and had not been accounted during the year under review as the title had not been transferred. The Prisons Department had currently faced more problems than before due to prison overcrowding due to the non-construction of the main prison in Colombo.

**Non-functioning of
Sewage treatment systems**

Although there are sewage treatment plants in 05 prison institutions, only two prisons, Bogambara and Boossa, are in active mode and the sewage treatment system, machinery and pipe system of Boossa Prison need to be modernized and the sewage treatment systems of Polonnaruwa, Angunakolapelessa, Jaffna prison institutions and the official residences and barracks of Bogambara Prison officers are not in a functional condition and since the sewage treatment system of Angunakolapelessa Prison is not functioning properly, many environmental and social hazards have arisen due to the release of sewage without recycling. Sustainable measures had not been taken so far to prevent environmental damage caused by problems such as the direct discharge of dirty water into the external environment due to the improper functioning of the

machinery and underground pipe systems of these systems. Many environmental and social problems had occurred due to the collapse of the sewerage systems of 07 prisons, rupture of underground pipes and constant overflowing due to the inadequacy of the sewerage system.

Flee/Escape before the end of the sentence

The number of prisoners or suspects who illegally fled/escaped before the end of their sentence was 995 in the past 6 years and the number who were not re-arrested was 554.

Inactivity of CCTV camera system

792 CCTV cameras had been installed in 14 prison institutions by 31 June 2024, of which only 458 cameras were operational, while 334 cameras, or 42 percent, had been inactive for over two years.

Production activities of prison inmates

It was revealed that the industrial sectors of 08 prison institutions, namely block stone production, blacksmithing, carpentry, woodworking, vehicle service, bakery, coir and flower pot sectors, were in a inactive state. Moreover, when examining the methods used to sell the products of those institutions, it was observed that 06 institutions had not established outlets to sell the products in those prisons and 07 institutions that had established outlets did not have sufficient space in those outlets.

Exceeding the capacity of the Prisons

It was observed that as at 31 December 2024, the approved capacity of the Department of Prisons was 10,395 prisoners/suspects, while the actual capacity on that day was 28,278, with 17,883 prisoners being held in the prison system beyond capacity, it was an increase of 272 percent. Moreover, the Colombo Remand Prison had a capacity of 465 prisoners even by 29 May 2025.while the actual capacity as at that day was 2,206, with 1,741 prisoners being held beyond capacity and it was an increase of 474 percent.

The number of prison inmates retained in excess of prison capacity during the period from 2014 to 2024 was as follows.

Table No 2.20 Prison capacity during the period from 2014 to 2024

Year	The number of inmates that can be housed in prisons according to standard standards	Average daily inmate population	Percentage of inmates
2014	11,762	19,108	162.5
2015	11,762	17,996	153.0
2016	11,762	17,478	148.6
2017	11,762	19,278	163.9
2018	11,762	20,384	173.3
2019	11,762	24,446	207.8
2020	13,241	25,991	196.3
2021	11,291	18,337	162.4
2022	10,395	21,979	211.4
2023	10,395	27,562	265.1
2024	10,395	28,278	272.0

Source - Statistical Report for the year 2024 - Prisons Department

Drugs related Prison Inmates

The number of people imprisoned for drug offenses in 2024 was 31,314 and the number of suspects was 67,117 in Sri Lanka. Of the direct admissions to prison in 2024, 65.5 percent were drug-related inmates. The number of repeat inmates through direct admissions to the prison during the year under review was 34,488, and the prison does not even have a formal system to identify them and currently, repeat inmates are identified based on verbal information provided by the prisoners themselves. Moreover, it was revealed that as at 31 December 2024, the number of prisoners in 27 prison institutions who were unable to pay minor fines was 3,258 and this situation had become a cause of the existing prison overcrowding.

**Delay in submitting
Analyst reports**

There were 9,560 suspects in 20 prison institutions as at 31 December 2024, due to the failure to submit forensic reports on the productions submitted by the police to the Analyst's department regarding suspects remanded in custody by the courts.

Mobile Phones

3,738 mobile phones, 3,229 batteries, 524 chargers and 2,999 SIM cards were seized from 20 prison institutions as at 31 December 2024 and it was revealed that formal steps should be taken to prevent these devices from falling into the hands of prison inmates and various illegal acts are committed due to falling them into prison inmates' hands.

Position vacancies

There were 1,376 vacancies in the posts of Jailor, Rehabilitation Officer, Sergeant and Warden, which are directly related to the inmates. This is about 76 percent of the total number of officer vacancies. Moreover, there was a surplus of 17 senior level medical officers in the actual staff of the department as at 31 December 2024.

**Delays in project
implementation**

The staff for the posts of the Prisons Department was approved in the year 2013 and although it was adequate in relation to the departmental officer requirement and the number of inmates at that time, the approved staffing was not sufficient due to the large number of prisoners and suspects being imprisoned by the courts daily, and actions had not been taken to analyze and revise in order to suit the current needs. There was no approved recruitment procedure for 04 posts even by 08 May 2025.

Department of Community Based Corrections

**Failure to build centers
as targeted**

Although an estimate of Rs.1 million had been made during the year for the establishment of a Kekirawa Correction Centre in Anuradhapura, only Rs.0.064 million was spent during the year and survey work on the relevant land had been carried out.

Further, it was observed that although the Ministry of Justice had spent Rs.1 million under the department's 2010 allocation for the construction of the new building to be constructed at the Community Corrections Office of the Puttalam Court, the construction work had not been completed. Similarly, the Community Corrections Office at the Puttalam Court was destroyed by a sudden fire in June 2022 and although the computer and all its parts, photocopy machine, fingerprint machine and other office equipment in the office were completely destroyed, the Department had not initiated any investigation into the matter in 2024 and the Department had not taken actions to find another temporary location to replace the destroyed location or to complete the construction work on the half-built building.

Non-collection of fines

A Community Corrections Officer had been on leave for foreign employment from 01 October 2019 to 14 August 2023 and although the leave period of this officer had expired, he had not reported to work on 15 August 2023. Although the notice of resignation of this officer from that date had been issued on 04 June 2024, any action had not been taken to recover the penalty amount of Rs.1.11 million that was to be recovered from him in terms of the agreement.

Department of Government Analyst

Delay in submitting

analyst reports

At the beginning of the year 2024, the Department's Forensic Science Division and Food Science Division had received 16,237 and 1,585 productions respectively for examination and issuance of analysis reports and during the year, 44,172 and 20,352 productions respectively. The Forensic Science Division analyzed 33,446 cases and the Food Science Division analyzed 18,680 cases and submitted reports during the year. Accordingly, the Forensic Science Division and the Food Science Division had 26,963 and 3,257 productions, i.e. 45

percent and 15 percent respectively remaining to be analyzed and reported by the end of the year. Further, 4,028 productions out of the 30,220 productions to be analyzed and reported, that is, 13 percent, were related to the period 2017-2023.

Data storage

Data related to investigation reports issued by the Digital Crime Analysis Laboratory from 2017 to 2023 had been stored in the IBM Storwize V3700 device, which the Department received as a KOICA grant in 2016. This device had become inactive in August of the year under review and as a result, a situation has arisen where it is impossible to retrieve the data stored in this Storage Server device and any action had not been taken to repair the device during the year.

Sri Lanka Judges' Institute

The mission of the institution is to achieve its vision by providing high-level knowledge and skills to judicial officers to enhance their professional expertise and the quality of justice through various programs and activities.

The legal data storage system

The legal data storage system, worth Rs.3.52 million remained idle from 2017 to 31 December 2024.

National Authority for the Protection of Victims of Crimes and Witnesses

Lack of a scheme for awarding compensation

Although a scheme for awarding compensation from the Victims of Crime and Witnesses Fund was to be prepared, accepted and implemented, it had not been acted upon even after 8 years of the establishment of the Authority. As a result, although the Authority had collected revenue, the payment of compensation had decreased significantly due to the lack of a proper mechanism for paying compensation.

1. Ministry of Health

As a government agency responsible for managing the entire Sri Lankan health system, which aims to contribute to the social and economic development of Sri Lanka by achieving the highest level of wellness achievable through high-quality promotional, preventive, curative and rehabilitative services that are accessible and accessible to the Sri Lankan people, the Ministry of Health has the following critical responsibilities to protect the health of the public.

In the year 2024, the Ministry of Health was provided with an allocation of Rs.433,085 million by Parliament to carry out the above-mentioned functions, and by the end of the year under review, only Rs.364,523 million had been utilized. Accordingly, an allocation of Rs.68.56 million had not been utilized.

Audit observations

Failure to amend the Act The responsible parties had not taken steps to amend the Health Act No. 12 of 1952 to suit the current changes. Although, this Act should have been amended with the passage of the Provincial Councils Act No. 42 of 1987, no steps had been taken to do so until the year 2024.

National Health Council The National Health Council had not met since 2006.

Failure to appoint hospital boards, hospital committees and failure to submit committee reports

The Minister in charge of the subject should appoint Hospital Boards and Hospital Committees and although, the Minister should publish these Hospital Boards and Hospital Committees in the Gazette, no appointment of Hospital Boards and Committees had been made as per the provisions of the Act. It was observed that the Ministry had not appointed Hospital Boards in respect of any hospital and that Hospital Committees had been appointed for only 37 hospitals. However, the audit did not confirm that the composition of these committees and the appointment of the Chairman of the Committee had been made as per the provisions of the Act. Further, none of these

Hospital Committees had been published in the Government Gazette.

Furthermore, although copies of the minutes of the meetings of the Hospital Committees should be provided to the Ministry as per Section 10(5) and the annual reports as per Section 14 of the Act, out of the 37 hospitals in which Hospital Committees were appointed, only 8 hospitals had submitted the annual reports of the committees and no hospital had submitted the minutes of the committee meetings.

Not using fingerprint Machines

In terms of Public Administration Circular No. 03/2017 dated 19 April 2017, steps should be taken to maintain records of the attendance and departure of officials in all government institutions by using fingerprint machines. Furthermore, in terms of the letter No. DMS/0016 dated 12 May 2017 issued by the Secretary to the Treasury to the Secretary to the Ministry of Health, it was to be ensured that if fingerprint machines are not implemented from 01 July 2017 to be able to verify the attendance and departure of health staff, overtime allowances should not be paid at the current salary. Although, the Ministry had spent Rs.31.08 million to install 213 fingerprint machines for the Ministry, its hospitals and institutions, they remained unused and inactive. Based on the current salary, in the year under review, Rs.45,333 million was paid for salaries and Rs.39,717.63 million for overtime and holiday salaries, making a total amount of Rs.85,050.63 million.

Employee turnover and Non- payment of bonds

Currently, there has been a significant increase in the number of doctors leaving the service and abandoning their jobs abroad for postgraduate training, for foreign employment and for other reasons in the health sector, and as a result, a trend of increasing the amount of money owed to the government from these doctors has been observed. However, it was revealed that due to the failure to take appropriate action and the weaknesses

in the internal control systems, the amount owed to these doctors has not been collected on time and the recovery has been delayed, putting the ability to recover it at risk. It was observed during the sample audit that the responsible officers have not acted efficiently and responsibly to recover Rs.1,156.56 million from 705 doctors who had entered into agreements but had violated those agreements, Rs.119.40 million from 116 medical officers who had not submitted their personal files for audit, and Rs.1.04 million in excess salaries, allowances and the outstanding debt balance paid to 05 medical officers who had left the service but did not have contractual bonds with the government.

Sri Lanka Thriposha Company Limited

Distribution of Triposha less than the requirement

The main role of the Thriposha Company is to produce and distribute Thriposha free of charge to all pregnant and lactating mothers and other intended beneficiaries in need of nutrition with the aim of eliminating malnutrition in Sri Lanka and building a healthy nation. Accordingly, during the inspection of the provision of Thriposha as a supplementary meal to the targeted beneficiaries, the requirement of Thriposha for 39 hospitals and institutions including Regional Directorates of Health Services (RDHS) in the year under review was 493,905 master bags, while the number of master bags distributed during the year was 274,198, which was 55.51 percent less than the requirement.

Private Health Services Regulatory Council

Regulation of Private health institution

Although, the Special Audit Report issued on 10 July 2024 on the Performance Evaluation of the Private Healthcare Regulatory Process in Sri Lanka recommended the enactment of a new parliamentary act with a governing body composition

that can take the necessary decisions to implement a regulation which can ensure that the entire system of private healthcare providers operating in the country provides safe, efficient healthcare services at fair, responsible, affordable charges to the public, or the amendment of the composition of the Private Healthcare Regulatory Council established by the Private Medical Institutions (Registration) Act No. 21 of 2006 in a manner that increases the public sector's ability to make decisions for the regulation of private healthcare institutions, it was observed that insufficient attention has been paid to this regard.

Classification of private medical institutions

Section 10(d) of the Private Medical Institutions (Registration) Act, No. 21 of 2006 provides for the implementation of a system for classifying private medical institutions according to the facilities they provide. However, as at 31 December 2024, the process of classifying private medical institutions had not been completed and consequently, the process of regulating fees had not been implemented.

Suwaseriya Foundation

Preparation of Regulations

In terms of sub-sections 18(5) and 25(1) of the Suwaseriya Foundation Act, 1990, No. 18 of 2018, the Board shall make regulations regarding the payment of money from the Fund and may also make regulations regarding the matters mentioned in sub-section 25(1). Although, every regulation made by the Foundation shall be approved by the Minister and published in the Gazette, action had not been taken accordingly.

2. Medical supplies

The Medical Supplies Division (MSD) of the Ministry of Health is the central organization responsible for the supply of all medicines, surgical instruments, laboratory equipment, radioactive materials and printed forms to government health institutions throughout the country. MSD is the sole supplier of hazardous drugs to all hospitals in the country, including private hospitals. In carrying out its medical supply function, the National Medicines Regulatory Authority assists the MSD in drug quality control and regulation, the State Drugs Corporation in drug import and local procurement, and the State Drugs Manufacturing Corporation in drug manufacturing.

Medical Supplies Division

Failure to record and utilize receipt of pharmaceutical supplies

5 million units of surgical items that measure blood sugar levels had been ordered through the United Nations Office for Project Services (UNOPS) in 2023 under the financial provisions of the Covid-19 Emergency Response and Health Systems Preparedness Project implemented under the World Bank loan assistance. Although, out of this, 2.5 million units worth Rs. 109.5 million had been received by the Medical Supply Division, stating that the relevant documents had not been received, the receipt of those items had not been recorded for nearly 01 year and 09 months and had not been distributed to hospitals, and had expired in the Medical Supply Division warehouses during the period from October 2024 and 31 January 2025. It was observed that this expiration had occurred due to the negligence of the officials, despite the appointment of a Project Coordinator in the Medical Supply Division to coordinate the medical supplies provided through UNOPS. Furthermore, when there was a stock of 2.5 million units in the Medical Supplies Sector, the hospitals had made local purchases of Rs.52 million in 2023 as the stock was not released to the hospitals. Furthermore, it was observed that

these items, which were previously purchased through the State Pharmaceuticals Corporation at Rs.11 per unit, were purchased through UNOPS at Rs.43 per unit and under local purchases by the hospitals at higher prices of Rs.83 to Rs.112 per unit. Accordingly, the government had incurred a loss of over Rs.198 million due to the cost and clearance fees for the 2.5 million units of expired Blood Glucose Strips and the additional cost of resorting to local purchases due to the non-distribution of those stocks to the hospitals.

Failure of medical, surgical and laboratory materials

Out of the medical supplies issued to government hospitals, medicines, surgical and laboratory materials worth Rs.4,213 million were withdrawn from use in 2024 due to non-conformity, while another Rs.1,367.9 million worth of medicines were temporarily suspended due to non-conformity. The reasons for non-conformity were identified as the presence of visible particles in some medicines, non-compliance with British and US pharmaceutical specifications, non-compliance with labeling guidelines, discoloration, broken tablets, presence of glass fragments, adverse reactions, etc. Among the medical supplies withdrawn due to non-conformity were medicines used for bacterial infections, skin diseases, mental illnesses, diabetes, liver diseases, and antibiotics.

Checking the condition of medicines and harm to patients

Due to the failure of the Medical Supplies Division to take adequate steps to check the quality of certain medicines before issuing them to hospitals, in 2023, the Prednisolone Acetate Eye Drop medicine used for eye patients failed and several patients at the Colombo National Eye Hospital and the Nuwara Eliya District Hospital suffered eye allergies. It was revealed that 12 out of 17 patients at the Nuwara Eliya Hospital had permanently lost vision in one eye and that three more patients

had lost more than 70 percent of their vision. Although, two years after the incident, Rs. 14.7 million was paid as a compassionate allowance to the above 17 patients based on a decision of the Cabinet in 2025, no investigation had been conducted regarding the patients at other hospitals who had been affected by the use of that medicine and no steps had been taken to compensate the patients concerned. Furthermore, no steps have been taken to obtain compensation from the company that supplied the relevant medicine, and the State Pharmaceuticals Corporation has not yet taken steps to include relevant provisions in the procurement documents to obtain compensation from companies that supply substandard medicines and to take relevant measures to blacklist such suppliers.

**Not charging for
Expiration and Failures**

Although, the Director of Medical Supplies had withdrawn the medicines Human Immunoglobulin and Rituximab from use due to their failure by circulars Nos. MSD/Q/P/2023/56 and MSD/Q/Special/2023/4 issued on 09 and 18 October 2023, steps had not been taken to recover the cost of the relevant medicines amounting to Rs.180 million and 25 percent administrative expenses from the relevant company in accordance with paragraph 9 of the purchase order No. ICL/EOI/P1/174/2022 issued to the supplier on 13 January 2023.

**Deficiencies in the process
of disposing of substandard
medical Supplies**

The Medical Supplies Division had invited bids from the institutions registered with the Central Environmental Authority and which had previously submitted bids for the disposal of substandard medical supplies in 2022. Accordingly, although the bidder who submitted the lowest bid had requested Rs.99.84 per kilogram, according to a letter submitted to the Secretary of the Ministry of Health by another company that

submitted bids, it was stated that a tripartite agreement would be in effect between the Ministry of Health, the private company and the Central Environmental Authority for a period of 10 years from 26 June 2018. Accordingly, it had been agreed to pay Rs.260 per kilogram, the contractual value of the tripartite agreement, instead of the minimum bid of Rs.99.84. Accordingly, the contract for the disposal work was awarded to the private company from 01 November 2022. Although, the relevant contract was awarded without a formal examination of the scope of the tripartite agreement, it was later revealed that provinces other than the Western, Central and Southern provinces were not covered by the relevant agreement. Accordingly, without inviting bids for other provinces, Technical Evaluation Committee and Procurement Committee approvals were given and Rs.123 million was paid in 2023 and 2024. Although, the tripartite agreement covers cytotoxic waste collected from hospitals in all provinces, contrary to this, the disposal of expired clinical waste in provinces other than the Western, Southern and Central provinces was also assigned to this private company on 33 occasions by the Medical Supplies Division and a payment of Rs. 62.4 million was made for the disposal of 208,520 kilograms.

**Shortcomings in the health
sector emergency
procurement process**

The Foreign Employment Bureau had made an emergency call for quotations in less than 02 days to purchase 15 essential pharmaceutical items for cancer patients using the grant of Rs.100 million provided to the State Pharmaceuticals Corporation. However, it was observed during the audit that the “urgent requirement” had only been applied to the suppliers for submitting prices as it took between 80 and 191 days to receive the pharmaceutical stocks.

Having to pay warehousing fees

In 2024, 10 refrigerated lorries and 21 cabs were provided to the Epidemiology Division by the United Nations Children's Fund to implement an efficient vaccine management program by strengthening the National Immunization Program. As the clearance of these vehicles took almost three months, a warehouse fee of Rs. 36 million had to be paid for the 10 lorries in addition to the customs and clearance fees of Rs. 66 million. After clearance, the vehicles were parked in the vehicle yard of the Medical Supply Division warehouse premises for almost 08 months from 28 June 2024 until registration was carried out.

Failure to properly coordinate donations

The audit observed that in 2024, over Rs.321.4 million in late fees and warehousing fees were paid on 38 occasions for the clearance of donations received from foreign institutions to the medical supply sector from the port, and in 07 of these cases, Rs.115.5 million in late fees and warehousing fees were paid, including Rs.65.3 million in electricity costs for refrigerated containers.

Non-recovery of deposits of Rs.7.6 million

The amount of Rs.7.6 million paid to the relevant private company as security deposit and electricity deposit when acquiring the Rare wing section of the first floor and the fifth floor of the HQ Colombo building, which was run by now the defunct State Ministry of Pharmaceutical Production, Supply and Regulation, on a lease basis, has not been recovered even though 20 months have passed since the contractual period ended on 30 June 2025.

National Medicines Regulatory Authority

Delay in revamping the medicine database system

Although, the contract for Revamping the Medicine Database was awarded to a private entity for Rs.6.9 million on 11 November 2020, no formal contract agreement was entered into

Deleting certain Information

and Rs.4.7 million was paid as at 31 December 2021 without obtaining a certificate of completion, the system remained idle at the end of the year under review.

The contract for the automation of the Authority's data system had been awarded to a private company for a period of 05 years for Rs.29 million and Rs.12.2 million had been paid for it. However, due to negligence or intentionality of the private company, certain information entered into this data system had been deleted and this service had been deactivated until the investigation work of the Criminal Investigation Department was completed. The report submitted by the expert committee appointed in this regard had stated that the data deleted from the system could not be restored and no steps had been taken to recover the loss incurred or to take further action against the company concerned.

Cosmetics regulation

Although, the Cosmetics, Equipment and Drugs Act No. 27 of 1980, which was in force in Sri Lanka regarding the regulation of medicines, equipment and cosmetics, was repealed with the enactment of the National Medicines Regulatory Authority Act, the provisions related to the regulation of cosmetics had not been included in the National Medicines Regulatory Act. Therefore, in accordance with the Cabinet decision dated 10 October 2017, the National Medicines Regulatory Authority was entrusted with the regulation of cosmetics using the provisions of the existing Cosmetics, Equipment and Drugs Act until the proposed new Cosmetics Act was passed and implemented.

State Pharmaceuticals Corporation

Additional storage fees

The Corporation had incurred additional storage costs of Rs.152.84 million as a result of the return of the stocks of medicines and surgical items procured by the Corporation and

supplied to the Medical Supply Division due to insufficient storage capacity, and Rs.7.9 million as a result of the Medical Supply Division refusing to accept the stocks due to deficiencies in the documents related to the procurement or the absence of documents, as a result of which the Corporation had incurred additional storage costs of Rs.7.9 million from January to July of the year under review.

Not submitting bids By Pharmaceutical Manufacturing Corporation

Although, bids were invited from the State Pharmaceuticals Manufacturing Corporation for the procurement of pharmaceuticals by the State Pharmaceuticals Corporation to the State Pharmaceuticals Corporation in 2023 and 2024, it was observed that there were instances where the Pharmaceuticals Corporation did not submit bids for the relevant bids due to reasons such as non-compliance with price changes in medicines, non-acceptance of medicines during the stipulated supply periods, requests to increase the shelf life of certain medicines by storing them in stock and requesting quality certificates and medicines when the expiry date was approaching, and requests to replace expired medicines with new stock. Accordingly, the relevant medicines had to be purchased from other parties at prices higher than the prices of the State Pharmaceuticals Corporation. Due to the aforementioned reason, an additional cost of Rs.159.75 million had to be incurred for 3 orders in the year 2023 alone.

Cost of substandard and damaged medicines

Although, the value of the debit notes issued as at 31 December 2024 to recover from suppliers the costs incurred for supplying substandard and damaged medicines to the Medical Supply Division, administrative fees and the cost of destroying those stocks was Rs.5,573.64 million, out of this, Rs.2,996.65 million had not been recovered as at 31 March 2025. Among those

debit notes, Rs.1,651.98 million was to be recovered from blacklisted suppliers and Rs.279.45 million was to be recovered from suppliers to whom final reminder letters had been sent as at 31 March 2025, so the recovery of that money was in an uncertain situation.

Getting charged twice for the same transaction

While the National Health Development Fund had provided US\$ 02 million to the State Pharmaceuticals Corporation on 19 September 2022 for the procurement of 788,590 vials of Meropenem Injection 1 g and 500mg, Rs.742.83 million had been recovered from the Medical Supplies Division for the said purchase after the medicines were purchased. Further, in the year 2023, US\$ 500,000 granted to the Corporation through the Health Development Fund by the Sri Lanka Cricket was used to purchase 18 items of medicine and after purchasing those medicines, an additional amount of Rs.111.37 million had been obtained by issuing debit cards to the Medical Supplies Division. Furthermore, while procuring 15 items of medicine using the Rs.100 million provided by the Foreign Employment Bureau to purchase necessary medicines and equipment for cancer patients, a debit card of Rs.138.21 million was once again issued to the Medical Supplies Division, despite the fact that Rs.100 million had been provided to the Corporation in relation to the procurement.

State Pharmaceutical Manufacturing Corporation

Proposed Lotus Pharma New Manufacturing Project

The proposed Lotus Pharma new manufacturing facility was planned to establish 05 manufacturing plants covering the country's basic pharmaceutical needs and after 03 years, a factory for the production of generic oral drugs was estimated to cost Rs.4,349.2 million, equivalent to \$ 13.1 million, as the first phase. To construct the desired 03 manufacturing plants, Rs.322.4 million was spent and 65 acres were purchased.

Position vacancies

However, construction had not commenced until 27 May 2025, when a relevant feasibility study had also not been conducted.

08 senior management level positions had been approved in the approved staff of the Corporation and 4 of them were vacant as at 31 December 2024.

Not charging price variations from Affiliated businesses

The amount of Rs.1,106.42 million charged by the Medical Supplies Division from the Corporation as late fees due to price fluctuations and non-supply of medicines within the stipulated period for invoices related to medicines supplied to the Medical Supplies Division by affiliated businesses from 2018 to 2024 included in the Corporation's trade payables Medical Supplies accounts had not been recovered from affiliated businesses.

Delays in renewing drug registration

Due to the failure to submit the relevant documents to the Medicines Regulatory Authority within the due date for the renewal of the registration of 08 medicines in the year under review in accordance with Section 64(1) of the National Medicines Regulatory Authority Act No. 05 of 2015, the renewal of the registration for those medicines had been delayed by a period ranging from 107 to 219 days. As a result, the registration certificates of the medicines Flucloxacillin Capsule BP 500 mg and Mebendazole Tab USP 100 mg had expired on 16 and 17 December 2024 respectively and the Corporation had not taken steps to renew the certificates on the due dates and the National Medicines Regulatory Authority had renewed the registration on 29 January 2025 and 01 February 2025 respectively, thus the Corporation had not been able to supply the medicines for the relevant medicine orders requested by the Medical Supplies Division. Accordingly, as at 31 December 2024, drugs costing Rs.26.18 million remained in the Corporation's Medical Supply Division store.

Key audit observations included in the performance audit report on the performance evaluation of the private healthcare regulatory process in Sri Lanka

The lack of regulations and enactment of laws regarding accreditation activities

Although, it has been stated that the Minister, by an order published in the Gazette on the advice of the Council, in accordance with Section 13(1) of the Private Medical Institutions (Registration) Act, No. 21 of 2006, shall systematically formulate and implement an accreditation scheme for private medical institutions, and that the order shall include all details specifying the criteria for accreditation, the facilities, services and any other factors involved, regulations regarding these accreditation activities had not been formulated and made into law by 30 June 2023.

Making rules to carry out the functions of the Act

Section 19(1) of the Act provides that the Council may make rules with respect to all or any of the following matters and Section 19(2) provides that no rule made by the Council shall come into force until it is approved by the Minister and published in the Gazette. Accordingly, out of the 14 matters for which rules may be made as provided for in the Act, no rules have been made and only 11 guidelines have been prepared. It was not confirmed that the approval of the Minister in charge of the subject has been received for these guidelines and these guidelines have not been published in the Gazette by the Minister.

Registration is essential for operating private medical Institutions

In terms of the provisions of Section 2(1) of the Private Medical Institutions Registration Act, No. 21 of 2006, all private medical institutions must be registered and although, the Regulatory Council has implemented various programs to

identify and register private medical institutions that are required to be registered and to implement the provisions of Section 4 of the Act with respect to unregistered institutions, not all private medical institutions have been registered.

Registration Renewal Of Private Medical Institution

Section 3(3) of the Private Medical Institutions (Registration) Act, No. 21 of 2006 provides that a certificate of registration granted under it shall be valid for such period as may be specified therein, and Section 3(4) provides that a certificate of registration shall be renewed one month before the expiry date of the said registration and on payment of the prescribed renewal fee. However, the Private Health Services Regulatory Council had not maintained such a system for the past 17 years.

Failure to take action to amend the orders

The regulations made by the Minister of Health under Section 18 of the Private Medical Institutions (Registration) Act, No. 21 of 2006, read with Section 3 of the said Act, were published in the Extraordinary Gazette No. 1510/8 dated 13 August 2007. The duties to be followed by a person registered to operate a private medical institution are mentioned in this Gazette notification and it is mentioned that (a) the person shall dispense unexpired medicines as per the clause, and (b) the person shall keep the essential medicines designated by the Ministry of Health as per the clause. Private healthcare institutions have not taken steps to amend the relevant orders by including conditions/guidelines that the regulations regarding the maximum retail price of medicines published in the Extraordinary Gazettes from time to time should be complied with in accordance with the National Medicines Regulatory Authority (NMRA) Act No. 05 of 2015 when dispensing medicines to patients. (For example, the Gazette No. 2077/55 issued in 2022 fixing the maximum retail price for medicines)

Due to this, information regarding 8 complaints received by the Ministry of Health/Private Healthcare Regulatory Council and 3 complaints received by the Consumer Affairs Authority regarding the charging of unreasonable prices for medicines provided to inpatients from pharmacies run by certain private medical institutions was observed during the sample audit.

Proper disposal of waste in private medical centers

The Sub-Committee on Technical Assistance and Waste Management, which aims to make decisions regarding the systematic disposal/destruction of waste in private medical institutions/centers and to make recommendations regarding the provision of waste disposal equipment (Incinerator Machine) to each Provincial Council on a temporary basis, had not met from 2017 to 30 June 2023. Out of the total 05 members appointed to this Sub-Committee, three were representatives of the Private Hospitals and Nursing Homes Association. The representative of the Legal Division, which deals with legal matters, had not been involved in this Sub-Committee.

Categories of Private Medical Institutions

Section 10 of the Private Medical Institutions (Registration) Act, No. 21 of 2006, sets out the functions and duties of this Council and Section 10(d) thereof provides for the implementation of a system for classifying private medical institutions according to the facilities they provide. However, as at 31 December 2023, the process of classifying private medical institutions had not been completed and due to this, the process of regulating fees had also stalled.

Special Audit Report on the Requirement, Procurement, Supply, Distribution and Regulation of Medicines for the Years 2022 and 2023

Failure to follow procurement guidelines

It was observed that the Health Secretary had appointed a five-member evaluation committee to evaluate the call for proposals of intent for 285 pharmaceutical items and the doctor who served as the head of the procurement division had also been appointed as a member of the evaluation committee and any consultant with technical knowledge or an expert with technical knowledge had not been appointed for the evaluation of specific drugs for certain cancers. It was observed that although technical evaluation committees were not appointed as stipulated in the Emergency Procurement Guidelines and although the Emergency Procurement Committee was supposed to seek advice from technical experts, actions had not been taken accordingly.

Obtaining approval for exemption from drug registration

The Authority had prepared a guideline on the procedure for issuing exemption letters from registration dated 15 October 2019 and according to it, approval for exemption from registration of drugs should be obtained from the relevant technical sub-committee. The Secretary of the Ministry of Health had given permission to prepare a fast-track mechanism for issuing exemption letters from registration for the purchase of drugs through the Indian Credit Line and other foreign loan aids projects. Accordingly, the Chief Executive Officer of the National Medicines Regulatory Authority had recommended a fast-track mechanism called Special Pathway, which would enable him to issue exemption letters from registration without referring them to the aforementioned subcommittee and had submitted a board of Directors' paper for approval on 16 September 2022.

Potential impact on patients of exemption from registration

It was observed during the audit that the Chief Executive Officer's approval of drug exemption through the Special Pathway system, deviating from the recommendations of the Drug Exemption Subcommittee, created a risk of drugs being imported into the

country and used for patients without assurance of quality, safety, efficacy, and reasonableness of price.

**Purchase of fraudulent medicines
due to irregularity in emergency
procurement process**

The suppliers had supplied 3,985 vials worth Rs.169 million out of 22,500 vaccine vials to the Medical Supplies Division during the period from May to September 2023 and the division had paid Rs. 36 million to the supplier. All vaccine vials received by the Medical Supplies Division had issued to National Hospitals, Teaching Hospitals, Provincial Hospitals and Regional Medical Supplies Divisions since 30 May 2023. The National Medicines Regulatory Authority had been reported in September 2023 that patients at the Colombo and Kandy National Hospitals and the Matale and Matara District General Hospitals had experienced serious adverse reactions after using that drug.

**Payments to suppliers
without formal approval**

The suspended payments of Rs. 248 million had been paid to the supplier in August and November 2022 without obtaining approval from the prescribed procurement committees or any other formal approval, on the recommendation of the Chairman of the National Pharmaceuticals Corporation.

**Non-implementation
of recommendations**

According to the report of the Presidential Commission to investigate alleged corruption and fraud in public institutions between 15 January 2015 and 31 December 2018, although recommendations had been made regarding the officials in the health sector responsible for the fraud, corruption and irregularities committed in the import of the cancer drug “Trastuzumab” into the country through a private company under the brand name “Herticad”, the relevant authorities had not taken any action to implement any of those recommendations against those responsible officials.

Colombo National Hospital

Not properly implementing the contract of disposing clinical waste

A total of Rs.28.58 million was paid to the supplier for 1,012,139 kg of clinical waste disposed of at the rate of Rs.28.24 per 1 kg including the container charges during the period from 01 January 2017 to 31 March 2019 without considering the situation of non-provision of necessary containers by the supplier for the disposal of clinical waste at the Colombo National Hospital. Moreover, payments were made for the disposal of 2,628,815 kg of clinical waste at the rate of Rs.3.81 per 1 kg, including the container charges amounting to Rs.10.01 million during the 40-month period from 01 April 2019 to 31 July 2022. When calculations are made for the recovery of this excess container fee cost, a sum of Rs.10.38 million had been under calculated owing to making calculations based on the number of containers, in which the above waste was packed.

Furthermore, according to the information submitted to the audit, an amount of Rs.44.27 million had been spent on containers purchased for the disposal of clinical waste for the period from 01 April 2019 to 31 July 2022 alone. However, since the amount calculated to be recovered from the contractor for that period was only Rs.5.01 million, it was observed that the amount to be recovered further from the contractor for that period was Rs.39.26 million

MRI Scanner was out of order due to the weakening of the battery of the UPS

Although it had been over 04 years since it had been revealed on 26 August 2020 that batteries of the UPS device, which was used to protect the MRI Scanner installed at the Colombo National Hospital from high voltage and power outages, weakened, the relevant Divisions had failed to repair the UPS

device. Due to this, this machine had failed on 05 occasions during the year 2024 alone.

Ninety-six (96) batteries had been purchased on 10 October 2023, for the UPS device by incurring a sum of Rs.10.08 million at the rate of Rs.105,000 per unit. Out of those 96 batteries, only 32 batteries were provided to the National Hospital for the installation in the UPS device on 17 October 2023. Those 32 batteries were only installed in the UPS device without connecting it to the electrical system of the MRI Scanner machine, and it was necessary to install 96 batteries, along with the remaining 64 batteries, in the UPS device and provide connection to the machine. For this purpose, when the National Hospital was taking steps to purchase the cables, the procurement requirement was not identified and the specifications and bid documents were not prepared. As a result, a long time had to be spent on purchasing the cables. Therefore, it was not possible to achieve the desired objectives from the battery procurement.

Since the capacity of UPS batteries changes depending on the temperature and time of storage of UPS batteries according to the user manual of the battery manufacturing institute, the capacity level of 32 batteries that had not been connected to the MRI Scanner circuit at the National Hospital for almost a year should have been re-checked. However, the information that this had been done was not presented to the audit. Furthermore, action had been taken to provide 40 batteries, out of the remaining 64 batteries, to the Lady Ridgeway Hospital for Children and any records regarding the use of the remaining 24 batteries were not presented to audit.

Sirimavo Bandaranaike Specialized Children's Hospital

Non-functioning of the MRI scanner

The MRI scanner installed in the Sirimavo Bandaranaike Specialized Children's Hospital in 2005 had been repaired in 2018 at a cost of Rs.15.81 million due to damage caused by a fallen cylinder. The hospital had presented conflicting opinions regarding the machine became irreparably non-functional after 05 days of its repair and formal investigation had not been conducted in that regard. Moreover, a service agreement had been entered into on 18 March 2019 regarding this machine, which was in a state of irreparability. Even though a service charge of Rs.3.63 million had been paid to a company in that regard, But the machine had not been restored to normal condition even by 31 December 2024.

Not using computerized systems

Quotations were invited on 02 occasions to establish an E-Health System programme to computerize the services provided at the Sirimavo Bandaranaike Specialized Children's Hospital and in the second occasion the contract was awarded at a value of Rs.19.49 million, i.e. Rs.0.87 million more than the first occasion. The contract had been awarded in a way that it had been unfavourable to the Government with a warranty period of 03 years and after the warranty period, maintenance and service for 10 years at a cost of Rs.3.5 million instead of the favourable condition that repairs and replacements would be carried out without charges for a period of 05 years and a warranty period of 25 years in the initial stage. Although these procurement activities have to be carried out by the Ministry, Regional Procurement Committee of the hospital had carried out the procurement activities and later obtained the approval of the Ministry. However, this project, which was completed and handed over on 19 November 2019, remained completely inactive even by 31 December 2024, without any plans to activate it or to purchase technical equipment.

National Nephrology Specialized Hospital, Polonnaruwa

Idle assets

Fifty-five (55) units of equipment of 20 types, which had been received as grants from the Chinese government for the establishment of the Research and Development Division of this hospital, had been stored in the hospital idly due to not establishing of that Division. Furthermore, attention had not been paid to the possibility of becoming these units of equipment technically obsolete owing to non-utilization of the equipment remained idle.

It was observed during the physical verification of goods that 04 Hemodialysis machines used for hemodialysis in the Hemodialysis Unit of the National Nephrology Specialized Hospital in Polonnaruwa were not operational as at 13 February 2025, the date of audit.

Although over 03 years had passed since 10 February 2025, the date of audit, the Medical Intensive Care Unit of the National Nephrology Specialized Hospital in Polonnaruwa, which was established in the year 2021, was not in operational level and the attention of the responsible parties had not been drawn to bring it to operational level.

General Hospital, Chilaw

Abandonment of the construction of Emergency Unit

Construction work of the Unit had commenced on 15 January 2018 to be completed within 609 days at an estimated cost of Rs.501.21 million by considering the dire need to construct an emergency unit, this construction had been abandoned by the end of 2024.

Abandonment of the Construction of the ward complex

Even though the construction of the 05-storied medical ward complex building, which was started by the State Engineering

Construction of an operating theatre and intensive care unit

Corporation on 19 February 2018 and has an estimated cost of Rs.583.77 million, was scheduled to be completed by the end of 2020, it was observed that the construction of it had been halted.

Although plans had been made to construct a temporary building using steel within 06 months to minimize the time spent to construct a normal building after considering the need to establish an operating theatre and an intensive care unit very soon due to the severe shortage of space in the hospital, the work of the 02nd floor of this building had not been completed even by the end of the year 2024. This delay was due to the negligence of the contractor, subsequently changing the plans due to the failure to identify the needs before preparing the plans, preparation of plans and estimates without conducting a feasibility study of the construction site, and delays in bill payments, etc. As a result, the contractor had requested on 31 May 2021 to increase the estimated cost of this construction, which was Rs.85.18 million, to Rs.131.95 million.

The National Hospital, Kandy

Removing the Electric Passenger Vehicles and Electric Ambulances from the use

The National Hospital, Kandy had purchased 06 electric passenger vehicles and 04 electric ambulances on 08 February 2018 at a cost of Rs.18.02 million with the aim of improving the quality of patient care services. It had been pointed out by the report of the Technical Evaluation Committee report that there were material technical deviations when comparing the specifications of the electric vehicles with the specifications of the selected bidder. Although it had been recommended to make improvements to these vehicles, a report had not been

submitted after conducting a prior inspection or an improvement. Accordingly, it was observed that action had not been taken according to the procurement guidelines. However, the vehicles were removed from using due to insufficient engine capacity for hill towing and retaining 2 years after the purchase of these vehicles. Although a 05-year maintenance agreement had to be entered into as per specification No. 4 (b) of the bidding documents, action had not been taken to enter into such a maintenance agreement with the supplier of the electric vehicles.

Anuradhapura Teaching Hospital

Obtaining Security Services

The security service of the Anuradhapura Teaching Hospital had been continuously awarded to a private company affiliated with the government for more than 20 years. Although complaints had been made against the company by various parties, the contract was awarded to the same company again without paying attention to the complaints against the Company when making procurement decisions and without inviting competitive bids for a period of 06 months from 01 October 2024 to 31 March 2025 for a value of Rs.23.97 million. Furthermore, it was observed that a methodology had not been established to truly verify the daily arrival, departure and number of employees deployed for shifts in the private security company.

Waste incinerator was out of order

A total of Rs.113.18 million had been paid comprised of a sum of Rs.39.95 million, Rs.24.14 million, Rs.49.09 million to an external party in the year 2023, in the first two months of 2024, and August and October 2024 respectively for the removal of clinical waste due to the failure in taking necessary measures to make the Metamizer and Incinerator machines of the Anuradhapura Teaching Hospital operational and due to non-

operation of the new Incinerator machine. Attention had not been paid to the possibility of minimizing the amount paid to external parties by repairing and using the above-mentioned equipment.

Underutilization of Erb xl 360 analyzer

The Erb XL 360 analyzer in the Biochemistry Laboratory of the Anuradhapura Teaching Hospital had been in minimal use for several years after receiving a new analyzer to the hospital, and the hospital authorities had not paid attention to reuse it properly or to transfer it to another appropriate party.

Colombo North Teaching Hospital

Remaining of the official residences idly

There were a scheduled house and 25 general service houses in the Alapitiwala Housing Complex, located at a distance of about 2.5 kilometres from the hospital reserved for married doctors of the Colombo North Teaching Hospital. During the physical inspection carried out in these houses on 15 and 16 January 2025, it was observed that no one was residing in 19 of the houses. It was revealed to audit that 18 of the houses had been lying idle for more than 4 years and the environment around the houses was overgrown with weeds due to lack of proper maintenance.

Kegalle Teaching Hospital

Waste Management

Even though the Ministry of Health had provided a Metamizer machine worth USD 701,335.83 to the Kegalle Teaching Hospital Under the Clinical Waste Management Project in Government Hospitals, the machine remained idle without using it since 25 April 2024 due to non-availability of a method to dispose of the residual materials removed by it.

Remaining of the Burner idly

An incinerator was constructed at a cost of Rs.17 million to burn approximately 365 kilograms of waste that could not be directly disposed of to the normal environment, including

clinical waste collected daily at the Kegalle Teaching Hospital, and its operation was tested on 07 June 2024. However, the incinerator had not been operated as a formal training had not been provided to the hospital staff on the operation of the incinerator and the incinerator had not been formally handed over/accepted by the hospital. Accordingly, the waste had to be removed by a private company at a cost of Rs.185 per kilogram of waste, and approximately Rs.24 million per year had to be incurred idly.

Remaining of Machines idly

Due to the purchase of 04 machines worth Rs.34.48 million by the Kegalle Teaching Hospital in the years of 2019, 2020 and 2021 without conducting a formal feasibility study regarding the need and functionality of the machine, they remained idle without using them and action had not been taken to provide these machines to another hospital in need of such machines.

Sri Jayewardenepura General Hospital Board

Revision of Laboratory Test Prices

The prices of laboratory tests conducted by the Sri Jayewardenepura General Hospital Board had been revised without conducting a cost-benefit analysis and according to the audit test checks carried out, the hospital had lost revenue amounting to Rs.9.56 million.

Charging a higher profit margin

Although a profit margin of 10 percent and 30 percent should be maintained when purchasing emergency medicines locally and preparing bills for patients admitted to the general and paying wards of the Board, it was observed during the audit test checks conducted that a profit margin between 49 percent to 767 percent was charged on 18 bills worth Rs.5.97 million in general wards, and a profit margin between 30 percent to 422 percent was charged on 21 bills worth Rs.35.98 million in paying wards.

**Unable to use the
Purchased patient beds**

Fifty (50) adjustable patient beds with mattresses worth Rs.16.22 million were purchased without appointing an officer with knowledge in the subject to the Technical Evaluation Committee. Out of these, only 40 beds were supplied by the supplier, and those beds could not be used due to various defects.

**Execution of the Same
order for A long time**

Although purchase orders and acceptance letters were issued to the relevant supplier to purchase 32,700 units of the medicine called Ceftriaxone 1g injection for a sum of Rs.13.08 million at the rate of Rs.400 each in the year 2023, Only 30,000 units were received as per 3,000, 13,000 and 14,000 in the years of 2023, 2024 and 2025 respectively. Furthermore, 5,700 units worth Rs.2.28 million had not been delivered even by 30 May 2025. Accordingly, owing to the failure in forecasting the annual medicines requirement properly and due to the execution of the same order for a long time, opportunities to purchase at competitively low prices were lost.

National Health Development Fund

Underutilization of funds

Although the total value of public funds collected under the Little Heart Project for the construction of a ten-storied building and the purchase of equipment for the Lady Ridgeway Children's Hospital by the end of 2024 had been Rs.707.57 million, any amount, out of those funds, had been spent during the year 2024. In addition, the donation of Rs.42.03 million given by a donor in the year 2020 for the improvement of the operating theatre complex of the hospital and the donation of Rs.22.72 million received in the years of 2023 and 2024 for the purchase of consumables required for surgeries had not been utilized for the relevant tasks. Furthermore, there was a balance of Rs.461.33 million in the donations account for the Apeksha

Hospital as at 31 December 2024, and these funds had not been utilized for any productive purpose in the years of 2022, 2023 and 2024.

Jaffna Project

In accordance with the Decision of the Cabinet of Ministers bearing No. CP/12/0489/509/022 dated 04 May 2012, a Memorandum of Understanding was signed between the Ministry of Health, the Provincial Ministry of Health, the National Health Development Fund and a Trust Company, the donor agency, for the implementation of the Trail Project for Cancer Patients in the Northern Province. Under this project, it was proposed to construct the Radiation Therapy Unit at the Telippalai Base Hospital and provide medical equipment for the Pediatric Treatment Unit at the Jaffna Teaching Hospital. The said Trust Company had provided Rs.218.6 million as assistance for the construction of the Radiation Therapy Unit at the Telippalai Hospital. Since the assistance collected by the relevant Trust Company under the name of Jaffna Project is a property belonging to the Ministry of Health, as per the agreement, the amount of Rs.75.96 million collected so during the period up to 31 March 2024 had been retained in the custody of the company without using the funds for the development of the Cancer Unit of the Jaffna Teaching Hospital as per the agreement.

Utilization of General Funds

The cumulative income of the general fund as at 31 December 2024 had been Rs.712.41 million and the amount spent from the general fund during the year 2024 for fulfilling the objectives of the Act was only Rs.90.32 million. Accordingly, the utilization of the Fund remained at a low level of 13 percent.

National Dangerous Drugs Control Board

Obtaining and updating Licenses for rehabilitation centres

Although, the care and rehabilitation of drug addicts cannot be carried on without obtaining a license as per the regulations as per Regulation No. 2 of the Gazette No. 1653/19-2010 dated 12 May 2010 issued in pursuance of the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007, there were 26 private treatment centres in the country by the end of 2024, and the registration of licenses only in 13 private rehabilitation centres had been updated. Accordingly, the remaining 13 private centres had been operated without a license for more than 02 years, by 16 May 2025, the date of audit.

Non-utilization of the leased lands for the intended purpose

The approval of the Urban Development Authority was obtained through Board Paper No.124/2013 for the construction of a rehabilitation and treatment centre for people who inject drugs on the land located in Pitipana of Homagama, which had been acquired for Rs.4.08 million on a thirty-year lease basis on 30 April 2014. However, the land had not been used for the intended purpose and had remained idle for 10 years and action had been taken to obtain the indenture of lease related to the land.

A donation of Rs.5 million had been received in the year 2021 for the new Treatment and Rehabilitation Centre building, which was planned to be constructed at an estimated cost of Rs. 7.05 million with the labour contribution and technical assistance of the Sri Lanka Navy at the new Digantaya premises acquired on a thirty-year lease basis, and the building had been partially constructed and stopped midway. Although the Sri Lanka Navy had submitted an estimate of Rs.7.72 million to the Board on 07 September 2024 to complete the

remaining work of this building and to put it into use, work on it had not been commenced even by 23 May 2025, the date of audit.

Underutilization of Rehabilitation Centres

Although the 02 buildings, the building worth about Rs.12.8 million constructed with private donations in the New Diganthaya Treatment and Rehabilitation Centre of the Board, and a building worth Rs.7.84 million constructed with the assistance of an international organization, were equipped with all the furniture and equipment to rehabilitate 62 individuals, those buildings remained idle in the year 2024 without being used for the rehabilitation activities of drug addicts. It was observed that only 12 to 37 individuals were being rehabilitated while 60 individuals could be rehabilitated in the old building currently used .

Women's Rehabilitation Centre

Although there was a Women's Rehabilitation Centre in Thalangama, which was maintained at a cost of Rs.11.64 million during the year 2024, any female client had not been rehabilitated after the year 2021. the number of female officers attached to that centre as at 31 December 2024 was 09, and 16 female officers, including 07 female officers recruited at the beginning of the year 2025, had been attached to that centre.

Indigenous Medicine

Indigenous Medicine Division - Ministry of Health

The vision of the indigenous medical sector is to provide well-being to all through indigenous medicine. The mission of the institution is to provide well-being to the entire community by utilizing research and modern technology in a manner that preserves Sri Lankan identity and to develop human potential so that they can contribute to achieving national economic and sustainable development goals.

Under the direct supervision of the Ministry to carry out these tasks, Department of Ayurveda, Sri Lanka Ayurvedic Pharmaceuticals Corporation, the Homeopathic Medical Council and the Homeopathic Hospital are operational.

Allocation and Utilization During the year under review, Rs.26 million and Rs.439.89 million were allocated for capital expenditure and recurrent expenditure of the Indigenous Medicine Division under the Ministry of Health Expenditure Head to carry out the above-mentioned functions, and 59 percent of the capital allocation or Rs.15.56 million and 95.66 percent of the recurrent allocation or Rs.420.81 million were incurred. Apart from maintaining the general administration of the Indigenous Medicine Division, the Homeopathic Hospital, the Homeopathic Medical Council and the State Minister's Office, the Indigenous Medicine Division had not made sufficient contribution towards the advancement of the Indigenous Medicine sector.

Management Inefficiencies

Although, the Homeopathic Hospital did not have a laboratory scientist from its inception until the year under review, the Ministry of Health provided 07 laboratory equipment for a laboratory scientist, an air conditioner, and a cupboard were provided in 2003. These appliances were idle for 20 years.

Providing fuel allowances To supporting staff

Although, it was stated in paragraph 3.3 of the Public Expenditure Management Circular No. PS/CSA/00/1/4/1 dated 09 September 2022 issued by the Presidential Secretariat that only 02 vehicles should be allocated for other officers of the

supporting staff, fuel allowances of Rs.2.42 million and Rs.2.16 million were provided to 04 assistant officers of the State Ministerial Staff in the year 2023 and 05 assistant officers in the year 2024 respectively.

Department of Ayurveda

The vision of the Department of Ayurveda is to provide health to all through Ayurveda and indigenous medicine. The mission of the Department is to plan and implement programs at the national level to provide health to all through the conservation, development and protection of the identity of Ayurveda and traditional indigenous medicine.

To carry out the functions of the Department, the Department had maintained 4 Ayurvedic Teaching Hospitals, 6 Ayurvedic Research Hospitals, 7 Herbal Gardens and 3 institutions namely the Bandaranaike Memorial Ayurvedic Research Institute, the National Institute of Indigenous Medicine and the Ayurvedic Medical Council.

Construction of

Physical fitness centers

Although, Rs.100 million had been allocated for the project to implement physical fitness centers, the work had not been completed. Out of the Rs.472.50 million allocated for 06 capital expenditure heads, Rs.366.60 million or between 29 and 85 percent had been remained.

Regulation of

Panchakarma Centers

Although, in terms of Section 10 of the Ayurveda Act No. 31 of 1961, an Ayurveda health centre, Ayurveda drug manufacturing plant, Ayurveda pharmacy or Ayurveda medicine store must be registered by the Commissioner of Ayurveda, the practice of Panchakarma medicine could not be regulated as the Act did not include provisions for the registration of Panchakarma and massage centers.

Administration of

Overtime Allowance

Although, instructions and provisions have been issued in accordance with paragraph 2 (iv) of Public Administration Circular No. 09/2009 dated 16 April 2009 to maintain records of attendance and departure of officers in all government institutions by using fingerprint machines, Rs.94.45 million

was paid as salaries, overtime and holiday payment and other allowances during the year under review, to 1,614 officers of 11 Ayurvedic hospitals based only on attendance records without the use of fingerprint machines.

Ayurveda Community Promotion Program

Although, the Ayurvedic Community Health Promotion Program was implemented in the Anuradhapura District as a pilot project from 2001 to 2005 and, based on its success, services should have been extended to other districts from 2005, the project was implemented only in the Anuradhapura District. Rs.877.2 million had been spent on this project from 2005 to 2021. However, from 2022, without making separate provisions for that project, provisions were made only for recurring expenses including salaries, allowances, contractual services under the Patient Treatment Service Project of the Development Program and Rs.173.7 million had been spent on salary allowances and other expenses for 205 officers in the year under review. Accordingly, it was a matter of controversy during the audit, that the Ayurvedic Community Health Promotion Program was continued by covering only the recurring expenses related to this project, which had not been implemented successfully enough to expand to other districts, through the Department's expenditure items.

Management information System

Although, provisions of Rs.25 million each had been made in 2021 and 2022 to develop a Management Information System (MIS) to include the entire institutional system including the Department of Ayurveda and its affiliated institutions, hospitals, medical centers, that work had not been implemented in the year under review.

Purchasing Office Furniture

The Technical Evaluation Committee had rejected the bidder who had submitted the lowest bid out of the two bidders, which had complied with the technical specifications, based on

information obtained over the phone that the company did not have the finished goods. Although the technical specifications stated that a 3-year warranty period was required for all the goods, arrangements had been made to purchase office furniture worth Rs.6.06 million from two companies with a one-year and two-year warranty periods. Furthermore, although the technical specifications required a 3-year warranty period, Workmen Locker with a one-year warranty period and a steel thickness of 0.8 - 0.7 mm was to be supplied as per the tender documents, Workmen Locker with a low steel thickness of 0.6 mm was supplied.

Under utilization of Borella Ayurvedic National Hospital

It was observed that 120 or 42 percent of the 288-bed capacity of the general ward beds in the new eight-storey building of the Borella Ayurvedic National Hospital were underutilized, and 76 or 28 percent of the 274 beds in the old general wards of the hospital were underutilized in the year 2024. It was also observed that all the 88-bed paid wards equipped with modern room facilities in the new building and 08 out of 32 old paid wards were underutilized.

Research hospitals' Functions

Although, 07 Ayurvedic research hospitals had been established to conduct research on traditional medicine, non-communicable disease prevention, Unani Ayurveda, kidney diseases, Ayurvedic literature, Ayurvedic principles, Ayurvedic treatment and Ayurvedic medicines, except for the Navinna Ayurvedic Research Institute, no Ayurvedic research reports, publications or new medicines had been introduced in all the research hospitals.

Furthermore, a research staff had not been approved for 06 Ayurvedic research hospitals and although 18 research officer posts and 12 research assistant posts had been approved for

each subject area for the Bandaranaike Memorial Research Institute, no steps had been taken to recruit any of them.

Ayurveda Medical Council

Appointment of the Secretary of the Council

It was observed that although the Council was required to appoint a Registrar to act as the Secretary and Chief Staff Officer of the Council in terms of Section 111 (19) (1) (a) of the Ayurveda Act, No. 31 of 1961, it was observed that recruitments were continuously made on contract and acting basis without taking steps to appoint a Registrar to the said post on a permanent basis. Hence there was a situation of obstruction in the proper conduct of the administrative affairs of the Council was observed.

Regulation of Ayurvedic Doctors

Although, all doctors registered with the Ayurvedic Medical Council, as per the Ayurvedic Medical Council Regulations published in the Extraordinary Gazette No. 1884/36 dated 15 October 2014, are required to renew their registration every 05 years, 585 doctors who had been registered for more than 05 years had not renewed their registration as at 31 December 2024.

Sri Lanka Ayurveda Medicines Corporation

Idle Machines

Although, 09 machines purchased by the Ayurveda Department in the year 2015 costing Rs.20.98 million had been handed over to the Corporation, those machines had not been valued and accounted for. Out of those 09 machines, only 05 machines were in the Corporation premises and out of them, only the Pharmaceutical Grade Ro Water System machine was in use and 04 machines were idle as of the audit date of 12 June 2025.

Informal Recruitments

The former Managing Director of the Corporation had provided false service certificates to two applicants who applied for two

management positions, stating that they had worked in two companies owned by him, and had also acted as a member of the relevant interview board and participated in the board meeting to make the relevant decisions, thereby selecting these applicants who did not have the necessary work experience.

Conflict of Related Parties It was observed that there was a relationship between a Company that was a supplier to the Corporation and the former Managing Director of the Corporation, and it was confirmed that there was a conflict of interest between this Managing Director and the Corporation. This officer had taken steps to supply plastic bottles to the Corporation using the name of this company, which was a nominal company. The Corporation had purchased materials worth Rs.10.89 million and Rs.23.22 million respectively from this nominal company in the years 2023 and 2024. When this company was selected as the supplier, which was not a registered supplier for the supply of plastic bottles to the Corporation. The Managing Director had also participated as a member in the relevant procurement committees.

Payment of Production Incentive

The Corporation had continuously paid an amount of Rs.02 million to Rs.06 million as production incentives to employees of all departments of the Corporation based on the monthly production cost exceeding Rs.15 million without formal approval. This incentive expenditure, which was Rs.82.45 million in the year 2023, was Rs.65.98 million in the year 2024. However, many products produced without properly identifying the need are subject to expiry in the warehouse itself or in the sales outlets and the value of such expired and damaged stocks in the years 2022 and 2023 was Rs.12.88 million and Rs.7.00 million respectively. The value of products returned to the warehouse due to quality defects in the years 2023 and 2024 was Rs.2.57 million. Accordingly, it was

observed that when paying production incentives, steps had been taken to pay incentives for quality defects and expired products that did not generate revenue for the Corporation.

Sales and revenue of the Corporation's products

The total sales revenue of the Corporation was estimated at Rs.1,862.51 million and the actual revenue was Rs.1,519.77 million. 81 percent of the actual revenue was received from the public sector and 19 percent from the private sector. Compared to the previous year, the sales revenue of the private sector had decreased from 26 percent to 19 percent. Failure to properly identify market needs, increase in sales prices compared to the market price, and failure to use new advertising and marketing promotion strategies had led to a decrease in sales revenue and the Corporation had earned illegal income by selling to the public sector at a higher sales price compared to the market price. Furthermore, it was observed during the audit that the public sector directly purchases medicines only from the Corporation without calling for quotations, contrary to the government procurement guidelines and the going concern may come to an end due to future events or circumstances.

Integrated computer Software System

A bid of Rs.30.00 million had been awarded to a private company for the establishment of an integrated computer software system (ERP System) covering all the divisions of the Corporation through a monthly payment scheme of Rs.0.50 million for a period of 05 years. Action had not been taken as per 5.4.10(c) of the Procurement Guideline. Furthermore, although as per the bidding documents, this system was to be established within a period of 28 weeks, there was a delay of 02 months and it was not possible to recover the late fee due to the failure to enter into a formal written agreement. Although, the computer software systems had been established and employee training had been provided, the Corporation had not taken steps

**Construction of a
Pharmaceutical
Manufacturing Plant**

to enter the opening balances into the system and therefore, 79 units of computers and other equipment worth Rs. 6.30 million purchased to operate the said system and this ERP computer software system remained idle for almost 09 months up to the date of audit of August 2025.

The construction of a pharmaceutical manufacturing plant with an estimated cost of Rs.45.73 million with the aim of meeting the pharmaceutical needs of patients and building a healthy society had commenced on 25 August 2018 with a treasury allocation of Rs.37.00 million. Although, 30 percent of the construction had been completed by 02 January 2020 at a cost of Rs.12.14 million, the construction had been temporarily halted from that date due to planning and supervision weaknesses. Although, 06 years had passed as at 30 June 2025, the relevant construction had not been resumed and the money spent on the project had become uneconomical.

Communication and Media

The Ministry of Mass Media and its seventeen institutions operate to "introduce a transparent mass media culture" based on national principles implemented by the government, as well as to create a media culture appropriate for balanced communication of information, knowledge and ideologies that affirms the public's right to accurate information, including freedom of speech and expression.

Ministry of Mass Media

Loss of income

Since the DCP machine purchased at a cost of Rs. 6.58 million in 2015 by the Public Performances Board was not in a working condition from 2019 to 31st December 2024, the cinema hall, built by the Ministry of Education at a cost of Rs. 56.5 million has not been able to function until now. Accordingly, the Board has lost an income of Rs. 14.76 million that it was supposed to receive.

None performing Expected tasks

Rs. 32.7 million had been spent on the Digital Terrestrial Television Broadcasting Project from 2021 to 30 April 2025. Although, more than 99 percent of this expenditure had been spent on salaries and wages, the functions had not been performed as expected.

Sri Lanka Broadcasting Corporation

Underutilized Lands

The land belong to the Corporation in an extent of 748 acres had been underutilized and a timely valuation has also not been done.

Voluntary retirement Scheme

Due to allowing employees to retire under the voluntary retirement scheme without identifying the employee needs of the institution, there are vacancies in essential staff and this has had a direct impact on the efficiency operational of the institution.

Independent Television Network Limited

Financial Position of the Company

The equity capital of the company was Rs. 3,198 million in the year 2015, and in the year 2023, it continuously decreased to Rs. 490 million and in the year 2024, it increased to Rs. 587 million due to government financial allocation. The company had continuously incurred losses from the year 2016 to the year 2023 and the loss in the year 2024 was Rs. 13 million. The losses of ITN, Lakhandha and Vasantham FM under the company were Rs. 1.9 million, Rs. 22.6 million and Rs. 1.8 million respectively.

Sri Lanka Rupavahini Corporation

Deterioration of the Financial Position of the corporation

The net assets of the corporation at the end of the year 2024 was a negative value of Rs. 631 million and in the year 2023, it had taken a negative value of Rs. 568 million. The negative balance of retained earnings of Rs. 1,459.9 million as on 01 January 2024 had further deteriorated to a negative value of Rs. 1,763 million by the end of the year 2024 after the loss of Rs. 255 million in the year 2024 and prior year adjustments made during the year. The negative working capital position of Rs. 600.8 million in the year 2023 had further increased to Rs. 760 million in the year 2024.

Shortfalls in the Action Plan

Although, the Corporation had prepared an annual action plan, it had not been prepared in a manner that would enable the Corporation to carry out its functions, powers and duties in accordance with Section 7.1 of the Sri Lanka Television Corporation Act, No. 06 of 1982. Due to the delay in the project activities as per the time frame of the action plan prepared for the year 2024, there was insufficient time for marketing activities, resulting in 15,176 Nena Mihira question

and answer books worth Rs. 3.6 million printed for Grades 3, 4 and 5 in the year 2024 and 16,662 books printed before the year 2024 remaining unsold in the stores even as at 31 December 2024.

Associated Newspapers of Ceylon Limited

Failure to commence Operations of the Subsidiary

Although, Lakehouse Property Development (Private) Company was established to engage in property development business in 1985, there has been no any operational activity since 2017. Furthermore, the 8-acre land situated in Hokandara area, which was purchased in 1985 for the construction of a housing scheme and revalued at Rs.733 million in 2021, had remained idle since the date of purchase.

Non- recovery of cash receivable

An amount of Rs. 25.81 million receivable to Company's commercial printing division for external printing activities during the year 2024, Rs. 12.12 million receivable from newspaper sales agents, Rs. 41.77 million receivable from newspaper agents whose agencies were terminated, Rs. 75.84 million receivable from debtors referred for legal proceedings, Rs. 14.24 million receivable for newspapers and periodicals provided by the company on a subscription basis, and Rs. 2.20 million receivable for the supply of newspapers to the Divi Neguma Development Department, aggregating to Rs. 172 million, which had not been collected even by the end of the year 2024.

Sri Lanka Press Council

Non-fulfillment of duties as per the Act

Although, it is the objective of the Council to conduct research on the use of newspapers and the needs of newspapers in accordance with Section 8(6) of the Sri Lanka Press Council

Act, No. 05 of 1973, no any work had been done in this regard in the year 2024.

To make regulations for the registration of newspapers and the charging of fees for such registration in accordance with Section 25 of the said Act, e- newspaper publication has gradually developed with the advancement of technology, and the Council had not taken steps to amend the provisions of the Act regarding the registration of such newspapers.

Government Printing Department

Receiving benefits without Fulfilling the conditions Prescribed by the Cabinet decision

Although, it is possible to obtain the commercial printing allowance after fulfilling the conditions prescribed by the Cabinet Decision of January 1998, the Department had continued to obtain the allowances without implementing those conditions until now. Further, the base amount for calculating the allowances was Rs. 40 million as per the order determined in the year 1998 and the Department had not taken steps to change it to be applicable to the year 2024. Accordingly, a total of Rs. 1,371 million was paid as allowances in the year 2024, and it was paid as allowances in various ranges up to a maximum of 49 times of the basic monthly salary for executive grade officers and up to a maximum of 67 times of the basic monthly salary for all other employees.

Receiving allowances From allocations provided By other ministries and departments

Although, the payment of allowances for election activities was made on the basis of printing ballot papers (Ballet) of 12 hours per day, that is, printing the ballot paper on the basis of the employee's contribution for the entire day, during the same period, the commercial printing allowance was paid to the staff officers for performing commercial printing work and the piece

rate allowance was paid to other staff for performing printing work. Accordingly, the salary due to the employees for performing their normal duties and the ballot printing allowance for printing ballot papers with a contribution of 12 hours per day during the same period, the staff officers had received the commercial printing allowance and the other officers had received the piece rate allowance for the same period.

Transactions in Contentious nature

Provisions have been allocated under expenditure items No. 211-01-01-1003 and No. 211-01-02-1003 for the payment of special allowances and other allowances of the Department, and provisions under expenditure item No. 211-01-02-1002 relating to overtime and holiday payment had been used to make payments of Rs. 11.24 million as piecerate allowances to the staff of the Department for the month of July 2024 without approval.

State Printing Corporation

Payment of incentive Allowances without Approval of the incentive scheme

Although, the Corporation should have prepared an incentive scheme to evaluate employee performance and obtained the approval of the Director General of Public Enterprises, without such approval, an amount of Rs. 52.57 million in 2023 and Rs. 43.65 million in 2024 had been paid as incentives. In addition, with the aim of increasing employee motivation in 2024, an amount of Rs. 11.95 million had been paid to 478 employees at the rate of Rs. 25,000 per employee.

Printing exercise books without planning

The Corporation had produced the crown exercise book in the year 2024, and no any plan or market survey or Board of Directors' approval had been obtained for printing 200,000 of these books. Only 27 percent of the books printed had been

sold as at 31 December 2024. Accordingly, at the end of the year 2024, a quantity of 48,251 books costing Rs. 6.11 million remained unsold in the stores.

Postal Department

Failure to make proper Verification when paying overtime allowances

Although, a fingerprint machine was installed, without considering the arrival and departure times of the fingerprint machine, the department had paid overtime allowances of Rs. 7.02 million by incorrectly stating that employees had performed duties at 7, 8, 9 and 10 pm while they had already left the postal headquarters around 4.15 pm.

When a fingerprint machine was not installed, Rs. 651.14 million was paid to 28,403 employees at the Central Mail Exchange from January 2023 to 31 May 2024, Rs. 4.06 million to 07 employees at the Controller (Investigation) Office from 01 January 2020 to 31 May 2024, and Rs. 373.87 million was paid to 14 District Accounts Offices from January to June 2024 as over time payment.

Futile expenditure

The Postal Department had printed 500 copies of Miniature Sheets of Sri Lanka and 59,000 souvenir sheets in 2015 at a cost of Rs. 6.55 million. Souvenir sheet holders had also been purchased at a cost of €6,415. As of the date of audit on 13 March 2024, no such sheets had been sold.

Colombo Lotus Tower Management Private Limited

Agreements with Citrus Leisure PLC Company

During the examination of the Citrus Agreement and its operation, it was observed that the Company and Citrus Leisure Private Limited had agreed to pay a management fee of 3.5 percent of gross revenue, 20 percent of gross operating profit as per clause 8.1 of the agreement and 10 percent of total staff

costs as per clause 8.2 of the agreement entered into on 31 May 2023. However, the agreement did not include provisions on how to act in the event of a gross operating loss in a particular year and the audit also observed that if a net loss was incurred in a particular year, it would have to be borne by the Company.

Sri Lanka Foundation

Conducting Courses

Without registration

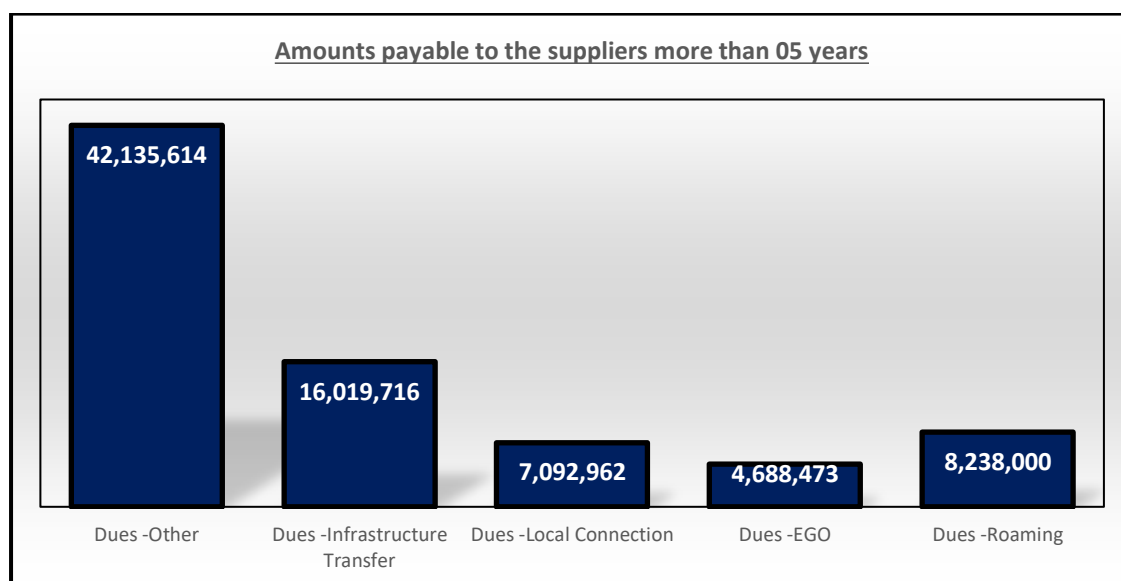
In terms of Gazette No. 887/8 dated 07 September 1995, institutions conducting tertiary and vocational training courses must register the courses conducted by their institutions with the Tertiary and Vocational Education Commission (TVEC) and renew the registration annually. The Foundation had only obtained temporary registration for the courses that were still being conducted as of 31 December 2024.

Mobitel (Private) Company

Mobitel (Private) Company is the national provider of mobile telephone services and it is a company with a huge service range including mobile telephone services, high-speed Broadband, roaming, enterprise solutions, cash transactions through mobile phones (M cash) and other additional service (VAS). The company had been established in 1993 and become a subsidiary company of Sri Lanka Telecom (SLT) Company with a 100 percent ownership in October 2002.

Eventhough the invoices related to the amount of Rs.78.2 million payable to the various suppliers and existed more than 05 years had been received and it was observed that that the payments had not been paid until 31 December 2024.

Diagram No 2.11 – Amount Payable to the suppliers more than 5 years



Disposal of Vehicles

In the year under review, Land Rover, bowser and 03 trailers had been disposed by the company. A loss of Rs.4.9 million had occurred to the company due to sale of relevant asset less than the assessment value since the relevant disposal process had been commenced more than 05 months from the receipt of due approval for disposal the relevant asset.

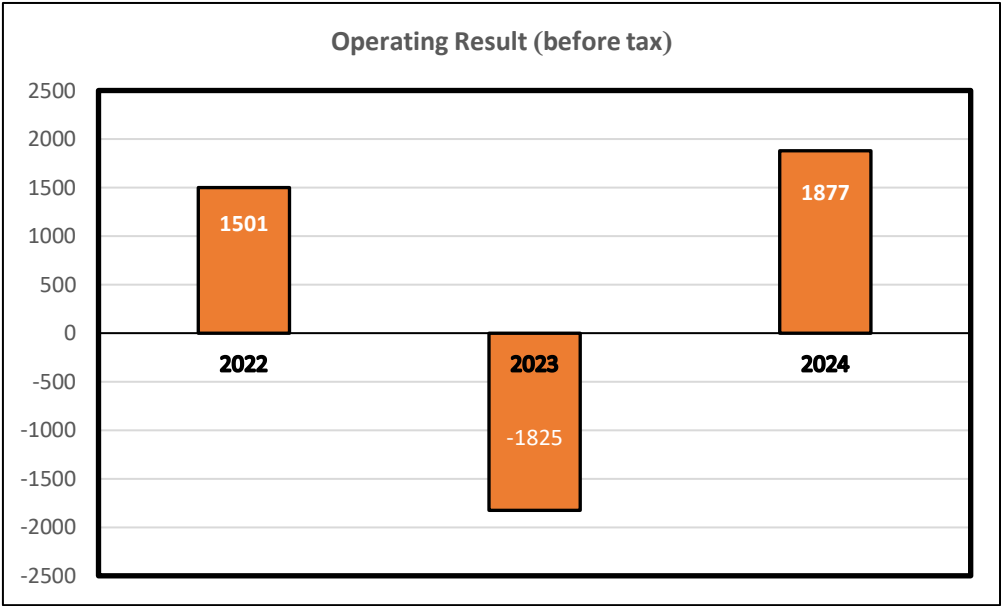
Management of vehicle Fleet

The van in which with a special equipment called DT tool equipment with a value of Rs.16.68 million used for inspection the quality of mobile phone signals had been used as a pool vehicle also without using only for relevant matter and it had become unsafe.

Operating Results

The operating result of the year under review had been recorded as a profit of Rs.1,877 million and it was a loss of Rs.1,825 million in the preceding year. Accordingly, the financial efficiency shows a growth of Rs.3,702 million. The main reasons for this growth is due to increase of revenue by

Rs.3,144 million, through the agreements entered with customers.



Foreign Affairs

The mission of the Ministry is to promote, demonstrate, and protect Sri Lankan national interests internationally in accordance with the foreign policy of the Government of Sri Lanka, and to advise the Government on the management of international relations in accordance with Sri Lankan national interests, in order to become a responsible country in the international community by maintaining friendly relations with all countries of the world as the leader of Sri Lanka's foreign policy.

To fulfill the above mission, a network of 62 foreign missions is maintained globally, consisting of 12 High Commissions, 36 Embassies, 2 Permanent Missions to the United Nations, 1 Deputy High Commission, 10 Consulates General and 1 Representative Office. The Lakshman Kadirgamar Institute of International Relations and Strategic Studies is also supervised by this Ministry.

Parliament had provided the Ministry of Foreign Affairs with an allocation of Rs. 19,612 million in the year 2024 to carry out the above-mentioned functions, of which only Rs. 16,972 million had been utilized by the end of the year under review.

Audit Observation

Compensation Payment For accidents and deaths that occurred to Sri Lankans in foreign Countries

There were 340 files from before 2014, which had not been compensated for accidents and deaths that occurred in foreign countries, and 1,435 files related to the period from 2015 to 2023, which were pending compensation files in the Consular Section

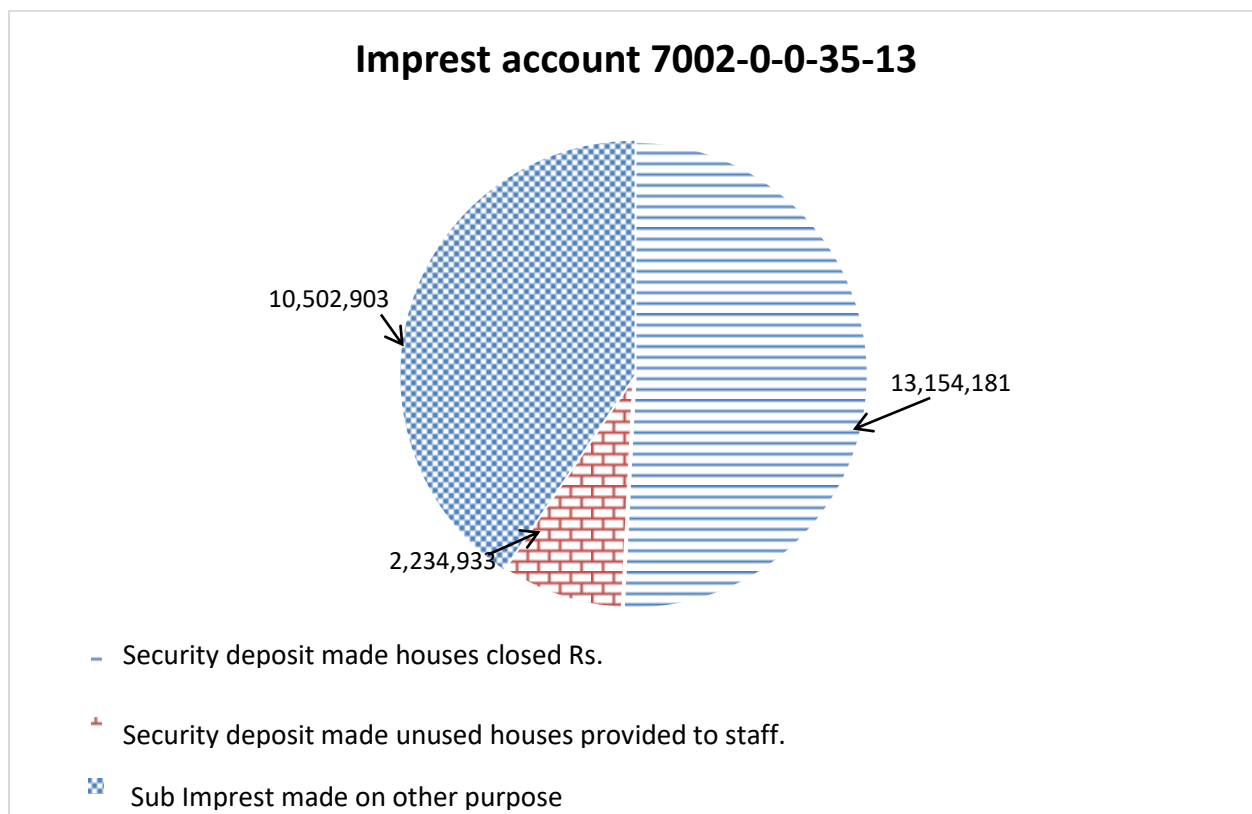
Non- settling of Imprest

The Ministry of Foreign Affairs had two imprest accounts, with a total balance of Rs.25.89 million and Rs.1399.84 million respectively, for a total of Rs.1425.73 million.

- i. The outstanding balance of Rs.25.89 million was an outstanding sub-imprest balance relating to the year 2013 and previous years, out of which Rs.13.15 million were

security deposits made for unused houses provided to staff who had gone abroad for foreign mission service in 22 cases, Rs.10.5 million were sub-imprest made for other purposes in 26 cases and Rs.2.23 million were security deposits made for houses related to the closed Frankfurt Mission.

Diagram 2.13- Imprest Account No. 7002-0-0-35-13 of the Foreign Affairs Ministry

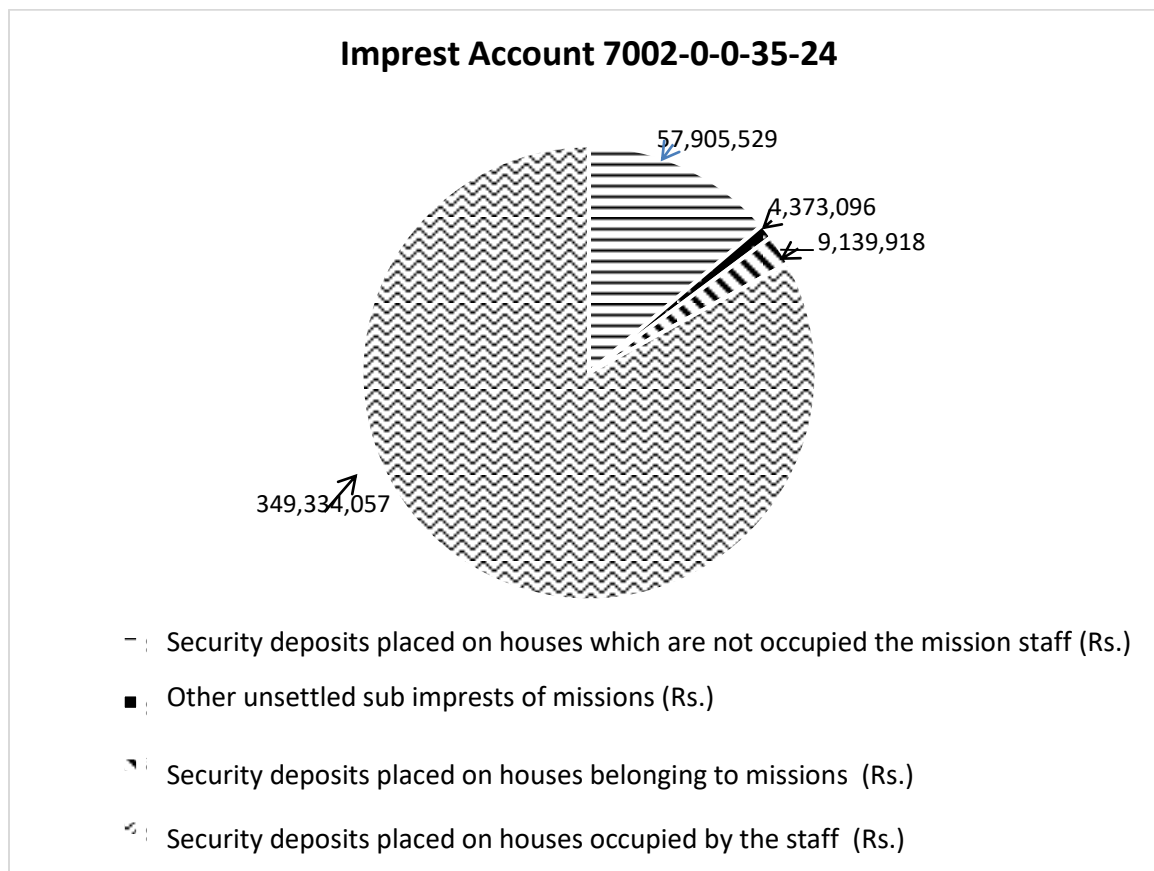


Source – Ministry of Foreign Affairs

- ii. The outstanding sub-imprest balance of Rs.420.75 million in the other imprest account, which has a balance of Rs.1399.84 million, given to staff working abroad for foreign missions was Rs.349.33 million. Out of this, Rs.57.90 million was security deposits placed on houses occupied by the mission staff, Rs.9.13 million was security

deposits placed on houses belonging to three closed missions and Rs.4.37 million was other outstanding sub-imprest balance.

Diagram 2.14 - Imprest Account No. 7002-0-01-35-24 of the Foreign Affairs Ministry



Source - Ministry of Foreign Affairs

Foreign Employment

Despite Sri Lanka's abundant natural resources, it is compelled to maintain its status as a primary goods exporting country due to the absence of requisite technology and capital for products with inflexible demand in the foreign market. Similarly, the country's import and export gap persisted unfavorable due to its reliance on the foreign market for all its energy needs, except for limited supply of hydroelectric power. The optimal approach to overcome this position is to establish a foreign labor market with inflexible demand, and to achieve this, efforts should be made towards developing a suitable trained workforce for foreign employments. To meet this requirement, the Sri Lanka Foreign Employment Bureau, operating under the supervision and direction of the Ministry of Labor and Foreign Employment, serves as the leading organization responsible for fulfilling the government's role in the field of foreign employment and its service provisions have been extended through the following organizational structure.

- Establishment of labour welfare sections in 15 Foreign Missions.
- Maintenance of 05 safe houses under these welfare sections for temporary detention of migrant workers who have faced various problems after leaving for foreign employments.
- Maintaining 10 training centers island wide for activities relating to orientation and training for the migrant workers.
- Establishment of 09 regional offices of the Bureau of Foreign Employment.

An income of Rs. 10,639 million had been earned by the Bureau through their services in the year 2024, whereas the total expenditure amounted to Rs. 3,726 million. The value of total investments of the Bureau amounted to Rs. 22,200 million as at 31 December 2024.

According to the information of the Sri Lanka Bureau of Foreign Employment, 314,786 persons had registered with the Bureau and left for foreign employment in the year 2024.

Males	186,674 (59.30 %)
Females	128,112 (40.70%)

Table No- 2.21 Number of people who registered with the Bureau and left for employment in the year 2024

Skilled				Semi-skilled				Total
Male	Female	Total	%	Male	Female	Total	%	
127,928	116,539	244,467	77.66	58,746	11,573	70,319	22.34	314,786

Source- Information from the Sri Lanka Bureau of Foreign Employment

A summary of audit observations made in the audit test checks conducted on the execution of duties and functions relating to the foreign employment sector by the Ministry of Labour and Foreign Employment and the statutory institutions functioning thereunder, is given below.

Non-payment of funds payable to the migrant workers

A sum of Rs. 72.72 million received by the Foreign Employment Bureau during the period 2008-2018 to be paid to the migrant workers as insurance benefits and other remittances, had not been paid during the relevant period; instead, that amount had been recognized as income of the Bureau for the year 2023. Furthermore, action had not been taken up to 31 December 2024 to pay a sum of Rs. 78.34 million received to be paid to the migrant workers with respect to the period 2019-2024.

Recovery of funds in excess From the Israeli migrant Workers

A sum of Rs.311,000 equivalent to US\$ 1,000 had been charged as recruitment fees from 1,125 persons applied to proceed abroad during the period from 04 April to 13 August 2024 for employment opportunities in the construction sector in Israel. However, the sum that should have been charged amounted to Rs.154,000 equivalent to US\$ 502 as per the amended agreement signed between the Government of Israel and the Government of Sri Lanka. As such, a sum of Rs.176.25 million had been charged in excess, and those funds had been retained by the Bureau.

Purchase of medicines and Equipment for cancer Patients

Since there may be individuals suffering from cancer among the family members of migrant workers abroad as well as among those who have returned to the country after foreign employment, the Minister, had requested on 23 December 2022 that a program be prepared to purchase essential medicines and equipment for the treatment of such patients, in line with the World Cancer Day falling on 04 February 2023. Accordingly, following a decision taken specially by the Board of Directors on 20 January 2023, a sum of Rs. 100 million had been granted on 23 January 2023 to the National Health Development Fund of the Ministry of Health. However, it had not been confirmed whether those funds were actually utilized for the purchase of the relevant medicines and equipment.

Expenses on “Jayagamu Sri Lanka “ Programme

All institutions affiliated to the Ministry of Labour and Foreign Employment had conducted a series of programs under the title “Jayagamu Sri Lanka (Glocal Fair)” as a mobile service to offer their services , covering 24 districts from 31 January 2024 to 28 July 2024. For this purpose, the Bureau had incurred an expenditure of Rs. 1,259.75 million. That sum comprised Rs. 257.02 million incurred on welfare activities of the migrant workers, and Rs. 1,002.72 million spent by deviating from the direct objectives of the Bureau such as, purchase of trade stalls, purchase of smart boards, refreshments for the participants, and publication through media. Using the bureau of foreign employment CESS income tax fund to purchase trade stalls for foreign employment agencies, payments totalling Rs. 542.8 million were made to a certain private institution to procure 920 stalls for 24 programmes, at Rs. 500,000 per stall, and only 115 foreign employment agencies had participated in this programme. It was observed that, out of the agencies participated in the programme, only 28 agencies had placed approximately 840 workers abroad during the period from 31 July 2024 to 30 April 2025, while 87 agencies had not placed a single worker abroad. Accordingly, it was observed that the intended objective had not been achieved in proportion to the expenditure incurred, although these programmes had been conducted with the objective of promoting the placement of workers in foreign labour markets. Furthermore, a methodology for selecting agencies representing all 1019 agencies for those programmes conducted island-wide had not been followed; instead, applications had been called by the Bureau and selection was made based on order of agencies who applied. As such, 48 institutions had participated in 5-19 programmes whereas 11 agencies had participated in 20-24 programmes. Four of those 11 agencies belonged to 03 members of the Board of Directors of the Bureau.

Granting funds to the Ministry For welfare programmes of The workers

For the welfare activities of migrant workers who had returned after completing foreign employment, the re-integration division of the Bureau had incurred an expenditure of Rs. 44.04 million in implementing 04 programmes and providing the related benefits in

line with the 2024 Annual Action Plan. However, an amount of Rs. 62.75 million had been released to the Ministry of Labour and Foreign Employment, following the approval of the Board of Directors and at the request of the Secretary to the Line Ministry, for conducting three provincial-level meetings under the title '*Vigamanika Harasara*' for the same purpose. However, the direct welfare activities executed through that for the migrant workers who returned after foreign employment could not be identified specifically. Those funds had been spent on activities such as, printing 15,000 files including well-wishing messages of the President, Minister of Labor and Foreign Employment and the State Minister of Labour and Foreign Employment at an expenditure of Rs. 1.93 million, transporting the workers at a sum of Rs. 8.23 million, spending Rs. 14.85 million for foods, and preparing a hall for conducting the meeting and other expenses at a sum of Rs. 37.73 million.

Smart Youth Programme

With the objective of providing information on the job market as well as on domestic and foreign employment opportunities, the Bureau had conducted two-day programmes, under the title '*Jayagamu Sri Lanka*', on a weekly basis from 31 January 2024 to 28 July 2024 in 25 districts. Meanwhile the Bureau had granted the approval of the Board of Directors to incur Rs. 9.4 million for participation in 15 district-level *Smart Youth* programmes, which had been planned to be conducted by the Ministry of Sports and Youth Affairs for the same purpose during that period. Accordingly, 02 two-day programmes held at Kuliypitiya during June and July 2024 had been attended at an expenditure of Rs. 3.19 million.

Uneconomic utilization of welfare funds

In order to grant Sathosa vouchers worth Rs. 10,000 to the female migrant workers proceeding abroad for the first time, 14,000 vouchers had been purchased on 18 October 2023 at a sum of Rs. 138.6 million, and vouchers worth Rs. 25.25 million of them remained at the Head Office even by 07 May 2025. Although 5,237 vouchers valued at Rs. 52.37 million had been identified to be distributed among families of the female workers who had proceeded abroad, the vouchers given to the provincial offices remained at those

offices as accurate information of those females migrant workers had not been entered in the database of the Bureau. Accordingly, a period of more than 20 months elapsed since the vouchers had been purchased. As the vouchers valued at Rs. 77.62 million could not be distributed among the beneficiaries, the welfare fund had lost an income that would have been earned with that sum being spent on a different investment.

**Recruiting to the Foreign
Service under two Schemes
Of Recruitment in the
same instance**

The Minister may give to the Bureau directions in writing as to the performance of the duties and the exercise of the powers of the Bureau in terms of to Section 14 (1) of the Sri Lanka Bureau of Foreign Employment Act No. 21 of 1985. Following approval of the Cabinet of ministers obtained under that Section, applications had been called for the posts in Foreign Service under the old Scheme of Recruitment on 06 April 2023. Some of the external applicants in that instance had not fulfilled the required qualifications. Nevertheless, contrary to Cabinet approval, the Minister in charge had given a directive in writing to the acting Chairman of the Bureau on 07 September 2023 that applications be called only from the external applicants under the new Scheme of Recruitment for the same vacant posts. Accordingly, 33 external applicants comprising 14 external applicants including 08 who had not qualified as per the old Scheme of Recruitment and 19 applicants selected as per the old Scheme of Recruitment had been recruited by the Bureau without complying to the approval of the Cabinet. However, it was observed that 25 of those officers employed in Foreign Missions had been summoned by 15 August 2025.

Sri Lanka Foreign Employment Agency (Pvt) Ltd

**Failure to achieve the
Objectives of establishing
the Company**

The Foreign Employment Agency Pvt Ltd, established with full government ownership, had the capacity to deploy Sri Lankan workers for employment at a relatively lower cost and without restrictions, while maintaining government security. However, in

2023 and 2024, the number of job opportunities received amounted to 2,100 and 2,556 respectively, whereas the number of workers actually sent abroad was only 460 and 419, respectively. Workers who had secured employment through external parties were registered with the Bureau through the Company and deployed abroad, and the number of workers so deployed was 203 and 114 respectively. Accordingly, it was observed that the company had not performed its duties with maximum efficiency.

Uneconomic expenses on Business promotions

The island-wide programme, “Glocal Fair” (Jayagamu Sri Lanka) had been conducted covering 24 districts during 31 January 2024 – 28 July 2024 in view of promoting foreign employment. Having spent a sum of Rs. 12 million by the Bureau, the Sri Lanka Foreign Employment Agency (Pvt) Ltd had been provided with an opportunity to participate in all 24 of those programmes, and that Company, by spending a sum of Rs. 1.35 million, had participated in 24 programmes. However, the number of workers who had been sent abroad during the period from 01 August 2024 to 30 April 2025 was as low as 13.

Deployment of workers in Cyprus using an invalid Employment agreement

It was observed that although the validity of the job order received from Cyprus in 2018 had expired on 08 November 2020, the bureau had unilaterally extended the job order until October 2024. Accordingly, instead of directly registering workers for employment in Cyprus, which they had secured privately, the relevant visa was obtained by the agency company, and a sum of Rs. 1.855 million has been charged as administrative fees of Rs. 35,000 each from applicants before referring them to the Ministry’s self-registration process. Charging an administrative fee of Rs. 35,000 from each worker for employment in Cyprus that workers had secured privately is a matter that gives rise to controversy.

Non-settlement of funds Payable to the migrant Workers

Since 2006, a refundable fee of Rs. 50,000 per individual had been charged for travel to South Korea , and the balance of funds had been

collected totaled Rs. 15.26 million as at 31 December 2024. No measures had been taken to settle those funds.

Non-verification of expenses payable

The company, in February 2023, collected a total of Rs. 451.58 million from 175 migrant workers—amounting to Rs. 2.58 million per migrant worker—to cover all expenses of the welders deployed to South Korea. Out of this, a total of Rs. 34.22 million—comprising Rs. 15.4 million as coordination fees for 77 workers and Rs. 18.82 million as commission to a Korean company—remained payable, but, no action had been taken to settle those expenses as at 31 December 2024.

Migrant workers being Charged excessively

The Company had charged a fixed ticket price of Rs. 295,000 per worker for 6,959 migrant workers deployed by the Bureau to jobs in agricultural, industrial, and construction sector in Israel during the period from January to 13 November 2024. The average ticket price ranged between Rs. 163,275 and Rs. 156,000 during the period from 13 November to 24 December 2024. As such, it was observed that approximately Rs. 115,000 per person was overcharged from 6,959 workers, amounting to an excess total of approximately Rs. 800.28 million.

Foreign tours arranged Irregularly

Following the Board of Directors' approval No. 08/2024 dated 24 January 2024, an office assistant, two drivers, and an IT assistant manager of the company had proceeded abroad on three occasions for New Delhi and Chennai, India with the approval of the Chairman to allocate dates for obtaining new visas for workers, citing a job order received from the State of Poland. Although a sum of Rs. 6.52 million had been incurred thereon, the intended purpose could not be fulfilled.

Workers being brought to India informally for Obtaining Visas

The Chairman and the General Manager of the company had traveled to Poland during 09 - 13 August 2023, incurring an expenditure of Rs. 2.24 million, but no one had applied for the job orders obtained during that visit. However, ten applicants who had submitted their passport to the agency company in anticipation of deployment to

South Korea were notified, to indicate their consent for employment opportunities obtained in Poland via a lottery system in the year 2023. In order to obtain visas for them, the company spent a sum of Rs. 6.52 million to take them to Chennai and stay there for 14 days from 09 April 2024; and the workers spent a sum of Rs. 08 million and were taken to Chennai for the second time for a period of 33 days from 14 May to 15 June. However, the said job order could not be secured. As such, the sum totaling Rs. 8.76 million incurred by the company and the sum of Rs. 08 million incurred by the workers became futile.

Proceeding abroad without formal approval

A job order for the construction sector in Israel was received through the institutions E-NET and PIBA on 05 December 2023. Accordingly, the Board of Directors of the Bureau approved the collection of Rs. 1.63 million from each worker on 29 December 2023. Having been informed by the company in January 2024 that a medical test is done through the private hospital in order for the 22 workers to proceed abroad, the relevant tests were done by the workers at a total expense of Rs. 803,000. But the process of sending them abroad was cancelled by the Bureau. As the monies so spent by the workers, were settled using funds of the company on 29 July 2024, that expenditure became a loss for the company.

Tourism Affairs

Many Asian countries are engaged on tourism as a major source of foreign exchange earnings and priority is given to the establishment, improvement and promotion of infrastructure necessary for the development of the tourism industry. Although Sri Lanka is a country that attracts more tourists than many countries in the region, the tourism industry has faced a major setback.

The Vision of the Ministry of Tourism and Lands is to be recognized as the world's finest island for memorable, authentic and diverse experiences. The Mission is to become a high-value destination that reflects nature, and cultural heritage of Sri Lanka, while ensuring socially inclusivity, environmental responsibility, and offers exceptional experiences that generate economic benefits for communities and the country.

There were 4 statutory institutions operating under the Tourism Division of the Ministry of Tourism and Lands.

Earnings, Utilization of the Statutory Institutions and Contributions to the Government

Embarkation Levy and Tourism Development Levy collected for the Tourism Development Fund established under Chapter III of the Tourism Act No. 38 of 2005 are distributed to the following institutions for use in promoting Sri Lanka as a tourism and travel destination and related activities and information on the total income, including the income so distributed, expenditure during the year and remittances made to the Treasury as contributions to the government in the year 2024 are shown below.

Diagram 2.22 – Earnings, utilization and contribution made to the Government in 2024 of the statutory institutions.

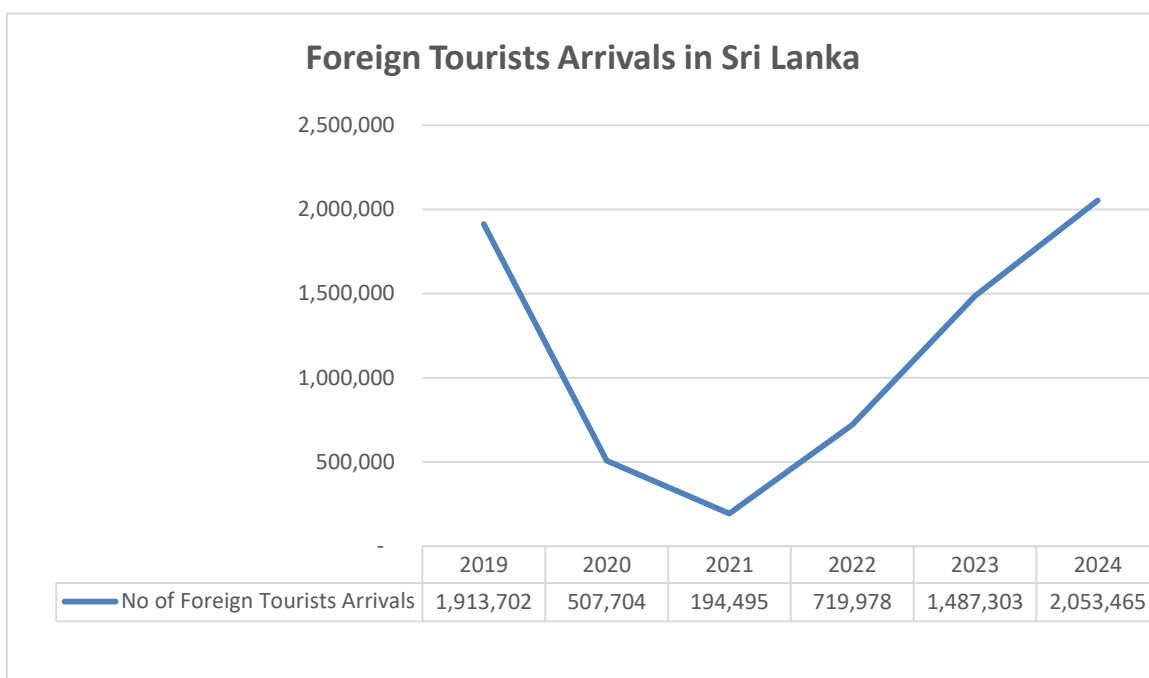
Institution/Fund	Income Earned (Rs.Million)	Contributions made to the Government in 2024 (Rs.Million)	Total Expenditure (Rs. Million)
Sri Lanka Tourism Development Authority	1,357	0	610
Sri Lanka Promotion Bureau	5,892	500	2,130
Sri Lanka Institute of Tourism and Hotel Management	1,192	100	730
Sri Lanka Convention Bureau	320	0	385
Sri Lanka Tourism Development Fund	6,987	15	6,972
	-----	-----	-----
	15,748	615	10,827
	=====	=====	=====

Source – Sri Lanka Tourism Development Authority

Tourist Arrivals and Changes in Income

In 2023, a number of 1,487,303 foreign tourists visited Sri Lanka and that number increased by 38 per cent to 2,053,465 foreign tourists in the year 2024. Gradual recovery of the country, which had been closed periodically due to the Covid pandemic and easing to some extent of the political and economic instability in the country had caused to this. Due to the removal of restrictions on the functions and duties of the Ministry of Tourism and other institutions operating under it, the increase in the arrival of these tourists had occurred. The graph below shows the tourist arrivals in 2024 compared to the previous five years.

Diagram 2.15 - Foreign Tourist Arrivals to Sri Lanka in the Last 5 Years



Source - Sri Lanka Tourism Development Authority

Diagram 2.16 Income from the Tourism industry from 2016 to 2024



Source - Sri Lanka Tourism Development Authority

Diagram 2.17 - Income and Growth from the Tourism Industry from 2017 to 2024



Source - Sri Lanka Tourism Development Authority

Audit Observations

Tourism Division of the Ministry of Tourism and Lands

Provisions provided to District Secretariats

Since the projects had not been commenced even by 31 December 2024, the Ministry had taken steps to retake the provisions of Rs.229 million provided to 07 District Secretariats for 12 tourism promotion projects.

Failure of Utilization of Funds

Even though provisions of Rs.55 million and Rs.24 million respectively were allocated for two projects related to the development of the Botanical Garden Development Project and the Kitulgala Tourist Zone during the year under review, works on those projects had not been commenced.

Sri Lanka Tourism Development Authority

Underutilized Assets

The management quarters, postal building and staff quarters, which had been renovated two years ago at a cost of Rs.99 million, were still remained underutilize condition even by 30 June 2025.

Further, 08 shops, exhibition hall and restaurant built in Bentota in the year 2019 at a cost of Rs.108.26 million had remained underutilized at the end of the year under review and due to this, the rental income that could have been earned amounting to Rs.12.38 million had lost.

Construction of Police Units for Tourists

The contract for the construction of four police units for tourists in Unawatuna, Kalpitiya, Mount Lavinia and Etthugala, at a cost of Rs.5.61 million per unit, totaling Rs.22.44 million, had been awarded to the Lanka Building Materials Corporation, which engaged only in the supply of building materials, on 28 October 2021, without following the Procurement Guidelines and without obtaining a performance security. The Building Materials Corporation later handed over the construction to another sub-contractor company without obtaining the approval of the Authority. Only the construction works of the Mount Lavinia Tourist Police Unit had been completed and it had not been supervised by any engineers from the Sri Lanka Tourism Development Authority. Due to the delay, the new contract price was changed to Rs.8.53 million and, a sum of Rs.6.36 million out of that had been paid. Although the police unit was opened on 20 February 2024, it had not been deployed for official duties even as at 31 December 2024 due to various shortcomings.

Sri Lanka Tourism Development Fund

Lack of a Database System

Since the Fund does not have a database of all tourism establishments and tourism service providers that should be

registered with the Sri Lanka Tourism Development Authority, it had not been possible to accurately calculate the annual tourism development tax revenue and tax revenue receivable.

**Remaining of
unidentified deposits**

A sum of Rs.1,828.53 million that had directly credited to the bank account of the Fund by registered tourism institutions from 2016 to 2024 had been retained as unidentified deposits in current liabilities without being remitted to the relevant institutions.

**Non-remittance of Tourism
Development Tax to the
Treasury**

Although the 0.5 per cent Tourism Development Tax received from the gross profits of registered tourism establishments, amounting to Rs.5.81 million, should have been remitted to the Treasury before the year 2024, that money had not been remitted to the Treasury.

Further, it was also observed that a sum of Rs.2,602.9 million, which should have been given to the relevant institutions by the Fund, had been withheld without being remitted.

Sri Lanka Tourism Promotion Bureau

**Changing of Tourism
Brand**

The Sri Lanka tourism brand has been changed five times in the last 15 years to increase tourist arrivals and although Rs.10.02 million had been spent for this in the year 2023, proper approval had not been obtained for this.

**Balance of Debts
Receivable**

The debt balance receivable to the Bureau at the end of the year under review was Rs.2,434.7 million and out of these, although the value over 05 years and the value over one year are Rs.3.53 million and Rs.64.47 million respectively, the Bureau had not taken steps to recover these long-term loan balances.

Sri Lanka Convention Bureau

The Sri Lanka Convention Bureau and the Sri Lanka Tourism Promotion Bureau were established by the Tourism Act No. 38 of 2005 for the purpose of tourism trade and promotion and MICE, EXPO and other exhibitions are jointly organized by these two institutions. Although recommendations had been given to the Sri Lanka Tourism Development Authority to merge the Sri Lanka Tourism Promotion Bureau, Sri Lanka Convention Bureau, Sri Lanka Tourism Development Authority, and Sri Lanka Institute of Tourism and Hotel Management at the Committee on Public Enterprises (COPE) held on 26 November 2021, these institutions are being maintained separately, incurring expenses for the same purpose, without taking any action.

Sri Lanka Institute of Tourism and Hotel Management

Deploying of Officers on Allowance Payment

Basis

A permanent officer had not been recruited for the position of Laundry Operations Officer, which had been approved by the Department of Management Services on 22 February 2018 and an officer had been deployed for this on the basis of paying an allowance. Therefore, by paying Rs.275,200 monthly as allowances to that officer instead of the monthly salary of Rs.77,655, a sum of Rs.2.3 million more than the approved salary had been paid during the year.

Failure to Establish an Information System

Actions had not been taken in 5 years to renovate the rooms of the Samudra Hotel, managed by the institution and the room rates had also not been revised in 10 years. The charges of rooms had also not been revised in 10 years. Although more than 15 years had elapsed since the establishment of this hotel, an updated computerized information system had not been established to inform the relevant departments about the information related to accepting customer orders and to obtain information about the provision of relevant services.

Helenco Hotels & Spa (Private) Company

Helenco Hotels & Spa (Private) Limited was incorporated on 21 December 2011 and the main function of the Company was to construct and provide hospitality services for the Hyatt Regency Hotel in Hambantota. Although this is a significant investment, no construction work whatsoever had been carried out since the project was suspended by the Board of Directors in the year 2015. Several years had elapsed without any progress and the land remained unused by the date of the audit. However, although 13 years had elapsed since its inception, the Company had not commenced its operations. The company had incurred expenses of approximately Rs. 466 million without generating any revenue during this period.

Department of National Botanical Gardens

Non-compliance with Laws, Rules and Regulations

Acquisition of lands of 480.7167 hectares (as per Section 224 of the Government Lands Ordinance No. 08 of 1947) including lands of 355.8744 hectares belonging to 05 parks and 02 lands of 124.8423 hectares belonging to the Training Center and the Dry Zone Botanical Garden owned by the Mahaweli Authority had not been completed even by 31 December 2024 .

Leasing out the Building located at the Exit Terminal of the Park

The building located at the exit terminal of the Royal Botanical Gardens had been leased out to Laksala Institute for a period of 10 years from 22 December 2023 to 21 December 2033, in contrary to the procurement process, for a two-year lease agreement. Due to the fact that the monthly installment was contracted as Rs.412,500 before the government valuation was received for the lease of the building, a condition was not included in the lease agreement that the monthly rent would be revised according to the new valuation and due to non-recovery of the current monthly rent of Rs.0.85 million as assessed by the Valuation Department on 03 December 2024 a rental income of Rs.5.25 million had been lost for the year 2024 .

Leasing of Cafeteria Restaurant

Despite having submitted pre-qualifications which was a large deviation as per Section 7.8.4 of the Procurement Guidelines, the cafeteria had been leased out for the year 2024/2025, requesting to resubmit a certified copy of the supporting documents obtained from the relevant local government institution. Despite the maximum bid was Rs.1.22 million, a loss of Rs.5.22 million had been incurred for a 12-month period from 01 March 2024 to 28 February 2025 due to the decision of the Procurement Committee to lease out the cafeteria to a bidder for a monthly rent of Rs.0.79 million.

Leasing of Milk Bar

Further, despite the pre-qualifications had not been submitted, the Milk Bar had been leased out to a private institution for Rs.0.79 million per month based on a trade license obtained after calling quotations, disregarding the recommendations of the Technical Evaluation Committee. By losing the opportunity to receive the lease rent of Rs.1.22 million which was the monthly rent of the institution that had submitted the other highest prices after submitting the bid, the institution had incurred a loss of Rs.5.26 million per year.

Asset Management

Seventeen items valued at Rs.6.88 million purchased in 2021 and 2023 for distribution to many florists, had been stored for between 1 and 3 years without being distributed to the relevant flower growers. Further, 13 rolls of UV-resistant polythene and shade nets had been left unprotected for a long time..

Due to the fact that 10 golf carts, including 08 golf carts valued at Rs.15.08 million and 02 golf carts of unknown value owned by 04 botanical gardens had remained unused for a period of between 01 month and 03 years, the income that could have been earned from golf carts had been lost.

Management Weaknesses Although 04 years had elapsed since the Yatinuwara Divisional Secretary handed over 0.3658 hectares of land to the Department on 08 October 2020 for parking the land with the garden entrance road near the suspension bridge of the Royal Botanical Gardens in Peradeniya, actions had not been taken to use this land for the purpose of acquiring it.

Performance audit on contribution of tourist development areas and tourist development projects to the tourism industry

Requirements of the Act Even though the declaration of a tourist development area should be performed on the recommendation of the Authority in terms of the section 26(1) of the Act, no any recommendation submitted to the minister in relation to 03 areas declared after 2005 by Authority had not been presented to the audit.

Though the regulations may be made prescribing the tourist services and commercial and other activities which may be carried out within in tourist development area in terms of section 26(3) of the Tourism Act No.38 of 2005, no action had been taken to make regulations for above-mentioned 14 tourist development areas up to 30 September 2023 which was the date of audit.

The regulations may be made prescribing the tourist services and commercial and other activities which may be carried out within in tourist development area in terms of section 26(3) of the Tourism Act No.38 of 2005 and such regulations may also include lists of facilities and places of historical or environmental interest which amount to tourist attractions, within such area. However, the areas had been declared including only boundaries without including such attractive places as per above section in relation to the tourist areas such as Kalpitiya, Kuchchaweli, and Iranawila declared after enactment of the Act. No such attractive places had been mentioned in 11

tourist development areas declared before enactment of the new Act.

Payment of less attention

For making facilities

It had not been verified that an adequate attention had not been paid to the establishment of new facilities or improvement of existing facilities in relation to the tourist development areas identified during 2019 to 2023 with reference of the reports of Board of Directors.

Pasikuda Tourist Development Area

39 facilities had been identified to be established in the master plan prepared in 2013 for Pasikuda tourist development area and only sewerage treatment system, water tank, guest office and building with sanitary facilities out of that had been established. Up to September 2023, the other facilities had not been established and the building with the sanitary facilities from the facilities established had been neglected without utilization. Furthermore, the tourists who visit such areas had to face difficulties for providing the essential facilities such as formal access roads, public parking, street lamps and drinking water and it was observed that the animals which frequently roam in the area is a threat to cleanliness in the area and security of the tourists. The obstacles had risen to engage in the industry for the entrepreneurs who engage in the tourist industry in the area on non-establishment of these facilities.

Kuchchaweli tourist Development area

The improvement of the highways and water facilities had been mainly identified as the essential facilities to be carried out with regard to area in the master plan prepared in 2019 for Kuchchaweli tourist area and the project. However, a formal highway system and a water supply had not been carried out in the area. In addition, it was clear in the physical observation that an adequate electricity supply for the tourist projects as well as other facilities for the tourists are not available in the area adequately. The Authority had not paid attention for providing

these facilities. As a result of that, even though there were tourist attraction places in that area, the arrival of the tourists was in a minimum level. Moreover, it had arisen an obstacle to attract the investors for that area for tourist projects.

Implementation of other Facilities including infrastructure To be developed within project

Even though 10-12 years had lapsed from transfer of lands of 11 Kalpitiya Islands as free grant by President of Republic in 2010 and the land related to one Island in 2012 by 30 November 2022 which was the date of audit, the Authority was unable to provide the infrastructure facilities for the tourists such as jetties and docks, water supply schemes, water storages, centralized power stations, water treatment plants, waste and solid waste treatment machines, power generating stations (solar power stations, wind power stations) development front coast, lighting of common places, trees for removal the salt, power transmission stations, information centers and walking paths included in the master plan of Kalpitiya.

Failure to recover Lease rentals

The Authority had failed to recover a lease rental of Rs.59.03 million from 05 lessees related to 05 Islands leased even up to 30 November 2022.

Taking a long period for engagement The lands in investment activities

Even though the lands in extent of 457.44 acres belonging to 06 Kalpitiya Islands had been transferred to Sri Lanka Tourist Development Authority as free grants by the President, a long period (11-09 years) had taken to engage those lands for investment activities.

Not taking action as per agreements

Cube Lanka Leisure Properties Private Company

Even though a sum of Rs.60 million should be paid by the lessee to a development account named by Authority for infrastructure development and buildings in Island within 90 days from 02 September 2010 which was the date of commencement of agreement for the usage of periodical migrant fishing community in accordance with 5.2.7 of the agreement, the information for payment of such money had not been submitted to the audit. Furthermore, though a jetty should be developed by Authority for single usage of migrant fishing community and the fishing community who legally engage in the fishing activities, no action had been taken accordingly.

Even though the commercial operations should be started by the company within 36 months from the date of agreement as per section 9.1 of agreement, no action had been taken accordingly. Though the every monthly installment should be paid on the last day of the previous month or before that in accordance with section 5.2 of the agreement, an outstanding rent of Rs.50.80 million had not been paid by 30 November 2022. Even though the agreement should be cancelled as per section 17.1.1 and 17.1.2 of the agreement, no measures had been taken by Authority to cancel the agreement entered up to 30 November 2022 which was the date of audit. Moreover, the proposals had been called through Sunday Observer on 21 July 2019 and 13 October 2019 for selection of the new investors for 12 Kalpitiya Islands including that island without cancelling the agreement between the company and Authority.

Nunickers International Private company

Though the agreement could be cancelled as per section 15.1.2 due to non-payment of lease rentals as per section 5.1.1 and 5.1.3 of agreement due to payment of only one lease rental on 20 April 2022 which was the date of agreement and non-

carrying out of preliminary clearance activities within 06 months by company from the date of commencement of the agreement as per section 6.1.2 of agreement, no action had been taken by Authority to cancel the agreement entered up to 30 November 2022 which was the date of audit..

Samagi Hotel and Travels

Private Company

Even though the agreement can be cancelled as per section 15.1.2 of agreement on not taking action as per section 5.1.1 and 5.1.3 of the agreement owing to non-payment of lease rental more than 19 months and not carrying out the preliminary clearance activities within 06 months by company from the date of commencement of agreement as per section 6.1.2 of agreement entered into in relation to Sinna Iramathiu Island on 14 December 2020 between Authority and company, no measures had been taken to cancel the agreement entered by Authority even up to 30 November 2022 which was the date of audit and the agreement had been also entered into with that company on 07 March 2022 in relation to Iramathivu West Island.

Though it had been approved by the Secretary of Ministry of Tourism by the letter No. MTCA/PLD/03/01/92 dated 18 January 2022 to obtain a performance security at the occasion where the lease agreement is signed with selected all investors (local/foreign) for the development of the tourist projects in the lands belonging to Authority, the sections related to that matter had not been included in the agreement in the preparation of the agreement in relation to Sinna Arachchal Island on 20 April 2022 between Authority and Nuclears International Private Company and the performance security of Rs.1,000,000 had not been obtained as per the agreement entered into with Samagi Hotel and Travels Private Company on 07 March 2022. Even though 12 years had lapsed on 30 November 2022 which was the date of audit the transfer of lands in extent of 1388.04

acres belonging to two Kalpitiya Islands in 2010 by President to Authority as free grant, the Authority had not taken action to identify an investor and lease such lands.

**Not performing
The expected tasks**

Although the project was planned to be implemented in three phases over a period of six years so that the entire project area could be optimally utilized, as per paragraph (c) of Cabinet Paper 1 No. 091/519/1377/12 dated 26 September 2012, Even though 10 years have passed since 2012, only the first phase remains operational. Accordingly, the management has failed to carry out the tasks expected to be implemented under the second and third phases. Due to this, although it was hoped to provide a diversified environmental experience to tourists in the Yala Palatupana tourist region, it has not been possible to provide it in that way.

**Weaknesses in selection of
Investors and being under-
utilization Of lands**

The approval had been granted to provide 07 lots of land in extent of 7 acres each from land close to the shore to 04 investors declared for only environmental lodges in first phase as paragraph 4.1 of that paper and the approval had been granted by the Board Paper No.2013/03/14 to other 03 investors not declared by the Cabinet Paper in addition to such 04 investors. However, the operating activities had not been commenced by said three investors approved by Board of Directors even up to 30 November 2022 which was the date of audit and only two investors declared by the Cabinet Paper had started the operating activities. Accordingly, it was disclosed that the ability of financing for the projects by said investors was in low level due to existence of losses when inspecting the financial statements of investors who had not commenced the operating activities and request for obtaining loans by keeping the property leased as security. It was problematic in the audit that the investors Selection Committee had paid attention to

this condition. Because of that, a land in extent of 35 acres which is suitable for investment had been under-utilized since 12 years.

Non-implementation of

Their projects by investors The investment can be totally submitted in local and foreign participation by paragraph 2.2.1.1 of that paper and it had been expected to consider the investments equivalent to Rs.300 million or more than that. Though it had been expected an investment with Rs.2100 million in the area by providing 07 lots of land to investors, the generation of an investment with Rs.1500 million in this area had stopped due to non-implementation of the projects by 05 investors. Furthermore, it was unable to achieve the expected room capacity and number of employments through this.

An area in extent of 576 acres in Kuchchaweli Divisional Secretariat Division in Trincomalee District in Northern Province had been declared as a tourist development zone by the Gazette Notification No.1671/29 dated 17 September 2010.

387 acres out of that had been transferred to Sri Lanka Tourist Development Authority as a free grant on 25 March 2011 by His Excellency the President of Democratic Socialist Republic of Sri Lanka again.

Pasikuda Tourist Development Project

The Tourist Development Authority had entered into agreement with 14 companies for lease the lands in the premises of Pasikuda national holiday resort and 12 companies out of that perform the business activities presently.

A trilateral agreement had been entered into for the preparation of the master plan for the relevant project with Sri Lanka Institute of Architect and Design Consortium (Pvt) Limited and accordingly, the development activities to be carried out and the services to be established in the area had been identified.

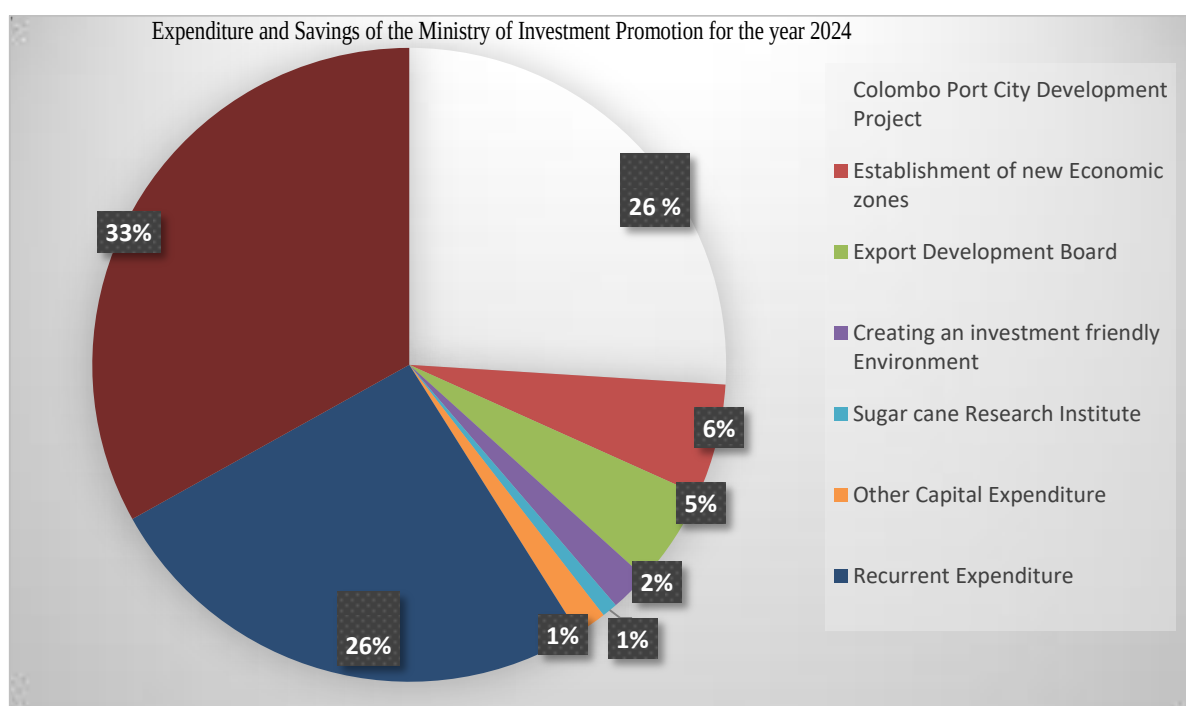
Investment Promotion

The vision and mission of the Ministry of Investment Promotion is to make Sri Lanka the most sustainable investment destination in the region and to create quality socio-economic development in Sri Lanka by attracting sustainable investment and creating a value-added export base. There were 05 statutory boards/state-owned enterprises operating under the Ministry.

- Information Technology Parks
- Techno Park Development Company Private Limited
- Sri Lanka Export Development Board
- Colombo Port City Economic Commission
- Board of Investment of Sri Lanka

In the year 2024, the Ministry was provided with a net allocation of Rs.3,793 million and by the end of the year 2024, only Rs.2,538 million had been utilized, leaving a balance of Rs.1,255 million. Out of the amount utilized, Rs.986 million for the Colombo Port City Development Project, Rs.217 million for the establishment of new economic zones, Rs.189 million for the Export Development Board, Rs.76 million for creating an investment-friendly environment, and Rs.15 million for the recurrent expenditure of the Jaffna and Mannar Information Technology Parks had been utilized.

Diagram 2.18 - Expenditure and Savings of the Ministry of Investment Promotion for the year 2024



Source - Ministry of Investment Promotion

Information Technology Parks

Staff of Information Technology Parks

In 2001, two IT parks were established in Jaffna and Mannar with the aim of developing the IT knowledge of the community. Furthermore, construction work on the Galle and Kurunegala IT parks had commenced by 25 March 2025. Although, specific staffing and recruitment procedures had not been prepared for the IT parks, 47 people had been recruited for the Jaffna Park and 12 people for the Mannar Park. However, by 2024, the staffing of the Jaffna and Mannar IT parks had been reduced to 7 and 6 people respectively. Due to the lack of a recruitment procedure, a Grade II officer of the Development Officer Service had been recruited for the post of Executive Officer of the Jaffna IT Park. However, the Ministry had not taken necessary steps regarding the existing staff vacancies in these parks, student's attraction programs and the introduction of new courses.

Operation of Technology Parks

Although the expected course fee income from the two parks in Jaffna and Mannar was Rs.1.1 million and Rs.2.6 million respectively, only Rs.0.9 million could be collected to the state revenue due to the low number of registered students (only 156). In the year 2024, Rs.15.3 million was spent on the maintenance of these parks and conducting courses.

New Information Technology Parks Construction

Techno Park Development Company (Private) Limited had obtained a loan of Rs.1,500 million in 2021 from People's Bank and National Savings Bank, Rs.750 million each, for the advance payment for the construction of Galle and Kurunegala Technology Parks, and the loan agreement stated that the Treasury would guarantee the loan amount and the interest payable. Although, a grace period of two years was given for

the repayment of the loan, the said loan installments had not been paid by 31 December 2024, and according to the balance confirmation letter received from People's Bank on 30 April 2025, the total amount payable to the bank was Rs.1,231.6 million, consisting of an interest of Rs.478 million on the said loan amount and an interest of Rs.3.6 million as late interest charges.

Furthermore, as per the status report of the project consultant on the construction of Galle and Kurunegala Technological Parks as at 31 December 2024, Rs.3,721.6 million was to be paid to the contractors for certified bill values, contract suspension claims, delay charges, work not yet certified, etc.

Techno Park Development Private Limited

Inactive Status of the Company

Although, Techno Park Development Private Limited was incorporated as a fully owned government company on 29 September 2021 and transferred to the Ministry of Investment Promotion by the Extraordinary Gazette No. 2289/43 dated 22 July 2022, it has not been operational since 2022 and its financial statements for each financial year have not been submitted to the Auditor General since that date.

Colombo Port City Economic Commission

Confirmation of Proposed Investment

According to the Extraordinary Gazette No. 1879/14 dated 11 September 2014, the proposed investment of US\$ 1,337 million should be invested by the Project Company for the Colombo Port City Development Project within 8 years. However, the Project Management Unit failed to verify whether the investment was made within the relevant period.

Completion on Targets

Although, the project's roads, bridges and landscaping works were to be 100 percent completed by 31 March 2024, only 74 percent of the road system works, 73 percent of the passenger bridges and 77 percent of the landscaping works had been completed as at 31 January 2025, in accordance with the information provided by the Port City Project Management Unit on the progress of construction activities in Phase 1.

**Entering into agreements
with infrastructure
Providing Institutes**

According to the tripartite agreement signed on 12 August 2016, it is the responsibility of the Government of Sri Lanka to provide infrastructure facilities up to the port city limits. However, as at 31 December 2024, the Ministry had not entered into any agreement with the agencies providing such infrastructure facilities, namely the Ceylon Electricity Board, the Water Supply and Drainage Board and the Colombo Municipal Council.

**No construction on
Government owned land**

According to the tripartite agreement, 116 hectares of land had been allocated to the project company and 62 hectares to the Sri Lankan government from the lands that could be sold. The land area belonging to the project company has already been put into a position to generate income by starting construction (temporary/permanent). However, no construction had been carried out on the land area owned by the Sri Lankan government and had not been put into a position to generate income even as at 22 April 2025.

Board of Investment of Sri Lanka
**Under-utilization
Of lands**

As at 31 December 2024, a total of 1,834.43 acres of land out of 16 zones remained vacant without any investment, while 13 plots of land totaling 789.87 acres not belonging to zones remained vacant as at 31 December 2024.

Amounts Receivable

As at 31 December 2024, receivables from the institutions approved by the Board of Investment amounted to Rs.1,843.5 million. It was an increase of 25 percent compared to the previous year. Out of this amount, Rs.383.8 million or 21 percent was outstanding for more than 4 years.

**Failure to obtain approval
from the Environment
Authority for Environment
Licenses**

Although, zones operating a public wastewater treatment plant are required to obtain an environmental protection permit from the Central Environmental Authority as per the National Environmental Act No. 47 of 1980, the environmental protection permits of 8 zones of the Board of Investment had not been renewed as at 31 December 2024. Although, the Board of Investment has been entrusted with the issuance of environmental protection licenses with the consent of the Central Environmental Authority in accordance with Section 20 (a) of the Greater Colombo Economic Commission (Amendment) Act No. 49 of 1992, the Board of Investment had issued environmental protection licenses in 2023 and 2024 without obtaining the consent of the Central Environmental Authority in relation to 210 institutions belonging to 10 zones.

Trade and Commerce

The Ministry of Trade, Commerce, Food Security and Cooperative Development, which was established to protect the rights of consumers and provide necessary consumer goods to the people through a competitive local trade network and 06 departments, 07 statutory institutions and 18 specialized economic centers were operating under it.

Provisions of Rs. 3,255 million had been made for the year 2024, of which Rs. 2,268 million had been utilized by the end of the year under review. Details are given below.

Table No- 2.23 Provisions made and utilization under the ministry of Trade, Commerce, Food security and cooperative development, departments and statutory institutions under the ministry for the year 2024

Department/Ministry	Total net provision Rs. Million	Total Expenditure Rs. Million
Ministry of Trade	1,749	1,015
Department of Measurement, Standards and Services	219	207
Consumer Affairs Authority	507	507
Department of Co-operative Development	115	82
Co-operative Employees Commission	25	20
Food Commissioner's Department	434	235
Department of Registrar of Companies	94	90
National Intellectual Property Office of Sri Lanka	63	63
National Co-operative Development Institute	49	49
	3,255	2,268
	=====	=====

Source-Ministry of Trade, Commerce, Food Security and Co-operative Development

Failure to update Laws and Regulations of Institutions under the Ministry

Although the updating and amendment of laws and regulations of institutions under the Ministry should be expedited, in order to better protection of consumers, the Consumer Affairs Authority Act No. 09 of 2003, the National Intellectual Property Act No. 36 of 2003 and the Units of Measurement

Standard Services Act No. 35 of 1995 had not been amended even by the end of 2024.

Underutilized Vehicles

Even though the approval has been received to formally taking over of the vehicles currently used by the Ministry, belonging to other ministries and institutions, by the Decision of Cabinet of Ministers No. CMP/21/1543/313/053 dated 28 September 2021, 21 vehicles had not been taken over even by 30 March 2025. As only 07 drivers have been assigned to the 32 vehicles available for use by the Ministry for about 02 years, about 20 vehicles had remained underutilized.

Failure to Collect Shop Rent

The shop, which has been established on an area of 2,178 square feet on the ground floor of the building rented by the Ministry, had carried on a business by the Cooperative Wholesale Establishment from October 2022 to August 2023, and by an institution called Umandawa Green Hut from August 2023 to the date of the audit. For this, a total of Rs. 6.23 million was to be collected for arrears of rent, electricity bills and water bills from October 2022 to 31 December 2024. Further, although an agreement had been made to rent the said shop at Rs. 0.25 million per month without a formal procurement procedure, the Ministry had paid a monthly rent of Rs. 0.32 million for that area of land, resulting in a loss of Rs. 1.6 million from September 2023 to the end of 2024.

Department of Registrar of Companies

Non-compliance with the Provisions of the Companies Act

Although 121,284 registered companies were required to file Annual Reports for the year under review in terms of Sections 131 (1) and (2) of the Companies Act, 119,295 companies, that is 98 per cent, had not complied with the order. Further, out of

112,586 companies that had not filed Annual Reports in previous years, 107,123 companies, that is 95 per cent, had failed to comply with the order. Due to such non-filing of Annual Reports, the total arrears of income identified as at 30 June 2024 were Rs. 3,560 million. Although Section 131(4) of the Companies Act provides that failure to submit an annual report to the Registrar of Companies once in every year shall be liable to a fine not exceeding one hundred thousand rupees and every officer of the company who commits the default shall be liable to a fine not exceeding fifty thousand rupees, the necessary steps had not been taken to act accordingly.

False Investment of Monies Of the Fund

A sum of Rs. 90 million paid to the Secretary of the Ministry of Trade, Marketing Development, Cooperatives and Consumer Services in 2007 for the purchase of ordinary shares and preference shares of E-Services Lanka Limited in return for the 35 per cent government contribution had been incorrectly stated as an investment of the Fund.

Informal Transactions

A Deputy Solicitor General was appointed as the Registrar General of Companies for a period of 03 years from July 06, 2021 as per Cabinet Decision No. CMP/21/1342/304/113 and dated 26 July 2021, and Rs. 4.5 million was paid to him from the Companies Department as salary and allowances for the post of Registrar General of Companies and Rs. 9.1 million was paid from the Companies Fund from August 2021 to 24 June 2024 as allowances to a Deputy Solicitor General.

Sri Lanka State Trading Corporation Ltd

Narahenpita Rajawasa Shopping Complex Project

Although the service charges including monthly electricity bills, water bills and telephone bills were to be borne by the second party as per the lease agreement of the Narahenpita

Veyangoda Warehouse and Batticaloa Rajawasa Shopping Complex Project

Rajawasa Shopping Complex Project in the year 2023, the Company had borne Rs. 6.1 million in electricity and water charges for the year 2023 and had incurred a net loss of Rs. 5.1 million from the Project.

Although the Veyangoda warehouse, which the Company had rented from the Food Commissioner's Department, remained idle from February 2023 to February 2024, a rent of Rs. 2.4 million had been paid. Further, since the renovation of the building taken on rent from the Food Commissioner's Department for the Batticaloa Rajawasa Shopping Complex Project from September 2021 to June 2023 had not been completed even by 30 July 2024, no income had been earned and the rent of Rs. 5.7 million paid to the Department had become a futile expense.

Consumer Affairs Authority

Compensation to be paid due to Breach of Agreements

An agreement had been entered into with a Swiss company on 24 January 2014 to develop a safety system for several identified products to protect consumers from unsafe and low quality products. Due to the issuance of an interim order by the High Court preventing the implementation of the order issued in that regard, an application filed by several commodity manufacturing companies against the Authority in the High Court seeking the annulment of Order No. 49 it was not possible to proceed with the project in accordance with the agreement entered into with the Company.

Due to the non-implementation of the agreement, the contracted company had filed a case in the International Court

of Arbitration in 2018 against the Authority, seeking to unilaterally terminate the agreement and pay the full investment amount of Rs. 2.716 billion as per the agreement. According to the final award in the arbitration case, that is, the order given on 10 May 2022, the Authority was required to pay the company Rs. 2.716 billion and an amount of USD 325,000 as arbitration fee. On 07 July 2022, the Authority had filed a petition in the Colombo Commercial High Court against the final award in the arbitration case, which was still pending. Furthermore, although a directive had been given by Meeting of the Parliamentary Committee on Public Enterprises held on 07 May 2024 to conduct an investigation regarding the agreement and disciplinary and legal actions were ordered to be taken against the responsible parties, the responsible parties had not been identified..

Food Commissioner's Department

Failure to achieve the Main Objective

Even though the task of maintaining a special buffer stock of 8,000 metric tons was included in the Action Plan in accordance with the Colombo Charter and the 16th Summit Meeting of the South Asian Association for Regional Cooperation, which had been identified as a major task of the Department, no provision whatsoever had been made for it and in the year 2024 and a buffer stock had also not been maintained. Accordingly, it was not observed that the Department has taken steps to achieve the vision of providing safe, continuous, nutritious grain-based food to every household.

Arrears of Warehouse Rent

The outstanding warehouse rent of Rs. 190.27 million had not been recovered including Rs. 36.63 million from 15 private sector institutions for 32 warehouses and premises rented out,

Rs. 75.77 million from 07 government institutions for 21 warehouses, Rs. 30.75 million from 04 institutions for 04 warehouses for which legal action has been taken to obtain possession and recover outstanding warehouse rents, and Rs. 47.12 million from 27 warehouses that had been rented out and repossessed by the Department as at 31 December 2024 .

Cooperative Development Fund

Uncollected Debts and Interests

The revolving fund, which was commenced to provide loans for the purchase of essential goods and is maintained under the Fund, had provided loans of Rs. 659 million from 2010 to 2024. Due to non-recovery of loan installments as per the agreement entered into with 04 cooperative societies, a total of Rs. 12.3 million was outstanding as of 31 December 2024 and the outstanding installment balance as of 30 April 2025 had increased to Rs. 18.1 million. Similarly, out of the Rs. 191 million loan provided to the Sri Lanka Consumers Co-operative Society Ltd. in the years 2011 and 2012, a sum of Rs. 64.4 million was still to be recovered as of 31 December 2024 and although the loan was to be settled within two months of obtaining the loan as per the loan agreements, 12 years had passed since the loan balance and Rs. 3.6 million interest had not been recovered. Further, out of the loan of Rs. 152.5 million given to the Co-operative Wholesale Establishment in the year 2011, a sum of Rs. 60 million had been recovered in the year 2012, and the outstanding loan balance as at 31 December 2024 was Rs. 92.5 million. Further, the loan balance of Rs. 11 million and the interest of Rs. 1.9 million related to the loans given to 14 various service co-operative societies from the Agricultural Produce Marketing Development Fund maintained under the Fund had not been recovered even by 31 December 2024.

Co-operative Surplus Fund

Uncollected Debts and Interest

Action had not been taken to recover the interest receivable of Rs. 81.87 million for the administrative loan given to the Treasury in the year 2000, which was stated as the Treasury Represent Loan Receivable. Further, according to the Dormant Loan Schedule, out of the total loan amount of Rs. 122.8 million given to 41 Co-operative Societies on 55 occasions from the Fund during the period from 1989 to 2006, although the balance of Rs. 86.9 million that was due as of 01 January 2024 had been between 18 and 35 years since the loan was given, the balance of Rs. 81.7 million and the interest of Rs. 90.6 million to be received had not been recovered even in the year 2024.

Lanka Sathosa Limited

Unsuitable stocks to be sold

Due to the failure to take steps to remove unsuitable stocks to be sold from the outlets in a timely manner and as a result of the inefficiencies in the trade stock procurement process, a stock of commodities valued Rs. 124.01 million, for more than 6 years old, had been piled up in the Peliyagoda warehouse without taking steps to remove.

Key observations included in the Performance Audit Report on the contribution of the Consumer Affairs Authority in Protecting Consumers

General Orders Issued Under the Act

The Consumer Affairs Authority was established by the Consumer Affairs Authority Act No. 09 of 2003, repealing the three Acts namely the Consumer Protection Act No. 01 of 1979, the Fair Trading Commission Act No. 01 of 1987, and the Price Control Act, 1950. Accordingly, it had been stated under Section 73 of the Authority Act that 62 general orders issued under the Consumer Protection Act No. 01 of 1979

should be implemented under the Authority Act. However, although the Committee appointed to bring them into line with the present had submitted proposals to the Board of Directors on 01 November 2019 to issue 14 new orders related to 22 of these orders, to issue orders after further consideration in relation to 19 orders, and to cancel 21 orders, no action whatsoever had been taken on that proposal.

The amendment activities of the Consumer Protection Act No. 09 of 2003 was initiated in 2004 and 30 sections of the Act were submitted to the Department of Legal Draftsman over the years and the Department of Legal Draftsman had submitted a report containing the amendment sections to the Ministry of Trade, Commerce and Food Safety on 23 June 2022. However, actions had not been taken in this regard and the amendment activities of the Act had not been completed.

Marking of Maximum Retail Price

An order requiring maximum retail prices to be marked was issued by Order No. 08 on 13 October 2006 and although 56 types of goods were listed in it, the Order No. 12 issued on 11 July 2007 and Order No. 87 issued on 01 November 2022, repealing that order, had also included only 05 types of goods in the schedule, namely confectionery (including chewing gum), chocolate, biscuits, cakes, and scented soap.

Goods not included in the Gazette Notification

According to the data of Sri Lanka Customs, although goods such as noodles, pasta, and cheese are imported in large quantities annually, the Authority was unable to mark the prices of those goods as they were not included in the Gazette Notification issued on 01 November 2022 .

Contents of the Report on The Authority's Competitive Promotion Study

- (i) It had been identified that the number of importers who follow Directive No. 12 regarding maximum retail prices is very small and it had been stated that many importers are attempting to default the payment of taxes on goods imported into the country.
- (ii) It had been observed that many imported goods available in the market were being released from customs outside the prescribed procedure or were being imported in bags (Baggages) or, even though imported according to the prescribed procedure, were being subjected to changes after being released from customs.
- (iii) Accordingly, it had been identified in the study that the provisions of Directive No. 12 are not strong enough to take legal action against importers who do not follow the Maximum Retail Price Guarantee, and that goods imported into the country in other forms (baggage) without the Maximum Retail Price Guarantee remain available for sale in the market.

The Authority had failed even to up to now to take necessary measures to prevent the above issues observed in the study.

Delays in taking actions Regarding Adverse Samples

During the above period, 60 cases of samples with adverse results were observed during the testing of samples. The delay period had ranged from 3 months to 22 months.

Delays in taking actions On Complaints

Although the Authority had taken a period of 11 to 34 months to resolve complaints when examining a sample of complaints received by the Consumer Complaints Division, it was observed that the complainant has not been relieved.

Out of 1,888 complaints registered in the Legal Division between 2015 and 2022, investigations into 296 complaints had not been completed by 31 December 2022 and although orders had been issued for 211 complaints, orders had not been signed regarding 33 of them.

In the presence of a formal database system and a telephone system that can be connected to it for consumers to submit complaints in the hope of relief a system had not been developed to notify the complainant of the online complaint number and the progress of the investigation via text message as mentioned earlier.

**Lack of a Data Base
Related to the District**

A system had not been developed to enable data entry by connecting with all District Offices.

Public Transport

Making Sri Lanka the country with the leading public transport system in the region is the Vision of the Ministry of Transport, Highways, Ports and Civil Aviation and its Mission is to implement, develop and sustainably maintain state-of-the-art transport using cutting-edge technological strategies to improve the living standards of the people.

Audit Observations

Transport Division of the Ministry of Transport, Highways, Ports and Civil Aviation

Projects that were abandoned without completing their tasks

Among the projects implemented by the Ministry of Transport to achieve various development goals in the transport sector, the Sahasara Bus Service Innovation Project and the Kurunegala - Habarana Railway Project were abandoned in the year 2023 due to the fact that the projects had made less physical progress despite incurring a sum of Rs. 1,578.65 million, the project concept was not practical, the risk of requiring additional allocations, and the activities for the objectives expected to be achieved under the project were already being carried out by other institutions under the Ministry of Transport and Highways. Further, 149 land units for which Rs. 282.2 million had been paid as compensation under the Kurunegala - Habarana Railway Project had not been taken over by the government in a proper manner and those lands were being used by the persons who received compensation.

6 vehicles remain in the contractor's custody for which payment could not be confirmed

Even though the work of the Matara-Kataragama New Railway Project had been completed and action had been taken to finalize

the works on 31 December 2020, the Ministry of Transport had not been able to verify the ownership of the vehicles due to the lack of the necessary evidence to verify whether the Ministry of Transport had incurred the procurement cost of 06 Toyota Hilux double cabs purchased for the project and imported in the name of the Secretary to the Ministry of Transport and Highways and the Ministry had paid a sum of Rs. 23.3 million as import duties and fees to Sri Lanka Customs. Although these vehicles were currently in the custody of the contractor, action had not been taken to verify the payments as at 31 December 2024.

**Missing vehicles
registered in the
name of the Ministry**

There was no information about 10 vehicles, namely 7 cars, a lorry and 2 motorcycles, registered in the name of the Ministry of Transport at the Department of Motor Traffic, and these vehicles were not physically in the custody of the Ministry. Further, the value of these vehicles had also been included in the asset accounts of the Ministry.

The Sri Lanka Railways

The Sri Lanka Railways, which operates with the Vision of being the most reliable transport provider for passenger and freight transport in Sri Lanka and the Mission of providing safe, reliable and efficient rail transport services, ensures timely and reliable services for passengers and freight transport, improves the efficiency of railway operations, establishes high safety standards, modernizes infrastructure facilities, and enhances the comfort and satisfaction of passengers through best practices in railway operations. The Department of Railways consists of 14 sub-departments, including the Office of the General Manager of Railways.

Cancellation of Train Services and Delays

In the year 2024, out of a total of 125,036 planned train services, including intercity, postal and express, mixed trains, passenger trains, freight trains and railbuses, 5,305 train services or 4.2 percent were cancelled. Further, 49 percent of the train services that were operated, or 58,693 services, were delayed by between 10 and 60 minutes.

Contribution to Public Transport

The Railway Service, for many years, has contributed 6 percent of Sri Lanka's total passenger transport and 6.5 percent of its freight transport, failed to improve its contribution. Although the railway network was 1,521km in 1934, currently, it has decreased by 46 km to 1,475 km.

Unsafe Railway Crossings

There are 1,362 major and minor level crossings along the railway system, of which 185 are private level crossings and 1,177 are level crossings to be protected by the Sri Lanka Railways. Out of the crossings that the department must protect, the number of crossings where railway gates are in operation is 300, the number of crossings where railway signals are in operation is 438, and the number of crossings where community police committee members are deployed is 439. Further, out of these 439 level crossings, 200 have been equipped with manually operated gates, while the remaining 239 level crossings were in an unsafe condition. However, no attention had been paid to those crossings. Due to the existence of these unsafe railway crossings and the failure to properly implement the safety measures implemented at the crossings, 385 crossing accidents occurred during the 05-year

period from 2020 to 2024, resulting in 37 deaths of individuals and 105 injuries.

Mahawa to Omanthe Railway Line Upgrading Project implemented under the Indian Credit Line

Removed Sleepers and Rail Tracks

In order to construct the new railway line, the old sleepers and rails of the railway line should be removed and as per section 7.1 of the contract agreement, the sleepers and rails should be removed and taken to the nearest railway station and handed over. However, this requirement had not been fulfilled as per the contract. It was observed during the physical inspection that the contractor had piled up 159,626 sleepers and 106,464 rails removed under Phase 01 and Phase 02 at 1024 locations on both sides of the railway line from Mahawa to Omanathe without being used and were being destroyed as at 31 March 2025.

Construction of a Tunnel

The additional cost of the proposed tunnel for elephant crossing, which was not included in the planning stage of the construction of the Mahawa to Omanathe railway line, was estimated at US\$ 331,336.90 (approximately Rs. 90.40 million). Accordingly, a 10-meter long and 05-meter-high tunnel was being constructed by excavating the railway line in the Galgamuwa area. The train travels over a temporary bridge at that location, and this was due to the fact that the construction of the tunnel for elephant pass was not identified and planned at the initial stage.

Not being the Construction of the Signaling System

When the contract for the construction of this line was awarded, the signaling system for the section from Mahawa to Anuradhapura was not included in the scope of this contract, and the preparation of the signaling system had not been commenced

thereto concurrently. Although train services on the renovated section had commenced from April 2025 without the signaling system, the objective of running trains at a speed of 100km per hour could not be achieved.

Locomotives, Power Sets, Passenger Compartments and Utilization of Railway Wagons

As at 31 December 2024, the Department had a total fleet of 267 locomotives and power sets, of which 122 were more than 30 years old, 31 were between 20 and 30 years old, 66 were between 10 and 20 years old, and 48 were less than 10 years old, of which 103 or 38 percent had been removed from running by April 2025. 39 engines removed from running were parked at railway stations and 64 at the Ratmalana Railway Workshop for a period of 01 to 08 years, while 187 out of a total of 1,662 passenger compartments and 889 out of 1,705 wagons remained idle.

Online Reservation of Train Seats

There are 04 trains running daily for the Colombo Fort -Badulla train, which has a high passenger demand, and online seat reservation opens at 10.00 a.m. the previous day, and at the instances where more than 58 percent of the seats have been reserved within 01 second, and all the seats have been reserved within an hour, and although 05 seats can be reserved per Identity Card, at the instances where seats ranging from 24 to 182 seats have been reserved per Identity Card. Alternative proposals to meet the increasing demand had not been brought to the attention of the authorities. Even though the agreement between the company implementing this online seat reservation system and the Sri Lanka Railways had expired on 31 December 2023, action had not been taken to update the agreement or enter into a new agreement.

Underutilized Assets

The Testing Room used for engine repair and testing constructed with the aid of Japan, the Shot Blasting Room used for paint removal, and the Vertical Press Machine built with Romanian assistance, remained idle for many years at the Ratmalana Mechanical Workshop of the Sri Lanka Railways. Further, 05 backhoes and a track motor car worth Rs. 1,081.3 million provided to the Department through the Colombo Suburban Railway Project (CSRП) had been found to have defects at the time of import and had to be adjusted to suit the running conditions.

Kelaniya - Old Railway Bridge Remains Dilapidated

As per the feasibility report prepared by the University of Peradeniya in 2002, the Kelaniya Old Railway Bridge was reported to be usable until 2022. Although the bridge should be removed in the next year or two, no prior preparation was presented to the audit regarding the measures to be taken by the Sri Lanka Railways or the Ministry of Transport for that purpose.

Railway Derailments and Detachments

In accordance with section 104 (3) of the Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka, 660 incidents of 585 railway derailments, 13 collisions and 62 detachments have been reported during the period from 2020 to 2024, out of which 572 accidents occurred and although a period of 01 to 04 years had passed, the investigations under section 104 (3) had not been completed.

Non-Recovery of Arrears of Revenue

As at the end of the year under review, action had not been taken to recover Rs. 2,902.22 million in land lease income, railway warrant income, goods income and other income, arrears of revenue of Rs. 222.26 prevailed for a long time such as Rs. 125.83 million in revenue due from 2014 to 31 December 2024 from 11

reserved lands that were given without signing lease agreements for operating petroleum filling stations, and Rs. 96.43 million in revenue from 27 railway reserved lands that were given leases for operating petroleum filling stations. Further, out of the 177 communication towers installed on the lands of the Railway Department, no action had been taken to recover taxes for 76 towers from the year 2021 to the year under review.

Sri Lanka Transport Board

Non-Achievement of Production Targets

The spare parts required for the fleet of the Transport Board and bus body repairs are carried out by the 12 regional workshops of the Board. Even though the workshops were given a production target of 17,928 units of pre-fabricated tyres, engines, starter motors, bus bodies, gearboxes, alternators, fuel pumps and fuel injectors for the year 2024, the number of units produced was only 3,831. Out of which, pre-fabricated tyre production was 16 percent of the expected production, and other products were less than 50 percent.

Reduction in the Number of Bus Services

Due to the insufficient of fleet, the depots belonging to the Rajarata, Uva and North Western Province regional offices did not run 77 long-distance services and 167 short-distance services that should have been run during the year 2024, resulting in a loss of revenue of about Rs. 3,053 million in the year under review.

Payment of Surcharge

It was observed that Rs. 26.5 million was paid as surcharge for non-payment of Employees' Provident Fund contributions before the due date, Rs. 3 million as surcharge for non-payment of contributions to the Trust Fund before the due date, and Rs. 5 million as surcharge for failure to pay the gratuity amount due to

employees within one month from the date of termination of service within 30 days as per Section 05 (1) of the Payment of Gratuity Act, No. 12 of 1983, and Rs. 34.5 million as surcharge.

Obtaining Environmental Protection Licenses

In accordance with the Extraordinary Gazette No. 1533/16 dated 25 January 2008 and the National Environmental Act, No. 47 of 1980, an environmental protection license should be obtained by following an accepted and approved method for the disposal of fuel and lubricant waste and plastic and electronic waste in the yards of all depots and regional workshops belonging to the Transport Board. However, 52 depots out of 109 depots and 08 regional workshops out of 12 regional workshops belonging to the Board had not taken action to obtain these environmental protection licenses by the end of the year under review.

National Transport Medical Institute

Failure to enter into an Agreement with the National Dangerous Drugs Control Board

Even though it had been stated that at the instances where the urine test conducted for heavy vehicle drivers fail all the 3 stages, the issuance of medical certificates to those drivers will be carried out after a blood test conducted by the National Dangerous Drugs Control Board and a report confirming that it does not contain drugs, no action had been taken to enter into an agreement with the National Transport Medical Institute and the National Dangerous Drugs Control Board regarding conducting such a test as at 31 May 2025.

National Transport Commission

Failure to Conduct a Standard Inspection of Buses

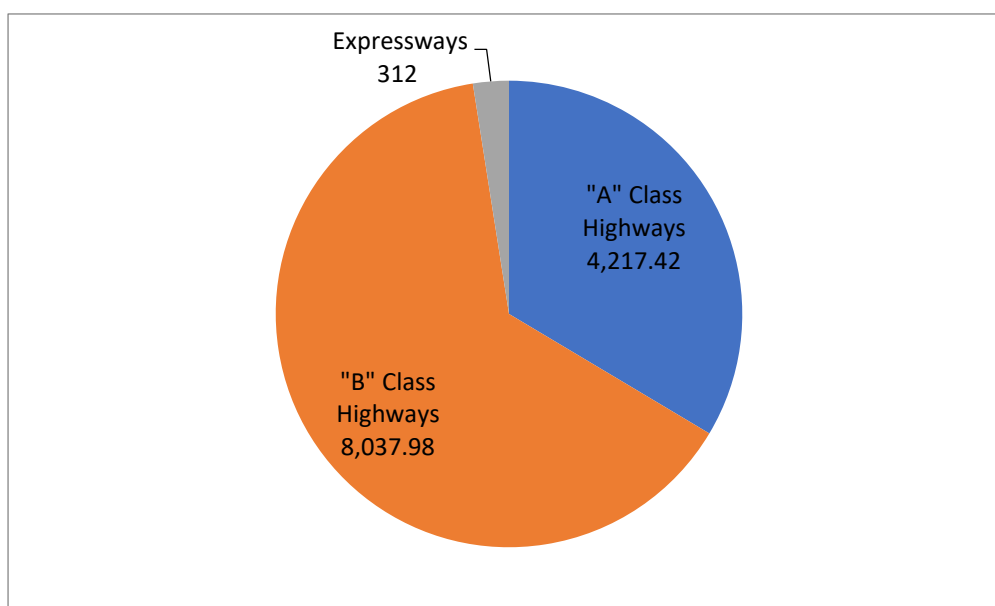
In accordance with Section 26 of the National Transport Commission Act, No. 37 of 1991, standard inspections should be conducted for every passenger service permit in order to ensure the safety and convenience of the public. As at 31 December 2024, the National Transport Commission had issued about 3,200 permits to provide inter-provincial passenger transport services. However, standard inspections had not been conducted for 1,685 buses, i.e. about 53 percent.

Further, as per a decision of the Board of Directors, it had been decided to have the standards of inter-provincial passenger transport buses inspected by the Department of Motor Traffic. For this purpose, although a project was initiated in July 2024 to specifically identify and document motor vehicle inspectors for general service buses and to provide them with a set of guidelines for standard inspection of buses, it had not been implemented.

Highways

Investing in the highway sector carries a very high economic value, as the improvement of the country's road network including national, provincial, and rural roads enables the public to reach their destinations more conveniently, contributes to fuel savings, reduces transportation costs, and minimizes traffic congestion. By the end of the year 2024, Sri Lanka's national highway network comprised a total length of approximately 12,568 Km, consisting of an "A" class highway length of about 4,217.42 Km, a "B" class highway length of around 8,037.98 Km, an expressway length of approximately 312 Km, and 4,254 bridges.

Diagram No 2.19 : National road network of Sri Lanka

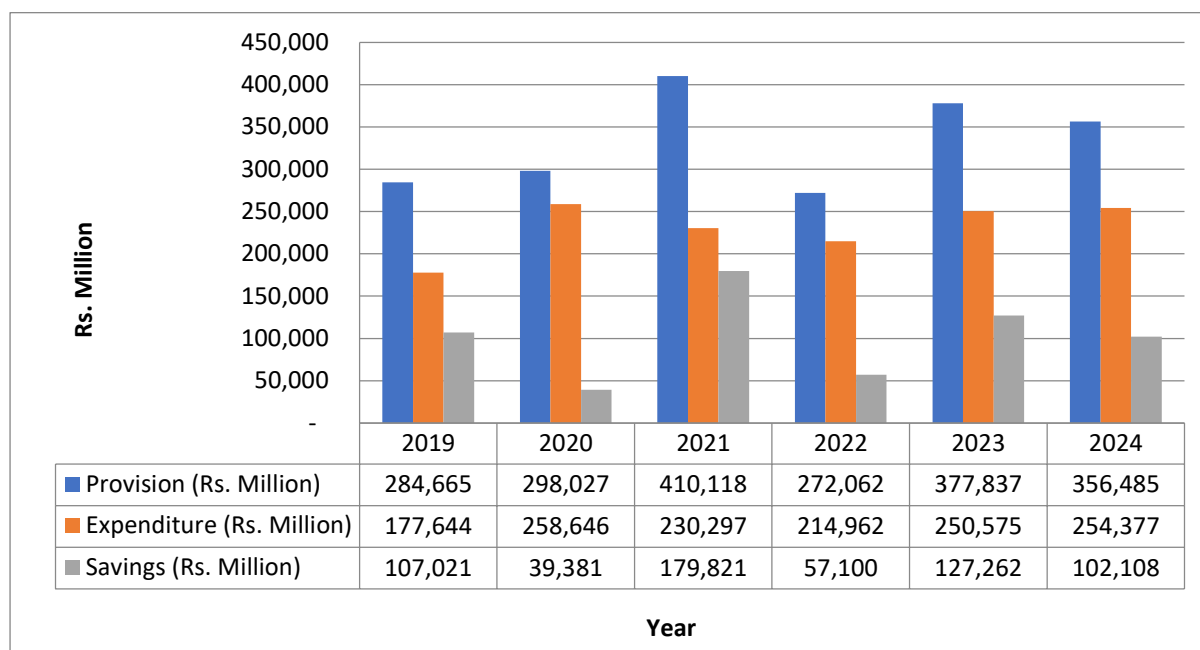


Source: Information presented by the Ministry of Transport and Highways.

Utilization of Provision

Provision amounting to Rs. 356,485 million had been granted by Parliament for the Head of the Ministry of Transport and Highways in the year 2024, and a sum of Rs. 254,377 million had been utilized therefrom by the end of the year under review. Amount of provision granted to that Ministry for the year 2024 and the 05 previous years, amount expended and the saving, were as follows.

Diagram No 2.20: Provision granted to the Ministry during the 06 preceding years, utilization and saving.



Source : Annual Financial Statements

The provision granted to the Ministry of Transport and Highways during the 06 year period of 2019-2024, totaled Rs. 1,999,194 million whereas a total expenditure of Rs. 1,386,501 million had been incurred. As such, 31 per cent of the total provision, equivalent to Rs.612,693 million had not been utilized.

Audit Observations

Road Development Authority

Failure to Appoint the Advisory Council.

In terms of Section 6(1) of the National Thoroughfares Act, No. 40 of 2008, a Road Network Development Advisory Council should be established in order to advise the Minister in-charge with respect to formulation of the Hierarchical Public Road Network Policy, improvement of the quality of roads, road research, and road development technology and road safety measures. Nevertheless, the intended objectives could not be achieved as members had not been appointed to this Council.

Failure to Appoint the District Road Network Development Co-ordinating Committee

Section 7(1) of the National Thoroughfares Act, No. 40 of 2008 requires the appointment of District Road Network Development Co-ordinating Committees for each district in Sri Lanka. The Committee is responsible for discharging the functions such as : to formulate an Integrated Road Network Development and Maintenance Action Plan for the District; to co-ordinate and supervise all road network development and maintenance activities; to direct a certain party to undertake projects and supervise the implementation of such projects, and to recommend for undertaking and executing road development projects. However, those functions had not been discharged as members had not been appointed to the Committees.

Construction of Houses for Resettlement

In order to provide houses for 1100 encroaching families affected by the Kelani Bridge to Athurugiriya elevated expressway, an agreement had been entered into on 14 July 2021 by making a payment of Rs. 2,388.85 million to the Urban Development Authority in 05 installments during the period 2021-2025; and, it was planned that the relevant houses be provided from the housing schemes in Kolonnawa, Maligawatta, and Henamulla. Three installments valued at Rs. 1,440 million had been paid whilst 02 more installments valued at Rs. 948.85 million still remained payable as at 31 December 2024. Nevertheless, no house whatsoever had been handed over to the Authority.

Idle Assets

The Presidential Task Force had imported 11 aggregate chip spreader machines, each costing Rs. 31.57 million, at a total value of Rs. 347.37 million in 2010, and handed them over to the Authority. As the roads maintained by the Road Development Authority belonged to the carpeted “A” and “B” classes, there existed no necessity for such machines, but action

had not been taken to hand over those machines to the Provincial Councils or Local Authorities that used those machines. Instead, the machines had been retained at the Authority for 14 years, and disposed of in the year 2024 at a value of Rs. 9.36 million.

Deficiencies in the Toll Collection System of Expressways

During the period of 04 years and 09 months from November 2019 to July 2024, a number of 133,840,213 entry tickets had been issued for expressways whereas exit tickets had not been issued for 18,291,430 vehicles. According to computations based on average toll for a vehicle during that period, the Authority had lost a revenue of Rs. 4,614.47 million approximately whilst the loss of daily income amounted to Rs. 01 million. Accordingly, expressway revenues could have been misappropriated or subjected to fraudulent activities through various methods; however, the Expressway Management had not taken action to identify the responsible cashiers and other relevant staff, to take disciplinary measures against them, or to implement corrective actions to prevent such deficiencies.

Furthermore, 241,964 tickets had been issued by the cashiers of the interchanges by changing the category of vehicles at their discretion or due to negligence during the 04 year and 09 months period since 2019. It was observed that a system of internal control had not been put in place to avert such incidents.

Control of Vehicles

According to the database of the Department of Motor Traffic, there existed 71 vehicles not registered under the Authority or the former Department, or the RCDC that had been brought under purview of the Authority, whilst 1206 vehicles existed that had not been recorded in the register of assets maintained by the Authority but registered with the Department of Motor Traffic under the name of the Authority and the former

Department. Nevertheless, corrective measures had not been taken thereon.

Non Availability of Credit Information

The Authority had not maintained information relating to the matters such as, the manner in which the loan amount of Rs. 233,054 million payable to 05 local commercial banks by the end of the year under review out of the loan obtained during 2014-2021 by producing the fixed deposits of the Authority as sureties under the letters of comfort issued by the Treasury and the credit limit of Rs. 581,000 million approved by the Treasury and the loan of Rs. 88.515 million, had been utilized; roads constructed by utilizing those loans; sources of loans; the dates; costs on loans capitalized for each road; sureties; grace periods; payback periods; debt restructuring; settlement of loan installments; and settlement of interest.

The budgetary provision required for settlement of interest and other costs relating to the loans, had not been stated as equity contributions in accordance with Cabinet Decisions taken in the year 2020 with respect to the 02 Cabinet Papers presented to obtain the said loans; instead, the provision of Rs. 185,466.96 million comprising the sum of Rs. 48,195 million incurred in the year 2024 and the sum of Rs. 137,271.96 million incurred in the years 2021, 2022 and 2023, had been brought to accounts as capital contribution. As such, Government contribution for the Road Development Authority, had not been accurately indicated.

100,000 Km Road Project

Contradicting the Cabinet Decision

It was decided at the meeting of the Cabinet held on 18 December 2019 to grant approval on the Cabinet Memorandum presented by the Minister of Roads and Highways on 25 November 2019 subject to the observation of the Minister of

Finance, Planning and Economic Development “ Every project proposal together with a formal feasibility report, should be submitted to the Department of National Planning for evaluation and recommendation”. However, without doing so, the Road Development Authority had taken action to enter into agreements with the contractors by approving estimates valued at Rs. 394,508.09 million relating to 13,160 roads in length of 17,847 Km during the period 2020-2022, and incur expenses amounting to Rs. 190,516.15 million as at 30 September 2024 under provision from the Line Ministry.

Development project for Abandoned Roads

Approval of the Cabinet had been given on 25 January 2024 to revise the sum of Rs. 28 billion allocated for the road development programme abandoned in terms of Cabinet Memorandum No. 79/2023 dated 11 December 2023 thereby allocating Rs. 20 billion from that provision to the programme for improving 1,500 Km of roads. Accordingly, it was stated that no new roads should be included in this programme, but contrary to that, development of 973.5 Km of roads ,not pertaining to the Authority, had been commenced.

Failure to Extend the Validity Period of Bonds

Before their expiration in the years 2021, 2022 and 2023, the Authority had not taken action to extend the validity period of bonds relating to the advances totalling Rs. 245.8 million given in respect of 29 contracts relating to 09 provinces under the 100,000 Km road project, by encashing such bonds after presenting them to the bank.

Awarding of Laying of Asphalt as a separate Contract

It had been decided to award a separate contract for laying asphalt along the roads in contract packages awarded under the 100,000 Km road project at values lower than Rs. 50 million.

As such, when the contracts had been abandoned in 22 districts during the year 2022, there existed 405 roads with less than 80 percent of physical progress in laying asphalt as at 30 September 2024 out of the roads where Aggregate Base Course (ABC) had been fully applied. The length of such roads was 591.03 Km. Accordingly, the expenditure incurred on fully laying ABC under the first stage, had become fruitless.

Inefficiencies in Preparing Cost Estimates

When preparing cost estimates for the 100,000 Km road project, 20 per cent had been added to the cost and an administrative cost of 4.2 per cent together with a 10 per cent on contingencies had been added thereon, thus adding a value over 30 per cent on the cost and presenting to the bidder, thereby following the method of providing a maximum discount. It was observed in examining the samples that, in considering the engineering estimates of 11 packages so selected, the Authority received 12 per cent of the total profit equivalent to 11.47 million whereas the contractors were allowed to earn a profit of Rs. 83.13 million equivalent to 88 percent.

State Companies

Failure to Present the Financial Statements of 03 State Companies

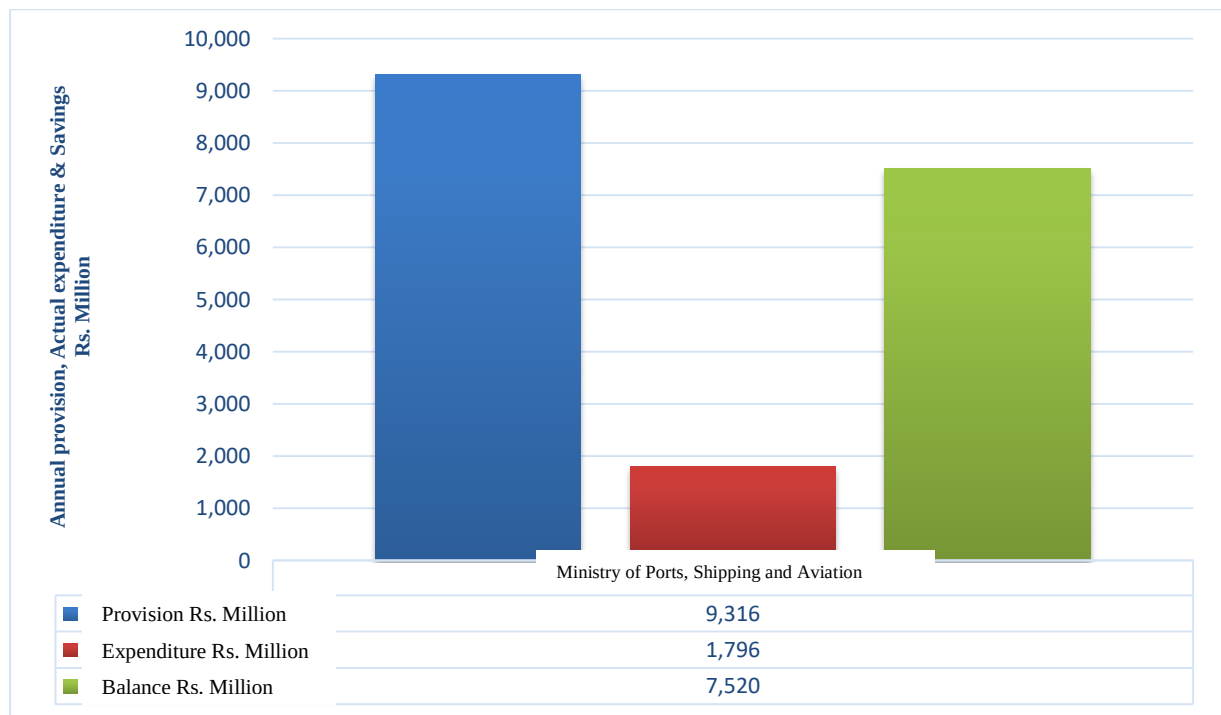
The annual financial statements and performance reports should be presented to the Auditor General in terms of Sections 16(1) & (2) and 38(1)(d) of the National Audit Act. Nevertheless, the 03 state companies of maganeguma road construction equipment (pvt) company ltd, maganeguma emulsion production (pvt) co.ltd and Express way transport (pvt) co.ltd which were operated under the ministry had not presented financial statements and annual performance reports to the audit performance reports to the audit although it had elapsed 350,350 and 2907 days respectively after the due date.

Ports and Naval

There had been 01 Department and 05 statutory institutions established as Merchant Shipping Secretariat, Sri Lanka Ports Authority, Ceylon Shipping Corporation Ltd, Jaya Container Terminals Ltd, Port Management & Consultancy Services Ltd and Magampura Port Management Company (Pvt) Ltd functioning under the Port and Naval Division of the Ministry of Ports, Shipping and Aviation, which operates with a vision to position Sri Lanka as a high-level maritime services center that is friendly to all customers by developing Sri Lanka as the most competitive maritime services center in the South Asian Region.

The provision amounting to Rs.9,316 million had been granted by Parliament to the Ministry of Ports, Shipping and Aviation in the year 2024 for discharging the above functions and only a sum of Rs.1,796 million had been utilized therefrom by the end of the year 2024. Accordingly, a sum of Rs.7,520 million had remained unutilized during the year 2024.

Diagram No 2.21 - Annual provision, Actual expenditure & Savings



Source - Annual Financial Statements 2024

Ministry of Ports, Shipping and Aviation

Expenses Incurred Contrary to Objectives of the Ministry of Ports, Shipping and Aviation

The Ministry had been entrusted by a Cabinet Decision to pay the loan amount of Rs.11,797 million and the installment (including interest) payable over a period of 15 years for the loan amount of Rs.3,951 million obtained from a state bank on 14 December 2017 subject to an annual interest of 33.30 percent (Interest rate differs) to settle the loan payable to a contractor for the construction of the Suriyawewa Cricket Stadium that has been transferred to the Sri Lanka Cricket. Accordingly, an amount of Rs.329 million and Rs.354 million as loan installment and interest respectively amounting to a total of Rs.683 million had been paid in the year 2024 under the expenditure head of the Ministry, although it does not belong to the scope of the Ministry.

Jaya Container Terminals Ltd

Non-Compliance with the Social Security Contribution Levy Act

Since the oil pumping charges cannot be considered a tax-exempt service in accordance with the Social Security Contribution Levy Act No. 25 of 2022, the tax amount to be recovered on oil pumping charges of Rs.27 million for the period from October 2022 to 10 December 2024 has been invoiced without being collected. Consequently, the said amount had been unable to be remitted to the Department of Inland Revenue.

Sri Lanka Ports Authority

International Ranking

According to the Alpha Liner Report issued on operations of the ports in the world for the year 2024, the Colombo port had carried out 7,792,069 Twenty Equivalent Units and been ranked in 25th place in the world. As compared to the year 2023, a growth of 12.1 percent was observed in the cargo operations. Further, in the year 2023, the Colombo port had been ranked 24th among the world's ports handling 6,949,912 Twenty Equivalent Units of cargo.

Cargo Operations

The number of vessels arrived in the main ports of Colombo, Galle, Hambanthota and Trincomalee was 4,337 in the year 2020 whereas that number had increased to 4,605 by the year 2024. Also, the number of Twenty Equivalent Units (TEUs) of container operations had increased from 6.85 million in the year 2020 to 7.79 million in the year 2024. Compared to the year 2023, the container handling of the Sri Lanka Ports Authority had increased by 843 TEUs, or 12.1 percent, up to 7,792 million TEUs in the year 2024. Further, the conventional cargo operations had decreased from 8.9 million metric tons in the year 2020 to 7.4 million metric tons by the year 2024. The particulars are given in Table 01.

Table No. 2.24 - Number of Containers and Conventional Cargo Operations at Main Ports.

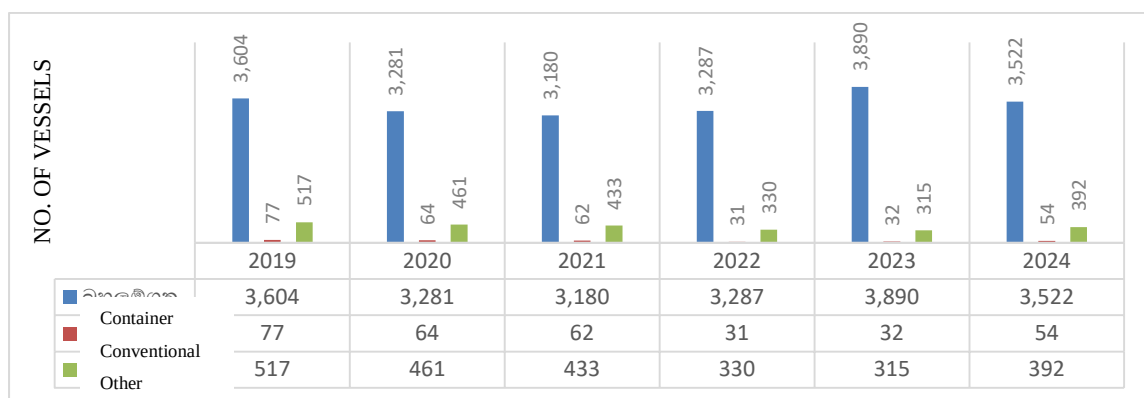
Description	2020	2021	2022	2023	2024
Number of Vessels Arrived	4,337	4,180	4,073	4,823	4,605
Number of container operations in Twenty Equivalent Units (TEUs) ('000 units)	6,854	7,249	6,862	6,949	7,792
Weight of Conventional Cargo Operations ('000 MT)	8,894	9,229	6,249	6,271	7,370

Source – Performance Review Report of the Sri Lanka Ports Authority 2024

Arrival of Vessels

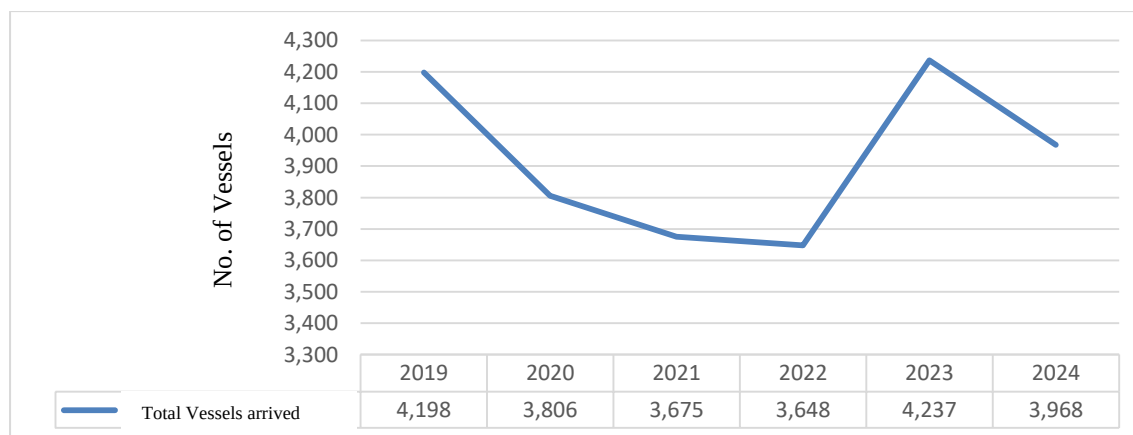
As compared with the preceding year, arrival of vessels in the Colombo Port had decreased by 269 vessels equivalent to 6.35 percent in the year 2024. As large vessels had arrived rather than vessels of small and medium size, a gradual decrease in the arrival of container vessels was observed after the year 2019 up to the year 2021. However, as against the year 2022, an increase of arrivals by 603 container vessels equivalent to 18 percent was observed in the year 2023 and a decline of 368 container vessels or 9.5 percent was observed in the year 2024. An increase of 24 percent was observed in the arrival of other vessels compared to the year 2023. Details are as per Table 2.24(with classification) and Diagram 2.22

Diagram No 2.22 - Arrival of vessels in the Colombo Port



Source - Performance Review Report of the Sri Lanka Ports Authority

Diagram No 2.23 - Arrival of vessels in the Colombo Port – Total No. of Vessels



Source - Performance Review Report of the Sri Lanka Ports Authority 2024

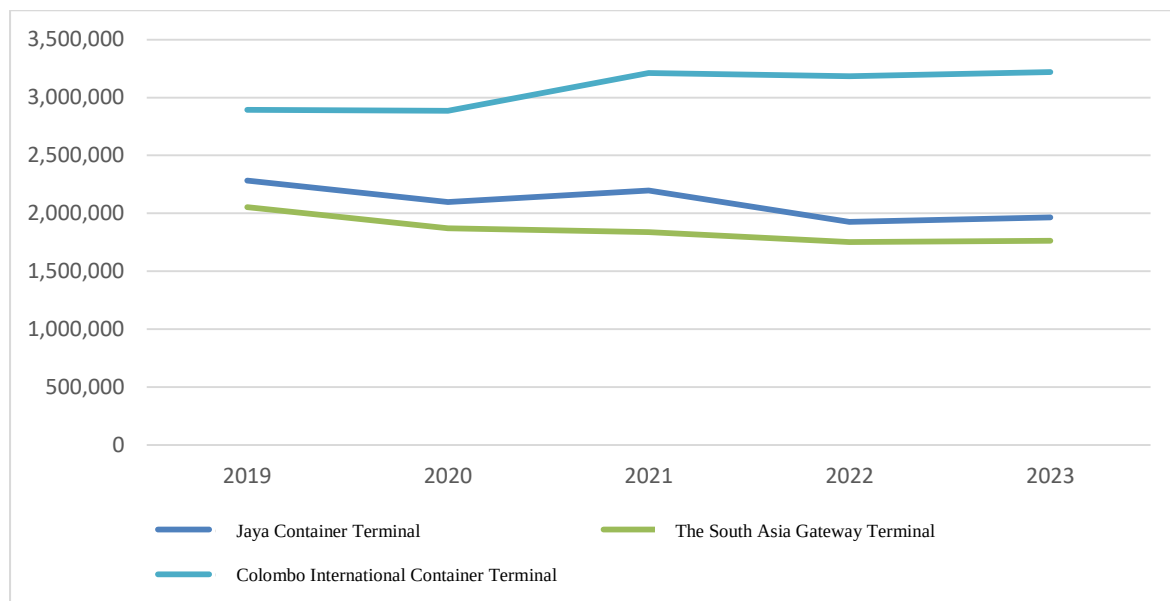
Terminal Operations

1,626,616 container operations had been carried out by the Colombo Port in the year 2001 and by the year 2024, that number had increased to 7,792,069. However, during the period of 23 years from the year 2001 to the end of 2024, the market share of the Sri Lanka Ports Authority in Colombo Port had declined from 81 percent to 31 percent. The operations of the Ports Authority in Colombo Port had been done only by the Jaya Container Terminals Ltd (JCT) until the year 2021 and the Colombo East Container Terminals (CECT) joined for the operations from the year 2021. The South Asia Gateway Terminals Ltd (SAGT) had started operations in the year 2001 under long term lease and secured a market share of 26 percent. The Colombo International Container Terminals Ltd (CICT) commenced the operations in the year 2013 and acquired a market share of 43 percent by the year 2024. The particulars on container operations during the period of last 05 years are given in Table 2.24.

Table 2. 24 Particulars on container operations during the period of last five years

Year	SLPA (Annual Terminal Capacity of 2.75 million containers of Twenty Equivalent Units)	Market Share	SAGT (Annual Terminal Capacity of 1.950 million containers of Twenty Equivalent Units)	Market Share	CICT (Annual Terminal Capacity of 2.9 million containers of Twenty Equivalent Units)	Market Share	Total Containers of Twenty Equivalent Units
2020	2,097,804	31	1,872,052	27	2,884,906	42	6,854,762
2021	2,198,334	30	1,838,693	25	3,212,331	45	7,249,358
2022	1,925,895	28	1,752,236	26	3,184,053	46	6,862,184
2023	1,965,131	28	1,763,863	26	3,220,918	46	6,949,912
2024	2,413,162	31	2,025,840	26	3,353,067	43	7,792,069

Source - Performance Review Report of the Sri Lanka Ports Authority for the year 2024

Diagram 2.24 - Terminal Operations of the Sri Lanka Ports Authority

Source - Performance Review Report of the Sri Lanka Ports Authority for the year 2024

According to the data given above, the market share for container operations of the Sri Lanka Ports Authority was gradually being acquired by the private sector. Considering the Berth Occupancy Ratio related to the container operation activities of the Authority (JCT), the said ratio had been indicated as 72, 70, 63, 58 and 76 from the year 2020 to 2024 respectively. Accordingly, the Berth Occupancy Ratio of the Authority had increased by 31 percent in the year 2024 as compared to the year 2023. Even if the capacity of the SAGT and CICT stood at 1.95 million and 2.9 million in Twenty Equivalent Units respectively, the actual number of container operations in the year 2024 remained 2.02 million and 3.35 million of Twenty Equivalent Units respectively whilst SAGT and CICT Terminals had exceeded the maximum capacity. However, the capacity of all the terminals of the Authority (JCT and CECT) was 2.75 million of Twenty Equivalent Units, and however, only 2.41 million of actual twenty equivalent units of container operations; that is 87 percent, had been utilized in the year 2024.

Underutilization of the Colombo East Container Terminals (CECT)

Due to insufficiency of capacity of the JCT Terminal, funds had been supplied by the Bank of Ceylon under Colombo Port Expansion Project for construction of the CECT Terminal and accordingly, construction of Stage I of East Container Terminals in the length of 440 meters and at a depth of 18 meters capable of handling a capacity of 0.8 million containers in twenty equivalent units per year had been completed in May 2015 at a cost of Rs.11,168 million. However, due to lack of cranes for handling containers, three cranes purchased for the Jaya Container Terminal which were capable of carrying out operations from ship to shore had been installed at the Colombo East Container Terminals (CECT) in accordance with the Decision No. PA/HD/25 of the Board of Directors dated 07 February 2020 and operations thereof had been commenced.

The approval had been granted by the Cabinet Decision No. CP/21/0198/328/005/TBR dated 01 February 2021 for the development of the CECT Terminal and the purchase of operational equipment. Within the year 2024, 62 large container ships having a depth of more than 14.25 meters had arrived in the terminal and 167,028 containers had been handled at the terminal. The terminal capacity utilization rate, which stood at 43 percent in the year 2021, had increased to 63 percent in the year 2024. Since the operations of Phase I of the CECT Container Yard were required to be increased, 12 large-scale STS cranes and 40 Automated Rail-Mounted Gantry Crane (ARMG Cranes) had been purchased for US\$ 282.56 million with the aim of using them in Phase II as well. Although all the cranes had been received by the Authority as at 06 June 2025, only 06 STS cranes had been used for operational purposes and due to the delay in the construction of the Reclamation Area in Phase II, the remaining 06 STS cranes and all the ARMG cranes

remained idle without being used for any operational activity without completing the commissioning activities.

Although the bids had been called on 4 occasions since the year 2021 to purchase Straddle Carriers to be used as a means of transferring containers between the crane yard and the container yard, the procurement process could not be started due to changes in decisions in each time of bid calling as the type of equipment, required quantity, specifications had not been studied properly before starting the process. It had been specified that a period of 446 days is required for the said procurement process. Due to that delay, there was a risk of being unable to start the expected activities of the project owing to the inability of purchasing the equipment by the scheduled date of completing the construction of CECT Phase II; July 2026.

Renovation Works of Kankesanthurai Port

An agreement had been entered into between the Government of Sri Lanka and the Exim Bank of India to obtain a loan of US\$ 45.27 million for the renovation of the Kankesanthurai Port with the aim of realizing the North-East Gateway concept. However, since as the said loan amount was deemed insufficient, the approval of the Cabinet of Ministers had been obtained to increase the loan amount up to US\$ 61.5 million with an additional amount of US\$ 16.23 million. However, it had not been approved by the Government of India. Therefore, the port construction works had not yet commenced. Also, only US\$ 0.905 million of the loan amount had been spent and a sum of US\$ 43,941.27 (Rs.12.8 million) that had been paid as commitment charges for the loan not obtained and a sum of US\$ 53,235.41 (Rs.15.94 million) paid as loan interest had also become an uneconomic expense.

Further, even if the Government of India had decided to provide a special financial grant of US\$ 63.65 million through a diplomatic note dated 15 March 2024 in response to the

request made to finance the additional cost of US\$ 16.23 million based on a Public Private Partnership (PPP), a final conclusion had not been reached yet due to the problematic issues in the Memorandum of Understanding sent by the Government of India and although a sum of Rs. 4,581 million had been allocated by the government for this project under the Ministry, none of it had been utilized since this project has not been implemented to date.

Failure to vest the Lands Properly

The land in extent of 02 acres 03 roods and 9.61 perches located on the D.R. Wijewardana Road valued at Rs. 628.5 million had been released to the Urban Development Authority for the construction of Lotus Tower and the land in extent of 02 acres worth Rs.947.5 million bordered to Main Street, Colombo 01 Canal Yard (West) and the Olcott Road, had been released to the Department of Customs for construction of a building. Nevertheless, the Authority had not received the compensation for those lands up to 31 December 2024.

Further, within the balance of Rs.37.9 million, receivable as at 31 December 2024 for releasing the land located near the place where the Lotus Tower had been constructed on the D.R. Wijewardana Road, Colombo 10, to the Sri Lanka Telecommunications Regulatory Authority, there were balances amounting to Rs.29.7 million and 10 million continued to exist without being settled for the period between 2 and 5 years and over 05 years respectively. A lease agreement had not been entered into as well relating to this land and the Authority had failed to recover that balance even up to the date of audit.

Further, the land in extent of 01 acre 02 roods and 14.9 perches located on Cyril C Perera Road valued at Rs.83.723 million had been taken over by the Urban Development Authority, but the process of legally transferring the land had not been completed even by 31 December 2024.

Failure to transfer the Share Right to the Authority

In order to exchange the value of three cranes given by the Sri Lanka Ports Authority at the time of establishing the South Asia Gateway Terminals Ltd (SAGT) in the year 1999, an agreement had been entered that shares of that Company valued at Rs.141.63 million be given to the Authority. However, those shares had not been given to the Authority until the end of the year 2024.

Failure in Formulating Policies for the Subsidiary Companies

According to the Guideline for good governance incorporated for Public Enterprises issued with the Public Enterprises Circular dated 16 November 2021, a Subsidiary Policy should be formulated for the subsidiary companies under approval of the Board of Directors of the parent company and act accordingly. However, such a policy had not been formulated for the subsidiary companies of the Authority.

Guarantee for the Loans obtained by a Subsidiary Company

Magampura Port Management Company (private) Limited had been incorporated as a subsidiary company of the Sri Lanka Ports Authority on 05 July 2013 under the Companies Act, No. 07 of 2007 and this Company had been assigned with the management of operations of the Hambantota Port through a management agreement. The Company had commenced operations as a fuel supplier of the Hambantota Port under a license obtained from the Petroleum Corporation, and a loan amounting to US\$ 24 million had been obtained by the Company from a private bank in the year 2014 in that connection. Accordingly, fuel had been imported in large quantities in view of storing and re-exporting to the international ships. However, following drop in oil prices at the world market, the Company sustained a considerable loss from the supply of fuel and hence, a sum of US\$ 26.49 million (Rs. 9,617 million) being the loan and interest, could not be settled even up to the date of this report. Operations of the Company

had been suspended in November 2017 and due to lack of assets of the Company to settle the loan, the bank had filed two cases against the subsidy company and the Authority in the year 2020 at the District Court of Colombo in order to recover the loan but the cases had not concluded even by the end of the year 2023. Moreover, liquidation of the Company is in progress by appointing a liquidator on 01 June 2022 in accordance with the judgement of the Case No. HC (Civil) 97/2021/CO of the Supreme Court, Western Province.

Human Resource Management

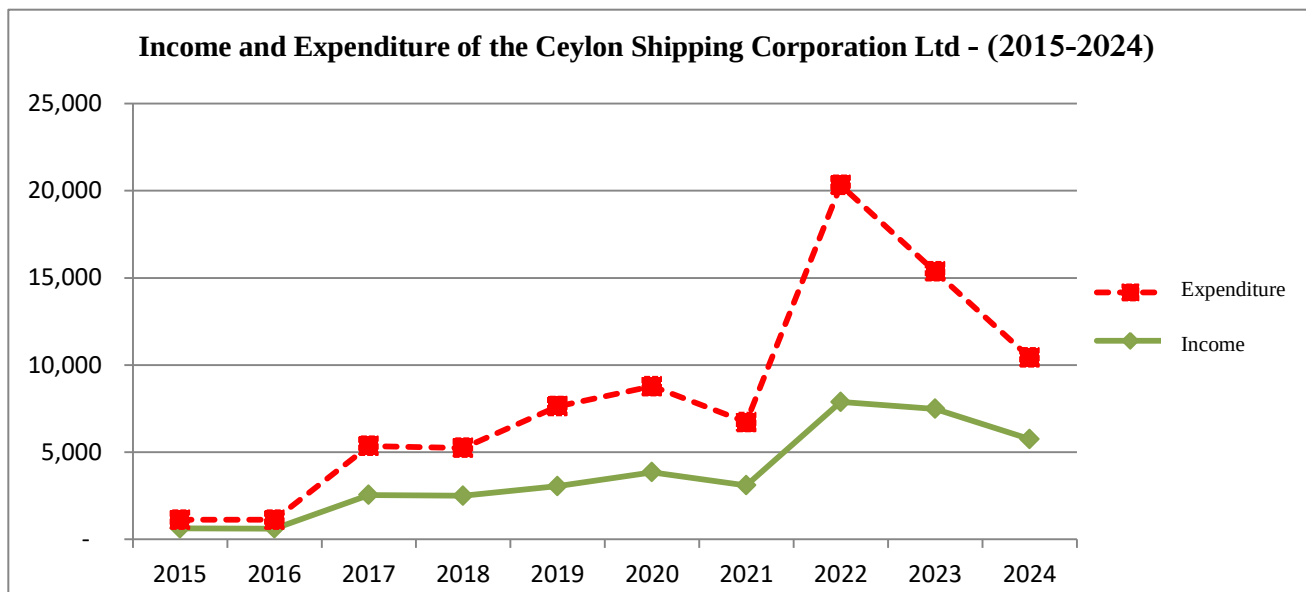
As per paragraph 3.2 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 and the letter issued by the Department of Management Services No DMS/F1/3/3-1 dated 23 January 2013, an institution should prepare a Scheme of Recruitment and obtain the approval of the Department of Management Services. Even though the Authority had prepared draft Schemes of Recruitment and Promotion Procedures, the approval of the Department of Management Services had not been obtained for the same.

Ceylon Shipping Corporation

Financial Result of the Company

The Ceylon Shipping Corporation Ltd is a Government Owned enterprise established to cater to the sea transportation needs of the exports and imports of Sri Lanka and this Company owned the two vessels named, Ceylon Breeze and Ceylon Princess. The company was currently engaged in the operations of Shipping and Ownership, Chartering, Non-Vessel Operating Common Carrier (NVOCC) and provision of Logistics Management Services.

Diagram 2.25 - Income and Expenditure of the Ceylon Shipping Corporation Ltd – (2015-2024)



Income and Expenditure of the Ceylon Shipping Corporation Ltd – (2015-2024)

According to the financial statements for the year ended 31 March 2024, the profit of the company amounted to Rs. 763.21 million whilst the cumulative loss amounted to Rs. 9,979.20 million. Furthermore, the value of net assets of the Company indicated a minus value of Rs. 8,358.20 million.

Import of Goods by The Government Sector vessels

As per the provisions of the Public Finance Circular No. 415 dated 06 May 2005 and the Public Finance Circular Letter No. 03 dated 18 February 2016, facilities have been provided to the transportation of imported goods of the public sector through the company. However, the number of public institutions that imported goods through the Ceylon Shipping Corporation Limited during the 5 years from 01 April 2019 to 31 March 2024 has been relatively decreasing and in the year 2024, only 23 public institutions had fulfilled their imports. Although there was potential to increase profitability by securing a greater percentage of government imports on a competitive shipping rate system, 53 waivers had to be issued in 2023/24 due to the transportation costs of the company exceeding the shipping costs of suppliers involved in the imports.

Merchant Shipping Secretariat

Financial Performance

Merchant Shipping Secretariat which is the shipping administration arm of Sri Lanka has the overall responsibility for overseeing maritime concerns and total recurrent and capital expenditure of the Secretariat was Rs. 171 million and receipts of income were Rs. 224 million.

Sri Lanka Port Management & Consultancy Services Ltd

Financial Result of

the Company

In order to supply the supportive services to the Sri Lanka Ports Authority the Company had been established comprising 40 percent shares of the Sri Lanka Ports Authority and 15 percent shares of the Ceylon Shipping Corporation. The total income of the company in the year 2024 was Rs. 254.60 million and total expenditure was Rs. 245.82 million. Even though the company showed a profitable position overall due to interest income from fixed deposit investments, the company had sustained continuous operating losses of Rs. 8 million, Rs. 23.5 million and Rs. 10.42 million in the years of 2022, 2023 and 2024, and the liquidity position of the company has shown a downward trend from 1.7 percent to 1.09 percent during that period.

Income Receivable

An agreement had been entered into with a third party to operate a restaurant at the Macculum Gate premises belonging to the Ports Authority from 2008 to 2023, and although the company was supposed to recover Rs. 4.5 million for this, the amount had not yet recovered as at 31 December 2024.

In relation to the Galle Face Green administration business carried out by the company, 03 out of 42 underground shops (B-Zone) located adjacent to the beach at Galle Face Green had not been leased out by May 2025, while 16 out of 20 underground shops (A-Zone) located adjacent to the Galle Road and 11 out of 42 underground shops (B-Zone) located adjacent to the beach had been temporarily closed.

The aviation sector functions under the Ministry of Ports, shipping and Aviation (The then State Ministry of Tourism). Its vision is to establish Sri Lanka as the Leading air transport hub in the Region; and to make air transport services efficient, safe, and user-friendly, with a view to improve the efficiency of relevant economic sectors, is the mission of this sector. Institutions, such as, Civil Aviation Authority, Airport and Aviation Services (Sri Lanka) (Pvt) Ltd, Sri Lankan Airlines Ltd and the subsidiary companies thereof function under the aviation sector, but the Sri Lankan Airlines Ltd and its subsidiary companies had been taken over by the Ministry of Finance, Planning, and Economic Development with effect from 25 November 2024.

Airport and Aviation Services (Sri Lanka) (Pvt) Ltd

Failure to obtain Treasury approval for the Scheme of Recruitment

The Company had not obtained approval of the Department of Management Services for the Scheme of Recruitment.

Payment of dividends to the consolidated fund

In terms of Section 5.3 of Public Enterprises Circular No. 01/2021 dated 16 November 2021, the amount to be remitted by the Company to the Consolidated Fund from the post-tax profits for the years 2022, 2023, and 2024, computed at 30 percent, amounted to Rs. 16,280 million. However, the actual contribution to the Consolidated Fund was Rs. 7,336 million, equivalent to 45 percent of the required amount.

Establishment of the high frequency transmission center

The land in extent of 52 acres at Thalangama Akuregoda, at which the Company's high-frequency transmission center had been established, was taken over for construction of the Ministry of Defence Headquarters. Accordingly, approval had been given to grant a sum of Rs. 161 million for providing an alternative land to establish a new center and construct a center. Although a land had been allocated in Kandapola forest in Seetha Eliya, the rights to the land had not been acquired by the Company, nor had the funds been received as well.

Operating income of the Mattala Airport

The operating cost and income of the Mattala Rajapaksa International Airport for the year 2024 amounted to Rs. 3,600.8 million and Rs. 242.2 million respectively ; and, the operating loss and post-tax net loss amounted to Rs. 3,358.6 million and Rs. 879.7 million respectively. By 31 December 2024, the cumulative net loss from its operations amounted to Rs. 39,369 million. Although it was expected to handle one million air passengers annually through the airport, only 321,577 passengers had been handled during a period of 06 years as per the reports. Accordingly, it is observed that the investment of Rs. 36,564 million (US\$ 247.7 million) had become futile, and a sum of Rs. 2,053 million had been paid as at 31 December 2024 by the Company as total interest on foreign loans obtained on constructions.

Bandaranaike International Airport Development Project (BIADP) Phase II Stage 2

Financing the project

Agreements had been signed with the Japan International Cooperation Agency (JICA) in the years 2012 and 2016 to finance the project, initiated with the objective of increasing passenger handling capacity at Bandaranaike International Airport and expanding the airport's infrastructure facilities, with Japanese Yens 74,397 million. Only a sum of Japanese Yens 26,862.38 million had been spent on the project by 31 December 2024. Due to underutilization of the loan, a sum of Rs. 351.8 million equivalent to Japanese Yens 247.9 million had been paid by the Company to the Japan International Cooperation Agency as commitment charges relating to the period from 22 April 2013 to 31 December 2024 whilst a sum of Rs. 61.2 million equivalent to Japanese Yens 35.7 million, remained payable as interest up to 31 December 2024.

Planning the project and payment of consultancy fees

In accordance with the Cabinet Decision No. AMP/07/2283/312/030 dated 19 December 2007; a Japanese joint venture company had been selected to obtain planning and consultancy services relating to the project for increasing the passenger handling capacity from 06 million to 12 million in the year 2009. The said company had spent 04 years from 2009 to 2012 to prepare the plans, and a sum of Rs. 344.5 million had been paid by the Company. As it was decided to redesign the project inclusive of changing the roof to increase the passenger handling capacity from Rs. 06 million to Rs.15 million in the year 2013, the first plan could not be executed, and hence, the expenditure incurred thereon had become non-economic.

The aforementioned joint venture company was also selected to redesign the project, and for obtaining consultancy services for the project, an agreement was entered into with the Japanese joint consultancy firm on 3 March 2014. As the said agreement had been amended in the years 2016, 2023 and 2024 in line with requirements of the institution, the Company had agreed to extend the period of agreement by 127 months up to July 2028, and make payments of US\$ 1,480,319, Japanese Yens 3425.5 million and Rs. 1,731.8 million as total consultancy fees. A sum of Rs. 4,563.4 million (equivalent to Japanese Yens 2,772.4 million) had been paid as planning and consultancy fees up to 31 March 2025 since the date of entering into agreement.

It was decided in the year 2014 to proceed with constructions of the project under the Packages, A, B, and C, but, having integrated the Packages A and C, the contracts had been awarded as Packages A and B. Accordingly, several items included in the project plan had been removed from the scope.

Remote aircraft terminal and runaway-Package B

An agreement had been entered who submitted the lowest bid for constructions under this Package, on 28 February 2017. The constructions should have been completed by 24 October 2019 within a contract period of 30 months, but constructions had been completed on 26 January 2022. It was the objective thereof to increase the number of air craft parking spaces at the airport from 25 to 48. Accordingly, having completed the constructions on 26 January 2022, a sum of Rs. 8,448.6 million had been capitalized. However, 05 of the 23 airport parking spaces had been closed due to constructions under Package A whilst 14 of them could not be optimally used. Although agreements had been signed with the consultancy firm on 12 February 2024 to re-demarcate the locations for airport parking spaces using funds of the consultancy company in view of avoiding the operational inefficiencies, the relevant works had not been commenced even by 05 May 2025.

Passenger terminal building and related works – constructions under Package A

The contract for construction of passenger terminal and related works had been awarded to a company on 04 March 2020 at the total sum of Rs. 105,569.7 million equivalent to Japanese Yens 41,553.9 million and Rs. 35,135.8 million. The contract had been scheduled to be completed by 13 December 2023. Following the Circular issued by the Ministry of Finance on 12 April 2022 on the interim policy relating to the financing of foreign debt of Sri Lanka, the JICA suspended the release of loan installments to the project, and as a result, the contractor had stopped the construction works on 09 December 2022. A period of 02 years had elapsed from the contract period by that time, and the actual progress stood at 5.44 per cent although the physical progress should have been 30 per cent. However, a sum of Rs. 37,311.3 million had been paid to the contractor by

31 December 2024 with respect to certified works of the contractor and the items taken over by the AASL due to halting the project. Additionally, until the payments to the contractor are made in full, the relevant monthly expenses, and financial charges on penalties for delay, would also be included in the final payment. The contractor holds the right to refer disputed items of the project to an arbitration panel, which could potentially result in increased final payments. However, this contingent liability was not recognized in the financial statements of the year 2024.

Of the items taken over from the contractor, goods and equipment with an invoice value of Rs. 1,995 million, had been stored in 02 privately-owned warehouses, and that included expired items as well. Rents amounting to Rs. 60.3 million had been paid for those private warehouses up to 31 December 2024. According to the prevailing situation, warehouse rents would be paid until the project is commenced again.

Following the halt of constructions, 02 agreements had been entered into with a private company to the value of Rs. 3,732.9 million for the execution of identified protective works and identified scope of works; and, a sum of Rs. 1,328.7 million had been paid as at 31 December 2024.

Accordingly, a sum of Rs. 43,735.7 million including a sum of Rs. 38,640 million for constructions under Package A, and consultancy service fees and salaries of the project management unit, had been shown as work in progress in the financial statements.

Bids had been called during the period from 24 September 2024 to 23 December 2024 for recommencing this project, and submission of bids had been stopped until 25 March 2025. The evaluation process is in progress.

Civil Aviation Authority of Sri Lanka

Aviation development plan

An aviation development plan should have been prepared by the Authority in terms of Section 7 (c) of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002. However, such a plan had not been prepared even by 12 June 2025.

Formulation of Orders for the Act

As mentioned in the second and third Schedules, the Authority had failed to vest 10 out of 14 airports, 08 aircraft facilities and surrounding lands through Gazette notifications in terms of Section 09 of the above Act, even after 21 years since the Act came into effect.

Securities for embarkation levy

According to Gazette No. 2314/16 of the Democratic Socialist Republic of Sri Lanka additional (general) dated 11 January 2023, every airline operator should provide a certain amount or a bank security with respect to the embarkation levy being charged on persons leaving Sri Lanka. Nevertheless, 08 airline operators were unable to present bank securities worth Rs. 4,611.7 million.

Payment of allowances without being approved

A total of Rs. 60.6 million had been paid to the officers of the Authority as special allowances, management allowances and interim allowances for the year 2024 without being approved by the Department of Management Services. Furthermore, contrary to the Letter No. DMS/1748 of the Secretary to the Ministry of Finance dated 09 April 2015, technical allowances totaling Rs. 2.9 million had been paid without verifying the necessary licenses / certifications of two officers.

Implementation of the Information system

The Information system relating to the recovery of embarkation levy and surcharges on foreign sales, had been initiated on 06 December 2021, and the scheduled date of completion was 20

February 2022. Nevertheless, the project had remained incomplete even by 26 May 2025, and only one of the 32 targeted airline operators had responded. A sum of Rs. 6.2 million had been incurred on the project.

Expenses on External Technical Assistance

A formal procedure had not been put in place to select and coordinate the officers designated in the year 2024, and the Authority deployed 20 Civil Aviation Inspectors and incurred Rs. 38.6 million as expenses on external technical assistance under the approval of the Board of Directors.

Delay Interest on Embarkation Levy

Furthermore, a delay interest of Rs. 3,821 million had been computed on the embarkation levy of Rs. 25,878.2 million recoverable from 09 airline operators as at 31 December 2024 in accordance with Section 09 of the Order No. EL/01/2023 issued by the Director General of Civil Aviation on 12 January 2023. However, it was observed that no measure whatsoever had been taken by the Authority for the recovery of outstanding interest.

Sri Lankan Airlines Ltd

Flight delays

Owing to flight delays and interruptions, the Company had incurred a sum of US\$ 784,000 additionally during the financial year 2022/23. Delays of 03-56 hours had occurred with respect to 548 flights during the period from 01 April 2022 to 30 September 2023. The main causes of the delays were identified as the inability to have replacement aircraft available on schedule, the presence of non-serviceable Neo engines on the ground, prolonged time required to procure spare parts for aircraft, and the position of the company's cash flow.

Fleet of aircraft

Although 27 aircraft were required as per the assessment of the Company, the fleet of aircraft comprised only 21 aircraft. By 20 April 2024, nine of them had been decommissioned during miscellaneous periods. Nevertheless, lease rents totaling Rs. 6,404.76 million had been paid since the year 2023 by the Company for those decommissioned aircraft. It was further observed that expenses on the maintenance of engines had exceeded the primary estimates, which could contribute to cash flow problems and further delays in the maintenance of aircraft that were out of service.

Allocation of provision for losses

The contract agreement for the maintenance of A350 aircraft engines was breached in the year 2015, company to file a claim for business losses. A provision was approved to cover the financial impact of this breach by the Board of Directors' decision dated 25 January 2024. Accordingly, a provision of Rs. 11,837.12 million (US\$ 33 million) including accrued interest, had been made in the financial statements of the Company for the year 2024/25 indicating the cost relating to the breach of agreement.

Maintenance of aircraft with faulty engines

Sri Lankan Airlines operates six A320 neo aircraft equipped with 13 CFM LEAP engines, of which 11 are currently non-operational due to a globally widespread engine issue. The Board of Directors acknowledged that, under the prevailing lease agreements, the responsibility for the maintenance of these engines rests with the airline, and accordingly, it was mandated that such expenses be included in the financial statements for the year 2023/24. Evidence clarifying how these engine failures were identified and why the airline selected those engines despite such risks being present at the time was not presented to the Audit. Additionally, a sum of Rs. 14,795.36 million had been shown by the Company as trade

creditors payable as at 31 March 2024, and a sum of Rs.11,572.39 million therefrom had been paid in the year 2024/25, whereas a sum of Rs.6,185.70 million had been adjusted to the preceding years.

Moreover, the short-term lease rent for aircraft and spare engines had increased by Rs.10,219 billion during the year 2024 as against the preceding year. The financial burden due to faulty engines had mainly attributed to the considerable increase in the cost on lease rents.

The Ministry of Agriculture, which has identified its vision as the creation of an efficient, productive and strong agricultural sector for food security and national prosperity, and its mission as the realization of an entrepreneurial agriculture that produces globally competitive products with a socially accepted innovative and commercial orientation through sustainable management of natural resources, currently operates as the Agriculture Division, the Livestock Development Division, the Fertilizer Division and the Rural Economic Crop Cultivation and Promotion Division.

Audit Observations

Ministry of Agriculture and Plantation Industries

Repairs of Vehicles

The specific factors that led to the engine failure of a Range Rover Jeep in the Rural Economic Sector on 21 June 2021, and the responsible parties had not been identified. This repair, which could have been completed for Rs.3.08 million in the year 2021, was handed over to the local agency for Rs.9.04 million after 3 years, and as a result, three times of the original cost had to be incurred.

Term Loans and Payment of Loan Interests

Due to not receiving necessary provision from the General Treasury to make payments to the relevant suppliers at the time of maturity of the letters of credit for fertilizers imported by the previously existed Lanka Fertilizer Company and Colombo Commercial Fertilizer Company from 2018 to 2021, the bank had converted the total value of short-term loans settled by the bank amounting to Rs.43,742.56 million into term loans totaling to Rs.47,465.63 million under 05 stages,. In the year 2024, the Ministry had spent loan interest amounting to Rs.3,401.11 million related to the settlement of that amount.

Economic Centres

Although the construction of the Specialized Economic Centres in Batticaloa, Vavuniya and Jaffna had been completed by 31 December 2024 after the commencement of work in the years of 2017 and 2018 at a cost of Rs.279.8 million, Rs. 304 million

Non-recovery of security deposits

and Rs.191 million respectively, the Centres had not been opened even by 31 May 2025.

A lease agreement bearing No. 2178 had been entered into with a private company for a period of five years from 08 April 2016 for the purpose of acquiring a building on lease basis for the Ministry of Agriculture. In terms of its terms, the building premises had been handed over to the lessor on 31 January 2020. However, the refundable security deposit of Rs. 63 million paid to the lessor had not been recovered even by 30 September 2025.

The Project of Constructing the Veterinary Office Building At Point Pedro

The Livestock Division of the Ministry had paid a sum of Rs. 6.82 million in relation to the initial advance and first bill in the financial year 2022 for the construction activities of the veterinary medicine office building at Point Pedro under the Medium Term Livestock Development Programme. However, the construction contract had been terminated informally at the request of the contractor. Any action had not been taken in this regard and although an advance amounting to Rs. 10.7 million had been paid to the contractor as the second phase of the construction of the building by including it in the action plan of the year 2024, its physical progress remained at a very low level as 3 percent.

Balances Not existing Physically

Although a balance amounting to Rs.7.2 million was indicated in the savings account within the financial statements of the Farmers' Trust Fund maintained by the Ministry, there was no such balance in reality and the total balances amounting to Rs.201.4 million prevailed from previous years were balances, of which the recoverability is uncertain or which do not actually exist and impairment provision for that had not been made.

Maintenance of the Farmers' Trust Fund

The non-statutory funds should be abolished with immediate effect and their funds should be credited to the Consolidated Fund of the Government as per the Public Finance Circular No. 01/2020 dated 28 August 2020. If there are reasonable grounds for further maintenance, it should be incorporated by an Act of Parliament. However, action had not been taken accordingly in relation to the Farmers' Trust Fund.

Retention of Amounts

Rs.112.9 million had been retained in the bank accounts and Rs. 1,237.6 million had been retained in investments at the end of the year 2024 without planning projects in a manner that would fulfill the objectives of sub-section 3(1) of the Deed of Trust of the Farmers' Trust Fund dated 09 March 1994.

Loans granted by the National Livestock Development Board

A total of Rs.102.7 million was granted to the National Livestock Development Board on 09 occasions from 2002 to 2004, and it had been agreed as per the Agreement to repay a sum of Rs. 9 million to the fund within a year, and to repay a sum of Rs.93.7 million immediately after the sale of the land called Mahaberiyatenna Estate in Kandy. However, the land had been leased to an external party for 99 years at the time of the agreement. Even though 21 years had passed since the loan was granted as at 31 December 2024, unsettled loan balance amounting to Rs. 43.5 million and the accrued interest for that amounting to Rs.98 million remained outstanding.

Non-recovery of loans and non-issuance of certificates

Action had not been taken even by 30 September 2025 to recover the interest-free loan amounting to Rs. 5.96 million provided to the Ran Geviliya Social Enterprise Public Company in the year 2018 on the basis of repayment over a period of one year and to issue the GAP (Good Agriculture Practice) certificate planned to be issued for the paddy

production of Geviliya farmers by March 2019 as per the project time frame.

**Loans granted to the
Commissioner General of
the Department of
Agrarian Development**

A sum of Rs.90 million had been granted, under the condition of recovering the sum within one year, to the Commissioner General of the Department of Agrarian Development to be provided to 10,000 farmers cultivating maize in the Anuradhapura District in the year 2015. The balance of Rs.10.9 million, out of that, had not been recovered from that Department even though 9 years had passed.

Even though the period of recovery for the sum of Rs. 10.8 million, out of the Rs. 225 million provided to the Department of Agrarian Development in the year 2020 as maize loans and for cultivating fallow fields, had been exceeded, it had not been recovered even by 30 June 2025.

**Non settlement of
advances**

Advances amounting to Rs.19 million given to the Commissioner General of Agrarian Development for the functions of turning paddy into rice, rehabilitation of minor irrigation, cultivation of fallow fields, purchase of pumpkins and obtaining seed paddy had not been settled for a period of 3 to 24 years.

Department of Agrarian Development

**Project for Preparing
Digital Paddy Land
Registers**

Provision amounting to Rs.26.05 million had been released after planning to register 1,600,000 paddy lands under the Project for Preparing Digital Paddy Land Registers during the year under review. However, the number of paddy lands registered by incurring a cost of Rs. 25.06 million or 96 percent

of the allocated amount had been 38,495, and it was only 2.4 percent of the target amount.

Parachute Cultivation Programme

A provision of Rs. 241.4 million had been released for the cultivation of 10,000 acres in 21 districts under the Parachute Cultivation Programme, and Rs. 63.6 million or 26 percent of the provision had been spent and only 613 acres had been cultivated. This was a low figure as 6.3 percent of the targeted cultivated acreage.

Project to prepare safe houses for cut flower cultivation

According to the action plan, a provision of Rs.31.04 million was released for the preparation of 30 safe houses under this project during the year 2024 and even though Rs.29.92 million or 96 percent of the provision, had been spent, the preparatory activities had not been completed during the year.

National Programme for Minor Irrigation Rehabilitation and Recultivation of Fallen Paddy Fields

Even though 590.30 acres of fallow paddy fields belonging to Category A, and 232.465 acres of fallow paddy fields belonging to Category B, and 833.78 acres of fallow paddy fields belonging to Category C were identified, out of the lands registered as paddy fields as at 31 December 2024 in the Kurunegala District under the National Programme for Minor Irrigation Rehabilitation and Recultivation of Fallen Paddy Fields, any action had not been taken to recultivate the relevant paddy fields. Although a sum of Rs.8.07 million had been incurred for cultivating 215 acres of land in 27 centres by the District Office during the year 2023 under that programme, paddy had not been cultivated in 24.3045 acres of fallow paddy fields in 11 of those centres even by 31 December 2024. Therefore, the amount of Rs.1.626 million spent had been an idle expenditure.

Renovation of Abandoned Tanks

149 tanks, out of the total number of 5,636 tanks in the Kurunegala District, had been abandoned by considering that they had been unusable in relation to 24 Agrarian Service Centers. Although the number of farmers supported by 108,413 acres of paddy fields under those tanks was 125,063, only 02 tanks abandoned during the year 2024 had been renovated.

Sustainable Home Gardening Programme

The target number of home gardens under the Sustainable Home Gardening Programme in the Kurunegala District in the year 2024 was 21,200, and the number of home gardens provided with seeds and planting materials for the establishment of home gardens had been 6,299. Therefore, the progress in establishing home gardens was at a very low level as 30 percent.

Idling of Warehouses

Although 11 warehouses with a capacity of 900 MT had been constructed in 06 districts with World Bank assistance in the year 2021 to store the crops of small and medium-scale farmers and field crop growers by incurring a sum of Rs. 88.72 Million and they had been handed over to the Agrarian Service Centres, they remained idle.

Administration and development of Agrarian Service Centres

Although Rs.9.6 million had been spent by the Agrarian Development Fund for the administration and development of Agrarian Service Centres in the year 2024, activities such as payment of compensation to tenant farmers and reforming the Farmers' Tribunals had not been carried out.

Information System

Although the Agricultural Development Fund had allocated provision amounting to Rs.1 million to design a management information system for the Farmers' Banks and Farmers' Committees of 4 Agrarian Service Centres, action had not been taken to complete the work during the year 2024.

Unsettled Advances

A sum of Rs.29.58 million, which had been provided to the officers of the Centres as advances by the Agricultural Development Fund for the improvement and development of supplies of the Agrarian Service Centres, marketing promotion activities, and training of officers and the farming community, had not been settled even by 30 June 2025, and a sum of Rs.7.28 million, out of that amount, had remained unsettled for more than one year.

Commercial Fertilizer Company Limited

Government Contribution Due to the discontinuation of the fertilizer subsidy in the year 2016 and the change in the subsidy policy to the system of providing cash to farmers, the company had government contribution for fertilizer subsidy amounting to Rs.2,112.47 million as at 29 February 2016. The amount had not been remitted to the General Treasury and interest expenses and other expenses amounting to Rs.780.1 million on short-term loans obtained for the importation of fertilizer had been written off, and the value retained without paying to the General Treasury as at 31 March 2024 had been Rs.1,332.37 million.

Non-remittance of remaining funds due to exchange rate fluctuations

In the year 2021, the amount of US\$ 5,707,739.40 that was to be paid to the foreign supplier for the imported KCL fertilizer had not been paid on the due date due to the shortage of foreign exchange. Later, the required funds were released to the bank account from the General Treasury at the rate of US\$ 250,000 per week after agreeing to pay the said funds to the supplier in instalments. After paying all the money to be paid to the supplier, including bank charges, the company had an amount of Rs.31.8 million, out of that received amount, due to the

exchange rate fluctuations. However, the amount had not been remitted back to the General Treasury.

Ceylon Fertilizer Company Limited

Incurring Operating Losses The Company had been continuously incurring operating losses for many years and although the percentage of the operating losses had increased from 04 percent to 157 percent since a period of 5 years up to the year 2024, the top management had failed to minimize losses by increasing fertilizer sales revenue.

Sri Lanka National Freedom from Hunger Campaign Board

Import and Distribution of Maize

Three (03) private institutions had been selected without an open tender process to import 25,000 MT of maize for distributing maize at subsidized prices to animal farms in Sri Lanka in the year 2024 and the task of distributing activities had also been assigned to the same institution. Although 9,917 MT, out of the 25,000 MT, had been imported by the relevant institutions as at 31 December 2024, and they had distributed maize to small-scale producers, the Board had not supervise that the distribution had taken place at subsidized prices.

Hector Kobbekaduwa Agricultural Research and Training Institute

Conducting Research Although it had been planned to complete 11 researches in the year 2024 by incurring a sum of Rs.11.61 million, only one research had been completed in relation to the year 2024.

Agricultural and Agrarian Insurance Board

Not fulfilling the requirements of the Act

The monitoring of the Insurance Regulatory Commission for third party insurance activities, which are non-agricultural insurance activities, and requirements to be followed in terms of its rules and regulations, had not been fulfilled in accordance

with the provisions of Section 12(3)(1) of the Regulation of Insurance Industry Act, No. 43 of 2000 and Section 29 of the Agricultural and Agrarian Insurance Act, No. 20 of 1999.

Granting of Long Term Acting Appointments

In contrary to Section 13:4 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, one officer was appointed to the post of Director (Administration) and 05 officers were appointed to the post of Development Officer for a period of 07 months to 4 years, and in contrary to Section 131 of Chapter IX of the Procedural Rules of the Extraordinary Gazette No. 2310/29 dated 14 December 2022, 22 officers were appointed to 09 posts on acting basis by extending the period from 06 months to 10 years.

Unauthorized Payments

Four (04) officers over the age of 60 years had been employed in contrary to the Public Enterprises Circular No. 06/2022 dated 06 October 2022 and a sum of Rs. 6.8 million had been paid as salaries and allowances without getting the approval.

Unsettled compensation amounts

Although the compensation amounts of Rs.70.8 million related to 8,185 farmers who suffered agricultural losses in the years of 2017 and 2018 was returned by commercial banks due to inconsistency in information, action had not been taken within the period of 7 years to identify the relevant farmers and settle the amounts or remit the amounts back to the General Treasury.

Agricultural Management Information System

In 2022, the United Nations Food and Agriculture Organization provided Rs. 20.4 million to the board to develop an integrated agricultural management information system in collaboration with the International Finance Corporation (IFC), and Rs. 23 million was spent on it during that year. However, even by the year 2024, those systems had not been used for the process of calculating and paying Compansations

An Enterprise Resource Planning (ERP) system was designed for the organization's management information system, with the work to be carried out under 9 main modules. It was contracted to be completed within 6 months from March 1, 2023, and by the year 2023, Rs. 72 million had been paid. Although the contract period was later extended until April 1, 2025, the work had not been completed even by June 30, 2025.

Contingency Reserves Fund

Although the balance of the reserve fund established for claims arising from unforeseen events as at 31 December 2024 had been Rs.588.5 million, this fund had not been utilized for a period of 22 years as definition for “unforeseen events” had not been developed and rules had not been enacted .

Payment of Incentives

The balance of the Incentive Fund, established by allocating 5 percent of the third-party insurance income with the approval of the Board of Directors in the year 2022, was Rs. 38.4 million as at 31 December 2024. Although incentive payments amounting to Rs.8.4 million, Rs.8.7 million and Rs.10.4 million have been made from that fund in the years of 2022, 2023 and 2024 respectively, approval of the General Treasury had not been obtained to establish this fund and to pay incentives.

Insurance for Employees

Although the funds of state-owned enterprises should not be transferred to welfare associations or any other welfare activities as per Section 05 of the State Enterprises Circular No. 01/2024 dated 28 February 2024, an Employees Medical Insurance Fund was established from the funds of the Agricultural Insurance Board with the approval of the Board of Directors, to provide insurance coverage to its employees and the Board had contributed Rs.5.2 million for that in the year 2024. The balance of the said fund was Rs. 36.3 million as at 31 December 2024, and the approval of the General Treasury had not been obtained for the establishment of the said fund.

Funds operated under the Agricultural and Agrarian Insurance Board Farmers Pension and Social Security Benefit Scheme

Going Concern

The total assets of the scheme was Rs.3,062.1 million and total liabilities was Rs.94,351.6 million, and as a result, liabilities exceeding assets was Rs.91,289.5 million, and total current assets was Rs.1,125 million and total current liabilities was Rs.3,222 million. Therefore, current liabilities exceeding current assets was Rs.2,097 million, and since it is not possible to maintain the scheme without the contribution of the General Treasury, going concern of the scheme is problematic.

Not updating the information on biodata

Due to not updating the information on biodata of farmers, the pension of deceased farmers and farmers who did not come forward to get their claims due to other reasons was continuously remitted to the Department of Posts and the pension returned by the Department of Posts was Rs.469.3 million as the farmers had not accepted the pension in the year 2024, and the balance receivable from that Department at the end of the year 2024 was Rs.99.2 million. Since there was no information system that included the details of how those balances were formed and the details of each farmer as information on bio data of farmers had not been updated, it was not possible to verify the accuracy of the balances.

Non-updating of Information on Contributions

After the commencement of new enrolments in the year 2021, 1,205 contributors who had paid lump sum contributions as at 09 January 2025, and 2,210 contributors who had paid semi-annual instalments, and 1,477 contributors who had paid monthly instalments have obtained the contribution of the scheme. However, the existing information system or files had not been maintained to identify the contributions recovered by each contributor, identify the active or inactive status of the contributors, and not to accept the instalments of inactive contributors.

Fishermen's Pension and Social Security Benefit Scheme

Going concern

As the total assets of the scheme were Rs.743.3 million and total liabilities were Rs.6,125.3 million, assets exceeded liabilities was Rs.5,382 million. The going concern of the scheme has become problematic due to this unfavourable situation.

Not achieving the objectives of the Act

The objectives expected to be achieved by Section 3 of the Scheme had not been achieved due to the non-enrolment of new contributors after the year 2018 in accordance with Section 5 (1) of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990 and due to non-grant of pensions to 26,093 fishermen who had completed the age of 60 years in accordance with Section 7. Furthermore, Rs.5.5 million had been accounted as arrears of pensions during the period of 2007 and 2024 in the financial statements as at 31 December 2024, action had not been taken to pay them to the fishermen.

Sri Lanka Council for Agricultural Research Policy

Failure to transfer the vehicle

Although the CARP-ICRAF Tree Domestication Project of Sri Lanka Council for Agricultural Research Policy had been completed by 31 December 2022, the Toyota cab used for the project had not been transferred to the Sri Lanka Council for Agricultural Research Policy even by 30 September 2025.

Work-in-Progress

Although the date to complete work as per the terms of the Memorandum of Understanding (MoU) entered into with the Department of Buildings in relation to the contract for the construction of a part to the building, where the Policy Council was located, at a cost of Rs.12.3 million in the year 2019 was 30 April 2020, work had not been completed even by 31 January 2025.

Department of Export Agriculture

Provision of Export

Promotion Assistance

The Minister had paid a sum of Rs.289.96 million as export promotion assistance to the beneficiaries during the year 2024 without making any regulations.

Preparation of Plans

A corporate plan had not been prepared after the year 2015. Although there was a directive issued by the Committee on Public Accounts in the year 2024, attention had not been paid to it even by 31 March 2025.

The maximum capacity and output of the nurseries

The criteria used to determine the production capacity of the nurseries of the Department were not confirmed. There were wide variations between the maximum capacity and current production of the nurseries, and it was in the range of 18 percent to 64 percent. Accordingly, the number of seedlings that could be planted in fields was reduced by 1,181,742.

Extension of Agricultural Crops

One of the primary and main functions of the Department is to carry out the extension of export agricultural crops and although Rs.2,507 million has been spent for this purpose during the last 11 years, the area of land available in the field of 05 crop types as at 31 December 2023 had decreased by 15,875 acres or 21 percent compared to the year 2012.

Non-acquisition of lands

Even though the land in extent of 05 acres 01 rood, where the Mulhalkele Plant Nursery is located, has been enjoyed by the Department since 1980, formal steps had not been taken to acquire it to the Department. Out of that land, a land in extent of 02 acres, 2 roods, and 5 perches had been leased to a private company by the Land Reforms Commission for a period of 30 years. In addition, the ownership of 30 plots of land, in extent of 365 acres, which are being used by the Department, had not been transferred to the Department even by the closing date of the year 2024.

Department of Agriculture

Failure to obtain licenses Five (05) shops were carrying on business even by 27 February 2025, the date of audit, without obtaining the annual license required for the year 2024 as per the Extraordinary Gazette No. 1655/7 dated 25 May 2010 issued under Section 26 of the Control of Pesticides Act, No. 37 of 1980.

Overpayments An overpayment of Rs.1.82 million had been made for the Hela Bojunhala, construction cost of Rs.45.20 million, which was constructed in 3 phases at the Udimaluwa premises of the Sri Maha Bodhi in Anuradhapura.

Fake Payments A contract worker working at the Udaradella Seed Potato Production Farm had used fake bills prepared for the purchase of diesel, petrol, oil and grease to pay a sum of Rs.3.13 million to a private petrol station in the period of May 2022 to December 2023.

Purchase of 04 diesel storage tanks Even though each tank was estimated at Rs.2.50 million in the purchase of 04 diesel storage tanks at Rs.2.41 million each for seed production farms, it was revealed in the audit that the current market price of a diesel storage tank was Rs.1.45 million. Accordingly, it was observed that a loss of at least Rs. 4.20 million had incurred due to the payment of Rs.9.63 million for 04 tanks. Furthermore, these tanks had been lying idle for more than 02 years by February 2025 after the purchase of the tanks.

Installation of Solar Street Lamps The Deputy Director (Seeds) of the Department of Agriculture and Seed Production Farms had baselessly estimated the cost of each street lamp at Rs.46,000 and Rs.55,000 in the years of 2023 and 2024 respectively for the installation of 474 solar street lamps worth Rs.35.43 million. However, even though it

was revealed in the audit that the cost of a street lamp with the relevant specifications and brand was Rs. 17,250, a loss of at least Rs.13.63 million had been incurred.

Seed Production

Although the total expected seed production in the last 4 seasons at the Kundasale Government Seed Production Farm was 10,530 kg, only 2,717 kg of seeds were produced at a cost of Rs. 20.71 million. This was a very low level as 25 percent, of the expected target.

Furthermore, the Pelwehera Deputy Director (Seeds) Office had failed to obtain the target of 33,620 kg, and obtain only 21,320 kg or 63 percent of provided for 03 crop types under the contract seed programme for the Yala season in the 2024.

Moreover, seed potato production in the Yala season of the year 2023 had decreased by 50 percent compared to the Yala season of the year 2021 at the Meepilimana Government Seed Potato Production Farm, and seed potato production in the Maha season of 2023/2024 had decreased by 43 percent compared to the Maha season of 2021/2022.

A One Stop Shop and a Rental Centre for Agricultural Equipment were constructed at a cost of Rs.13.31 million on the premises of the Farm Mechanization Training Centre in Anuradhapura without a formal engineering plan and feasibility study. The agricultural equipment purchased for Rs.11.73 million remained idle without utilizing them for over 05 years. The One Stop Shop built in the Agro-Technology Park at Bataatha at a cost of Rs.7.13 million also remained underutilized.

Hadabima Authority of Sri Lanka (Sri Lanka Central Authority for the Development of Green Lands)

Import of maize under the quota of the Department of Animal Production and Health

The Department of Animal Production and Health had granted permission to the Hadabima Authority to import 21,250 metric tons in 2023 and 25,000 metric tons in 2024 under the quota for maize import provided to the Department. However, the Hadabima Authority had not taken steps to import maize using the funds of the Authority and distribute it according to the criteria of the Department of Animal Production and Health. The Authority had taken steps to obtain a commission of Rs.130.55 million by facilitating three private importers selected at the discretion of Authority. Although the Department of Animal Production and Health has allocated the quota for distribution maize to small-scale animal feed producers, it was observed during a field inspection conducted on 23 October 2024 that the farms mentioned in the list submitted by the institution regarding the distribution of maize are medium and large-scale, and when examining the distribution list of an importer who imported 10,000 metric tons of maize, it was observed that no maize had been supplied by the relevant importing company to any of the farms mentioned in the list.

Import of Undu for the Sinhala and Hindu New Year

The Ministry of Agriculture had granted permission to the Authority to import 500 metric tons of Undu required by the Tamil people in the plantations sector for the Sinhala and Hindu New Year of the year 2024. The Hadabima Authority had utilized the permission received and imported the goods using the funds of a selected private institution by mentioning the name of the Hadabima Authority in all import documents. The Authority had received a commission of Rs.8 million by

providing the goods to that institution. Although the approval of the Cabinet of Ministers had been granted to import Undu required for the Sinhala and Hindu New Year, it was observed that the Undu was released from the warehouses and transported to wholesalers in Pettah by the relevant private institution during the period of 30 April 2024 to 03 May 2024.

**Expending beyond
The budget limits**

Although the activities of institution as a state institution should be conducted within the annual approved budget limits, the Authority had spent Rs. 8.00 million for the revolving loan fund, which was for paying the loans of officers and Rs.5.79 million for the purchase of tablet computers for officers, by exceeding the annual approved budget limits, using the commission amounting to Rs.138.55 million received from the importers of Undu and maize.

Sri Lanka is a country in which a rural population lives than the urban population and most probably the rural population engages in the primary industry. Accordingly, the role of the affiliated institutions to that is to purchase of agricultural and animal production which is the main livelihood of the rural people and providing a better prices for that, providing of required infrastructure facilities for production and transformation of primary production into secondary production and forwarding those to the foreign market. Accordingly, the role related to livestock division in Sri Lanka is as follows.

The matters observed in the audit carried out in relation to the functions performed by National Livestock Development Board and Milco Private Company pertaining to this sector for discharging the aforesaid role are summarized given below.

Audit Observations

Providing advances

For import of dairy cattle under phase 3 of import of dairy cattle project, the Department of External Resources had entered into agreement with Australia Export Finance Insurance Company and Netherland Robo Bank for obtaining a loan amount of US Dollars million 73.95 for import of 20,000 pregnant dairy cattle within 02 years. Accordingly, the payment of US Dollars million 11.09 (Rs.1,749.67 million) had been made to Wellard Rural Exports Pvt Limited, Australia who was the selected supplier by calling bids in 2007 before 10 years without performing the basic activities prior to import as an advance amount of 20 percent from the contract value for import of 15,000 dairy cattle under step II of stage 3 of the project. The Ministry of Rural Economy had not taken action to keep a Advance security in terms of the sub section 5.4.5 of the Government Procurement Guidelines 2006 in payment of such advance. An advance amount of Rs.1,749.67 million (US Dollar 11.09 million) had become an idle expense owing to non-receipt of above proposed any animal or any benefit to the Sri Lankan Government even up to 27 February 2025.

Milco Private Company

Purchase of liquid milk

It is an essential fact to purchase of a considerable quantity of overall liquid production in the country which is the main input for carrying out the targeted production for achievement of the expected market share. However, the purchase of liquid milk by the company for its production activities existed in low level from 2020 to 2024. The details are as follows.

Table No - 2.26 The company's utilization of total milk collections

Year	Collection of liquid milk (as per the company reports) Liter (million)	Overall milk production (as per the reports of Department of Census and Statistics) Liter (million)	Purchase of milk %
2020	67.29	491.54	13.68
2021	67.91	513.31	13.22
2022	47.54	506.45	9.38
2023	39.78	504.15	7.89
2024	48.59	521.71	9.31

Idle Assets

The display screen of the ice cream machine at a cost of Rs.1.19 million established in Digana factory purchased in 2022 had become non-operational in September 2023 and it had not been properly repaired and utilized for the production process even up to 04 March 2025. Moreover, the ice cream machine changed from Colombo factory had not been utilized and been idle.

The ice cream cups and corn filler production machine at a cost of Rs.15.445 million existed in Digana factory had not been utilized since 12 years and been idle. Furthermore, 17 Cooling Room Doors and amount of more than about 100 Cooling Room Panels which are the parts of new cold room due to be constructed under Desmi Project had not been utilized and been idle.

Underutilization

Even though the overall capacity of 03 UHT milk production machines, 04 ice cream manufacturing machines and sterilized milk manufacturing machine in Digana Factory were 7,862,400 liters, 5,616,000 liters of ice cream and 1,800,000 liters of sterilized milk respectively in the year 2024, the average actual production in the year 2024 were 4,561,288 liters, 2,069,657 liters of ice cream and 133,856 liters of sterilized milk. Therefore, it was observed that the annual production capacity of 58 percent, 37 percent and 7.4 percent respectively had been only achieved.

National Livestock Development Board

**Expected milk production
And actual milk
Production**

As per the action plans from 2019 to 2024, the expected milk production and actual milk production of the board had decreased as follows.

Table No. 2.27 -The expected milk production and actual milk production of the board from 2019 to 2024

Year	Expected milk production as per action plan (Liters million)	Actual milk production (Liters million)	Decrease (Liters million)
2019	17.91	12.43	5.48
2020	15.11	12.03	3.08
2021	15.22	9.7	5.52
2022	12.54	6.43	6.11
2023	8.92	4.87	4.05
2024	7.18	4.15	3.03

Source.- Information provided by National Livestock Development Board

Department of Animal Production and Health

Kundasale Central Poultry

Research Station

Though this station is implemented to carry out the researches for promotion of local cockerels, the researches for rearing of cockerels had not been done after 2018 in this station. Similarly, rearing of chickens in chicken cages with maximum capacity of 5,420 was 1976 or only 36 percent.

Ibuldanda Livestock

Research Institute

100 Boer goats had been imported at a cost of Rs.37.34 million in 2019 with an objective of fielding of 250 goats within next 05 years, building of the commercial farms and production of goat sperms in Boer breed. It had been performed deviation from the health criteria and the guidelines of World Health Organization and only 141 diseased goats had remained in the center as at 31 December 2024 and accordingly, it was observed that the objectives of the project had not been totally achieved.

An expense totaling to Rs.112.68 million including their import expenses and Rs.75.34 million for maintenance of such diseased goats at the end of year 2024 had been idle expense owing to non-implementation of the decision taken for disposal of the diseased goats (CEA diseased) more than a one year.

Thelahara Goat

Breeding Centre

Even though Thelahara Goat Breeding Centre had been commenced in 2000 for the expansion of Jamunaparee goats, the objective of the relevant project for providing the goats to the community had rapidly decreased from 213 goats to 31 within previous 05 years.

Pollannaruwa Artificial

Insemination Centre

The center had been established in an area with extent of 100 acres with an objective of production of semen of crossbred cattle related to dry period and daily artificial insemination training. The center had been totally non-operational more than

02 years due to 39 diseased cattle out of 48. The production of 55,270 cattle semen doses with a value of Rs.3.07 million had halted since more than 01 year owing to no immediate intervention of Department of Animal Production and Health for disposal of diseased animals.

Though an amount of Rs.9.45 million had been incurred for the expenses of center in 2024, it was observed that it had been completely non-operational.

Transactions in the Financial irregularities nature

The full inquiry report F.R.104(4) in relation to the financial irregularity of Rs.14.75 million occurred by cash officer (Shroff) of Gannoruwa Livestock Research Institute had not been issued even up to the end of the year under review. Even though the legal action had been taken against the cash officer (Shroff) who is directly liable to the financial irregularity, no any measures had been taken for the other parties who are liable to this irregularity.

Implementation of Bim Saviya Program

The Bimsaviya program began as a regulatory program in 1998 and has been in operation for 26 years, with an expenditure of Rs. 9,357 million. The number of title certificates issued is 462,922 and the number of files set aside regarding problematic land plots is 500,739. As at 31 December 2024, there are 16 million land plots remaining to be implemented and certificates issued across the island, and it will take about 66 years to issue title certificates for this number of land plots, and it is observed from past statistics that approximately Rs. 60,000 million will be spent on it. However, the Ministry had not prepared a suitable internal program to efficiently implement the program.

Vehicle Accidents

A jeep owned by the Ministry of Tourism was involved in an accident in 2019 and after that accident, it was handed over to the Sri Lanka Tourism Convention Bureau and on 23 November 2023, a repair cost of Rs. 11.52 million had been incurred by the Bureau and handed over to the Bureau for use for a period of five years. Then, it was taken back to the Ministry. However, no action had been taken in accordance with Financial Regulations 102, 104, 105 regarding the damage caused to government property. Furthermore, the Ministry had not taken action to reimburse the amount of Rs. 12.4 million that had been spent by the Bureau for this jeep as at 31 December 2024.

Implementation of Urumaya Program

For the implementation of the Urumaya program by the Department of the Commissioner General of Lands, a total provision of Rs. 18.83 million was provided to the Ministry of Lands under a presidential secretariat expenditure head and Rs.111.58 million to the Department of the Commissioner of Lands, aggregating to Rs.130.41 million. Out of that provision, the Ministry incurred Rs.14.48 million and the Department incurred Rs. 71.88 million, for a total expenditure of Rs. 86.36

million. Although, the number of deeds planned to be issued in the year 2024 under this program was 40,000, the actual number of deeds issued was 22,362. Although, this program was initiated as an expedited program, the Ministry has spent Rs. 5.04 million and the Department Rs. 7.26 million, totaling Rs. 12.3 million, for incentives, Treasury approval had not been obtained for calculating the rates for payment of incentives and for granting allowances for the activities of issuing “Urumaya” deeds carried out by the officers during their term of office.

Department of Land Title Settlement

Not using fingerprint machine

Although, a system of signing the arrival and departure of officers through fingerprint machines should be implemented in every state institution, fingerprint machines had not been installed in the 57 regional offices of this department. It was also observed that due to the absence of supervisory officers recruited on a permanent basis in those offices, an internal control system was not implemented due to the fact that appointments were made on the basis of performance of duties and on an acting basis. Although, Rs. 724.95 million was incurred in the year 2024 as salaries and wages, other allowances, overtime and holiday payments and travel expenses, evidence that could confirm the authenticity of those expenses was not submitted to the audit.

Missing the measured Land plots

Since 2023, it was observed that the land title settlement officers at the Kesbewa Regional Office did not have measured plots of land to perform their duties due to the non-survey and handover of plots by the Survey Department. Accordingly, services commensurate with the salaries and wages of Rs. 9.14 million paid to the officers for that period of duty had not been received.

Not using the official residence

Although, the official residence constructed for the Commissioner General of Land Titles Settlement in September 2020 at a cost of Rs. 25.07 million was not used for the relevant purpose and was given to two officers of the department, house rent had not been collected in accordance with the provisions of the Establishments Code.

Department of the Commissioner General of Lands

Nor recovering the Undeveloped value

The Department had not taken steps to recover the undeveloped value of Rs. 59.78 million prior to the development of the lands in respect of 321 acres and 3.03 perches of land which had been developed by the Land Reclamation and Development Corporation for several years and then disposed of to external parties.

Land Information Management System

The Government Land Information Management System (E-slims) was initiated with the aim of providing efficient services related to land leasing. Although, the estimated cost of completing and implementing the system within a period of 05 years was Rs. 119.6 million and the cost incurred for it was Rs. 226.90 million, the expected level of performance to be achieved by this system had not been achieved even by 10 April 2025.

Excavating Sea Sand

The Land Development Corporation had signed a sea sand removal agreement with a foreign company on 16 January 2018 and issued a letter of acceptance, and accordingly, the Corporation had earned income from the sale of sea sand worth Rs. 6,778.04 million from the year 2019 to 2023. According to sections 58 to 67 of No 08 of the State Lands Ordinance of 1947, if any material is to be extracted from the seabed, it is

stated that it should be done with the approval of the Commissioner General of Lands and it was also stated that a fee should be charged for it. However, no evidence was presented to the audit that any approval was obtained or any amount was recovered from the government for the removal of sand worth Rs. 6,778.04 million. Accordingly, it was observed during the audit that the government had incurred a loss of at least Rs. 271.1 million in this process.

Projects that were stopped In the middle

In the Kilinochchi district, without a feasibility study, proper planning and checking whether there were provisions, a 30-perches plot of land had been acquired for a tourist bungalow in the year 2019, and only a part of the building had been constructed without taking ownership of the property from the department. As at 31 December 2024, the amount spent on the construction of this building was Rs. 10.42 million and furniture and equipment worth Rs. 0.33 million had been purchased without completing the construction work of the bungalow. This building, whose construction work had been stopped, was being destroyed without proper use.

Obtaining Fuel allowances

A sum of Rs. 1.19 million was paid on 16 October 2024, for a period of 9 months from 01 April 2024 to 31 December 2024, to colony officers and land officers who were not entitled to fuel allowances for the National Urumaya Deed Distribution Project.

Loss of Tax Money

The Government had lost Rs. 70.52 million in tax due to the fact that the Commissioner General of Lands' letter No. 4/10/General/Tax Relief (L2) dated 10 November 2022 had informed the manner in which tax should be levied in respect of 08 tax files provided on a lease basis.

Survey Department

Time delays in surveys

The total number of survey requests received by the Department under 09 survey categories as at 31 December 2024 was 139,668. However, the number completed as at 31 December 2024 was 106,173. Accordingly, the number that was not completed as of that date was 33,495 or 24 percent. The time delays regarding those uncompleted survey requests were as follows.

Table number 2.28 - Survey requests Uncompleted surveys

Survey Requests Year Received	Number of uncompleted survey requests	Delay in Years
2020 and before	9,708	More than 04
2021	4,133	More than 03
2022	4,995	More than 02
2023	6,132	More than 01
2024	8,527	Less than 01
	33,495	

Source - Survey Department

Diyatalawa Surveying and Mapping Institute

Although, the Diyatalawa Surveying and Mapping Institute, which was established to conduct various courses on surveying and mapping, is situated on a 61-acre land area consisting of 121 different building elements and has very large physical resources, only one small graduate group consisting of 22 students is engaged in studies for the 4-year course from 2022 to 2026. In the absence of recruitment of apprentice surveyors, a situation was observed where there were no students for the degree course as well.

Land Use Policy Planning Department

Preparation of National Land Use Policy

The Cabinet of Ministers approved the revision of the National Land Use Policy in August 2018 for the optimal and sustainable management of Sri Lanka's land resources. Accordingly, a major task is to formulate a National Land Use Policy for Sri Lanka and revise it according to the current needs. Although, the final draft prepared for it had been submitted to the Ministry of Lands and Tourism, the preparation of the National Land Use Policy had not been completed.

Land Survey Council

Investigation of Complaints

Although, the complaints submitted to the Council by the public regarding professional misconduct by surveyors are required to be investigated, out of the 205 complaints, including 149 complaints received prior to 2024 and 56 complaints received in 2024, 163 complaints had not been resolved by the end of the year 2024.

Land Reforms Commission

Compensation payable

The compensation payable for lands acquired from estate companies and individuals in terms of the Land Reforms Act No. 01 of 1972 was Rs. 215.48 million as at 31 December 2024, and the accuracy of that balance could not be verified due to the non-availability of acceptable evidence regarding compensation payments in the two schedules (Phase I and II) submitted for that purpose.

Allocation of lands for Employees

According to the information submitted to the audit, 49 acres and 35.64 perches of land had been allocated to 395 officers from the year 2009 to the year 2024, based on the provision of

a perches worth Rs. 1,000 each to an employee of the Commission with 5 years of continuous service, contrary to Section 44 (O) of the Land Reforms Act No. 1 of 1972, on the basis that the Commission should establish a provident fund for the persons employed in its service and provide welfare and recreational facilities and houses and hostels and other premises. An advance of Rs. 1,200,000 each at Rs. 10,000 had also been received from 120 employees of the Commission with a view to allocating lands in the future.

Informal recruitment

16 officers recruited by Cabinet Decision No. Amap/18/1126/829/002 dated 27 June 2018 were given permanent appointments and 20 perches of land at a value of Rs. 1,000 per perche without the approval of the Department of Management Services when the expected recruitment objectives had not been met. Furthermore, one of them had left the service of the Commission in February 2025.

Deed distribution Ceremony

In conjunction with the Urumaya deed distribution ceremony, the 'Semata Himi Bimak' deed distribution ceremony was held on 30 March 2024 at the Bogambara Stadium in Kandy, where about 2,700 deeds were distributed, at a cost of Rs. 10.10 million.

Irrigation

Ministry of Irrigation

The then Ministry of Irrigation, played a unique role in the development and management of water resources through multiple purposes, including improving the living standards of the farming community and going beyond that, such as drinking, industrial and power generation contributing to the country's agricultural development through the provision of irrigation water as the Irrigation Division of the Ministry of Agriculture, Livestock, Lands and Irrigation

A Department, 02 Statutory Boards, 02 State Companies and 09 Major Projects were in operation under the then Ministry of Irrigation existed.

Parliament had provided a net allocation of Rs. 88,857 million to the Ministry of Irrigation and the Departments under it in the year 2024 and only Rs. 62,193 million had been utilized by the end of 2024. Details are given below.

Table No 2.29 – Allocations and Utilization of Funds Of Ministry of Irrigation and the Department of Irrigation for the year 2024

	Ministry of Irrigation Rs. million	Irrigation Department Rs. million	Total Rs. million
Net Provision	60,760	28,097	88,857
Expenditure	44,782	17,411	62,193
Balance	15,978	10,686	26,664

Source – Annual Financial Statements- 2024

Audit observations

Charges for electricity generated by Moragahakanda

Hydroelectric Power Plant The total outstanding income from the sale of hydropower in relation to the Moragahakanda Hydropower Project as at 31 December 2024 was Rs. 447.32 million according to the financial statements of the Ministry. Out of this, a sum of Rs. 434.41 million was outstanding from October to December of

Suspension of works of Gin Nilwala Diversion Project

the current year, and Rs. 12.91 million was outstanding for the years 2023, 2022 and 2021.

Failure to provide sufficient time for the collection of monthly income and failure to contract being able to charge interest for late payment also had affected to the delays of these charges.

The construction of the Gin Nilwala Diversion Project had been awarded to a Chinese construction company for USD 690 million and the contract agreement had been signed by both parties on 05 November 2014. The Project had been planned to begin in 2014 and be completed in 2017 and an advance payment of Rs. 4,011.04 million, equivalent to 5 per cent of the contract value of USD 34.5 million, had been paid to the contractor by 07 January 2015. Nevertheless, due to the order of the Cabinet Sub-Committee on Economic Affairs to conduct a formal investigation into the uncertainty surrounding the potential environmental impacts of this project, the project had been suspended since 2015.

A service agreement was entered into with the Mahaweli Advisory Bureau in April 2017 to obtain an environmental impact assessment report so. Its revised value was Rs. 38.85 million, and out of that, a sum of Rs. 16.5 million had been paid. Although the report had been submitted on 27 August 2024, the approval of the Central Environmental Authority had not been received even by 30 April 2025.

Accordingly, even though the government has spent Rs. 4,091.21 million on this project, including the above expenses, up to 31 December 2023, the economy has not benefited from it so far. Major project management deficiencies such as not conducting a project appraisal before starting the project and entering into contract agreements without obtaining

Maduru Oya South Bank Development Project

formal prior approvals after conducting environmental impact assessments had mainly affected for this.

Although a total of Rs. 14,500 million was allocated from 2012 to 2017 to implement the Maduru Oya South Bank Development Project over 11 years from 2012, the commencement of project work was delayed for 10 years until 2021. Later, a sum of Rs. 1,689 million had been allocated from 2021 to 2023, and the amount spent up to 2023 was Rs. 906.34 million. Although 14,000 hectares of agricultural land could be cultivated through this development project and the highest benefits were obtained and the damage to the environment was at a minimum compared to other projects implemented during this period, this project had not been given much priority.

Uma Oya Diversion Project

The Uma Oya Diversion Project was initiated in 2015 and the main construction was completed and handed over to the Ministry of Irrigation by April 2024. Although actions have been taken to provide land and mud lands from the Wellawaya and Haldummulla Divisional Secretariat areas in the lower valley to 279 families who lost their farmlands in the Hali Ela, Welimada and Uva Paranagama areas in connection with the construction works in the upper valley, the acquisition of the identified lands had been rejected due to difficulties such as encroachment by unauthorized settlers, heavy deforestation, threats from wild elephants, being far from the place of residence, and adapting to environmental and social disparities and that problem has not yet been solved. Further, although a sum of Rs. 1,127.59 million paid by the government for the compensation to be paid by the contractor to the affected parties for the water leakage that occurred in the main tunnel of this project should have been recovered from the Iranian

contractor company, the amount had not been recovered even by 30 April 2025.

Department of Irrigation

Charges for Electricity Generated by the Deduru Oya Power Project

The Irrigation Department had signed a Memorandum of Understanding with a fully owned subsidiary of the Sri Lanka Electricity Board on 13 October 2017 to operate a power plant in the Deduru Oya Multipurpose Development Project and the subsidiary had agreed to pay 15 per cent of the revenue generated from the sale of electricity generated monthly to the Electricity Board, to the Irrigation Department as a bonus payment according to clause 7.1 of the said Memorandum of Understanding. Accordingly, although the amount to be collected during the period from January 2021 to 31 December 2024 had been Rs. 54.19 million, the company had paid only Rs. 7.09 million up to 31 December 2024. Accordingly, the outstanding amount receivable from the subsidiary as of 31 December 2024 was Rs. 47.10 million.

Uma Oya Lower Valley Development Project

Utilizing the approximately 145 million cubic meters of water annually diverted from Uma Oya to the Kirindi Oya basin after hydroelectric power generation to meet the acute water needs of the Kirindi Oya basin was the main objective of the Uma Oya Lower Valley Development Project and the construction had been planned to begin in 2013 and be completed by 2022. The period was later extended until 31 December 2024, and more than 12 years had been spent on this project.

Even though the performance report stated that out of the approved estimated cost of the project of Rs. 17,914.20 million, Rs. 17,689.01 million had been spent as at 31 December 2024

and achieved a physical progress of 97.44 per cent, the estimated value has been revised by the Director General of Irrigation on 23 December 2024 to Rs. 22,017 million including remaining work and new work expected to be constructed and an additional amount of Rs. 4,147.38 million had been submitted for approval by the Secretary of the Ministry. Nevertheless, approval for this had not been received until 30 April 2025 and the construction had been stopped since late November 2024. Although the initial works for diverting water to the Kiridi Oya basin and the construction of the hydroelectric power plant were completed by April 2024, the planned amount of 145 million cubic meters of water was being released into this basin, the expected benefits from the project, including cultivated lands, could not be achieved in a timely manner due to the fact that the structures planned under the Lower Valley Development Project was not fully completed until April 2025. Even though it had been planned to increase the area to 48,132 acres in Yala, Maha and Intermediate seasons, after the completion of the project, the Yala and Maha two-year intensive cultivation project in these areas covering 18,232 acres before the commencement of the project, the total area of land currently cultivated here is only 26,369 acres.

During the construction of the Ali Kotaara and Handapanagala reservoirs and canals for the Lower Valley Development Project compensation had not been paid for 119 plots of land acquired in the Wellawaya area as at 31 January 2025 and actions had been taken so far to obtain valuations for 70 plots of land from it.

Lower Malwathu Oya Development Project

The construction of the Lower Malwathu Oya Reservoir on a direct labour basis by crossing the Malwathu Oya at Bogoda, Thanthirimale, connecting the Anuradhapura District and Vavuniya District had been commenced by the Department in

the year 2016. This project was planned to be completed within 8 years, that is by 2024 and an extension had been requested until 31 December 2025. The total cost estimate of this project was Rs. 22,900 million. Although a provision of Rs. 4,275 million was provided for this from the year 2017 to the year 2024, the total financial progress was Rs. 1,817.44 million and the physical progress was 7.03 per cent by the end of the year 2024 as per the Performance Report of the Ministry.

Eru Wewa –

Mahakanadarawa

Catchment Canal Project

This project had been planned to be completed by the Anuradhapura Regional Irrigation Engineering Office during the period 2024 -2026 at an estimated cost of Rs. 2,000 million. Although a provision of Rs. 1,000 million had been allocated in the year 2024 for this project, only Rs. 375.78 million had been spent and the overall physical progress of the Project as at 31 December 2024 was 12.2 per cent.

Yan Oya Reservoir Project

Even though the Yan Oya Reservoir Project was initially planned to be commenced in the year 2012 and completed in 2021 at an estimated cost of Rs. 48,355.3 million, that period had been extended until 31 December 2024, and Rs. 41,953 million had been spent on that date.

Even though this project was implemented, with the primary objective of providing irrigation facilities to 1,515 hectares of uplands and mud lands belonging to the Horowpothana and Gomarankadawala Divisional Secretariat Divisions and bringing them into cultivation, the amount of land that the Forest Conservation Department had agreed to release was 865.45 hectares. Out of this land, irrigation facilities had been provided for the cultivation of only 773.68 hectares of new paddy land as at 25 March 2025 and 741.38 hectares had not been provided to farmers for cultivation. Further, although it

had been planned to provide a maximum of 1.5 acres each to those who lost their paddy lands due to the project, it had been impossible to provide the paddy lands due to the necessary paddy lands had not been identified and released by the Forest Conservation Department. As a result, an additional compensation of Rs. 972 million, at Rs. 1.8 million each, had been paid to 540 family units in exchange for paddy lands by 27 March 2025.

Abandonment of Projects without Completing

Recommendations had been submitted for each project by the Secretary to the Prime Minister's letter No. PMO/DEV-11/01/01/MTG/SEP-02 dated 07 October 2022 addressing the Secretary of the Ministry of Irrigation regarding the implementation of the recommendations of the Re-strategize and Acceleration of Large-Scale Development Projects (RAMP) Committee. The following points were observed when examining the recommendations and the performance reports of the Irrigation Department.

Kumbukkan Oya Reservoir Project

Although the Kumbukkan Oya Reservoir Project had been planned to commence in 2015 and be completed in 6 years at an estimated cost of Rs. 32,397.3 million, it had been recommended that no major activities be initiated until a definitive decision on the relevant funding is received from the Treasury as stated in the aforementioned article, "Since this project is an unsolicited proposal with foreign loan assistance". Nevertheless, a definitive decision regarding funding for the project had not been obtained from the Treasury up to now. As a result, a sum of Rs. 521.54 million spent from the year 2015 to 2023 had remained idle.

Renovation of the Kudawilachchiya Reservoir

The renovations of this reservoir had been planned to commence in 2021 and be completed in 2023 at an estimated cost of Rs. 6,000 million. The overall benefits of implementing this were to provide drinking water to 25,000 people in the Anuradhapura district, increase the crop intensity of the Mahawilachchiya Irrigation Scheme from 1.57 to 2.0, minimize human-elephant conflict, protect archaeological sites from further destruction, provide water for the proposed medicinal zone in Anuradhapura, provide water facilities for wildlife in the Wilpattu National Park, and ensure water flow for the ecological impact of the Modaragam Aru River. Since a policy decision has been taken that instead of constructing new industrial estates as per the said letter, only the existing industrial estates should be operated going forward, the committee had recommended to obtain confirmation from the Ministry of Health that the Oyamaduwa Pharmaceutical Manufacturing Industrial Estate in operational within the next two years, If not, the project to be stopped. Accordingly, confirmation in this regard had not been received from the Ministry of Health. The said committee had decided to stop the entire project considering only the objective of “providing water for the proposed pharmaceutical zone in Anuradhapura”, which was one of the benefits to be derived from the implementation of the Kuda Vilachchiya Reservoir Rehabilitation Project. Accordingly, the cost of Rs. 162.14 million spent from 2021 to 2023 had remained in idle.

Accelerated Irrigation Development Project in Monaragala District

The Rapid Irrigation Development and Reconstruction Project in the Monaragala District had been started in the year 2016 with an estimated cost of Rs. 2,500 million and is expected to be completed in 2024. It had been recommended that the

project be completed within this year, with only the activities currently being carried out at the Uraula Wewa, Piylegama Wewa and Moragolla Wewa, which are part of this project, including the Detagamuwa Wewa as indicated in the aforementioned letter. However, without taking actions accordingly, construction had been abandoned from the year 2024. As a result, Rs. 1,221.21 million spent on the project from 2016 to 2023 had remained in idle.

**Himbiliyakada Wattegedara
Irrigation Infrastructure
Development**

The development of irrigation infrastructure facilities at Himbiliyakada Wattegedara had been planned to commence in 2020 and be completed in 2024 at an estimated cost of Rs. 7,155 million. As stated in the aforementioned letter, although the construction of the sluice and Wattegedara tank embankments had been completed and other activities of the project had been recommended to be temporarily suspended, the construction had been abandoned in March 2024 without being completed. Accordingly, the cost of Rs. 664.40 million spent on this project from 2020 to March 2024 had become a idle expenditure.

**Mahagalgamuwa
Catchment Canal
Construction Project**

Ten-year Plan for large/medium scale irrigation projects proposed to be implemented by the Ministry of Irrigation and Water Resources Management with the approval of the Cabinet of Ministers on 11 th September 2011 had been commenced in the year 2014 and the estimated cost had been Rs. 500 million. Although the 14-kilometer-long canal had been excavated in places, by spending Rs. 374.95 million from the year 2014 to 2023, not a single section of the canal had been properly prepared. Due to the abandonment of this project from the year 2024, the cost incurred for the project had not been a productive expenditure.

Unauthorized Construction and Cultivation

The Irrigation Department had not issued the necessary criteria to carry out formal regulation regarding the protection of major and medium-scale water schemes, major river basins, watersheds and reservations under its control, control of unauthorized construction and cultivation activities, prevention of water pollution, control of unauthorized water use and maintenance of irrigation schemes according to Section 64 of Chapter 285 of the Irrigation Ordinance No. 32 of 1946.

Although 619 unauthorized constructions or unauthorized cultivations had been identified in the vicinity of tanks and reservoirs belonging to 31 Regional Irrigation Engineering Offices under the control of the Irrigation Department according to Section 65 of the Irrigation Ordinance, actions had not been taken in accordance with the provisions of the Irrigation Ordinance or the Government Lands (Restoration of Possession) Act regarding unauthorized construction or unauthorized activities.

The Department was required to identify the boundaries of the protected areas of the tanks and reservoirs controlled by it and maintain information about their area in accordance with Paragraphs 1 and 3 of the Circular No. 08/2014 dated 01 December 2014 of the Director General of Irrigation. Nevertheless, although the number of tanks, reservoirs and anicuts controlled by the Department was 387, the number of tanks, reservoirs and anicuts submitted for audit in the year 2021 was 291 and details of the reservation borders for 251 of them had not been provided. When requesting information regarding tanks, reservoirs and anicuts, including reservation borders for the year 2024, the information had been presented without obtaining details about these reservation borders.

Sri Lanka Mahaweli Authority

Granting of Absolute Rights under the Heritage Programme

The “Urumaya Programme” was launched in 2024 in the 10 Mahaweli zones and targeted to distribute deeds to 204,002 Mahaweli settlers under Section 02 of the Land Ordinance in the first and second phases. In this, 69,774 grant certificates and permits held by Mahaweli settlers under the Land Development Ordinance were taken back to the Authority with the aim of granting absolute ownership of the land. Only 26,669 deeds had been registered and redistributed to the settlers as at 31 December 2024. This was 13.2 per cent of the total target and the Authority had spent Rs. 38.8 million on these programmes as at 31 December 2024.

Nevertheless, the primary objective of the Land Development Ordinance was to distribute, utilize and manage state land for agricultural and residential purposes. This ensured that land was provided to landless people for residential and agricultural purposes, thereby improving the living standards of the rural people by creating food security through the effective use of state land for agricultural purposes, providing justice to them by giving priority to the low-income people, preventing the fragmentation of agricultural land into small plots and maintaining agricultural land plots as economic units, restricting transactions such as selling, renting or covering loans, thereby ensuring state control over land use. However, it is observed during the audit that granting absolute ownership to the people under this new “Urumaya Programme” will not achieve any of the above objectives.

Establishment of New Divisional Offices

Three new divisional offices had been established in the Walawe region in the areas of Godakawela, Weligepola and Kolonna in 2024 to improve the living standards of the people

of the Ratnapura District. An initial cost of Rs. 4.02 million had been spent to establish these offices and in addition, a monthly building rent of Rs. 0.1 million had also been paid until April 2025. The Mahaweli Authority does not carry out land administration activities and maintenance of irrigation systems within the area where these offices are located and these three offices were mainly responsible for only distribution of goods.

Providing Assistance only under one Divisional Office

Although there were 10 divisional offices in the Walawa Region, the entire amount of Rs. 27.5 million allocated to the region for the construction of toilets under the provision of assistance to low-income earners had been given to the Kolonna office. Similarly, as per the methods used earlier in the construction of these toilets, an excess amount of Rs. 0.12 million was given for each toilet due to the award of contracts to farmers' organizations instead of providing the aid to the beneficiary. Furthermore, the method of selecting the beneficiaries for this purpose was not presented to the audit, and it was observed during the audit test check conducted by the audit that assistance had also been provided to people who were not low-income earners.

Small and Medium Scale Loans

Out of 3 small and medium scale loan schemes implemented with the aim of improving the living standards of the Mahaweli colonists by adding agricultural, animal husbandry, value-added and other industry-related products to the local and foreign markets by jointly providing the necessary basic facilities for entrepreneurs in the Mahaweli regions by the Authority through the Regional Development Bank, a sum of Rs. 131.1 million had been provided as loans as at 31 December 2024 from the Rs. 151.94 million provided in 2006, 2010 and 2017 for lending under the Mahaweli Saviya

and Mahaweli Surakum Loan Schemes. No amount whatsoever had been paid to the Authority from the interest charged by the bank for this amount provided as a loan under the Mahaweli Saviya and Mahaweli Surakum Loan Schemes.

Preparation of Environmental Assessment Reports

The contract for the preparation of Environmental Impact Assessment Reports for an agriculture and livestock development project in an area of 3,770 acres in the Kandakadu area belonging to the Mahaweli B zone had been awarded to the University of Sri Jayewardenepura for Rs. 6.54 million on 28 September 2021 and out of this, a sum of Rs. 3.21 million had been paid. The relevant environmental assessment report had not been completed due to the failure to reach a specific agreement on which institution should be entrusted with this environmental impact assessment report, which was only partially completed due to the transfer of ownership of this land to the National Livestock Development Board in accordance with a decision of Cabinet of Ministers, and which institution should bear the related future payments. The amount of Rs. 3.21 million spent without proper planning had become a wasteful expenditure at present.

Implementation of Agricultural Production Projects

It had been planned in the year 2020 to provide approximately 540 acres of land in the Welikanda area of Muthuwella for the implementation of agricultural crop production projects under the Mahaweli B Zone Agriculture Development Programme. Even though a sum Rs. 2.62 million had been paid to the University of Colombo in 2021 and 2022 for the environmental impact assessment of these investment projects, investment project had not been implemented even though more than 05 years had elapsed since the planning year.

Fish fingerlings Production Project

A program was initiated in 2021 to produce fish fingerlings for the reservoirs under the jurisdiction of the Mahaweli Authority in the Mahaweli zones. Accordingly, although it was planned to construct pond systems in Zones C, H, Huruluwewa and Walawa, by 20 May 2025, the construction of ponds had been completed only in Zone H. Although a sum of Rs. 2.04 million had been spent on other zones, since the construction of ponds had not been completed as planned, that amount had become a futile expenditure.

Leasing of Properties

The Doragala Tea Factory and land that has been disposed of as an investment project under the Digana Residential Business Management Office had been leased out to a private company since 1992. Even though the approval had been given in 2012 to lease out this property under a long-term lease, the evidence of a tax agreement being entered into wasn't available in the file. Although there was a tax deficit of Rs. 0.81 million for this property as at 31 December 2024, the relevant factory was closed along with machinery and equipment during the inspection conducted by the audit on 18 December 2024.

Kotmale Unagaloya Estates Bungalow

The Unagaloya Estate Bungalow in Kotmale had been leased out to an individual since 16 August 2017, to operate as an eco-friendly holiday resort. Again this property had been handed over to a private company for repair and maintenance in August 2023 and during the audit inspection conducted by the audit on 18 December 2024, the gate of the bungalow was closed and locked. No external evidence of any repair work had been observed.

Return of Acquired Land

The Authority had acquired 48.35 acres of land from Charing Cross land in Harrington Estate, Kotagala, on 20 August 1985 for Rs. 4.76 million with the aim of establishing settlements for

the Kotmale project. However, contrary to the purpose, 25.47 acres of this land had been given to an industrial institution of the Lanka Estate Workers Congress on 04 February 1994. However, the land was in an undeveloped condition and settlement or cultivation had not been established there even by 20 May 2025.

**Pilot project for the
Establishment of
High-tech Greenhouses**

A 0.3035 hectare land in the old Kotmale Divisional Office premises had been given to a private company in the year 2019 for the pilot project to establish high-tech greenhouses to mitigate climate impacts in the Mahaweli Regions. It had been agreed that this project would provide technical training and employment opportunities for 100 Mahaweli officers and farmers in the Mahaweli Zones (Victoria and H Zone). However, no tax has been levied on this piece of land, which has been occupied by this company since 2019, from that date until now and a survey plan had not been prepared and formally disposed of. During the field inspection conducted on December 18, 2024, it was observed that two greenhouses were constructed and cultivation is being carried out here and no training activities had been carried out for Mahaweli officers and farmers as agreed.

Power and Energy

Ministry of Energy

The Ministry of Energy operates with the vision of making Sri Lanka the energy hub of South Asia and with the mission of ensuring an environmental friendly and sustainable energy supply by increasing access to low-cost energy, managing fuel imports, integration of domestic new energy sources into the energy mix, and formulating and regulating policies related to the energy sector in accordance with the prescribed laws and regulations, in order to meet national needs.

Audit Observations

Implementation of the National Energy Policy Of Sri Lanka

According to the National Energy Policy and Strategies of Sri Lanka published in 2019, the National Steering Committee, which was supposed to meet quarterly to monitor the implementation of the energy policy, had not held committee meetings in 2024, and although measures were to be taken to revise the performance timeframe every two years, the relevant performance timeframe had not been revised as required even though 05 years had passed from 2019 to 2024.

Furthermore, studies have not been conducted on the measures to be taken to solve the technical issues that arise in absorbing electricity generated from variable renewable energy sources, such as wind and solar energy, into the power grid. Even though the Ministry was supposed to introduce lighting standards for rural, urban and main road lighting, including public lighting, in the year 2020 and implement them on a mandatory basis, it was observed that the relevant standards have not been published to date.

Revenue

As per the Cabinet decision No. CP/23/0632/621/031 dated 25 April 2023, an amount of Rs. 6 million should be collected from the institutions engaged in the lubricant industry as an annual fixed registration fee, in addition to which, based on the annual sales volume, an amount of 0.9 percent of the annual

fixed registration fee should be deducted and the remaining amount should be collected as a variable registration fee. The Ministry had not taken action to correctly calculate and recover the variable registration fees for the years 2023 and 2024 or to identify the outstanding variable registration income in the outstanding income statement. The outstanding lubricant variable registration fee income calculated by the audit for the years 2023 and 2024 based on the information of the lubricant market published by the Public Utilities Commission for the year 2023 was Rs. 231 million.

Petroleum Exploration Activities in the Mannar Basin

A private company was selected in the year 2007 for petroleum exploration in the M-2 exploration block (SL 2007-01-001) in the Mannar Basin and in the year 2011, the company discovered two natural gas deposits. A foreign company was appointed on 14 December 2016 to obtain the necessary technical and marketing consultancy assistance to select a suitable investor for the development and production of the natural gas deposits discovered in the M-2 exploration block in the Mannar Basin through an International Competitive Bidding Process and for that purpose, the Ministry had spent US\$ 300,000, i.e. Rs. 46.61 million at the then prevailing exchange rates. The Sri Lanka Petroleum Development Authority was established in the 2021 with the objective of regulating the exploration, development, extraction and management of petroleum resources of Sri Lanka. However, it was unable to find a suitable investor for development and production of gas deposits until 31 December 2024.

Hambantota Battery Energy Storage System Project

Even though a treasury provision of Rs. 3,239 million was allocated in the year 2024 for the Hambantota Battery Energy Storage System Installation Project scheduled to be constructed in the year 2024 with the estimated cost of US\$ 11,900,000

under the aid of the Korean Government, the relevant project had not been initiated.

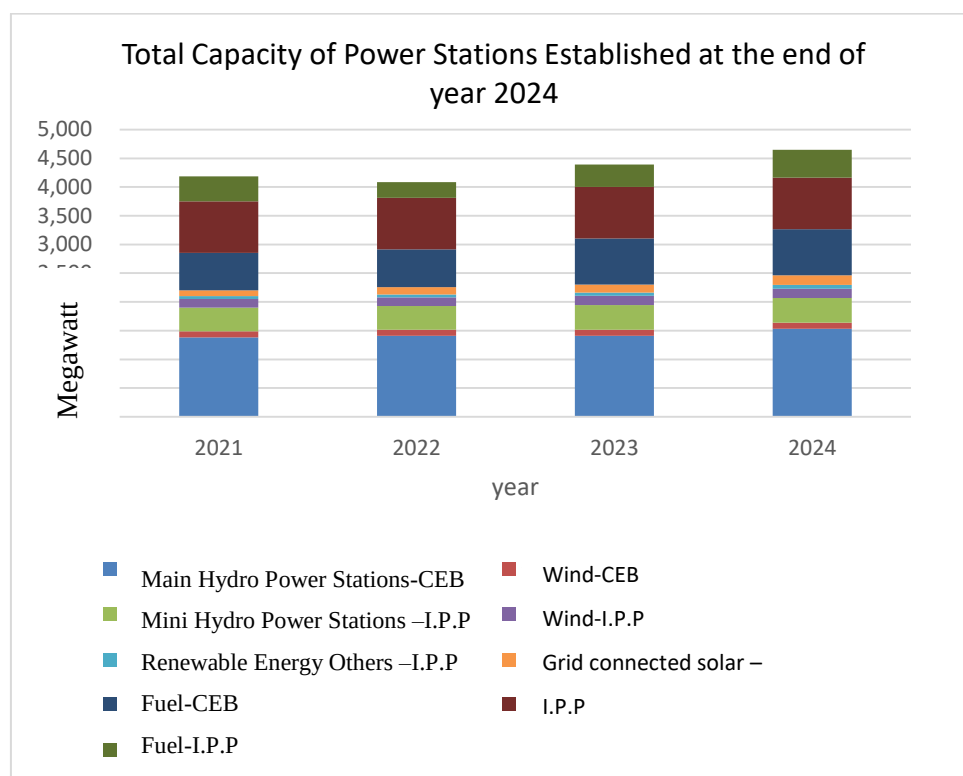
Foreign Aid Projects

15 development projects at a value of Rs. 47,658 million are being implemented under foreign aid projects, and it was observed from the project progress reports that the financial progress and physical progress of 07 projects for the current year are less than 51 percent.

The Ceylon Electricity Board (CEB)

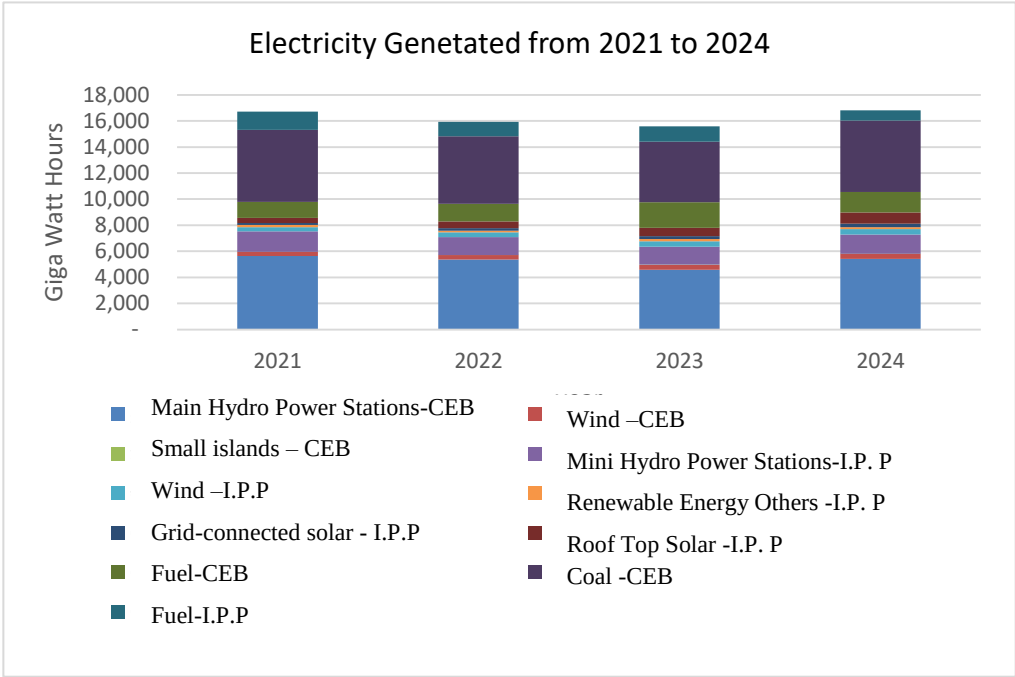
The Board had generated electricity from the following sources during the last 04 years. The capacity of power stations established from 2021 to 2024 until the end of the year and the sources, from which electricity was generated from 2021 to 2024, are shown in the following tables.

Diagram No 2.26 – Total Capacity of Power Stations Established at the end of year 2024



Source – Report of the statistics of the Ceylon Electricity Board 2021- 2024

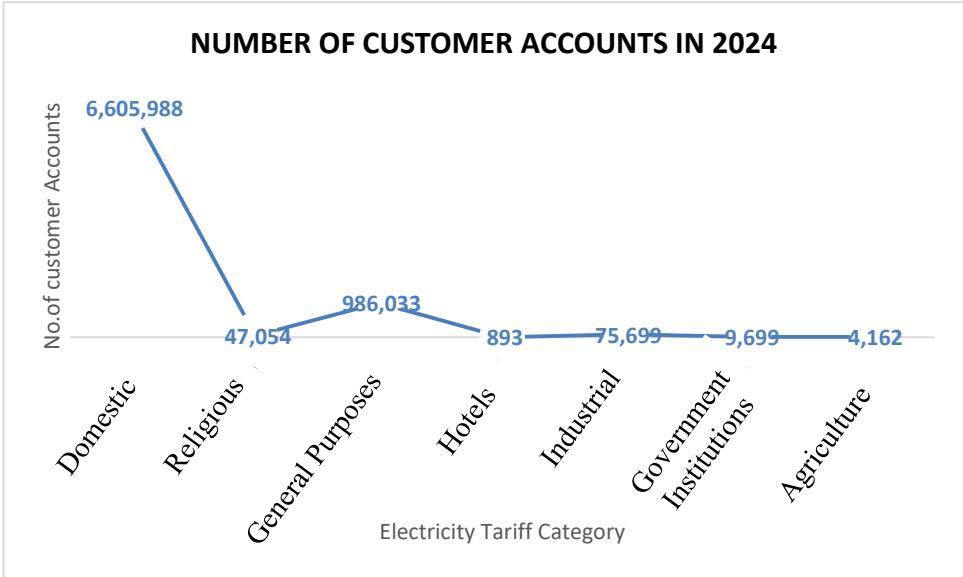
Diagram No 2.27 – Electricity Generated From 2021 to 2024



Source – Report of the statistics of the Ceylon Electricity Board 2021- 2024

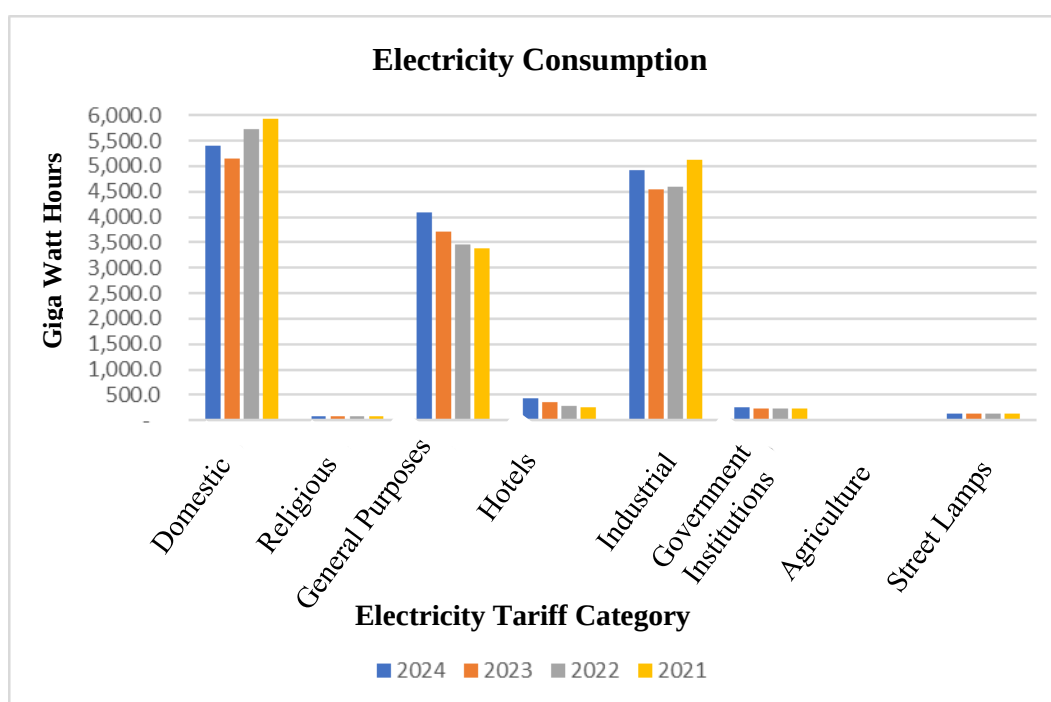
The electricity sales (electricity consumption) and number of customer accounts made by the Board and Lanka Electricity (Private) Company Ltd during the last 04 years are given in the following tables.

Diagram No 2.28 – Number of Customer Accounts in 2024



Source – Report of the statistics of the Ceylon Electricity Board 2021- 2024

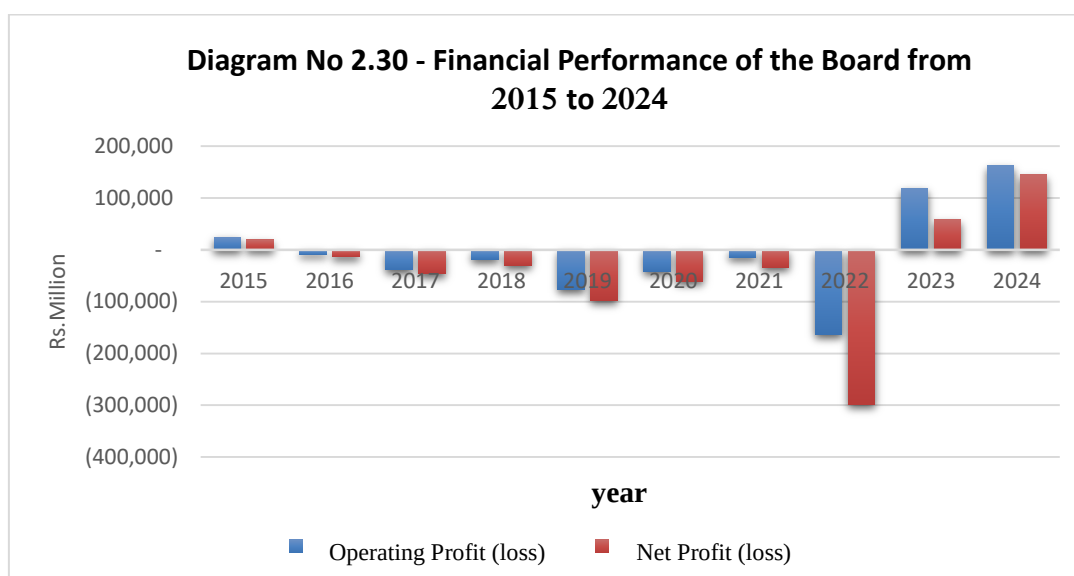
Diagram No 2.29 -Electricity Consumption from 2021 to 2024



Source: Report of the statistics of the Ceylon Electricity Board 2021-2024

Financial Results of the Board

The annual operating profit/ (loss) and annual net profit/ (loss) earned by the Ceylon Electricity Board for the last 10 years from 2015 to 2024 are given in the following table.



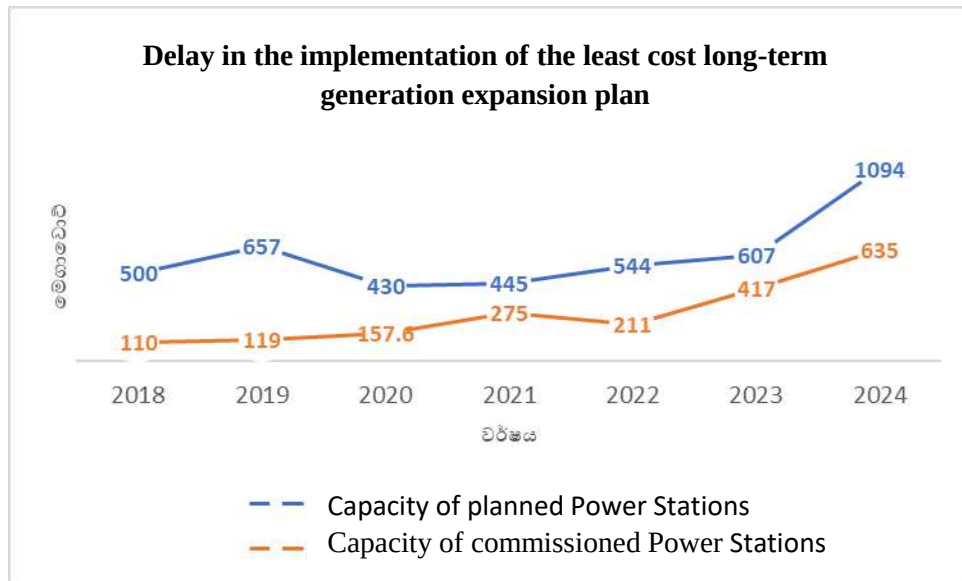
Source: Financial Statements of the Ceylon Electricity Board 2015-2024

Delay in Implementing Least Cost Long-Term

Generation Expansion Plan Section 24 (1) (c) of the Sri Lanka Electricity Act, No. 20 of 2009, as amended, provided that in accordance with the 2018 - 2037 Least Cost Long-Term Generation Expansion Plan prepared by the Board for the period 2018 - 2037, new power stations with a total capacity of 2,032 MW were planned to be commissioned during the years 2018, 2019, 2020 and 2021. However, out of the planned total capacity of 2,032 MW, power stations with a total capacity of 661.6 MW had only been commissioned as at 31 December 2021.

Further, as per the revised plan for 2022-2041, it was planned to operate renewable energy power stations with a total capacity of 544 MW in the year 2022. However, as at 31 December 2022, only new renewable energy power stations with a total capacity of 211 MW had been operated. As per the revised plan for 2023-2042, power stations with a capacity of 607 MW and 1,094 MW had been operated in the years 2023 and 2024 respectively. However, as at 31 December 2024, only new power plants with a total capacity of 1052 MW had been operated. The least cost long-term generation expansion plan prepared by the Board and the progress of its implementation are given in the following table.

Diagram No 2.31 - The least cost long-term generation expansion plan and its implementation progress



Source: Information submitted by the Ceylon Electricity Board

Delay in Implementing the Long-Term Transmission Development Plan

Under the 2018 - 2027 Long-Term Transmission Development Plan, one transmission proposal identified for immediate implementation in 2019, six transmission proposals identified for 2021 and three transmission proposals identified for 2023 had not been initiated by 31 December 2024. Further, ten new grid substation proposals and eleven transmission lines and underground cable proposals identified for 2023 under the said plan had not been initiated by 31 December 2024.

Purchase of Power from Power Producers who had not obtained a Licence

Contrary to Sections 7 (1) and 43 (1) of the Sri Lanka Electricity Act, No. 20 of 2009, as amended, 24.93 Giga watt hours of energy worth Rs. 1,719.62 million had been purchased during the year 2024 from retired Independent Power Producers (IPPs) who had not obtained authorization from the regulator and had not obtained a generation license.

**Delay in Implementing the
Licensed Non-Conventional
Renewable Energy Projects**

Out of the projects with a total capacity of 2,115.4 MW licensed by the Sri Lanka Sustainable Energy Authority (SLSEA) between 2022 and 2024, power purchase agreements were signed only for Non-Conventional Renewable Energy (NCRE) projects with a total capacity of 467.5 MW.

**Payment of Miscellaneous
Allowances without Obtaining
the Approval**

As per the audit test check, Rs.1,060.02 million had been paid for the year 2024 alone for allowances not included in the list of allowances approved by the Cabinet of Ministers on 09 April 2008 without obtaining the recommendation of the Salaries and Cadre Commission and the approval of the Department of Management Services. Even though the retention allowance should not be paid to officers entitled to professional allowance as per the decision of the said Cabinet decision, Rs.191.3 million had been paid as retention allowances to 601 officers entitled to professional allowance during the year 2024. Similarly, the total interest amount reimbursed from 2013 to 2024, which is 2/3 of the interest charged on property loans, without the approval of the Treasury, had been Rs.19,384.8 million.

**Delay in Collecting
Trade Debt**

As at 31 December 2024, Rs. 6,413.25 million was outstanding for more than 6 months, of which Rs. 2,343.91 million was outstanding for more than 5 years.

**Delay in
Recovery of Other Debt**

As at 31 December 2024, the other debtor balance was Rs. 20,429.02 million, of which Rs. 10,546.2 million was outstanding for more than a year as at the end of the year under review. Out of this, balances of Rs. 23.86 million, Rs. 252.75 million and Rs. 80.42 million due from religious places, various debtors and government institutions respectively remained outstanding for more than five years without any action being

taken to recover them. Further, Rs. 714.96 million due from the coal company remained outstanding for more than ten years without proper action being taken to recover the same.

Non-Compliance with Procurement Guidelines

The procurement authority limits increased pursuant to a decision of the Cabinet of Ministers for the period 2021-2023 had expired by the end of December 2023, and from that date, the procurement authority limits prescribed under Supplementary 35 and 40 to the Procurement Manual 2006 should have been complied with. However, the Board had continued to maintain the procurement authority limits increased pursuant to the above-mentioned Cabinet decision until 29 August 2024. According to the audit test checks conducted, it was observed that the Board had initiated 20 procurement tasks of works, goods and services with a total estimated cost of Rs.1, 976.7 million during the period from 01 January to 29 August 2024 contrary to the provisions of Supplementary 35 and 40.

Further, contrary to the Supplementary 35, the Board of Directors had increased the personal authority limits of the Board for works, goods and services with effect from 02 November 2021. According to the audit test checks carried out, it was observed that the Board had initiated 27 procurement tasks of works, goods and services with a total estimated cost of Rs. 55.43 million, under higher personal authority limits, during the period from 02 November 2021 to 31 December 2024, contrary to the provisions contained in the Supplementary 35 and 40.

Recovery of Overpayments in the Purchase of Electricity

Even though both parties had agreed to recover the energy charges, activation charges and late interest that had been paid

in excess due to non-implementation of the terms of the agreement when purchasing electricity from West Coast Power (Pvt) Company, based on the reduced values agreed upon by both parties for several parameters, the Board had not taken action to calculate the actual amount paid in excess as at 31 December 2024 and recover it along with late interest.

Construction Work of Headquarters Building Complex

While the construction contract for the Headquarters Building Complex, for which filing work was completed, was awarded on 02 August 2021 for Rs. 4,774.60 million, and as per the decision taken by the Board of Directors on 14 March 2023, it had been decided to complete the structural construction of the building after the completion of the first floor. Accordingly, the contract was terminated on 15 August 2023 when the physical progress of the project was 13.2 percent. Since 15 August 2023, Rs. 11.5 million had been spent on recurrent expenditure (salaries, fuel, vehicle repairs, etc.) for the project and Rs. 1,496.6 million remained in the work in progress account related to the construction at the end of the year 2024. Therefore, it was observed that the expenditure incurred by the Board for the development activities of the project remained idle.

Abandoned projects

Seethawaka Ganga Hydropower Project identified through the main generation plan of the Board was due to be implemented in 2022. Even though the Board had incurred Rs. 301.19 million for the initiative activities up to 30 September 2021, after that, it had been decided to assign again this project to Sri Lanka Energy (Private) Company which had managed this project at the beginning for development of 02 mini hydropower stations with 7mw after closing the project.

Furthermore, a Project Monitoring Unit had been established by the Board at a cost of Rs. 167.31 million for Lakvijaya

Power Station Expansion Project as per the Cabinet Decision dated 24 September 2019. However, the project had been closed on 26 October 2021 based on a Cabinet Decision taken on 13 September 2021. Accordingly, the expenses incurred for this project by Board had become idle.

**Losses occurred by
An investment company**

Rs.2, 312.76 million belonging to the Provident Fund of Board and Rs.400.4 million belonging to the Pension Fund had been invested in the treasury bonds in 2008 and 2009 through Entrust Securities PLC in 2014 and it had been disclosed in 2015 that there was no securities in relation to this investment by the name of Fund in the Central Depository System. However, two civil cases had been filed against the relevant company by Ceylon Electricity Board after more than 02 years delay for recovery the investment amount with accrued coupon interest up to the date of maturity in 2018. Two cases were being heard by 31 December 2024. Moreover, no measure had been taken against the responsible officers who served in the fund at that time for their professional negligence and the opportunity had been provided to them to go on retirement from the service of Ceylon Electricity Board.

Ceylon Electricity Board Provident Fund

**Taking action in contrary
to the rules of fund**

As per Rule No.31 Regulations of Ceylon Electricity Board Provident Fund, amendments to rules shall be lawful for the Ceylon Electricity Board by decision of the Board from time to time and at any time to alter, vary, modify, remake or rescind the rule or any of them subject to the approval of the Commissioner of Labour and the Commissioner General of Inland Revenue. However, the rules in relation to powers and duties of the management committee, investment powers and rules related to award loans to the members had been revised

by Fund without obtaining such approvals and not publishing the amendments to the Provident Fund Regulations 2003 through the Gazette Notification. Accordingly, it was observed that 64 education loans amounting to Rs.64.1 million and 4945 property loans amounting to Rs.6,618.3 million had been provided in the year 2024 in contrary to the above Rules.

Lanka Electricity (Private) Company

Overpayments to the Suppliers

In contrary to the tariff amendment of Ceylon Electricity Board dated 12 November 2024, Rs.38 million had been overpaid to 551 energy suppliers due to payment of money as per the quotations prevailed in 2023 and no necessary action had been taken to recover this amount up to 31 December 2024.

Lanka Coal Pvt. Ltd

Undersupply of coal

An amount of Rs.590 million due from a foreign coal company since 10 years had not been recovered by Lanka Coal Company even up to the end of year 2024 under an agreed arbitration method.

Ceylon Petroleum Corporation

Petroleum Market

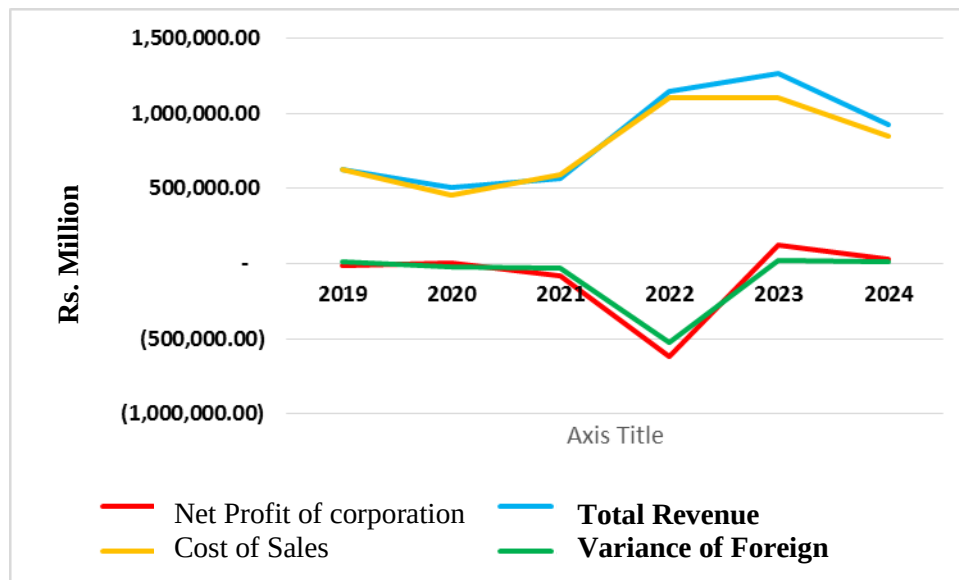
In 2024, the sales of local petroleum production was 4,470,063 metric tons and 3,031,716 metric tons out of that, more than 68 percent had been supplied by the Ceylon Petroleum Corporation (CPC). In the year under review, a sum of Rs.774 billion had been incurred by corporation for import of overall petroleum.

Financial Results and Status of the Net Assets of Corporation

In 2024, the Corporation had reported a net profit of Rs. 32,931 million and it was Rs. 120,310 million in the preceding year. The net profit of the Corporation had decreased by Rs. 87,379 million as compared with the preceding year. The local sales

value of the refined petroleum production existed as Rs. 1,194,087 million in the preceding year had decreased up to Rs. 822,850 million in the year under review by Rs.371, 237 million. The decrease of sales quantity of 04 key refined petroleum products from 18 percent to 28 percent and the decrease of the sales prices of such 04 refined petroleum products in the range of 3 percent to 11 percent had mainly caused for the decrease of this sales value as compared with the preceding year.

Diagram No 2.32 - Revenue, cost of sales, variance of foreign exchange rate and profit/loss after tax of corporation from 2019 to 2024



Source – Audited financial statements of Corporation

Loss occurred due to Future security transactions(Hedging)

As per the audit examination carried out related to the hedging transaction made relevant to the petroleum procurement by corporation from 2007 to 2009, the total loss occurred to the country was Rs. 14,028 million from such transactions. Furthermore, a case had been filed by a private commercial bank in Colombo Commercial High Court for ownership of US\$ 8.6 million against the corporation and said case was being heard at the end of year 2024.

Not charging

Monthly utility fees

As per the Board decision No.38/1140 dated 29 October 2013, it had been decided to charge a monthly utility fee (MUF) from the all Corporation Owned Dealer Operated Filling Stations (CODO) and Treasury Owned Dealer Operated Filling Stations (TODO) with effect from 01 January 2014. However, this decision had not been fully operated and the monthly utility fee had been charged only from 11 dealers out of 220 CODO and TODO filling stations. Accordingly, the Corporation had failed to recover a sum of Rs.7, 228 million recoverable to the corporation as at 31 December 2024 up to date.

Purchase of mobile LP

Gas filling machine

A mobile LP Gas filling machine had purchased at a cost of Rs.25 million after preparing plans for entering into LP Gas sale by corporation in 2008. About Rs.12 million had been incurred as additional expenses for bringing it to the usable condition and it had not been utilized for the operating activities from the date of purchase the asset up to date and the overall expense incurred had been idle. Furthermore, though an internal investigation had been carried out on this machine in 2015 and an investigation had been done by ministry in 2020, no responsible persons had been determined by such examinations. The guidelines provided by said investigation reports had not been implemented by corporation.

Not performing the Modernization And strengthening of petroleum refinery as planned

Even though it had been planned to increase the daily refinery capacity from 50,000 crude oil barrels to 100,000 during 2008-2010 and it had been planned to renovate the refinery and study the processing structure (including an increase of daily refinery capacity to 50,000 - 70,000 barrels) during 2014-2015, as per the energy plans said plans had not been implemented. Similarly, though an amount of Rs.1,742 million had been incurred for the project activities such as the feasibility study

for the establishment of a new oil refinery close to Sapugaskande premises in order to daily refine 100,000 barrels of crude oil during 2020-2021, the expected refinery complex had not been constructed. Even though 100 percent from the petroleum requirement in Sri Lanka had been fulfilled from Sapugaskande Petroleum Refinery in 1970 decade, this condition had dropped up to 25 percent (except Naphtha) presently as a result of non-implementation of the energy plans.

Not handing over the assets

Or values to corporation

As per agreements

344 dealer operated filling stations (DODO) implemented under Ceylon petroleum Corporation had been assigned to 03 companies through the agreements at the end of year 2024. Though the action should be taken to hand over the assets belonging to Corporation existed in the filling stations assigned, to corporation again or pay the market value of the assets to the corporation as per such agreements, no action had been taken in relation to 357 corporation asset items assigned including 38 filling station oil storage tanks with a value of Rs.52.4 million.

Similarly, the equipment assigned to one private company by corporation had been entered into an annual operating lease and it had expired on 30 June 2024. No an operating lease had been entered into in relation to the assets of 194 filling stations provided to other two companies. Accordingly, the corporation had lost the opportunity of earning of an operating lease income for the usage of the assets owned by corporation existed in the filling stations assigned to the companies.

Payment of dealer commissions

Contrary to Board decision

It had been decided to pay 3 percent commission to DODO filling stations and 2.75 percent commission to CODO filling stations subject to upper and lower caps for deviation the adverse impact to the corporation and dealers by fluctuations of

the commissions paid to the dealers owing to the effect of the fluctuations of the local market price of petroleum as per the Board Decision No.05/1231 dated 30 July 2019.

Table No. 2.30 - Commissions paid to the dealers due to the impact of the price fluctuations in the local market

	Petrol		Diesel	
	92 Oct	95 Oct	LAD	LSD
Upper Cap	Rs.162	Rs.170	Rs.121	Rs.145
Lower Cap	Rs.117	Rs.128	Rs.95	Rs.110

Source. Information presented by Ceylon Petroleum Corporation

However, the Corporation had paid the dealer commissions to the dealers without considering the upper caps in contrary to the above Board Decision. Accordingly, the total dealer commissions overpaid was Rs.37,678 million from 12 June 2021 to 31 December 2024. Rs.75 million out of that had been recovered from the dealers. Some cases had been filed in the courts in relation to this matter and said cases were being heard at the end of year 2024.

Sri Lanka Sustainable Energy Authority

Non preparation

Of the methods for

Enforcement of Cess

Even though a Cess calculated as per the rates decided from time to time by an order published in the Gazette by the minister with the concurrence of the minister in charge subject of finance as per Act should be enforced, charged and paid on all mineral fuel productions imported, the relevant fees couldn't be charged due to non-preparation of the methods for that.

Sri Lanka Atomic Energy Regulatory Council

Non preparation of a

Procedure for regulation

The Council has the responsibility of regulation of every act related to ionizing radiation done by all persons including the Atomic Energy Board by granting the licenses as per the Act. Accordingly, though the Council should formulate the procedures and a mechanism as per the section 12(l) of Act for monitoring and regulation of the services such as measurement of the radiation levels, calibration of radiation measurement equipment and site monitoring services which is the secondary task to be supplied by Board, said procedures and mechanism had not been prepared and published in the Gazette.

Non preparation of National Strategy Plan For regulation of radiant Substances

In terms of the section 46 of Sri Lanka Atomic Energy Act No.40 of 2014, no national strategy had been developed for promptly gaining or regaining control over orphan radioactive sources.

Ceylon Petroleum Storage Terminals Limited

Delayed capital projects

The approval had been granted by the Cabinet of Ministers on 18 September 2019 for awarding to a contractor for a sum of US\$ 12.68 million for construction of 06 fuel tanks (03 tanks with 15,000m³, 02 tanks with 7,000m³, 01 tank with 5,000m³) for Kollanawa Storage Terminal. Accordingly, a contract had been entered with a private contractor in 2019 and the work should be completed under the construction in 2023. The employer had terminated the above agreement 19 January 2022 as per the contract agreement owing to not obtaining the expected progress by the contractor. On that date, a sum of Rs. 328.11 million had been incurred by company for foregoing contract. However, no measure had been taken to select a contractor for completion the remaining work of above project.

Delay of submission of Consultant report

As per the Board Decision No.232 dated 14 December 2022, it had been decided by the Board of Directors to carry out a forensic audit in relation to the sales and distribution process in accordance with an internal investigation report provided pertaining to a fraud occurred in the distribution process. Accordingly, a consultancy agreement had been entered into at a cost of Rs. 8.6 million on 26 June 2023 with a consultancy firm for obtaining a consultancy service. A sum of Rs. 5.8 million had been paid as an advance on 29 July 2024 in relation to above service. In accordance with the contract conditions mentioned under No.2.3 of such agreement, the above-mentioned service had to be completed within 60 days and accordingly, the final report had to be submitted on 25 August 2023. However, though 02 years had lapsed from the end of the agreement, the final report had not been issued to the company as agreed.

Litro Gas Lanka Company

Underutilized assets

The land in extent of 509.1 perches with a value of Rs.992.74 million located in Orugodawatta had not been utilized since 2012.

Non-availability of a method

For providing discounts

A net operating loss of Rs.11.41 million had occurred to the company from two bulk customers owing to the excessive discounts given for the year 2024. It was observed that the non-availability of a proper methodology for providing discounts to the bulk customers had caused for this matter.

Limitation of modernization

Boya facilities

The CBM Facility located at Keralalapitiya belonging to the company is only adequate for handling the ships with small quantity store facilities between 3,500 -5,000 metric tons. However, since very large ships with 20,000 - 100,000 metric tons are used presently within world gas transportation, it was

observed that the possibility for purchase gas by company at a very low price had restricted due to limitation of the boya facility belonging to the company.

Litro Gas Terminal (Private) Limited

Not entering into a Formal agreement

No formal agreement had been entered on the terms and conditions of the services delivered to Litro Gas Lanka Limited (LGLL) which is its sister company.

Non-implementation of the capital projects

A sum of Rs.500 million had been paid to Sri Lanka Land Development Corporation in 2021 as a part of the total operating lease for the land in extent of 22 acres and the building in Kerawalapitiya for the construction of Oxygen filling station, creation of additional functionality of liquid petroleum gas, usage as stores expansion project and other relevant activities. However, the approval of the Cabinet of Ministers had not been granted to Sri Lanka land Development Corporation to lease the aforesaid land to the company due to restructuring process of the company. Therefore, no any benefit had been obtained by company from the above payment.

Urban Development and Housing

Provision amounting to Rs. 55,785 million had been made by Parliament to the Ministry of Urban Development Construction and Housing and 04 departments under its purview to accomplish roles related to the year 2024. By the end of the year 2024, only a sum of Rs. 40,223 million, out of that, had been utilized and Rs.15,562 million or 27 percent had been saved as mentioned below.

Table No 1-Provision Utilization for accomplish roles in the year 2024.

	Ministry of Urban Development, Construction and Housing	Department of National Community Water Supply	Department of Buildings	Government Factory	Department of Physical Planning	Total
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Net Provision	52,462	2,213	610	263	237	55,785
Expenditure	37,814	1,389	594	237	189	40,223
Saving	14,648	824	16	26	48	15,562

Source – Annual Financial Statement 2024

Material and significant audit observations revealed during the audit test checks conducted on the performance of the relevant functions and duties are summarized below.

Ministry of Urban Development Construction and Housing

Project to provide houses/ land to families displaced by the North-East war

The Ministry had spent Rs. 29,813 million from the year 2016 to 31 December 2024 for the construction of 36,736 houses in 08 districts of the North and East provinces under the project of providing houses / lands to families displaced by the North-East war. Even though 15 years had passed since the end of the war, the resettlement activities had not been completed as the identification of those displaced by the war was still ongoing. The work of 115 houses that had been started before 2024 and 207 houses that had been started in 2024 under the project, had not been completed even by the end of the year 2024.

The Construction of Minuwangoda Shopping Complex Project

The construction of Minuwangoda Shopping Complex project had been completed in 3 phases during 2018-2024 at a contract value of Rs.180.6 million. The first phase of the project, with an estimated value of Rs. 89 million, was completed on 08 July 2021 after a delay of 556 days, and a liquidated damage amounting to Rs. 8.9 million had been recovered from the contractor. However, the contractor had complained to the Dispute Adjudication Board against this, and since the Ministry had not approved the extension of the date approved by the Consulting Engineer and had not provided reasons to justify it, the Ministry had to pay Rs. 12.8 million to the contractor as per the recommendations of the Dispute Resolution Board, upon the agreement of both parties. However, it was observed that the Ministry had not taken any action against the officers who failed to provide reasons to justify the issue that the approval had not been granted.

Furthermore, the electric elevator, which had been installed at a cost of Rs. 9.6 million (excluding VAT), had not been utilized and remained idle until 31 December 2024.

Remaining Avissawella Public Market Building Idle

The Ministry had paid a sum of Rs. 113 million to the contractor for the construction of a public market building as at 31 December 2024, and the building was completed and handed over to the Avissawella Municipal Council on 10 April 2024. Due to the limitation of the relevant scope in 2022, the size of the shops became small and the shops were not properly established to facilitate trade activities. Although more than a year had passed since this building was handed over to the Municipal Council, the shop owners had refused to rent out the shops. Accordingly, it was not possible to achieve the desired objectives by the construction of this shopping complex.

Remaining of Mahara Administrative and Commercial Complex Building Idle

Mahara Administrative and Commercial Complex building, which was constructed by the Ministry at a cost of Rs. 400 million, remained idle for 6 years from 2019 to 31 December 2024 as action had not been taken to hand over the building to the relevant parties. The Ministry had not taken necessary steps to utilize this building.

Remaining of Kotagala Wetland Park Idle

The Kotagala Wetland Park, where work had been completed at a cost of Rs. 75.6 million, had been abandoned without proper maintenance, and therefore, it was not possible to achieve the desired objectives. As a result, money spent had been a waste. Furthermore, the additional 7 hectares of land, which had been acquired without properly identifying the need, had remained idle for about 4 years.

Project for Improving the Ampitiya Lake in Beliatta, Walking Track and Landscape

The walking track in Ampitiya of Beliatta, which was constructed at a cost of Rs. 65.8 million, remained idle without utilizing owing to lack of proper maintenance. Furthermore, the project site had become overgrown, causing many environmental problems.

Not providing water Facilities For the house Of venerable Maduluwawe Sobitha Nahimigama Project

A sum of Rs. 56 million (with VAT) had been provided to the National Water Supply and Drainage Board on 27 December 2021 for the provision of water facilities to the houses of Venerable Maduluwawe Sobitha Nahimigama Project. Although the said project was to be completed within a year, it had not been possible to provide the required water facilities and deliver the expected benefits through the project although 03 years had passed and total amount had been paid by 31 December 2024.

Incomplete of the Tech City Development Project

A sum of Rs. 1,369.21 million had been incurred by the Ministry as at 31 December 2024 for the construction of the Pitipana-Talagala (Phase 1) road and the Western Interchange Road under this project. The project had been stopped midway due to non-completing the work on these roads due to a land acquisition issues. As a result, the Ministry was unable to provide the expected benefits from the construction of the road to the general public.

Abandonment of the Construction of the Boralesgamuwa Multipurpose Building in Midway

The construction work of the half-completed Boralesgamuwa Multipurpose Building was stopped midway by mutual consent and completed on 08 January 2023, and a sum of Rs. 5.8 million, out of the retention money, had been released to the contractor. Since the Ministry had not taken any action to resume the construction work even by 31 December 2024, the amount of Rs. 249 million that had been spent so far on the construction of the building had become an idle expenditure.

Abandonment of the Ampara Weekly Fair Development Project in Midway

The Ampara Weekly Fair Development Project, which had an estimated cost of Rs. 294 million, had been halted after achieving a physical performance of 52 percent and a financial performance of Rs. 64.27 million. Therefore, the expenditure incurred on that had become idle.

Construction of the Jaffna Municipal Council Building

The construction work of this construction project, which had a revised contract value of Rs. 3,769 million, had been stopped by the decision of the Cabinet of Ministers dated 05 September 2022. Even though it had been decided to hand over the entire building to the Jaffna Municipal Council along with the responsibility of completing the remaining parts of the project, the Ministry had not

been taken action accordingly. In the year 2024, the Ministry had spent a sum of Rs. 183 million on this project and the physical progress of this project had been 85 percent as at 31 December 2024, and the financial progress had been 48 percent, i.e. the expenditure had been Rs. 1,819.64 million. Furthermore, although almost 6 years had passed since the start of this project, which had been expected to be completed within 02 years, it had not been completed even by 31 December 2024. Furthermore, non-availability of an adequate staff in the Urban Development Authority, the supervisory and advisory body of the project, had a significant impact on the poor performance of this project, However, a sum Rs. 98.6 million had been paid to the Authority as advisory fees without paying any attention to that matter.

Urban Development Authority

Preparation of Development Plans

Development Plans Should be prepared by the Authority covering development areas in terms of Section 8 (a) (i) of Part II of the Urban Development Authority (Amendment) Act, No. 4 of 1982. Although 169 development plans should be prepared by covering 169 development areas for 284 declared development areas, only 69 development plans had been prepared by covering 115 development areas as at 31 December 2024.

Low Progress in the Urban Regeneration Project

Only 14,381 housing units, out of the 68,000 housing units proposed to be constructed under the Urban Regeneration Project initiated and implemented by the Authority in the year 2011, had been constructed as at 31 December 2024, and 50 housing units, out of those housing units, were no longer in use and remained vacant. Furthermore, it was observed during the audit that in the implementation of this project, the ownership of the lands related to 29 estate lands, where houses were built for low-income earners had not been vested to the Authority so far, the lands related to 08

housing schemes, out of the 22 housing complexes constructed by the end of the year 2021, had not been vested to the Authority, the administration of 05 housing complexes could not be handed over to the management committees due to the non-availability of the certificate from the Condominium Management Authority and a total of Rs. 170.48 million had not been recovered for rent and water bills from the housing units handed over by 31 December 2024.

**Leasing out of the Land in
Mayura Place of Colombo 05
based on a low valuation**

The Deputy Director (Lands), who was also the Chairman of the Internal Valuation Committee of the Authority at that time, had leased the land at Mayura Place of Colombo 05 in extent of 56.5 perches, belonging to the Authority, to a private institution at a monthly rental such as Rs. 200,000 for a period of 06 months from June to November 2016 without even entering into a formal lease agreement and by reducing the assessed value by approximately 70 percent without giving any reasonable justification and without following the accepted valuation procedure. Furthermore, the said land was leased again for 3 ½ years up to 31 December 2020 after the expiry of the said 06-month period, without even obtaining the approval of the Board of Directors. However, the lessee had not been charged any monthly rent for the period during which the land was used. The Authority had incurred a total loss exceeding Rs. 20 million, which had not been recovered from the responsible parties even up to 31 December 2024.

**Failure to carry out development
activities as per the lease
agreements**

A plot of land in extent of 2 acres, 2 roods and 21.4 perches, bordering D.R. Wijewardene Mawatha of Colombo Fort, had been leased to a private company for 50 years on long term lease basis for a mixed development project since 2007 without calling public bids. It was observed that action had not been taken to recover the

loss incurred by the Authority due to leasing out the relevant land to the company at a price, Rs. 330 million lower than the assessed value of the Government. Moreover, any development project had not been implemented in this land until 31 December 2024 and it was being used as a parking lot.

Not Carrying out development activities in the Land at Transworks Square of Colombo Fort

This land had been leased out to a locally incorporated foreign private company for a sum of Rs. 4,999.7 million by 04 agreements during the period of 2013 to 2016 for the implementation of a mixed development project. Although the project was expected to be completed by the year 2021, only the building frame work for 60 floors, out of the total of 81 floors expected to be completed under the first phase of the project, had been constructed by the end of 2024. Although it was expected to recover a sum of Rs. 1,290.04 million, the difference between the lease value of the land and the market value of the land, from the sale of residential units to be constructed after the project was completed, this value could not be recovered further due to the suspension of the development project due to technical reasons.

charges to be recovered from tenants of houses in Weeramawatha of Pannipitiya

The housing scheme in Weeramawatha of Pannipitiya comprising 500 housing units in 05 towers, namely A, B, C, D and E. Seventy-one (71) houses in Tower B of this housing project had been allocated to the Honourable Members of Parliament on the basis that the rent would be recovered from the General Treasury. However, the total outstanding for water, electricity and management fees amounting to Rs. 16.98 million that should be paid to the Authority for these housing units as at 31 December 2024 had remained unrecovered.

Idle status of the Land located at Kirulapone Railway Station Road

Although the land in extent of about 37 acres, 01 rood, and 8.43 perches located at Railway Station Road of Kirulapone had been vested to the Authority under Sub-section 38(a) of the Land Acquisition Act, No. 09 of 1950, by publishing a notification in Gazette No. 303/4 dated 26 June 1984 specifying that it was for a public purpose, about 20 acres of the acquired land remained idle without being put to any use even though 39 years had passed since 1986 to date. Furthermore, it was also observed that there were problematic situations such as unauthorized occupation in this land and had to take legal action to evict them, various health problems arising due to unauthorized waste disposal the land becoming overgrown shrubs and its misuse for various social misdeeds.

The land given to the Police Department in the Borella city centre

The land portion in extent of 37.5 perches, out of the land in extent of 04 acres, 02 roods and 17.09 perches located in the Borella city centre, which had been given to the Police Department by the Commissioner General of Lands since 1949, had been vusted by the Authority for the construction of temporary stalls for street vendors. However, a two-storied building consisted of 95 shops had been constructed in the year 2002 by utilizing a fund amounting to Rs. 27.6 million of the General Treasury without obtaining the consent of the Police Department in terms of Section 6(1) of the Land Ordinance. However, it was observed that these shops have been closed for a long period, and some shops were being used for various misconducts by unauthorized occupants, and that there was garbage inside and outside the shopping complex.

Construction of Meethotamulla Urban Park

The contract for the installation of a blanket layer to stabilize the garbage dump that had collapsed in the year 2017 and the

establishment of greenhouse ventilation system for the construction of an urban park under the Meethotamulla regeneration Project was awarded to a private company for a sum of Rs. 269.5 million on 09 June 2020. The Authority had incurred a sum of Rs. 441.74 million for this project, but the park had not been developed as planned. It was observed that the stabilized and side area had become overgrown, and only about 30 percent of work of the wastewater drainage system and 25 percent of the ventilation system planned to be installed in this site had been completed.

Lands acquired for the Avissawella Urban Development Project remained idle

Although 26 years have passed since the acquisition of 33 acres of land, out of the 43 acres that was acquired by the Authority under the Avissawella Urban Development, it was observed that this land remained idle without being put to any productive use, become overgrown with shrubs and was used for unauthorized waste disposal, various social misdeeds, and illegal cultivation. Furthermore, the Authority had to pay an interest of Rs. 14.99 million too in addition to the compensation paid to the land owners due to the rapid acquisition of these lands under Sub-section 38 (a), in contrary to the usual acquisition procedure.

Inactive Tenants

It was observed that 3,551 tenants, out of 4,670 active tenants as at 28 February 2025, or about 76 percent of the total tenants, remained as inactive tenants due to non-payment of the prescribed rents as per the agreement.

Administration of Vehicles

It was revealed to the audit that there were 23 vehicles registered in the name of the Authority according to the data system of the Department of Motor Traffic, were not physically available. Out of that three (03) vehicles had been misplaced and there had been 20 vehicles, for which information could not be found.

National Housing Development Authority

Samata Sevana Model Villages Project

The construction of 64,407 houses in 2,562 villages had been started under the Model Villages Programme, and the construction of 18,696 houses, out of those houses, had been restricted due to land issues and other reasons. An amount of Rs. 34,890.72 million had been estimated for these programmes, and only 383 villages had been opened by 31 May 2025. Only 16,171 houses, out of the houses, of which construction had been started, had been completed, and 29,540 houses are being carried over.

The construction of 2,283 houses in 100 model villages in 50 Grama Niladhari Divisions of 06 Divisional Secretary's Divisions of Polonnaruwa District had commenced in 2016 and the amount allocated for that had been Rs. 1,212 million. Only Rs. 457 million, out of the amount allocated, had been released as at 31 July 2024, and only 16 villages had been fully constructed and opened.

Non-recovery of loans granted under housing projects

A sum of Rs. 277 million, out of the loans granted under the One Million Housing Programme, a programme implemented during the period of 1984 to 1989, was to be recovered by 31 December 2024. Furthermore, Rs. 188 million, out of the loans granted under the 1.5 Million Housing Programme, which was implemented during the period of 1990 to 1992, had not been recovered even though 32 years had passed since 31 December 2024.

Construction of Indian-aided Gramashakthi Model Villages

The progress as at 31 July 2024 on the construction of Indian-aided Gramashakthi Model Villages implemented island-wide in the year 2017 is mentioned below.

Table No 2.32 - The progress of construction of Indian-aided Gramashakthi Model Villages
As at 31 July 2024.

	Project	Provision Rs. Million	No. of Estimated Houses	Progress as at 31 July 2024		No. of Carry Over Houses
				Rs. Million	No. of Houses	
i.	Island-wide Housing Project	300	600	296	497	103
ii.	Southern Province Gramashakthi Model Villages	300	600	213	99	501
iii.	Northern Province Gramashakthi Model Villages	300	600	178	129	471
iv.	Hambantota District	300	600	128	23	577

Source: Information presented by National Housing Development Authority

Accordingly, it was observed that sufficient progress had not been achieved from this programme even by 31 December 2024.

Ocean View Development (Private) Company

Sale of the Delkanda Land Plans had been prepared to construct a condominium housing project consisting of 70 houses on the land in extent of 100 perches situated in Delkanda that had been purchased by the Company in the year 2018, but those plans had not been implemented until the end of the year 2024 and the Board of Directors had decided in the year 2023 to sell the relevant land.

Phase II of Kahathuduwa Housing Project

Although it was proposed to construct 36 houses under the Phase II Kahathuduwa Housing project, construction work of only 11 houses had been commenced in the year 2021 and the construction had not been completed by even by 31 December 2024. Similarly, only 07 houses, out of the 11 houses, of which construction was commenced in 2016 under Kahathuduwa Housing Project Phase I, had been sold and although the work of House Nos. 25 and 26 had been completed, it had not been possible to sell them. Although over 09 years had passed since the project was started, it had not

been possible to complete the work of House Nos. 08 and 09 even by the end of the year 2024.

Implementation of Mixed Development Project in Nuwara Eliya

Nuwara Eliya Municipal Council and Ocean View Development (Private) Company had entered into a bilateral agreement in 2016 to implement a mixed development project on a land in extent of 01 acre and 44.68 perches, to which the company and the Nuwara Eliya Municipal Council had no ownership. For this, the company had incurred a total of Rs. 10.95 million for soil testing, for preparing preliminary plans, advertising, surveys and other expenses from 2016 to June 2019. Although Rs. 10 million had been allocated for this project in the year 2022, it was not possible to settle the land and to commence the project activities until the end of the year 2024.

Condominium Management Authority

Unresolved Complaints

Fifty –five (55) of the complaints received by the Authority had not been resolved even by 31 December 2024, and more than 07 years had passed since receiving 04 complaints, out of those complaints, and from 03 to 07 years had passed since receiving 15 complaints, and from 01 to 03 years had passed since receiving 22 complaints. Among these complaints, there had been 20 complaints related to unauthorized construction, and 10 complaints related to water leakages and 14 complaints related to non-registration of property plans.

Establishment of

Management Corporations

Management Corporations should be established within 03 months from the date of registration of the condominium plan and accordingly, it had been targeted to establish 04 management corporations in the public sector and 35 management corporations in the private sector in the year 2024. However, even a single management corporation had not been established in the public

sector by the end of the year 2024, and only 03 management corporations had been established in the private sector.

National Physical Planning Department

Preparation and Implementation of the National Physical Plan

Even though more than 24 years have passed since the establishment of the Department, it had not been possible to prepare and implement the National Physical Plan.

Regional Physical Plans

Although it was planned to prepare regional physical plans for the 03 provinces of Central, Uva and Eastern during the year 2024 and to prepare a series of instructions for a sensitive environment in the Central Province, the relevant work had not been completed.

Not fulfilling tasks

Even though proposals had been passed to implement the Lolugaswewa Township Development Project in 2006 to limit the expansion of settlements in the sacred city of Anuradhapura and remove unauthorized constructions, it was not implemented properly. Therefore, it was approved again by a decision of the Cabinet of Ministers in the year 2016. Accordingly, provision amounting to Rs. 1,053 million had been allocated from the year 2017 to 2024. Of this, only Rs. 13.5 million, or 1 percent, had been incurred to construct the project office in the year 2024. The desired objective had not been achieved even after passing 08 years, and it had been decided to recruit consultants from 04 state institutions to prepare a resettlement action plan. However, that task had been unsuccessful due to not carrying out the activities properly.

Urban Settlement Development Authority

**Not transferring the lands
where housing schemes
are located**

Due to the non-completion of land acquisition activities and delay in obtaining condominium certificates, deeds had not been issued to the owners of homes for 1115 housing units, out of 1719 housing units constructed on the relocation basis and sale basis implemented by the Authority by the end of 2024.

**Provision of houses to the
officers of the Authority**

Although it was required to determine the sale price by adding 20 percent to the valuation value of the government valuer as per the decision of the Cabinet of Ministers bearing No. CP/20/1844/306/055 dated 22 December 2020, and the housing units should be disposed of, the government had lost Rs. 20.68 million due to the provision of houses to 24 officers of the Authority by charging only the government valuation as the sale price of a house as per the approval of the Board of Directors in contrary to that. Furthermore, the Authority should have received Rs. 92.09 million from the housing units sold to the staff of the Authority by the end of the year 2024.

**Water leakage from the
walls of houses in Lunawa
Housing Project**

With the lapse of 06 months after the Moratuwa Lunawa Housing Project, which was implemented as a Design and Build project, had been handed over to the public, complaints that water had been leaking from the walls of the houses had been received. However, the Authority had not taken any action to recover any money for these defects from the State Engineering Corporation, the contractor of the project, and the State Development and Construction Corporation, the project manager, who had been paid a sum of Rs. 6.43 million.

Tax revenue lost to the Authority

The Authority had lost the lease income by disposing of 67 Sahaspura commercial units worth Rs. 44. 78 million, owned by the Authority and from which lease income can be earned by leasing out the units and 57 service units, of which the value had not been identified, to a management corporation under the purview of the Authority on a free grant basis, based on a decision of the Board of Directors.

Sri Lanka Land Development Corporation (SLDCC)**Implementation of the Rathgama Development Project Without Provision**

Although approval had been granted by the Decision of the Board of Directors bearing No. 8403 dated 28 July 2021 to implement the Rathgama Town Development Project, the approval of the Department of National Planning had not been obtained for this project. However, it had been informed by the Standing Cabinet Appointed Review Committee held on 05 May 2022 that funds should be obtained from other sources instead of using treasury funds if this project is to be continued in accordance with the National Budget Circular No. 03/2022, which is for controlling public expenditure, and the Department of National Planning had also informed by letter dated 24 July 2023 that the Corporation should make financial provisions for this project and that it should not be a burden on the General Treasury.

However, despite these instructions, the Corporation had used Rs. 458.09 million, out of the amount allocated for flood control activities such as drainage improvement outside Colombo and urban landscaping under Object No. 123-02-21-002-2506 to cover the expenses of this project. Accordingly, it was observed that the Corporation and the Ministry had spent this money for a task, for which provision had not been made in the annual budget even without the approval of the General Treasury. It was problematic at

Construction of a linear park at the Kotelawala Interchange

the audit that these bills were submitted to the General Treasury under the supervision of the officers of the Ministry.

The Corporation had spent a sum of Rs. 195.03 million of the Corporation on the project to construct a linear park and improve drainage at the Athurugiriya Kotelawala Expressway Interchange, which had been initiated on 15 December 2020, at the discretion of the top management without making provision through the annual budget estimate. As stated in the decision of the Cabinet of Ministers for this project, a comprehensive feasibility study had not been conducted for the project proposal as per the recommendations of the Department of National Planning. The Corporation also had to incur a maintenance cost of about Rs. 3.06 million for the project until the end of the year 2024. Furthermore, the value of Rs. 195.03 million spent by the Corporation on the Athurugiriya Linear Park Project as per a decision of the Board of Directors dated 20 June 2023, had been recorded as a corporate social responsibility expense in the year 2023 without taking action to recover the amount from the relevant parties.

Not crediting proceeds from sales to Consolidated Fund

After the sale of the 2 acres of land in Muthurajawela, which was given to the Corporation on a free hold basis by the government, as per the decision of the Cabinet of Ministers, the development expenses incurred for the sale should have been recovered and the remaining amount should have been credited to the Consolidated Fund of the Government. The said land was sold on 17 December 2019 for a sum of Rs. 272.62 million. However, a sum of Rs. 251.60 million that should have been credited to the Consolidated Fund, after deducting the relevant development expenses amounting to Rs. 21.02 million, had not been credited to the Consolidated Fund even by May 2025, and those liabilities had not

been identified and provision had not been made for that in the financial statements.

Losses and damages in the construction of the Medamulana Memorial Centre

The difference between the amount reported to the court as the amount to be recovered for the construction of the Medamulana Memorial Centre and the amount indicated in the accounts of the Corporation had been Rs.47.37 million. Since the said expenditure had been identified as an expenditure not incurred for the project, the management should have further investigated the additional expenditure incurred and to take action to recover the amount from the responsible parties for that, in contrary to that, the Corporation had taken action to write it off from the books in accordance with the decision bearing No. MRW/5404 dated 28 June 2021 taken at the meeting of the Board of Directors without obtaining the approval from the General Treasury in terms of F.R. 113.

Purchase of machinery for cleaning Beira Lake

Treasury provision amounting to Rs. 800 million had been made in the year 2019 in the budget estimate for the implementation of the project to remove silt and to clean Beira Lake, and provision amounting to Rs. 530 million, out of the provision allocated, had been made for the procurement of machinery. Although the approval of the Department of National Planning had been received for the purchase of machinery at a cost of Rs. 310 million, out of the allocated amount, in contrary to that, a contract for the purchase of machinery for Rs. 434.48 million, for the provision related to the procurement, was awarded in an irregular manner on the approval of the Board of Directors. Moreover, an additional interest amount of Rs. 10.89 million had to be paid owing to the delay in making payment for one machine. Even though it had been informed by the letter of the Secretary to the Cabinet of Ministers dated 09 April 2021 to take action to identify the parties responsible for the loss

**Informal termination of
contract for sand mining
and pumping**

incurred to the government in the aforementioned procurement process, action had not been taken to identify the parties responsible for the loss until December 2024. Furthermore, 02 machines worth Rs. 330.09 million, out of the machines thus purchased, had been lying idle for a period of 5 years.

The Corporation had entered into a contract agreement with a foreign private company in the year 2018 for the mining and pumping of 4 million cubic metres of sea sand offshore to supply sand to the construction industry. However, the project was suspended on 10 April 2020 by the top management at its discretion without any reasonable cause before the contractual scope was completed. The financial losses that had to be incurred by the Corporation owing to the breach of contract was not considered. Not paying the attention of the Corporation in relation to the additional costs incurred for the project, the failure to provide proper instructions to the contractor as per the terms of the contract regarding the tasks to be performed by the contractor, and the release of the contractor to another project before the expiry of the written agreement with the contractor were questionable during the audit. In this regard, the aggrieved party had resorted to arbitration and the Corporation had been ordered by the arbitration decision to pay US\$ 2,073,976 (Rs. 753.08 million) as compensation to the relevant foreign private company. Accordingly, the Corporation had identified the entire amount as compensation payable in the financial statements for the year 2022. In addition, the compensation amount to be paid to the contractor, after deducting the income tax amount of US\$ 181,484.21 (Rs. 60.2 million) paid by the Corporation to the Inland Revenue Department on behalf of the contractor, and a sum of US\$ 4,035,777.18 (Rs. 1,338.87 million), the final bill amount, had been paid to the contractor in November 2023. It was observed that the

payment of such a large amount of compensation had an adverse effect on the liquidity of the Corporation. However, due to the negligence of the officers of the Corporation, this compensation had to be paid as per the terms of the agreement entered into with the contractor. However, action had not been taken to identify the responsible parties and to recover the amount from the responsible parties. Moreover, the relevant authorities had not been informed of the damages and losses in accordance with the Financial Regulations and the primary and secondary investigations required to be carried out regarding the relevant losses had not been conducted even by the end of the year 2024.

Control and Monitoring of Unauthorized Land Reclamation

Although the Corporation is empowered by Section 2(b) 1 of the Sri Lanka Land Development Corporation Act, No. 15 of 1968 to identify low-lying marshy, barren or muddy lands located at the provincial level throughout the island and to publish them through gazette notifications so that unauthorized land reclamation could be controlled and monitored, the number of provinces gazetted by the Corporation had been limited to 07 by the end of the year 2024. The Corporation had also failed to prevent unauthorized land reclamation and unauthorized settlements in the areas, where boundaries were gazetted. Moreover, the lands acquired for reclamation and development in accordance with Section 8(a) of the above Act should be improved by the Corporation for the construction of buildings, industrial, commercial and agricultural activities. Thus, although 29 years had passed by the end of the year under review, the area that had been improved was 400 acres, i.e. 50 percent, out of the 800 acres of land in the Muthurajawela and Mudun Ela areas acquired by the Corporation for development activities in the year 1995.

Sri Lanka Land Reclamation and Development Corporation (REDECO)**Losses incurred due to the suspension of the implementation of the sea sand packing project**

The sea sand packing project, which was implemented in the year 2018 by incurring a sum of Rs. 382.5 million by the Corporation based on a decision of the parent corporation even without conducting a project feasibility study had been terminated in the year 2020 on a decision of the parent corporation. The land owned by the corporation where the project was being carried out and the building constructed by the company for sand packing at a cost of Rs. 301.28 million were leased to a private company on 50-year long-term lease basis by the parent corporation in the year 2021. Moreover, the aforementioned building, which consisted of a prefabricated steel structure imported from China, deviating from the procurement process, had been valued at Rs. 326.30 million by the parent corporation and taken over in the year 2021. From that valuation, after deducting the amount of Rs. 178.07 million provided by the parent corporation to the company for this project, the working capital amount of Rs. 40 million provided by the corporation, and the interest of Rs. 49.46 million on the loan of Rs.200 million provided by the corporation at an annual interest of 12 percent to implement the project, only a sum of Rs. 58.77 million, remained after aforesaid deductions, had been offset against the aforementioned loans. Accordingly, the parent corporation had to pay the loan of Rs. 141.23 million and the interest applicable after 5 years even though the project had not been implemented.

Furthermore, the total expenditure incurred by the company for the prefabricated steel frame imported from China, deviating from the formal procurement process, and for the construction of the relevant building had been Rs. 211.93 million. The company has filed complaints with the National Procurement Commission and

the Commission to Investigate Allegations of Bribery or Corruption to investigate the irregularities that occurred in the purchase of this steel building frame, and those complaints were still being inquired even by the end of the year 2024.

For sand packing, 500,000 polysac bags were imported from China at a cost of Rs. 13.79 million and the same type of bags could be purchased from a local supplier for Rs. 12.13 million. However, the bids were rejected stating that the name of the company had not been printed on the samples submitted. However, it was observed that the name of the company had not been printed on the imported bags either. Due to this, the company had to bear a loss of Rs. 1.67 million. However, any action had not been taken to determine the persons responsible for this. Only 5,355 bags, out of the polysac bags purchased had been used for sand packing and another 54,000 bags had been sold to the parent corporation without recovering the money. 1645 bags had been wastage, and 2595 bags were used for other purposes, and the remaining 436,405 bags had been sold for Rs. 5.88 million in the year 2022, without following procurement procedures and without the approval of the board of directors of the company, and only with the approval of the General Manager. Accordingly, it was observed that the company had incurred a loss of over Rs. 7.74 million from the transaction of purchasing sand packaging bags.

LRDC Services (Pvt.) Company (LRDC)

Not paying Value Added Tax

The company was liable to pay VAT amounting Rs. 140.26 million as at 24 June 2025, and as a result, the penalty and interest amount in accordance with the Value Added Tax Act amounted to Rs.50.26 million, and as a result, the total amount payable had been Rs.190.52 million. The use of the value of the Value Added Tax

Over- Purchases

for the working capital requirements of the company had a direct impact on this situation.

Only 278 equipment, out of the 1,669 CCTV equipment purchased by the company in the year 2018 at US\$49,537.90 (Rs. 8.73 million) for the sale, were sold during the year under review, and 547 units worth Rs. 2.28 million remained even by the end of the year 2024.

Four hundred and eighty-one (481) units, out of 1000 Hand Held Metal Detectors with Chargers imported at a cost of Rs. 2.34 million in the year 2018 without properly identifying the market needs, and 731 units of security equipment related to 8 items imported at a cost of Rs. 6.77 million could not be sold even in the year 2024. Due to the inability to sell the goods and due to technical obsolescence, a stock of Rs. 5.18 million, out of those items of equipment, had been written off in the year 2021. Even though an investigation regarding this transaction has been carried out by the Criminal Investigation Department since 2021, the company had not conducted any investigation regarding those transactions.

Construction and Engineering

The construction and engineering sector, as the major capital asset and infrastructure builder, provides a strong foundation for growth in other sectors. Sri Lanka's construction industry was rebuilding and slowly recovering from the recent adverse conditions it had experienced in 2024. According to the Central Bank of Sri Lanka's annual report and publications, the value added of the construction sector, which was negative at 21.8 percent in 2023, increased to 7.3 percent in 2024. Further, to avoid delays in the planning and procurement processes and to sustain this growth, public and private large-scale projects need to be implemented expeditiously.

The Construction and Engineering Sector consisted of 07 institutions which are the State Engineering Corporation, the Construction Industry Development Authority, the Department of Buildings, the Department of Government Factories, the Ceylon Building Materials Corporation, the Sri Lanka Construction Industries Board and the Sri Lanka Council of Engineers, under the Ministry of Urban Development and Housing Construction, the Central Engineering Consultancy Bureau and the Central Engineering Services (Private) Company under the Ministry of Agriculture, Livestock, Lands and Irrigation, the State Construction and Design Corporation under the Ministry of Transport and Highways, and the Construction Protection Fund under the Deputy Secretary to the Treasury had been operating.

Construction Industry Development Authority

Failure to fulfil the Objectives of the Act

Among the functions specified in the Construction Industry Development Act No. 33 of 2014, the Authority had failed to perform the functions of prescribing the registration procedures for foreign consultants to register with the Authority in accordance with Section 33 of the Act, preparing procedures related to the arbitration of industrial disputes in accordance with Section 51 of the Act, and establishing an Information Secretariat and prescribing its functions, procedures and performance standards in accordance with Section 55 of the Act.

Although, the Authority is required to prepare Standard Bidding Documents as per Section 46 of the said Act, the

**Failure to enter into
New lease agreement**

bidding documents prepared by the Construction Training and Development Institute, SBD – 03 (Procurement - Works - Minor), SBD – 02 (Procurement - Works - Major), SBD - 04 (Design and Build), had not been revised in a timely manner.

(a) The land on which the Authority's head office is located belonged to the Tower Hall Theatre Foundation, and the building itself was not owned by the Tower Hall Theatre. In order to maintain this office in the building, an agreement had been entered into with the Foundation in the year 2023 for a further 30 years for Rs. 6 million, equal to the value of the previous lease agreement. Although, the Authority had to pay a lease arrears of Rs. 145 million to the Tower Hall Theatre Foundation as per the subsequent Cabinet decision regarding the non-revision of the lease amount, the method of calculating that amount had not been explained. Accordingly, the Authority had paid an advance of Rs. 25 million on 06 September 2024, with the approval of the Board of Directors, without canceling, amending or entering into a new agreement with the existing lease agreement.

(b) The land of the Construction Equipment Training Centre maintained by the Authority belongs to the Urban Development Authority and the cost of the buildings constructed by the Authority therein was Rs. 306.15 million. No formal lease agreement had been entered into in respect of this land up to the end of the year under review. Similarly, no specific lease agreements had been entered into with the relevant parties for the lands of the Authority's Operator Training School (OTC) at Galkulam and the Kataragama Tourist Bungalow.

**Not producing skilled
craftsmen as expected**

The government had provided a provision of Rs. 163.37 million from 2018 to 2024 for the implementation of the infrastructure improvement project of the Construction Machinery Training

College and although, it was expected that the number of skilled craftsmen to be directed to the construction sector would exceed 1000 by implementing this project, only 577 skilled craftsmen had been produced through 10 training courses in 2024. Accordingly, the government had not achieved the desired objective by providing the necessary facilities and implementing the project. Furthermore, about 11 training programs that had been planned had not been conducted for several years and the income received for certain training programs as well as the number of participants according to the action plan were low. Accordingly, sufficient income had not been received to cover the expenses from conducting certain courses.

Building Department

Non-takeover of assets

The Diyatalawa land owned by the department has been taken over by the Divisional Secretary and although it was informed that a land in the Ibban Ara area of Haputale would be given in return, no steps had been taken to obtain the deeds. Furthermore, 04 vehicles worth Rs. 30.4 million purchased under the lease system had not been taken over by the department even though the lease period had expired.

Issuance of Certificate of Security for Occupancy of Property

In terms of subsection 3.(3)(1) of the Condominium Rights (Special Provisions) Act, No. 23 of 2018 dated 15 August 2018, the Director General of the Department of Buildings shall issue a written statement at the time of registration of a condominium property certifying that the condominium property is secure for registration. Section 2 of the Act provided that this should be effective for a period of five years from the date of commencement of the Act and although, by 18 August 2023, that period had expired, due to the delay in implementation by the Department, this process had not been completed.

Department of Government Factory

Misuse of Official Quarters During the inspection of 6 floors of 60 houses in the Sanhinda Sevana Apartment Complex, which houses the official housing of the Department of Government Factory, the Housing Inspection Board had reported that 33 houses had not been inspected due to the closure of the houses and that 6 houses out of the 27 houses inspected had been rented out. Although, it is stated in Section 6.4 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka that subletting houses, keeping paying guests and residents is prohibited, it was identified that three officials who own official housing had rented out houses and no steps had been taken to evict them or take disciplinary action.

Delays in Project Completion

Rs. 22.20 million had been recovered from the Department of Posts for the construction of a temporary building for the Transport Division of the Department of Posts. The construction progress was at a low level of about 10 percent as at 31 December 2024. Although, 06 years had passed since the construction began, no steps had been taken to complete the project or refund the money received.

Stock Control

Rs. 2.95 million had been paid to a private institution on 31 December 2021 to improve the existing system to properly implement stock control, stock ordering, purchasing, estimate preparation, etc., which was being implemented irregularly due to weaknesses in the old computer software system in the government factory. Although, the specifications stated that the computer software system would automatically create the store order at the reorder level and submit it for approval, that function had not been performed by the system.

Human Resources Management

The Department had not taken steps to fill the vacancies of 477 vacant posts as at 31 December 2024 or to revise the number of posts as per the requirements.

Lanka Building Materials Corporation Limited

Non-Submission of Annual Financial Statements for Audit

The Lanka Building Materials Corporation Limited had not submitted the annual financial statements and draft annual report for the period from the year 2019 to the year 2024 to the Auditor General.

Although, a complaint was made to the Criminal Investigation Department on 28 April 2022, based on the directions of the Committee on Public Enterprises held on 19 April 2022, regarding the fact that the computer server used by the company was disabled due to a virus attack in 2019 and that the information required to prepare the accounts was not available due to the fact that data backups were not stored at that time, its current status had not been submitted for audit.

Strategic Plan and Action Plan

Although, a strategic plan and a corresponding action plan should be prepared for a period of not less than 03 years and the approval of the Board of Directors should be obtained for the relevant plans 15 days before the commencement of each financial year, this had not been done.

Prime Minister/ Fifth Executive President's Official Residence Repair and Modernization

Works Approval had been given for the repair and modernization works of the Prime Minister/ Fifth Executive President's Official Residence by the Cabinet Decision No. Amp 21/1779/302/002/-1 dated 26 October 2021.

An architect had been selected for this renovation work without a procurement process and without entering into a contract, paying a sum of Rs. 10 million. On the verbal instructions of the selected architect, he had purchased the materials required for the project from 16 suppliers nominated by him without following the procurement procedure, and the materials had been purchased on the purchase orders of the Building Materials Corporation and issued to this official residence project and invoiced in the name of the Corporation.

According to the reports submitted by the Corporation, as at 31 December 2023, 590 invoices amounting to Rs. 639.22 million had been issued to the Prime Minister's Secretary for the recovery of money for goods supplied for renovation works, of which Rs. 554.58 million had been reimbursed from the Consolidated Fund based on the provisions of the Prime Minister's Office. Rs. 84.64 million had not been reimbursed as at 31 December 2024.

Asset Management

- (a) Deeds had not been obtained for the 3 acres, 3 roods, 37 perches of land under the company located in Moratuwa, Anuradhapura and Ampara areas.
- (b) An annual inventory survey had not been conducted and the report had not been submitted to the Auditor General.

Lack of approved staff

The number of employees had not been approved by the Department of Management Services

**Not preparing Cash books
and bank reconciliation
Statements**

Cash books were not maintained indicating the opening and closing balances for the year 2024 and separate records were maintained as receipts and payments cash books. Furthermore, bank reconciliations for 04 active bank accounts were not properly prepared and submitted to the Auditor General.

Sri Lanka Council of Engineers'

Failed to investigate professional misconduct of engineers.

Although investigations should be conducted into certain matters related to professional misconduct of engineering professionals, internal procedures had not been introduced to identify and investigate whether engineers were acting in accordance with the professional ethics that had been introduced to be followed by professionals engaged in the engineering profession.

Registration of Members of the Engineering Council

According to Section 14 (1) of the Engineers Council of Sri Lanka Act, No. 04 of 2017, an engineering professional shall not engage in activities related to the engineering profession unless he is registered as an engineering professional under Section 15 or 18 of the said Act. Accordingly, it is proposed to register registered members of the two institutions, the Institute of Engineers of Sri Lanka (IESL) and the Institute of Statutory Engineers of Sri Lanka (IIESL) as members of the Engineering Council. Although, 29,891 members of the above two institutions had obtained membership in the engineering profession in the year 2024, only 17,072 or 57.11 percent of them had obtained registration with the Engineering Council.

Table No.2.33 -Number of Active Members in IESL/IIESL and in the Council in the year 2024

Category	IESL/IIESL Number of Active Members	Number Registered in the Council	Percentage Registered in the Council
Chartered Engineers	6,708	5,340	80
Associate Engineers	13,162	9,267	70
Affiliate Engineers	113	93	82
Incorporated Engineers	2,079	572	28
Engineering Diploma Holders	<u>7,829</u>	<u>1,800</u>	<u>23</u>
	<u>29,891</u>	<u>17,072</u>	<u>57</u>

Source: Annual Report 2024 Sri Lanka Council of Engineers'

Sri Lanka Construction Industry Board

Strategic Plan and Action Plan

Although, the Board is required to prepare a strategic plan to achieve its set objectives and submit an action plan and annual budget along with the finalized strategic plan, the Board had not prepared a strategic plan and action plan that outlines how it would carry out the functions specified in the Act. Therefore, the Board did not have data relevant to the review of the progress of the Board's work during the year under review.

Failure to recruit an approved permanent staff

Although, it is the responsibility of the Board to determine the number of employees to be employed, to appoint, promote, dismiss employees and take disciplinary action as well as to pay salaries, allowances and gratuities, an approved staff and recruitment and promotion procedure had not been prepared to recruit competent and permanent staff for the smooth functioning of the Board. Accordingly, the Board has recruited all officers and employees on a contract basis, out of which the contract period of 16 officers had extended from 01 to 18 years as on 31 December 2024.

Central Engineering Consultancy Bureau

Reporting Losses

Although, the operating profit of the Engineering Procurement Construction (EPC) division in the year 2024 was Rs. 86.49 million, 7 out of its 13 divisions had reported an operating loss of Rs. 34.34 million for the year under review. Furthermore, although the consultancy division had reported an operating profit of Rs. 72.49 million for the year under review, 8 out of its 20 divisions had reported an operating loss of Rs. 130.47 million.

**Non-recovery of
debtor balances**

The total outstanding balance at the end of 2024 was Rs. 5,188.58 million, including outstanding balances between 3–5 years and outstanding balances beyond 5 years in the Engineering Procurement Construction (EPC) sector of Rs. 200.29 million and Rs. 1342.39 million respectively. Outstanding balances between 3–5 years and beyond 5 years in the Consulting sector of Rs. 658.45 million and Rs. 130.94 million respectively. Accordingly, the Bureau had not taken steps to collect the receivables in a timely manner, and during the year under review, trade receivables amounting to Rs. 40.99 million and Rs. 14.85 million respectively were set aside as impairment losses from the balances receivable from 10 projects of 8 government institutions. No formal steps had been taken to recover these balances.

Non-payment of Creditors’**Balances**

The total creditors’ balance at the end of the year 2024 was Rs. 2,103.68 million, including creditors’ balances between 3-5 years and creditors’ balances beyond 5 years in the Engineering Procurement Construction (EPC) sector of Rs. 162.76 million and Rs. 696.83 million respectively, and creditors’ balances between 3-5 years and creditors’ balances beyond 5 years in the Consulting sector of Rs. 3.89 million and Rs. 40.08 million respectively. Accordingly, the Bureau had not taken steps to settle the creditors’ balances on time.

**Long-standing unsettled
Inter- institutional
balances**

Rs. 1,569.4 million were due to the Bureau from the subsidiary at the end of the year 2024 and proper and up-to-date agreements had not been maintained between the two parties in this regard. No effective action had been taken to settle this balance or to manage the future transactions of the institutions and this balance had been continuously increasing since 2017.

Financial irregularities and misconduct

Although, the Chief Operating Engineer was suspended from work by the Subsidiary Company of the Bureau from 11 January 2021 due to alleged misconduct at the Anuradhapura Operations Office of the Subsidiary Company of the Bureau from 01 January 2016 to 22 June 2020, the Chairman of the Company, in a letter dated 24 May 2021, reinstated the officer as an employee of the Bureau from 11 January 2021, which was the date of suspension. The Bureau or the Subsidiary Company had not conducted any investigation in this regard, and the respective authorities had not taken steps to minimize financial irregularities and abuses.

Unsettled receivables and payables Retention balances

As the Bureau had not taken proper steps to follow up the projects in a timely manner and release the retention money, the receivable retention balance of Rs. 2,712.45 million at the end of the year under review included Rs. 691.21 million for 3 to 5 years and Rs. 944 million for more than 05 years. Similarly, the payable retention balance shown under current liabilities at the end of the year was Rs. 2,392.75 million and out of this payable retention balance, Rs. 756.86 million for 3 to 5 years and Rs. 574.52 million for more than 05 years had not been settled.

Unsettled mobilization Receivables and payables

At the end of the year 2024, the Mobilization Advances receivable and payable were Rs. 2,245.99 million and Rs. 2,643.84 million respectively, of which Rs. 643.07 million and Rs. 718.53 million respectively, receivable and payable for more than 05 years, had not been settled to date.

Underutilization of Assets 43 vehicles owned by the Bureau were parked at various locations without being used, and no steps had been taken to repair them and put them into use or dispose of them.

Payment of Unapproved Allowances During the year under review, a total of Rs. 29.90 million was paid as transportation allowances to 186 professionals employed by the Bureau for commuting from their residences to the office using their private vehicles without the approval of the Treasury, based on the approval of the Board of Directors dated 22 December 2011.

Failure to maintain agreements properly 13 officers had entered into bond agreements with the Bureau totaling Rs. 17.08 million for overseas travel on unpaid leave, and the Bureau had been unable to recover a total of Rs. 6.56 million from 08 officers who had violated the bond agreements by the end of the year under review.

The outstanding loan balance included in the inter-institutional balance 15 temporary loans granted by 12 head offices of the Engineering Procurement Construction (EPC) Division of the Bureau to the head offices of the subsidiary company and out of the total loan amount of Rs. 766.34 million at the end of the year under review, a total of Rs. 526.80 million was due for collection over 2 to 4 years and a total of Rs. 260.14 million was due for collection over 5 years. No plan had been prepared for the recovery of these loans.

Central Engineering Services (Private) Company

Debt Balance Although, as per the statement of financial position as at 31 December 2024, the total debt balance was Rs. 3049.96 million, out of which Rs. 313.43 million and Rs. 152.85 million were outstanding for a period of 03-05 years and more than 05

Internal Control Weaknesses

years respectively, no action had been taken to recover those balances.

Lack of proper segregation of duties, lack of confidentiality of ERP passwords and weaknesses in internal control in the accounts department of the Southern Provincial Head Office resulted in an officer working as a assistant storekeeper defrauding and obtaining a total of Rs. 50.06 million from four bank current accounts belonging to the company between 01 January 2021 and 13 June 2024. A preliminary investigation committee appointed by the company's Chief Executive Officer had revealed that the company had not taken prompt action to take legal action and disciplinary action against the responsible parties.

Failure to act as per the agreement

A Memorandum of Understanding (MoU) was signed with the Sri Lanka Hadabima Authority on 28 February 2023 for a joint poultry breeding project and a Joint Venture Agreement was entered into on 09 April 2025. According to the agreement, it was agreed to share 70 percent of the net profit with the company and 30 percent with the Authority under the relevant conditions during the first 06 years. Although, the Hadabima Authority had earned a net profit of Rs. 3.56 million as per the financial statements for the year ended 31 December 2024, no profit was distributed to the company as per the agreement and the profit receivable from the company had not been recognized in the financial statements.

Further, although a Memorandum of Understanding was signed on 28 February 2023 regarding the project of introducing new poly tunnels for vegetable cultivation at Pallekale and Kothmale farms jointly carried out by the Company and the Sri Lanka Hadabima Authority, the relevant Board of Directors' approval was received on 18 March 2023 and a formal

agreement had not been reached between the two parties by the end of the year under review.

Construction Guarantee Fund

Non collection of Guarantee funds

In cases where the performance of contractors decreases, employers apply for guarantee funds from the Guarantee Fund and in the year 2024, the Fund had to pay guarantee funds of Rs. 31.80 million. Accordingly, as at 31 December 2024, the total amount of Rs. 102.90 million paid by the Fund to the employers could not be recovered by the Fund. Although, the decisions of legal proceedings including arbitration in this regard were in the favor of the Fund, the relevant money could not be recovered.

Unreleased Transit Money to Contractors

The Ministry of Transport and Highways had released Rs. 35,080.23 million to the Fund from 2020 to 2024 to make payments to the certified bills of 310 contractors registered with the Construction Industry Development Authority under the 100,000 km Rural Roads Project, out of which only Rs. 34,449.18 million had been released to the contractors. Out of the unpaid amount, Rs. 157.83 million had been retained by the Fund in the Transit Money account as at 31 December 2024. Out of this, Rs. 64.57 million had been withheld for a period of 01 - 03 years and Rs. 19.23 million for a period of 03 - 05 years and Rs. 51.92 million related to 105 fully completed projects included therein had not been released to the contractors. Furthermore, out of the money given to the Fund by various other parties, the amount that had not been paid to the relevant contractors as at 31 December 2024 was Rs. 41.69 million.

Non-remittance of Profits to the Treasury

The fund was started in 1999 and a capital grant of Rs. 55 million was provided by the Treasury on four occasions between 2000 and 2005. However, a mechanism for remitting

annual profits to the Treasury was not implemented and Rs. 500 million of the retained earnings of Rs. 949.79 million as at 31 December 2020 was transferred to a reserve account called “Provision for Infrastructure Facilities” and remained idle.

**Delay in the development of
Management Information
System**

A contract was signed amounting to the value of Rs. 2.98 million with Sri Lanka Telecom in 2015 for the design and development of a Management Information System (MIS) for the Fund, of which a total of Rs. 2.08 million or 70 percent of the contract value was paid to the relevant institution in 2015 and 2016, which was shown as software development advances under non-current assets in the Statement of Financial Position. Although, about 09 years have passed since the payment, the development of this Management Information System (MIS) had not been completed by 31 March 2025.

State Development and Construction Corporation

Unpaid debts and Taxes

According to the information submitted to the audit, the Corporation had not paid a loan of Rs. 1,807.62 million obtained from banks against the Corporation's property and treasury security, a value added tax of Rs. 1,700.28 million payable, and a surcharge of Rs. 1,267.34 million imposed for non-remittance to the Inland Revenue Department, up to the end of 2024.

**Retained earnings and
Non-recovery of late
fees receivable**

As at 31 December 2024, the Corporation's Statement of Financial Position showed Rs. 574.13 million as receivables, of which the balance between years 03 and 05 was Rs. 237.41 million and the balance beyond 05 years was Rs. 202.80 million.

As at 31 December 2024, the delay fees (Liquidated Damages) deducted from the bills due to the delay in the projects

completed by the Corporation were shown as receivables in the financial statements in the amount of Rs. 264.26 million, and within that balance, the balance beyond 05 years was Rs. 176.35 million, and it was observed that the ability to recover these balances was low.

Idle Assets

A Stressing Jack with the Hydraulic Pump, which was purchased for the Bopitiya Concrete Yard in 2022 at a cost of Rs. 11.35 million with specifications different from those requested, had been delayed in being released from customs and had remained unused and inactive since the date of purchase due to oil leakage.

Sri Lanka State Engineering Corporation

Non-payment of Employees' Provident Fund Contributions

The Corporation had not paid a total of Rs. 207.11 million to the Employees' Provident Fund as at 31 December 2024, comprising Rs. 69.67 million as employer-employee contributions and Rs. 45.80 million as surcharge thereon from March 2022 to December 2024, and Rs. 61.09 million as employer-employee contributions and Rs. 30.55 million as surcharge thereon from the year 2006 to month of July of the year 2015.

Non-payment of contributions to the Employees' Trust Fund

The Corporation had not paid a total of Rs. 19.87 million to the Employees' Trust Fund up to 31 December 2024, comprising Rs. 1.39 million as contributions from the year 2023 up to December 2024, Rs. 12.32 million as contributions on the cost of living allowance from the year 2006 to 2015 and Rs. 6.16 million as surcharge thereon.

**Non-payment of
outstanding Taxes**

The Corporation had not paid the total of income tax and surcharges due from 2013 to 2024 amounting to Rs. 16.19 million, the total of economic service charges due from 2013 to 2019 amounting to Rs. 97.75 million, the total of nation building tax due from 2017 to 2019 amounting to Rs. 65.21 million and the surcharge imposed thereon amounting to Rs. 12.57 million, totaling to Rs. 77.78 million, and the total of value added tax due from 2010 to 2024 amounting to Rs. 1,423.33 million and the surcharge imposed thereon amounting to Rs. 913.08 million, totaling to Rs. 2,336.41 million as at 31 December 2024.

**The outstanding loan
balance Obtained from
state banks**

The Corporation had not taken steps to pay the loan amount of Rs. 2,877.43 million obtained from state banks on the guarantee of property and treasury and the interest payable on it of Rs. 1,829.87 million by the end of the year 2024.

Education

The primary factor that determines the future development of any country is the investment made in its education. Although Sri Lanka's literacy rate surpasses that of many developed nations, the continued adherence to traditional education systems has made it impossible to produce workers equipped with the technical knowledge required to meet the demands of the global labor market. Therefore, it is the responsibility of the education sector to create a society enriched with knowledge and technical skills through modern educational methodologies. With the objective of fulfilling this responsibility, the Ministry of Education, along with two departments and two statutory institutions operating under its purview, carried out relevant activities. The details of the provisions made on these institutions and their expenditure are as follows.

Table No. 2.34 Provision made on the education sector and the expenditure for the year 2024 (Rs.million)

Item	Ministry of Education	Department of Examinations	Educational Publications Department	National Institute of Education	National Education Commission	Total
Provision	171,912	11,354	176	504	80	184,026
Utilization	136,741	7,645	137	504	60	145,087
Saving	35,171	3,709	39	0	20	38,939
Percentage of the Saving (%)	20.4	32.6	22.1	-	25	

Source : Financial statements of the year 2024.

Failure to approve the National Education Policy Framework

In order to formulate national education policies according to provisions of the National Education Commission Act No. 19 dated 19 April 1991, recommendations had been given to the Ministry of Education by the National Education Commission in the years 1992, 2003, 2016 and 2021. However, even up to 30 September 2025, a national education policy had not been approved.

Functionality of Sports Schools

A total of 23 sports schools were functioning under the Physical Education and Sports Division of the Ministry of Education as at 30 June 2025. However, 6 of these schools remained inactive. As of that date, a total of 799 students were receiving education in the sports schools. However, during the admission process and subsequent operations of these schools, no mechanism had been established to identify the specific sports in which the students demonstrated talent, nor was a corresponding database maintained for that purpose.

Admission of students to intermediate grades contrary to Circulars

Contrary to provisions of the Paragraph 6.0 of the Circular No. 17/2023 dated 25 April 2023, and based on unjustifiable reasons relating to students not qualified to be admitted to intermediate grades under the 07 categories, it was observed that Secretary to the Ministry of Education had taken action to admit 528 students to 106 popular schools during the period from 25 April 2024 to 26 July 2024.

Payment of unentitled allowances

According to provisions in Paragraph 03 of the Public Administration Circular No. 18/2015 (v) dated 27 June 2024 officers in the Sri Lanka Education Administrative Service, are not entitled to the special allowances paid to the principals. However, as per information collected from 11 zonal educational offices in the Western Province, the two types of allowances-the special allowance for the executive officers and the principal's allowance, had been paid to 58 principals in the Educational Administration Service from 72 schools relating to the period July to December 2024. As such, an overpayment of Rs. 02 million had been made.

Failure to implement the action plan as expected

A total expenditure of Rs. 30,095 million had been estimated for the intended activities in the action plan of the year 2024,

but the actual expenditure amounted to Rs. 10,567 million as per the progress reports. As such, a sum of Rs. 19,528 million equivalents to 65 per cent of the total provision had been saved with respect to activities not executed, thus failing to reach the expected targets

Failure to install the educational management information system

The Directive No. 09 of the meeting of the Public Accounts Committee held on 12 February 2016, required a proper information system containing information on school students and teachers be developed and implemented; and this matter was taken for discussion at the meeting of the Committee in 05 instances, but it is observed that a national education management information system has not been implemented thus far.

Non- Implementation of the General Education Digital Transformation Project in accordance with the Intended objectives

Under the proposed project aimed at digitizing general education, it had been planned to receive Chinese assistance amounting to USD 20 million for 500 schools, out of 1,500 schools identified as “priority schools” under the proposed future education reforms. Of the 500 schools, it was expected under this project to provide 450 delivering class rooms and 50 receiving class rooms equipped with smart boards together with a data center for operating those activities, a studio room and a conference room established in the Ministry of Education. Although the assistance from China for the 500 smart boards had not been received, the relevant procurement had been made by the Ministry of Education based on a Cabinet approval to obtain 1,000 smart boards valued at Rs. 1,762 million along with other accessories and relevant services through the Sri Lanka State Trading Corporation at the expenditure of Sri

Lanka Telecommunications Regulatory Commission. Those 1,000 smart boards had been received by the stores in Paththalagedara on 07 October 2024, and remained idle for 09 months out of the 03 year period of warranty as at 30 June 2025. The said assistance had not been received even by 30 June 2025. However, the procurement of 1,000 smart board had been done with inefficiencies such as, non-compliance with the Procurement Guidelines and non-inclusion of relevant information in the Cabinet Memorandum. A methodology had not been prepared for the achievement of objectives even by 30 June 2025.

Stores accepting items non-compliant with specifications

Although the 328 laptops valued at Rs. 78 million supplied to the stores on 13, 14 and 15 March 2024 had not complied to the specifications of the samples furnished during the evaluation of bids, action had been taken to accept them. However, a case had been filed by the relevant company for defaulting on the payments, and the case was still being heard even by 25 September 2025 whilst the 328 laptops worth Rs. 78 million remained idle in the stores over a period of 01 years and 07 months.

Activities of old students' associations

It is observed that the old students' associations functioning in the schools at present are earning funds through private institutions from many activities such as the management of swimming pools and playgrounds, and conducting musical shows within school premises by using resources/properties of the schools. Although Circular 52/2023 dated 29 December 2023 was issued in this regard, there are instances where the circular is violated due to lack of proper authority, but the Ministry had not taken steps to issue a circular containing

general instructions regarding the functioning of the old students' association in line with the times.

Underutilization of the floors 07 and 08 of the Isurupaya building complex.

Two construction contracts valued at Rs. 459 million relating to the construction of floors, 06, 07 and 08 the works of which had begun in the years 2014 and 2018 under the project for expansion of Isurupaya building complex, had remained abandoned halfway by the date of audit on 31 March 2025. Furthermore, a payment totalling Rs. 21 million had been made on 28 December 2020 for a sound system and 859 auditorium chairs. However, after a period of 05 years since the purchase of those items, the warranty period of those equipment had expired, the items had been damaged and were technologically expiring as the construction works had not been completed.

Activities of the National Institute on Special and Inclusive Education, Weniwelkola.

Having expended a sum totaling Rs. 341 million under 07 construction contracts during the period from 2015 up to the end of 2024 following a decision taken at the Cabinet on 05 September 2013, the National Institute on Special and Inclusive Education had been established at Weniwelkola in Kahathuduwa comprising class rooms, an auditorium, a library, hostels, a dining area, pool for water therapy, a vocational training building and a playground with a pavilion for children with special needs. However, after a period of 10 years since its inception, only 58 non-residential children with special needs were receiving education as at the date of audit on 27 March 2025. Furthermore, 20 employees including 08 from the academic staff and 12 from the non-academic staff had been deployed as at 31 March 2025. For the year 2024, a sum totaling Rs. 107 million had been expended for the non-

academic staff alone. Thus, it was observed that the human and physical resources of the institution remained underutilized.

**Allocation of provision from
02 Government institutions
for conducting institutional
examinations**

Provision amounting to Rs. 920 had been made by the Department of Examination in the year 2024 for conducting 238 institutional examinations whereas 86 institutional examinations of other Departments had been conducted during the year by obtaining a sum of Rs. 147 million from such Departments. As such, provision amounting to Rs. 603 million had been saved, and it was observed that provision had been allocated twice for the same matter.

Reuse of textbooks

Having spent a sum of Rs. 36,077 million, 172 million copies of 412 types of textbooks had been printed for 10,096 national and provincial schools and 822 *Pirivenas* during the 05 year period of 2020-2024. The books so printed, had been distributed among school students. Circular provisions required that textbooks of the year 2017 for the grades 1-11 should be reused over a period as long as possible whilst 30-60 per cent of the textbooks printed in a single year within the years of 2008, 2020 and 2022 should be reused in the ensuing year. Nevertheless, it was observed in examining the data relating to the period 2020-2024 that the actual percentage of textbooks being reused in the ensuing year ,remained as low as 08-24 per cent.

**Non-consideration of
Research reports**

According to the information furnished by the National Education Commission, 08 research proposals had been completed at an expenditure of Rs. 03 million during the period 2022-2024. The relevant research reports had been provided to the respective institutions including the Ministry of Education

after being completed. However, the results thereof had not been reviewed even up to 05 February 2025. As such, the impact of the researches conducted by the Commission on the national education sector could not be identified.

Obtaining foreign grants without Treasury consent

The National Institute of Education had taken steps since the year 2014 to obtain a sum of Rs. 69 million under the Bridge Sejong Sri Lanka Project of the Korean Government, without the approval or concurrence of the Department of External Resources.

Payment of contribution to the Agrahara Insurance Scheme from the Government funds

The Agrahara Insurance Scheme had been implemented during 2017-2024, and without obtaining Treasury approval, action had been taken to pay a portion of the contribution to the insurance from Government funds. A sum of Rs. 03 million had been so paid from Government funds as contributions during the years 2023 and 2024.

Payment of allowances for Resource persons in excess of 50 per cent of the basic salary

The resource person allowance paid to 35 officers during the period of 2014-2020 by exceeding 50 per cent of the basic salary, amounted to Rs. 06 million even as at 31 December 2024 whereas only a sum of Rs. 0.4 million had been recovered from 02 officers during the year 2024, and a balance of Rs. 5.6 million remained further receivable as at 31 December 2024.

Two year delay in revising the curriculum

According to the policy followed to revise the curriculum, the National Institute of Education is required to carry out a curriculum revision once every eight years. Although a

curriculum revision was due in 2023 following the one conducted in 2015, no such revision had yet been carried out as of 31 May 2025 even after a delay of two years.

Preparation and sale of resource books despite the lack of textbooks for Science/Mathematics streams.

Although the curriculum framework had been prepared for the Advanced Level subject streams other than General English, the National Institute of Education had not intervened in the preparation of textbooks for those subjects. Instead, it had only prepared and sold resource books for subjects under the Science/Mathematics streams.

Department of Education Publications

Audit Observations

Additional requests for text books

532,452 copies of books with a value of Rs.46.08 million for the main subjects of Grade 6, 7, 8 and 9 in 2021 had been provided to the schools as additional requests due to not providing the instructions for usage of the old books in the usable condition. Accordingly, it was observed in the audit that the Government had to incur a huge expenditure through increase of additional requests.

Printing of new text books Annually

While making aware the all Principals and Parivenadhipathis in relation to usage of the books used as per Department Circular No.2017/01 of Secretary of Ministry of Education bearing project No. EPD/සං/04/2017/04 dated 23 March 2017, the department had printed 10,643,000 copies with a value of Rs.905.89 million in 2021 and 7,118,900 copies with

a value of Rs.606.64 million in 2022, 100 percent required for the main subjects for 6, 7, 8 and 9 Grades without encouragement of the school system for taking action as per said circular and a follow-up.

In a background where the usage of textbooks was in minimum level in 2021, the department had taken measures to print 7,118,900 copies with a value of Rs.606.64 million for the main subjects for 6,7,8 and 9 years for the year 2022.

**Showing the value of
removed books in accounts**

The books with a value of Rs.312.83 million had been removed from the usage due to the alteration of curriculum as per two Cabinet Decisions received in 2008 with regard to subject No.21302 textbooks printing and distribution advance account activity of Department of Educational Publications and subject to various damages and this value had been removed from the accounts in 2017. It had been shown Rs.93.42 million as the value the books which can't be used from 01 January 2018 to 31 December 2022 again in the final accounts of the department.

**Procurement activities
in relation to printing
of text books for year 2023**

The procurement activities for printing of the textbooks required for 2023 had been commenced with the appointment of the Technical Evaluation Committee on 07 March 2022 and about 10 months had been obtained by department for the completion of the procurement activities. Accordingly, the department had entered into the agreements with 20 institutions from 20 to 28 December 2022 and with 02 institutions on 11 January 2023 for printing the textbooks for the year 2023. Since it takes considerable period of time for the activities such as submission of second and third proof readings, submission of 10 number of advance copies and

printing and binding of total copies, a period of three months from the date of agreement had been provided to the printing institutions for printing and handing over to the stores. However, 3,361,400 copies of textbooks had been provided to the stores from 14 printing institutions before 30 January 2023. It was observed in the audit that the providing of books to the stores before lapse of one month from the agreement entered for printing is not a practical condition.

Failure to provide textbooks before the start of the school term

The first school term of 2023 had been started on 20 March and only 697,700 copies of textbooks had been received to the stores from the Department of Government Printing prior to commencement of the first school term. Accordingly, the Department of Government Printing had failed to print and provide 14,006,600 copies of textbooks to the stores prior to commencement of the first school term.

Delay in printing and receipt of books by private printing institutions

Even though the Department of Government Printing had been made aware by Department of Educational Publications to hand over the textbooks after printing to the stores before 18 April 2023, the Department had informed that they were unable to print and provide 30 types of textbooks out of 93 given for printing by 17 April 2023. After that, the approval of the Cabinet of Ministers had been granted by the Cabinet Decision No. 23/0681/607/057 dated 20 April 2023 subject to the recommendation of the Cabinet Appointed Standing Procurement Committee for printing such 30 types of textbooks which are unable to be printed by a private printing institute. The Cabinet Appointed Standing Procurement Committee had decided on 18 April 2023

to provide the books for printing to 22 private printing institutions under the quotations approved for printing the books by Department of Government Printing by paying attention to the facts such as printing capacity, past performance labour capacity and financial ability of these 30 types of books. The Procurement Committee had recommended that these 4,048,100 copies should be printed and handed over to the stores before 10 May 2023. The printing institutions were unable to print and hand over 4,048,100 copies of 30 types of textbooks to the stores by 10 May 2023 due to inability to print the textbooks within period less than a one month after handing over the printing order and not on a practical situation.

The department had failed to distribute these textbooks in the schools island wide until lapse of 02 months from the commencement of first school term in the year 2023. It was observed that the department had not paid attention on the adverse impact occurred to the education of the children by providing the textbooks to the students with delay.

Printing of additional books

The new additional books requirement is determined on the intervention of the officer in charge of relevant subject under the Development Division belonging to Department of Educational Publications and the statistic committee determines how much copies should be printed. 108,000 copies related to 22 types of additional books with a value of Rs.19.54 million had been printed in relation to year 2022. Even though the additional books had been printed in this manner, 494,428 copies with a value of Rs.140.44 million existed during 05-12 years without sale had remained in the stores as at 31 December 2022 due to non-identification the requirement accurately or not making aware through

Braille book printers

sales promotion methods or printing exceeding the required quantity.

Only senior printing machine operator is in Braille Press presently for performing the task of printing Braille books and he is due to be retired from the service in 2029. It was observed that the Department of Educational Publications had no plan to recruit a person with a knowledge on printing of Braille books or train a person in the press for that post.

Even though the Braille press had 04 Braille Box printing machines for printing the books, 02 out of those machines are in non-operational level. Further, a small quantity of 40-60 copies can be printed per day from such 02 machines such machines are in operational level in most of the time of the day since these printing machines do not have the capacity to print a large quantity of books at once. Therefore, it was observed that the printing activities couldn't be efficiently performed due to frequent non-operational conditions.

Balances of book stocks

Even though the textbooks distribution activities for the education year 2021 had been completed as at 31 December 2020, a stock of 4,761,461 textbooks with a value of Rs.593.84 belonging to 128 types of textbooks exceeding the stock balance of 20,000 books had remained in the stores as at 31 December 2021.

Delay in delivering textbooks to schools

The first school term of 2022 had been commenced on 18 April and the textbooks had been distributed to the schools up to December 2022. 22,082,941 copies of text books had been distributed from Grade 1 to Grade 11 from May to December of the relevant year. Even though Department of Educational Publications should take action to provide the text books required for the

schools before commencement of the first school term, the Department of Educational Publications had failed to distribute 22,082,941 copies from total textbook copies of 32,831,750 or 67 percent from total textbook copies printed for the year 2022 to the schools in the specified period of time prior to commencement of the first school term of the year 2022.

Promotion of digital books

It had been planned an expenditure of Rs.01 million in 2019 and Rs.15 million in 2020 for the production of a book which supports the social integration through education. A sum of Rs.1.09 million had been incurred by the department for payment of the allowances to the resource persons and officers of the department who had participated for the workshops conducted for selection the children's books written by the miscellaneous writers for printing.

The workshops had been conducted in relation to selection a children's book for printing by incurring a huge amount and the department had decided that even one copy was not suitable for printing out of 64 hand copies presented by 36 writers subject to survey. Accordingly, Rs.1.09 million incurred for the workshops for selection a children's book for printing had been idle expense.

The department had decided to get a book written by a writer participated for that workshops and publish after inability for selection a book for printing from the workshops conducted in this manner and 155,475 copies in Sinhala language and 73,475 copies in Tamil language had been printed incurring an amount of Rs.5.76 million. The laptop computers, computers and UPS had been purchased at a cost of Rs.6.7 million by department in contrary to the implementation plan

2019-2024 of GEMP Project and the indicators connected to release of provisions of World Bank Agreement.

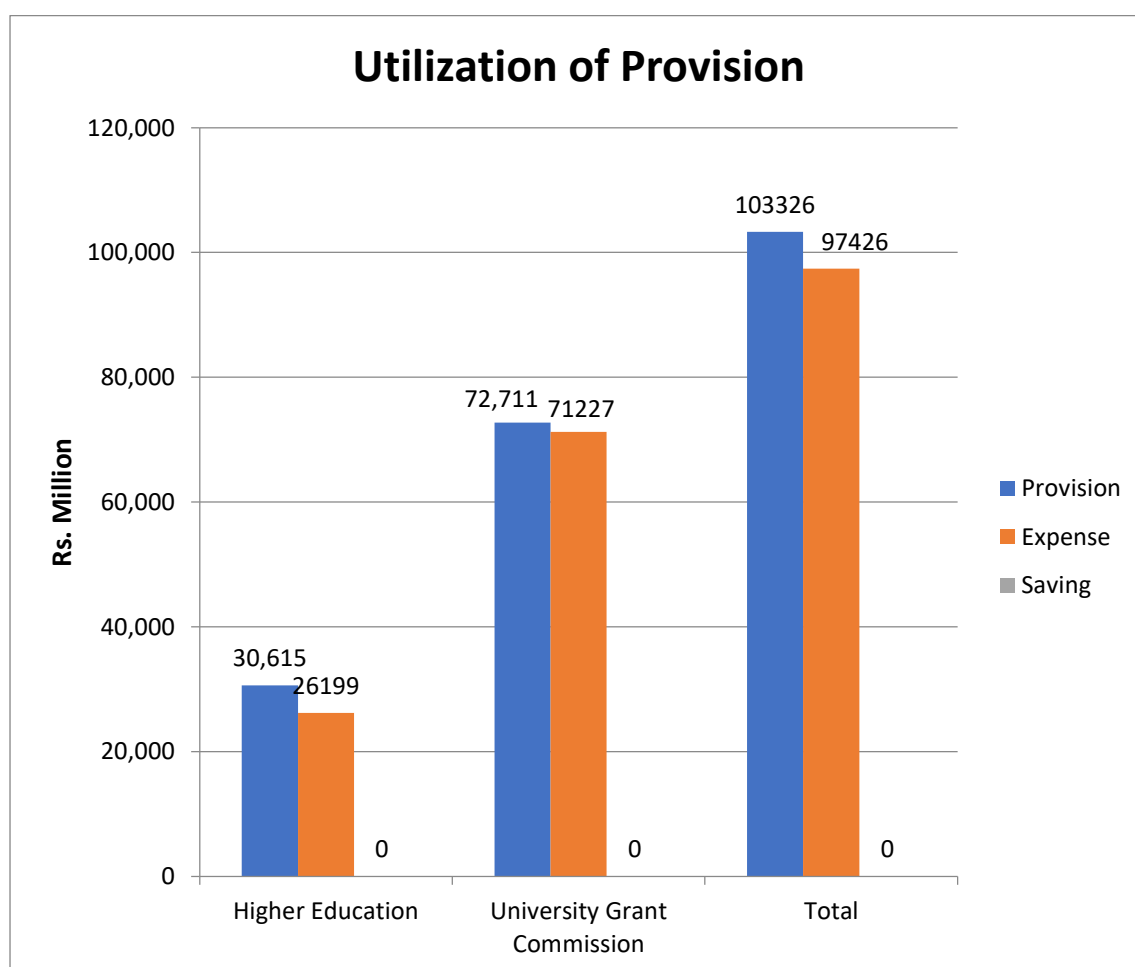
551 digital learning aids videos had been produced by incurring Rs.27.07 million in 2021 for e-Thaksalawa Program by utilization of funds of General Education Modernization Project and the step had been taken to upload 431 videos out of that to the web server of e-Thaksalawa in 2022. The department had taken action to produce 490 digital learning aids videos for e Thaksalawa at a cost of Rs.25.47 million in 2022 while the average watching times of a one video of such uploaded videos was in very low level such as 150 and not considering it and only 420 videos out of that had been uploaded to the web server of e Thaksalawa.

Higher Education

Sri Lanka claims an educational heritage that stretches back nearly two millennia, and the Constitution of Sri Lanka also recognizes education as a fundamental right. Sri Lanka has a population with a literacy rate of 92 per cent. A number of 17 Universities, 18 higher educational institutions and 02 University Colleges established under the University Grants Commission, are functioning.

Provision amounting to Rs.30,615 million and Rs.72,711 million had been granted for the higher education sector and the University Grants Commission respectively during the year 2024; and, by the end of the year 2024, sums of Rs.26,199 million and Rs.71,227 million had been utilized therefrom.

Diagram 2.33 - Provisions and utilization of provisions provided to the Higher Education Sector and the University Commission in the year 2024



Source – Financial Financial Statement of 2024.

A summary of observations made in the audit conducted on the utilization of the said provision, is given below.

Audit Observations

University Grants Commission

Failure to recover the funds due as a result of the breach of bonds

A sum of Rs.2,840 million due as at 31 December 2024 from 587 officers of the academic and non-academic staff of 19 higher educational institutions including Universities who had breached the bonds, and a sum of Rs.18 million due from 08 academic officers who had obtained grants on post graduate studies conducted by the University Grants Commission from the year 2009 to 2018, were not recovered.

Obtaining a new building without revoking the initial lease agreement

In order to obtain a building with an area of 7,000 square feet at a lease rent of Rs.0.95 million, by revoking the existing lease agreement of the building with an area of 3,337 square feet obtained by the Commission in 2017 at a monthly lease rent of Rs. 0.35 million, and due to lack of space and transportation difficulties, approval of the Director General of National Budget had been received on 09 November 2020. However, as the new building had been obtained on lease without revoking the initial lease agreement, lease rents totalling Rs.16.8 million had also been paid for the initial building from the year 2021 to 31 December 2024.

Development of a mobile Application through which assistance can be requested

An agreement had been entered into between the University Grants Commission and Information Communication Technology Agency of Sri Lanka for the development of a mobile application that would be used by students/staff to seek immediate assistance relating to ragging/sexual harassment, thereby incurring a sum of Rs. 0.715 million, but the application had not been developed.

University of Sabaragamuwa

Enrollment vacancies for students.

Since the academic year 2019/2020, the number of students enrolled during 4 years in eight faculties was 1,079 fewer than the approved intake, resulting in qualified students being deprived of opportunities for university education.

Failure to commercialize the products and to claim the royalties.

Provision amounting to Rs.230 million had been granted during the year 2018 to 2024 through the AHEAD project to researches as an encouragement for research, innovation and commercialization. A sum of Rs.206.35 million therefrom had been utilized on 05 projects. Using the provision mentioned above, 07 products pertaining to 03 projects had been commercialized in the years 2021, 2022 and 2023 whereas 02 grants relating to provisions amounting to Rs.85 million had not reached the intended goal. Furthermore, action had not been taken even up to 31 December 2024 to collect royalties / license fees receivable to the University with respect to 05 of the 07 products that had been commercialized.

Training equipment remaining idle

The equipment such as, Tea Roller, Tea Dryer, and Roll Breaker valued at Rs.03 million and purchased from financial provision of the AHEAD project to be used by the Department of Export Agriculture of the Faculty of Agriculture on 14 September 2022, had not been used for academic activities of the students. Furthermore, the Freezer of the brand, NUVE purchased at the value of Rs.3.13 million on 30 October 2019 for being used by the Faculty of Applied Sciences, remained non-functional since 01 July 2023 as a result of not being placed in a suitably air-conditioned location.

University of Colombo

Expenses incurred without approval of the Treasury

According to Section 03 (viii) of the National Budget Circular No. 03/2022 dated 26 April 2022, provision of any allowance, welfare program, development assistance, of subsidy that have not been approved by the Cabinet of Ministers should be discontinued. Nevertheless, a sum of Rs.68.73 million had been expended on welfare funds of the employees in the years 2023 and 2024 without being approved by the Treasury.

Investments made without approval of the Treasury

According to Paragraph 05 of the Circular No. BD/HRD/126/214/19/2023 of the Secretary to the Treasury dated 18 January 2023, funds recovered from lecturers who breach bonds, should be credited to the Government revenue. However, the sum of Rs.200.97 million recovered by the end of the year under review had been invested in fixed deposits.

Non-utilization of funds

Any total amount from the Rs.134.67 million existed in 47 Fund accounts, had not been utilized during the year for the intended purpose.

Repair of buildings

An estimate valued at Rs.17.24 million (excluding VAT) had been prepared for the repair and modification of building located at the rear of the Bloemfontein hostel, and the contract had been awarded on 20 August 2019 with the completion of work scheduled for 20 August 2020. An advance of Rs.3.237 million had been paid in that connection on 22 October 2019, and it was observed in examining the files that, under instructions of the then Deputy Registrar (Medical), a different building had been painted and the bathrooms had been repaired other than the relevant building whilst the works of the relevant building had not been done in accordance with bills of quantities.

Lands without rights Seven plots of land in extent of 19.23 hectares valued at Rs. 25.268 million and shown in the financial statements, had not been taken over by the University even by the end of the year 2024.

University of the Visual and Performing Arts

Unapproved payments According to the Paragraph 03 (viii) of the National Budget Circular No. 03/2022 dated 26 April 2022, provision should not be made for welfare programs without approval of the Cabinet. Nevertheless, a sum of Rs.1.84 million had been paid during the year under review for an employee medical insurance scheme implemented for employees' welfare.

Uneconomic expenses A sum totaling Rs.116.85 million including lease rent for 02 years and other preliminary expenses had been incurred for a building obtained in the year 2022 on lease for the Faculty of Dance over a period of 03 years, and a sum of Rs.28.7 million had also been spent for making the building suitable for use by carpeting and portioning. After being used for a year, the lease agreement of the building had been terminated after 02 years owing to complaints lodged by the residents on excessive noise from drums. As the building had been obtained on lease without drawing attention on the suitability for use, the sum of Rs.28.7 million so spent, had become uneconomic.

University of Sri Jayewardenepura

Failure to record the times of arrival and departure Every employee of the higher educational institutions should record their arrival and departure times in a register. However, without verifying the arrival and departure times of the academic staff, salaries and allowances amounting to Rs.3,448.6 million had been paid for the year 2024.

Unapproved payments

provision of any allowance, welfare program, development assistance, of subsidy that have not been approved by the Cabinet of Ministers should be discontinued. However, a sum of Rs. 38.23 million had been incurred in the year under review on an internal insurance scheme for the employees.

Funds recovered on the breach of bonds

Funds recovered from individuals who breached the agreements and bonds should be remitted to the Treasury in terms of the Letter No. BD/HRD/126/214/19/2023 of the Secretary to the Treasury dated 18 January 2023. However, the funds recovered in that manner in the year 2024 amounting to Rs.144.9 million, a sum of Rs.125.3 million had been remitted to the Treasury after deducting the expenses on air tickets amounting to Rs.19.58 million in terms the Circular.

Failure to update the Corporate Plan

The Corporate Plan prepared for the period 2021-2025, had not been updated with respect to the year 2024.

Direct receipt of foreign grants

Contrary to Letter Nos. SC&PMU/Grant/19 dated 25 July 2019 and SC&PMU/Grant/20 dated 14 August 2020 of the Director General of the Department of External Resources and provisions of the Letter No. ERD/AE/GEN/16 of the Ministry of Finance dated 02 October 2020, thirteen foreign research grants worth Rs. 185 million had been obtained in the year 2024 without consent and agreement of the Department of External Resources.

Buddhist and Pali University of Sri Lanka**Deficiencies in granting research allowances.**

Delays ranging from 3 to 10 months had occurred in the submission of final research reports by 43 officers who had received research grants in the year 2023. Furthermore, 42 researchers who had commenced research projects valued at

Rs. 17.9 million in the year 2023, with the approval of the Research Committee and on the basis that they would be completed within one year, had not completed those projects. Nevertheless, the University had paid a sum of Rs. 17 million as research grants to the same officers for new research proposals during the year 2024.

University of Moratuwa

Construction of the Timber Design and Innovation Center

A sum of Rs. 05 million had been granted to the University by the Ministry of Science, Technology and Research in the year 2019 for construction of a Timber Design and Innovation Center at the Faculty of Architecture. The project should have been completed by the year 2020 as per the project plan. However, having spent a sum of Rs. 0.05 million in the year 2020 for the preparation of bill of quantity and the bid documents, approval of the Ministry of Industries and the Senate had been obtained for implementing the project. Nevertheless, no activity of the project had been carried out even up to the end of the year 2024.

Institute of Technology (NDT)

Construction of the students' hostel complex.

A building complex constructed at a cost of Rs.8,821 million under the project for the relocation and development of the institution had been taken over by the Director of the institution in the year 2017. During that time, construction of 02 floors each comprising 26 rooms in the 02 buildings of the students' hostel complex, partitioning rooms of the 02 floors constructed, and construction of roofs of the 02 buildings, had not been completed. Since the roofs of those buildings had not been constructed from that year up to April 2025, the buildings had

Failure to take over land rights.

been exposed to weather conditions for a long period, resulting in damage to other structural components as well.

Based on the Government valuation of Rs.175 million presented to the Institute in the year 2007 for taking over the land to the Institute, saying that the land where the Institute of Technology had been established, belonged to the Sri Lanka Broadcasting Corporation, an advance of Rs.25 million had been paid by the Institute to the Sri Lanka Broadcasting Corporation for taking over the land. It was identified later that, this property belonged to the Government, and action had not been taken to recover the paid amount or take over the land to the Institute. Even up to the year 2024.

Open University of Sri Lanka

Underutilization of the mobile laboratory.

The bus modified as a mobile laboratory in April 2023 at a cost of Rs. 9.99 million with a view to using for scientific exhibitions, and introducing field researches and new products to the general public, had been operated over a distance of only 404 km during a period of 02 years. The bus had been used for scientific exhibitions only on several occasions. As such, it was observed that the bus remained underutilized.

University of Kelaniya

Utilization of the new conference hall

A conference hall comprising 1,000 seats had been constructed at an expenditure of Rs.510.95 million for the Faculty of Computing and Technology in the year 2023. However, convocation ceremonies had been held in 02 instances at the Bandaranaike Memorial International Conference Hall by incurring a sum of Rs.4.48 million in the year 2024.

Set up the library

Although an area of 185.8 square meters had been allocated for the establishment of a library in the Faculty of Computing and Technology building the proposed library had not been set up even upto 31 December 2024. However, 709 books valued at Rs.7.93 million had been purchased for the library during the years 2019 and 2020, and those books had remained stored for nearly 05 years in the main library of the university and expenditure had become ineffective.

Misplacement of 05 computers.

During the physical verification computers and equipment provided to the Faculty of Science under the AHEAD Project, it was found that 05 laptop computers valued at Rs.1.63 million had been misplaced. However, action had not been taken to identify the responsible parties and recover the loss.

Postgraduate Institute of Pali and Buddhist Studies**Release of retention money during the repair works**

The library building of the institution had been constructed in the year 2022 at a cost of Rs. 583.65 million, and it had been declared open for use on 31 January 2024. However, due to rainwater being leaked into the building, several walls had cracked, and moss had formed. Nevertheless, without carrying out any repair work on the building, retention money totalling Rs. 19.67 million had been released to the contractor on three occasions from March 2024 to August 2024.

Gampaha Wickramarachchi University of Indigenous Medicine**Decline in student enrollments such as**

Although it had been planned to enroll 176 students and 70 students respectively for the main courses offered by the University, Bachelor of Ayurvedic Medicine and Surgery degree programme and B.Sc. (Hons) in Indigenous Medicinal

Resources degree programme,-the only 109 and 24 students, had registered for those programs respectively.

National Institute of Business Management

Divest of shares in subsidy company without valuing the assts and liabilities

The National Institute of Business Management (NIBM), which wholly owned the subsidy company- National School of Business Management (NSBM), divested its shareholding on 15 July 2024, and NSBM was transformed into a private limited company under a mortgage arrangement with third-party lenders, operating independently of the government or any government-affiliated entity. The National School of Business Management (NSBM) had been operating profitably and growing continuously, and the value of its assets had not been assessed to the fair value on the date of the transformation. On that date, the book value of its net assets was Rs. 4,414.79 million, yet ownership was divested by the company limited by guarantee under the mortgage arrangement based on an agreement to pay only Rs. 1,627.69 million. It was observed that as a result of this transaction, the institution (NIBM) sustained a direct loss of Rs. 2,787 million relative to the book value of its net assets. The purpose of divesting this asset from government ownership, the procedure followed, and the transparency of the process remained questionable in the audit.

Interior renovation works of the main building

When contracts had been awarded for the proposed internal renovations in the first, second and third floors of the main building of the National Institute of Business Management, supplementary criteria had been introduced other than the mentioned criterion contrary to Guideline 5.3.20 (b) of the Government Procurement Guidelines 2006, thereby making an

evaluation again. As such, the contract had been awarded to the third minimum bidder by surpassing the 02 qualified institutions with the minimum bid values thereby causing a loss of Rs. 1.48 million to the institution.

Wayamba University of Sri Lanka

Failure to record the arrival and departure times

According to Section 3.1 of Chapter 9 of the revised Establishments Code of the University Grants Commission and the Higher Educational Institutions, arrivals and departures must be duly verified in an orderly manner, and salaries and allowances shall be paid accordingly. However, without verifying the arrival and departure times of the academic staff of the University, a sum of Rs. 1,388 million had been paid as salaries and allowances during the year under review.

Undercalculation of funds recoverable for breach of bonds

The value of bonds recoverable from a Lecturer who had breached the bonds, had been undercalculated by Rs. 4.67 million. However, action had not been taken either to recover the due amount from the Lecturer or the officers responsible for erroneous calculation.

Laboratory equipment remaining idle

The laboratory equipment worth Rs. 8 million provided under the AHEAD project to the Faculty of Medicine, Faculty of Technology, and the Faculty of Livestock Fisheries & Nutrition of the Wayamba University remained idle even as at 31 December 2024, while the warranty period of laboratory equipment valued at Rs. 6.17 million had expired by June 2024.

Failure to update the stock books

When the examination was done on 20 December 2024 to verify the stock valued at Rs. 9.19 million existed at the maintenance branch, Kuliypitiya as at 31 December 2023, it was observed that the stock books had not been updated daily.

Underutilization of the community center

The community center, valued at Rs. 23.16 million, which was completed in 2020 and handed over to the Faculty of Medicine, remained underutilized.

Possession of land without transfer of ownership

Action had not been taken by the University to legally acquire the 22 acre land that had been assessed to the value of Rs. 40 million and located in Makandura where the University had been maintained since 1999.

Uva Wellassa University**Direct receipt of foreign grants.**

Without consent and approval of the Department of External Resources of the Treasury foreign funds had been obtained for 06 projects implemented under foreign grants received directly, and as for 03 of those projects, foreign grants worth Rs.53.3 million should not have been obtained directly during the year under review. Nevertheless, such grants had been obtained whilst goods valued at Rs. 22.8 million had directly been obtained by the University through 02 other foreign projects.

Payment of house rents without approval.

Contrary to Section 6.1 of Chapter VII of the Establishments Code of the University Grants Commission and the Higher Educational Institutions, house rents totalling Rs. 8.8 million had been paid for 126 staff members during the year under review without obtaining approval of the University Grants Commission. The amount so paid during the period from 01 January 2017 to 31 December 2024, was Rs. 89.1 million.

Undercharging rents of official residences.

As lease rents had been recovered based on by-laws made by the University instead of recovering a sum equivalent to 10 per cent of the basic salary of the officer when providing quarters of the University, rents for quarters had been undercharged by Rs. 4.6 million from 69 officers including the Vice Chancellor in the year 2024.

Under-enrollment of students in degree programs.

Approval was granted by the University Grants Commission to enroll 3,328 students for 16 degree programs for the academic years 2022/2023 and 2023/2024; however, only 2,645 students were actually registered, resulting in a failure to fully utilize the total capacity. Accordingly, the number of students not registered, was 21 per cent as a percentage of the expected student intake, and no foreign students were enrolled in the degree programs.

Need for students' hostels.

Due to the inadequacy of hostel facilities for the university, 64 hostels had been obtained on lease for 1783 of the 2287 students, and an annual lease rent of Rs. 87.4 million had been paid during the year under review. As attention had not been brought for construction of new hostels for students, the total of lease rents paid for hostels during the period from January 2008 to 31 December 2024, amounted to Rs. 376.2 million. Additionally, utility services such as, security, sanitary facilities, electricity and water, had also been supplied for all the hostels.

Uneconomic expenses.

Although the University possessed 13 idle and underutilized Digital Duplicators that could have been used after being repaired, 07 Digital Duplicators of an old model had been purchased thus incurring an uneconomic expenditure of Rs. 07 million.

Violation of conditions in agreements.

According to the tender conditions, the contractors had agreed to deploy the necessary staff to properly operate the cafeteria services, to pay salaries as required by law, and to clean both the interior and exterior of the cafeteria on a daily basis; however, salaries and allowances totalling Rs. 7.9 million had been paid through the labor services supply institution of the University to 13 employees deployed by the contractors for cooking activities; and, having deployed 08 janitorial workers for cleaning the interior and exterior areas of the cafeterias, a sum of Rs. 3.3 million had also been paid as their salaries and allowances. Accordingly, a loss totaling to Rs. 11. 2 million had been sustained by the University Fund during the period 2020-2023.

Payment of penalties for delay.

Due to delays in settling the bills submitted by the contractor of the alternative water supply project, an additional amount of Rs. 0.8 million had to be paid to the contractor during the year under review as Value Added Tax. The penalty for delay certified on 19 October 2023 by the project consultant as being payable to the contractor due to delay, amounted to Rs. 5.1 million. Furthermore, in order to resolve the dispute relating to the penalty for delay, a Dispute Adjudicator had been appointed by the two parties after paying a sum of Rs. 0.5 million, and the Adjudicator ordered a penalty for delay amounting to Rs. 3.7 million be further paid to the contractor in addition to the aforesaid payments.

University of Ruhuna**Making payments from the University Fund without approval.**

Without obtaining the relevant approval and before the funds were received by the university, out of Rs. 148 million, which was to be paid to a private contractor based on approval from the Procurement Committee of the Ministry of Education, an amount of Rs. 131 million equivalent to 75 per cent , was

paid from the University Fund to the contractor in February of the year under review under the Deputy Vice-Chancellor's approval.

Bhiksu University of Sri Lanka - Anuradhapura

Failure to complete the projects in a timely manner.

Activities of the Enterprise Resource Planning system relating to the management of resources the estimated cost of which was Rs. 08 million, should have been completed by 31 May 2018. However, the University could not achieve the expected benefits as the project had not been completed although a sum of Rs. 4.074 million had been expended as at 31 December 2024.

The underutilized hostel for foreign monks.

Without preparing a methodology to enroll foreign student monks, and without conducting a feasibility study before constructing the students' hostel, construction of a hostel had been completed on 14 January 2020 at an expenditure of Rs. 80.843 million with a view to providing accommodation for 25 foreign student monks. Nevertheless, only 03 foreign student monks had been enrolled during the academic years of 2022/2023 and 2023/2024. As such, the hostel remained underutilized.

South Eastern University of Sri Lanka

Non-implementation of COPE recommendations.

Recovery of the sum of Rs. 1.73 million from a Lecturer who had breached bonds, had been delayed by 09 years. Consequently in the year 2013, the Lecturer had filed a case at the supreme court. The verdict of the case stated that the amount recovered be refunded due to failure of the University in taking action within a period of 06 years after his return to Sri Lanka. Due to negligence of the responsible officers, the University had sustained a loss of Rs. 1.73 million. Having

Levying of fees for handbooks of external degree programs.

examined this matter in the year 2017, the Committee on Public Enterprises recommended that the loss be recovered from the relevant parties. However, the Council of the University failed to take action over a period of 07 years.

The University had collected a sum of Rs. 12.5 million for course handbooks at Rs. 5,000 from each of the 2,500 students reading for external degrees in the year 2024. However, the students had been provided only with softcopies by the external degrees section, and no expenses were made for printing.

Eastern University

Overpayment

As per UGC guidelines, the estimated unit price for a twin computer table was Rs.23,500. However, the Operations Technical Secretariat had paid Rs.74,450 per table, resulting in an overpayment of Rs. 1.274 M for 25 tables, without adhering to the specified requirements. Should be changed from relevant officers.

New network connection Disruption

The Trincomalee Campus had **paid** a sum of Rs. 6.15M to a private company for the extension, installation, and maintenance of a new network under the additional AHEAD fund. However, the network connection was interrupted due to damage to the underground fiber cable by an employee of the building contractor during excavation work. Despite this, the Campus had not taken any action to reconstruct or restore the damaged fiber cable, resulting in a continued disruption of the network service.

University of Peradeniya

Investing without Approval

Under Section 11 of the Finance Act No. 38 of 1971, an excess fund investment of Rs. 3,184.71 million had been made as of December 31 of the review year without the prior approval of the Minister of Finance and the subject Minister.

Charging less for house rent

In accordance with Section 5 of Chapter XIX of the University Grants Commission Act of the Democratic Socialist Republic of Sri Lanka, due to the collection of a housing rental fee decided by the University Grants Commission outside the provisions of the Act, a total of Rs. 19.68 million was undercharged to 324 academic and non-academic staff for the period from January to September 2024.

Vehicle Removal Income

The revenue of Rs. 3.30 million obtained from the vehicle removal process was credited to the university account instead of being deposited into the consolidated fund.

Payment without approval

Without the approval of the Department of State Enterprises and the General Treasury, according to the University Grants Commission Circular No. 15/2018 dated November 26, 2018, a sum of Rs. 71.06 million was paid from the university funds to the National Insurance Trust Fund as employee superannuation contribution during the period from 2019 to 2024.

Abundant Projects

Under the AHEAD (Accelerating Higher Education Expansion and Development) project, a private institution was contracted on February 16, 2021, to complete the 'Construction of the proposed extension to the Manufacturing and Industrial Engineering building of the Faculty of Engineering' project, with a contract value of LKR 127.87 million excluding VAT. According to the agreement, the project was supposed to be completed by August 15, 2022, but the contract period was

extended until December 31, 2023. By December 31, 2024, only about 49% of the work had been completed, and payments of Rs. 91.05 million had been made. When the university attempted to encash the performance bond, it was not possible to transfer the performance bond to the university due to the contractor taking legal action.

**Uncollected salary
Advances**

During the period from May 2, 2024, to July 15, 2024, when the non-academic staff conducted a strike, the total salaries paid for 9 permanent staff members and 21 temporary academic staff amounted to Rs. 3.44 million, which had not been fully collected by the end of the audited year.

**Payment allowances for
The post not approved**

For 04 director positions that were not approved as per the approved cadre of the Management Services Department, which has been implemented since February 01, 2017, a total of Rs. 3.22 million had been paid as allowances from 2014 to 2024 for.

Payment delay charges

Due to the university's failure to take action to pay electricity and water bills on the due dates, a cumulative penalty of Rs. 2.42 million had to be paid from 2022 to 2024, and the responsible officials were not identified to recover the loss incurred to the university fund.

Payables

As per Section 571(2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, the earned sums of Rs. 33.43 million retained for contractors and the refundable deposits of Rs. 3.53 million for 09 construction projects completed and handed over to the university had not been settled even by the last day of the relevant financial year.

Not giving early notices for resignations

According to Section 4.1 and 4.1.1 of Chapter V in Part I of the University Establishment Code, a lecturer must submit a written notice to the governing council three months in advance when resigning from their service under the prescribed procedure, and if notice is not given three months prior, the university is entitled to deduct three months' salary. However, even though 40 lecturers did not report for duty from the date they submitted their resignations, the university had not recovered the three months' salary amounting to Rs. 9.21 million from them as of December 31, 2024.

Not confirming attendance and departure through figure machines

According to the institutional circular letter No. 10/2017 dated July 10, 2017, of the University Grants Commission, the university paid Rs. 3,385.32 million in 2023 and Rs. 3,711.52 million in 2024 as salaries and allowances without confirming the attendance and departure of permanent and contract lecturers of the university academic staff.

Research projects

Out of 46 research projects worth a total of Rs. 97.76 million to be implemented by 7 university faculties between 2018 and 2024, Rs. 86.045 million had been spent by the end of 2024, and no action had been taken to complete these projects or to extend their duration.

Underutilization of Funds

The Scientific Capacity Development to Strengthen Informed Decision Making for Improved Climate Policy Formulation and Implementation in South Asian Countries (APP) project, which was to be completed from July 01, 2015 to July 30, 2016, had received an amount of Rs. 1.47 million, which as of December 31, 2024, even after 8 years, had remained unutilized for the intended activities.

Furthermore, an amount of Rs. 7.31 million related to 5 research funds, Rs. 4.36 million related to 6 various funds, and Rs. 7.70 million related to 8 other funds had remained unutilized over a period of one year.

Payment to Water Board In 2020, payments totaling Rs. 16.85 million were made in two instances to the National Water Supply and Drainage Board, which had initiated the project in 2019 without coming to a memorandum of understanding between the University of Peradeniya, the National Water Supply and Drainage Board, and the Kandy Municipal Council to connect the university's sewage system to the Kandy Urban Sewage Project. As of December 31, 2021, the project's work had been halted, and by October 28, 2024, physical progress was at a low level of 7.8 percent.

Construction of Cafeteria An agreement worth Rs. 36.81 million was entered into with a private institution on October 1, 2021, for the construction of a restaurant in the Meewathura residential complex. Although the project was supposed to be completed and handed over by September 30, 2022, as of the audit on September 10, 2024, only interim works of the building had been completed.

Furthermore, on August 4, 2022, the contractor had informed the university in writing that the work on the project would be temporarily halted and had vacated the work site, and the university procurement committee granted approval on August 25, 2024, to finalize the agreement, based on mutual consent, to resume the project from June 15, 2023.

Furthermore, the performance guarantee of Rs. 1.84 million related to this project was not utilized before it was due to expire on July 13, 2024. At present, the relevant procurement process is being carried out again for the remaining work of this project.

Swami Vipulananda Institute of Aesthetic Studies

weaknesses of procurement quality and asset verification processes.

The Institute had purchased 250 Teak Wooden Easels valued at Rs.4.075 M for educational purposes. However, more than 100 units became defective within a short period due to poor quality and remained idle in storage. The Boards of Survey for the year 2024 had failed to report these defects, and by February 2025, the Department of Visual and Technological Arts requested repairs for 100 units, highlighting weaknesses in both procurement quality and asset verification processes.

lapses in procurement and quality control.

The Institute procured 1,000 canvas boards for Rs.2.44 M without proper quality specifications, verification, or sampling. Price anomalies were noted, with smaller boards costing more than larger ones. Delivered items differed from quotations in frame size and cloth quality, and 60 boards were defective. Payments were made despite these shortcomings, reflecting serious lapses in procurement and quality control.

No sufficient monitoring of student performance and academic standards

According to UGC Circulars No. 04/2015 and 09/2019, Internal Quality Assurance Units (IQAU) are required to monitor student performance and academic standards. However, audit revealed high failure rates in several subjects, including 27.9% in Music (Vocal), 22.95 Percent in Dance, 20.37 Percent in Visual & Technological Arts, and 21.43 Percent in Music (Violin). Specially, two subjects recorded 100 Percent failure rates (“Introduction to Social Harmony & Sri Lankan Studies” and “Introduction to Basic Science”), while in some courses, all students received only the lowest passing grade of “C-”.

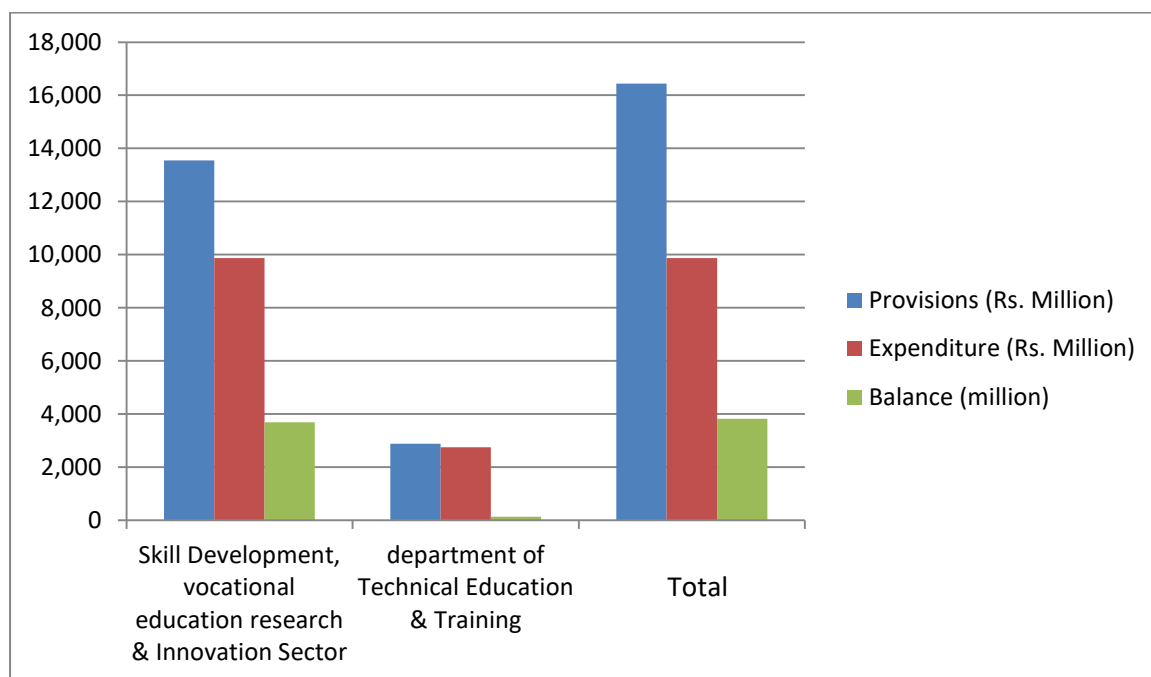
Vocational Education

Ministry of Education, Higher Education and Vocational Education

With the Vision of creating a skilled workforce, and a Mission for laying the groundwork for a harmonious society enriched with knowledge, professional expertise and competence, the Ministry, in line with the Government's National Policy Framework - "A thriving nation, a Beautiful Life," operated in 2025 through 18 institutions and a single department to achieve the target of ensuring the employment for at least one person in a high-paying job from every family.

For the fulfillment of the above task, a provision of Rs. 13,552 million had been allocated in 2024 under the Skills Development, Vocational Education, Research, and Innovation Sector and a sum of Rs. 9,866 million had been utilized therefrom in the year under review whereas a sum of Rs. 3,686 million equivalent to 27 per cent had not been utilized. Furthermore, a provision of Rs. 2,883 million had been allocated for the Department of Technical Education and Training. The expenditure incurred in the year 2024 amounted to Rs. 2,746 million whereas a sum of Rs. 136 million had not been utilized.

Diagram No:-2.34 – Income, Expenditure and Balance of Department of Technical Education and Training



Source – Annual Financial Statement 2024

A summary of audit observations made in audit test checks conducted with respect to the fulfillment of the said tasks, is given below.

Ministry of Education

Skills Development, Vocational Education, Research, and Innovation Division

Under-utilization of provision Provision allocated through supplementary estimates, should be saved under no circumstance and utilized in full for the intended purpose. However, the Skills Development, Vocational Education, Research, and Innovation Sector, had saved a sum of Rs. 228 million or 85 per cent of the provision totalling Rs. 267.02 million allocated in 25 instances through the supplementary estimates during the year 2024 whilst the provision amounting to Rs. 1,094 million made on 03 recurrent Objects and 09 capital Objects had been saved in full.

Decline in the number of student enrolled for vocational training institutions

A number of 105,258 students had enrolled for the vocational training institutions functioning under the vocational education sector in the year 2024, and that indicated a decline as against the number of students enrolled in the years 2022 and 2023 being 108,219 and 120,255 respectively.

Establishment of 05 urban universities

A total provision of Rs. 500 million had been allocated for the years 2021, 2022, and 2023 for the project to establish 05 urban universities identified under the special priority outlined in Gazette No. 2209/14 dated 04 January 2021 whereas no provision had been made for the year 2024. Having selected a building in Kegalle, a sum totalling Rs. 17.94 million had been spent thereon as water and electricity bills, and security charges by the end of the year 2023, but the project had not been implemented. As such, the sum so spent, had become fruitless.

Tertiary and Vocational Education Commission

Registered training

Institutions

According to the reports published on the website of the Tertiary and Vocational Education Commission, there existed 3,916 training institutions registered thereunder; and, of them, 1,722 remained

Failure to complete the national vocational training plan

functional whilst the registration of 1,304 institutions had expired and 844 had been closed. However, the Commission had not taken suitable measures by identifying the reasons attributed to the closure or failure to renew the registration of such institutions. It was planned by the Commission to newly develop 50 courses offering National Vocational Qualifications whilst updating 30 existing courses during the year 2024, but the progress thereof stood at 26 per cent and 22 per cent respectively.

The task of preparing a national vocational training plan and publishing in the Gazette of the Democratic Socialist Republic of Sri Lanka in terms of Section 11 of Chapter 02 of the Tertiary and Vocational Education Act No. 20 of 1990, had not been completed by the end of the year under review 2024 even after 32 years since the Commission's inception.

Establishment of a quality management system

According to the Circular No. MSDVT/SSDP/2016-1 issued by the Secretary to the Ministry of Skills Development, Vocational Education, Research & Innovation in the year 2016, it had been made mandatory for all the institutions conducting courses for Levels 01-06 of National Vocational Qualifications to establish a quality management system with effect from the year 2017. However, no institution whatsoever had complied therewith since the year 2019, and the Commission, being the regulatory body, was observed not to have taken any action in that connection.

Amendments to the Act

The process of amending the Act specifying the Court from which orders should be obtained to take legal action mentioned in Part V of the Tertiary and Vocational Education Act no. 20 of 1990 against the vocational training institutions failing to comply with provisions mentioned in the Act of the Commission in accordance with recommendations given by the Sub-committee on Public Enterprises on 01 September 2023, had not been concluded even up to the end of the year 2024.

Non-approved allowances

A sum totalling Rs. 42.34 million had been expended in the year 2024 for the payment of 16 types of allowances based on approval of

the board of governance of the Commission without being approved by the Treasury.

National Apprentice and Industrial Training Authority

Failure to discharge functions as per the Act.

No activities were carried out by the National Apprentice and Industrial Training Authority in 2024 regarding the performance of research and development tasks related to vocational training, the organization of competitions to improve and promote various skills, the implementation of activities to develop training capabilities in institutions providing vocational training and other organizations, and the provision of guidance to the Tertiary and Vocational Education Commission, as required in Section II, Chapter VI, Section 37 of the Tertiary and Vocational Education Act, No. 20 of 1990.

Decline in the number of students following the courses

A number of over 100 students had been enrolled for courses conducted by the civil engineering division of the Institute of Engineering Technology, Katunayake during the period 2017-2020. However, the number of student enrollments for the years 2023 and 2024 stood at 18 and 12 respectively. Although 87 students had been enrolled for the course, Mechanical General Engineering, in the year 2020, only 25 and 13 students had been enrolled for the years 2023 and 2024 respectively. As such, the equipment valued at Rs. 947.44 million had been granted to this institution through an Austrian project after the year 2021, but it was observed that that those equipment had not been made use of effectively and productively.

Preparation of a Scheme of Recruitment for visiting lecturers.

A formal Scheme of Recruitment had not been formulated to recruit visiting lecturers for the National Apprentice and Industrial Training Authority, but 307 visiting lecturers had been employed.

Vocational Training Authority of Sri Lanka

Unutilized the hostel building.

A two storied hostel building with 12 rooms capable of accommodating 52 apprentices had been constructed at the Kuchchaweli hotel school of the Vocational Training Authority of Sri Lanka in the year 2017 at an expenditure of Rs. 140.21 million. However, due to failure in obtaining a feasibility report prior to commencing constructions, a permanent water supply could not be obtained from that year up to the year 2024. As such, the building could not be made use of as a hostel for the apprentices.

University of Vocational Technology

Obtaining accreditation

Although a period of 15 years elapsed since a decision had been taken in the year 2010 to obtain accreditation from the Institution of Engineers, Sri Lanka for 04 engineering courses conducted by the University of Vocational Technology, the accreditation could not be received due to failure in maintaining the standard required. Approval of the Line Ministry had been received to obtain accreditation from the Chartered Institute of Building Service Engineering, UK for the course of B-Tech in Building Service Technology being conducted by the University since the year 2015, that process too had not been concluded.

Ocean University of Sri Lanka

Automation of administration and other affairs

In order to automate the students', examinations, financial , administration and other affairs of the Ocean University under the assistance of the World Bank (AHEAD), an agreement had been entered into with a private institution under "Integrated Education Management Information System(IEMIS)" for a period from 31 August 2021 to 26 February 2022. However, all the 14 Modules developed through that project at an expenditure of Rs. 9.88 million, had not been made use of even by the end of the year 2024.

Ceylon German Technical Training Institute

Appointment of an Advisory Council

According to Section 16 of the Ceylon German Technical Training Institute Act No. 15 of 2017, an Advisory Council, comprising 06 members, should be appointed by the relevant Minister under consent of the Board of Directors. That Council should give recommendations to the Board of Directors and the relevant Minister on all the matters relating to the execution of activities mentioned under Section 04 of the Act, but such an Advisory Council had not been appointed even up to the end of the year 2024.

Failure to settle land rights

Despite being stated that 05 lands in extent of 29 acres and 138.49 perches used by the Ceylon German Technical Training Institute, belonged to the Sri Lanka Transport Board and the Department of Railways, action had not been taken to clear the ownership of those lands.

Non-utilization of the official residence of the Director/Principal

The official residence of the Director/Principal of the Ceylon German Technical Training Institute located in Mount Lavinia, had not been occupied by any officer since the year 2020. However, a sum of Rs. 4.1 million had been paid thereon uneconomically as security charges for the period 2020-2024

Public Administration

The Ministry of Public Administration, Provincial Councils and Local Government functions as the centre of civil administration, delivering people-centric public services. Provision totalling Rs.46,992 million had been made for the Ministry in the year 2024, and only a sum of Rs.23,639 million therefrom had been utilized by the end of the year. As such, a sum of Rs.23,352 million had not been utilized. In order to achieve the objectives, 25 District Secretariats, 341 Divisional Secretariats, 341 Local Authorities, 03 Departments, 05 Corporations/Boards, a Commission and a Company function under this Ministry.

Audit Observations

Ministry of Public Administration, Provincial Councils and Local Government

Outstanding Building Rents

The building rent due as at 31 December 2024 amounted to Rs.347 million which indicated an increase by Rs.59 million or 21 per cent as compared to the preceding year thus indicating that timely recovery of rents remained poor. A sum of Rs.168 million out of the said rent, remained due since the years prior to 2021 whilst a sum of Rs.30 million remained due from Government bungalows, circuit bungalows and official quarters administered by this Ministry.

Furthermore, due not non-availability of a database on the buildings and houses belonging to the Revenue Code of the Ministry, it was not verified as to whether the building and house rents had correctly been brought to accounts.

Irregular Scheduling of Government Quarters and Providing of Quarters without Following Waiting Lists.

The Public Administration Circular No. 11/2003 dated 17 October 2003 stated there are no scheduled quarters for officers of any Ministry or Department under the purview of this Ministry. Nevertheless, 06 quarters had been scheduled and provided under approval of the Ministry whilst 16 quarters had

been scheduled and provided under approval of the Secretary to the Ministry.

According to Section 4.3.3 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a request for Government quarters should be entered in a waiting list as soon as it is received, and action should be taken to provide a quarters. However, 41 houses from the Summit Flats had been provided for officers selected by calling for applications in the years 2023 and 2024 in accordance with Circular No. 20/22 of the Secretary to the Ministry dated 15 September 2022.

Non-implementation of the Transfer Policy.

Transfers of the officers in the Combined and Island wide Services were not executed in a manner that achieved the objectives mentioned in Paragraph 247 in Chapter XVIII of the Procedural Rules published in Gazette Extraordinary No. 2310/29 dated 14 December 2022. The transfer policy had not been properly executed for the officers subject to mandatory transfers.

Transfers were given only for 203 of the 572 officers in the Sri Lanka Administrative Service, Sri Lanka Accountants Service, and Sri Lanka Planning Service who had applied for transfers whilst transfers had been given only for 5,069 out of 16,531 officers applied for transfers who belonged to 45,966 officers having a service period of over 05 years at the same office under 07 services of the Combined Service.

Conversion of the Human Resource Pyramid to the Standard Format.

According to the Letter No. PMO/SEC/09/02 dated 22 April 2024 of the Secretary to the Prime Minister and the Chairman of the Committee appointed by the Cabinet to review the recruitment procedure of the Government, action should have been taken to revise the limits on staff in order to convert the

non-standard human resource pyramid of the institution into the standard format thereby projecting a new human resource pyramid thus determining the optimum number of employees to fill the vacancies accordingly. However, it had not been so done.

Failure to Implement a Programme to Train the Officers of the Combined Service.

The Director General of Combined Services is the competent authority responsible for appointment, promotion and transfer of officers in 07 services belonging to the combined service of which the approved cadre was 144,139 and the actual cadre was 130,989 as at 31 December 2024. However, no programme had properly been implemented for training of those officers. After the closure of public service training institution which functioned under the Ministry, that responsibility had been brought under the Sri Lanka Institute of Development Administration, but neither the Ministry, nor that institution had drawn attention on providing training for those officers.

Payment of Acting Allowance.

According to the Paragraph 13.3 of the Establishments Code, an acting appointment should be made as a temporary measure only and until a substantive appointment is made. However, a sum of Rs. 4.75 million had been paid as acting allowance to 19 executive officers and 46 non-executive Management Services officers appointed during 2023-2024 on acting basis to cover duties of vacant posts and the officers not reporting for duty. Those officers had been appointed to execute duties of both posts.

Payment of Salaries in Arrears to Officers of the Staff of Members of Parliament

Considering that the maximum number of officers approved for the personal staff of a Member of Parliament is 06, a sum of Rs.12 million, out of Rs.508 million allocated to pay salaries of 1231 officers of the personal staffs of 224 MPs, had been

utilized to pay arrears of salaries to 142 officers in the personal staffs of 85 MPs for the period between their date of appointment and the date they assumed duties. Although those officers had received salaries, they had not signed the salary registers as per Financial Regulation 238 (5) and it was observed that their salaries had continuously been remitted to the personal bank accounts.

**Underutilization of Funds
under the E-Grama
Niladhari Project.**

It had been planned that the first stage of e-Grama Niladhari Project facilitating the collection of data on day to day requirements relating to the services rendered by the Grama Niladharis to the general public be implemented at 133 Grama Niladhari divisions in 04 selected Divisional Secretariats as a pilot project under an estimated cost of Rs.56.94 million; and, based on the success thereof, the second stage be implemented in 7,000 Grama Niladhari divisions at an estimated cost of Rs.1,689.22 million from the year 2020. The pilot projects implemented in 04 Divisional Secretariats had ended up in complete failure. Even though a sum of Rs.428 million had been spent during 2019-2024 on the projects launched at 95 Divisional Secretariats in 07 districts as the second stage thereof, the expected targets could not be achieved. As such, only a sum of Rs.117 million had been spent on the objectives of the project out of the provision of Rs.1,150 million allocated during the year 2024.

**Productivity of the “Pibidemu
Polonnaruwa” Projects.**

The matters observed with respect to the projects implemented under this programme included: forty four rooms of the 03 storied hostel comprising 72 rooms constructed for male teachers at an expenditure of Rs.75 million for the College of Education, Pulathisipura, remained idle since 2019 due lack of hostellers; although the auditorium of the Attanakadawala Central College had been constructed in the year 2019 at an

expenditure of Rs.27 million under an estimated value of Rs.18 million, the auditorium had not been made use of even by the year 2024; only the concrete pillars had been built at an expenditure of Rs.0.87 million for the construction of a 40,000 liter water tank for Methkusumgama village under an estimated value of Rs.02 million in the year 2018, but construction works had come to a halt; and, the railway quarters in Kaduruwela had been handed over to the Department of Railways in October 2021 after completing constructions, but the 02-storied building constructed adjacent to the quarters to be used for commercial activities remained idle without being used for any activity.

Weaknesses in Assets Management.

Eighty vehicles that were not in use by the Ministry as at 27 September 2024 and whose information could not be verified through documents had been registered under the Ministry of Public Administration. According to the information obtained from the Office of the Comptroller General, it was reported that 50 vehicles out of them had not been formally handed over to the institutions using them. No information was available on the other 30 vehicles. Furthermore, the Ministry did not possess the registration certificates of 76 vehicles registered under the Ministry of Provincial Councils and Local Government, and there existed no information on 27 of those vehicles. Furthermore, despite being mentioned in the registers that 44 registered vehicles had been handed over to the Local Governments, information about details and date of transfer relating only to 18 vehicles was available. No information was available to verify that 02 more vehicles had been destroyed during war.

A bullet proof vehicle registered under the Presidential Secretariat brought to the Ministry of Provincial Councils and Local Government in the year 2010, had been handed over to the Agent for repairs in the year 2014. Despite being informed

that the vehicle be released by settling the bill on the repair amounting to Rs.3.24 million, no action had been taken in that connection, and hence, the vehicle remained parked at a land of the Agent in an unusable condition.

Two Gondolas valued at Rs.31 million had been purchased in the year 2021 with the objective of cleaning the outside cladding and glasses of the Nilamedura building. However, those machines remained unused to this day.

Underutilization of Foreign Project Funds

Table No. 2.35 Underutilization of foreign project funds

Name of the Project	Provision for the Year2024 (Rs. Million)		Expenditure in the Year 2024 (Rs. Million)
Construction of a business hub for incubators – Jaffna	Foreign grants	50	No
	Government of Sri Lanka	15	
Programme for improving the management of water and waste water in Greater Colombo.	European Investment Bank Loans	3,000	No
	Government of Sri Lanka	500	18.26
Infrastructure development of the rural bridge construction project.	Credit from United Kingdom	200	No
Investment programme jointly implemented by the Government of Sri Lanka and Asian Development Bank for improving water and waste water in Greater Colombo – Phase 03.	Government of Sri Lanka	2,000	No.
Project for the developmentof rural infrastructure in emerging areas.	Loans from JICA	2,000	908
	Reimbursable foreign loans	2,000	247
	Government of Sri Lanka	500	146

Source - Financial Reports of foreign Projects

Department of Pensions

Established on 05 February 1934, the key responsibility of the Department of Pensions is to pay Government pensions in terms of Pensions Minutes amended on 05 May 1972 and other relevant Acts. The vision of the Department is to take action for an economically and socially satisfied community of pensioners.

In order to execute the said functions, provision totalling Rs. 445,473 million had been granted by Parliament to the Department of Pensions in the year 2024, and a sum of

Rs.443,434 million had been utilized therefrom by the end of the year under review. Using that provision, pensions totalling Rs.395,720 million had been given to 704,795 pensioners whilst a sum of Rs.46,449 million had been spent on gratuity for 55,091 pensioners.

Audit Observations

Management Weaknesses As pensions and allowances had been paid in a manner not compliant to the provisions of Circulars issued by the Department of Pensions, it was identified in audit test checks conducted on the databases and the Divisional Secretariats of Mawathagama, Pujapitiya, Ganewatta, Mahara, Maspotha, Pandadura, Welimada, Kundasale, Walasmulla, Weeraketiya, Galewela, Pelmadulla, Nagenahira Nuwara Gam Palatha, and Damana that overpayments totalling Rs.26.73 million had been made to 114 pensioners in the year 2024.

This had been attributed by reasons such as, payment of cost of living allowance to the dependents together with the service salary of the Army; in instances where several pensions are paid, the monthly interim allowance should be paid on the combined pension only but it had not been so paid; salary conversions for the pensioners and dependents receiving pensions from the tri-forces up to 55 years of age; the widows getting married again are entitled to 50 per cent of the W&OP and allowances, but they had been paid the salaries and allowances in full; payment of interim allowance to the pensioners who were not entitled thereto; and, payment of special allowance of Rs.5,000 along with the pension to the dependents eligible for the salaries of deceased officers of the tri-forces until 55 years of age.

Registrar General's Department

e-Land Computer Programme

Redesigning of the e-Land computer programme had been commenced in the year 2016 with the objectives of facilitating the online searching of land registers for requirements of other

parties and affairs of the Department, and expediting the registration process. Although a period of 09 years had elapsed by the end of the year under review, the computer programme had not been completed as expected.

Failure in Registering

Deeds due to Inefficiencies A total of 2,103 deeds comprising 84, 313, 711 and 995 deeds handed over in the years 2021, 2022, 2023, and 2024 respectively to the Land Registry Office in Delkanda seeking registration after being compiled and certified with errors due to failure in complying with rules to be followed by notaries as per Section 31 of the Notaries Act, had been retained by the subject clerk as such deeds could not be registered due to non-correction or errors.

Losses on Vehicle Accidents

As the vehicle bearing registration number, KA-8957 used by the Department had met with an accident on 20 January 2022, a loss had been estimated to the value of Rs.1.73 million. Once repaired, only a sum of Rs.845,205 had been received as insurance indemnity, thus the Department had sustained a net loss of Rs.890,745. However, action had not been taken to identify the parties responsible and recover the loss from them in terms of Financial Regulation 104.

Department of Official Languages.

Sinhala-Tamil Translation Software

A verification on the accuracy of Sinhala-Tamil and Tamil-Sinhala translation software developed by the University of Moratuwa at a cost of Rs.10.81 million had been requested from the Project Director by the Commissioner General of Official Languages. However, such a verification could not be obtained. Despite being informed that the software had been used by approximately 225 users, it was found as per the

information collected through e-mail that none had used the software.

Underutilized Assets

The studio constructed at an expenditure of Rs.2.43 million in the year 2017 for conducting examinations, had been used in 2024 only for processing voice recordings required for 04 tests of the National Language Qualifications (NLQ).

Furthermore, the Department possessed a language laboratory worth Rs.5.11 million constructed in 2017 with 30 monitors, an evaluation center with 18 monitors, and a lecture hall with 30 monitors. However, only one Tamil language course of 100 hours in which 13 students had participated, had been conducted in the year 2024.

District Secretariats

Overpayment of Pensions

According to an audit test check conducted on the overpayment of pensions at the Divisional Secretariats pertaining to the District Secretariats of Colombo, Gampaha, Kalutara, Kandy, Hambanthota and Kurunegala, the balance of overpaid pensions recoverable from 1687 pensioners, totaled Rs.235.20 million as at 31 December 2024. Such overpayments were made due to reasons such as, failure to update pensioners' information, overpaying the basic salary, and overpayments of gratuity, cost of living allowance and subsistence allowance.

Grama Shakthi Programme

As disclosed in an audit test check on the associations registered with the Grama Shakthi Programme under the Divisional Secretariats pertaining to the District Secretariats of Colombo, Gampaha, Kalutara, Hambanthota, Monaragala, Ratnapura, and Puttalam, a sum of Rs.296.60 million remained dormant in the bank accounts of 621 non-functional associations as at 31 December 2024.

District Secretariat, Ampara

Incomplete Constructions A provision amounting to Rs.42 million had been granted by the Ministry of Buddhasasana, Religious and Cultural Affairs to the Divisional Secretariat, Mahaoya during the period 2015-2024 for constructing a cultural center. However, the construction works of the building built at an expenditure of Rs.16.69 million, had been abandoned halfway by the year 2021. Although constructions had been resumed in the year 2024 by incurring a sum of Rs.12.87 million, the project had not been completed despite a lapse of 10 years since the implementation of the project.

Transactions of Fraudulent Nature

Due to lack of systems of internal control and poor supervision of the staff officers relating to the distribution of vouchers under the programme for granting nutrition allowance to the pregnant and breast feeding mothers implemented by the Ministry of Women, Child Affairs and Social Empowerment in the Divisional Secretariats of Samanturai and Addalachchena during 2022 – 2024, two officers in charge of the subject had committed a transaction of fraudulent nature involving a sum of Rs.5.7 million.

District Secretariat, Anuradhapura

Outstanding Lease Rents Lease rents totalling Rs.311.6 million remained due with respect to 12 Divisional Secretariats in Anuradhapura district as at 31 December 2024.

Issue of Permits at the Purchasing Price

A period of over one year had elapsed as at 31 December 2024 since 1968 La.Comm. 144(A) Formats had been sent after the Commissioner of Lands had approved the final selection list for the preparation of permits at the purchased prices in 12 divisions of Divisional Secretariats in Anuradhapura district in terms of the Land Development Ordinance. Nevertheless, those Formats had been retained by the Divisional Secretariats

without taking action to issue permits at purchased prices. Furthermore, the revenue recoverable on the gross estimate could not be recovered due to failure in issuing permits.

District Secretariat, Badulla

Irregular Transactions

During periods when a presidential election is announced in terms of Section 4.2 of the Gazette Extraordinary No. 2394/56 dated 26 July 2024 or a Parliamentary election is announced in terms of Section 4.2 of the Gazette Extraordinary No. 2403/19 dated 25 September 2024, it is required to stop distribution of items through institutions of the Government representing political candidates and parties. However, the second phase of distributing rice to 33,232 beneficiaries had been carried out within the divisions of 07 Divisional Secretariats, whilst items valued at Rs.5.79 million had been distributed in 47 instances at the divisions of 03 Divisional Secretariats under the decentralized budget programme.

Uneconomic Transactions

In order to implement the Cabinet Decision dated 01 April 2024 on the Cabinet Memorandum No. 24/0645/601/038-01 dated 01 April 2024 and titled “Distribution of rice to the low-income families”, instructions had been given to purchase the stocks of rice necessary for the Divisional Secretariat and select the suppliers with priority given to the suppliers representing the relevant Divisional Secretariats. As the supplier had been selected without being compliant to that requirement, rice had been transported from outside incurring a sum of Rs.2.21 million, thus observing that the said cost on transport was a loss sustained by the Government.

District Secretariat, Batticaloa

Obtaining Fuel Allowance in Excess

In addition to 245 liters of fuel per month approved for the vehicle assigned to the District Secretary as at 31 December 2024, a sum of Rs.1.22 million had been incurred by the

Overpayments under the Contracts

District Secretariat in the year 2024 to buy 3,552 liters of fuel with respect to 18,720 Km travelled in the year 2024 without being approved by the Secretary to the relevant Ministry.

A physical audit was carried out on 15 schools with respect to Cricket training grounds and pitches authorized to be constructed in the district under the provision of Rs.34.35 million from the Ministry of Sports and youth Affairs. The comparison made during the audit between the documents presented by the contractor, the documents examined by the Technical Officer and the Technical Assistant of the District Secretariat, and the direct calculations made directly, revealed that the amount of soil used had lost by 462.98 cubic meters. Accordingly, it was observed in accordance with registers maintained at 15 schools that a sum of Rs.1.97 million had been overpaid by the District Secretariat to the contractors under approval of the District Secretary and recommendation of the Engineer.

Government Officers Entering into Contracts

The Divisional Secretariat, Manmunai North had awarded civil works projects valued at Rs.9.58 million to the “Rural Development Society-Jayanthipuram” under decentralized budget in the year 2024. It was observed that the Chairman of the said Society was an officer of the Divisional Secretariat, Manmunai North and he had signed contracts for 05 civil works valued at Rs.9.58 million with the District Secretariat, Batticaloa and the Divisional Secretariat, Manmunai North on behalf of “Rural Development Society”. Furthermore, it was stated in Section 2.2 of the Public Finance Circular, No. 01/2021 dated 29 September 2021 that the total value of the rest of the contracts already awarded and the value of proposed contract should not exceed Rs.05 million under the “Scheme of Awarding Direct Contracts to Community Based Organizations” of the Ministry of Finance. However, it was

observed that the said award of contracts had been done contrary to that requirement.

District Secretariat, Colombo

Payment of Pensions

As for the payment of pensions in Colombo district in the year 2024, pensions were being paid to 125 pensioners pertaining to 05 Divisional Secretariats without permanent or temporary pension files. In the year under review alone, a sum totalling Rs.16.24 million had been so paid. Furthermore, a total of Rs.58.97 million had been paid to 202 pensioners in 10 Divisional Secretariats through temporary pension files during the year under review alone. Of those temporary pension files, 64 files of 04 Divisional Secretariats had not been presented to the Department of Pensions seeking approval even by the end of the year under review.

“Saubhagya Production Villages” – Seethawaka

At an expenditure of Rs.2.54 million under the “Saubhagya Production Village” Programme, 28 members of the livestock production village of Seethawaka had been provided with kids, chicks, chicken coops, cattle sheds and a machine to produce organic fertilizer. However, the animals and those equipment valued at Rs.1.3 million given to 14 beneficiaries, remained underutilized as at 31 December 2024. Furthermore, 12 goats given to 07 beneficiaries had died due to certain diseases, but no veterinary report whatsoever had been obtained on those deaths. Although 07 of the goats given to 04 beneficiaries had been sold by them, action had not been taken to recover the value of the animals from the relevant beneficiaries as per the agreement.

“Saubhagya Production Villages” – Moratuwa

Two of the 04 fish driers valued at Rs.05 million given under fisheries-related “Saubhagya” production village programme in Moratuwa, had been handed over to the Multipurpose

Cooperative Society of Beruwala due to not being used in the production process. The 02 driers valued at Rs.2.5 million and remained at the Divisional Secretariat, Moratuwa, had not been made use of as at 31 December 2024. Due to failure in entering into agreement in accordance with the model format introduced by the Saubhagya Bureau when the fish driers were given to the Saubhagya societies, the agreement that had been entered into, did not include the significant and essential conditions mentioned in that format.

Control of Vehicles

There were 08 vehicles not in running condition that had been sent for repairs as at 31 December 2024 out of the 51 vehicles used by the District Secretariat. Those vehicles had not been used for running over a period of 03-45 months. Furthermore, ownership of 05 vehicles had not been transferred under the District Secretariat as at 31 December 2024, whilst 13 vehicles registered under the District Secretariat, did not exist at the District Secretariat and information on those vehicles was not made available to the Audit.

Irregular Payments

Salaries and allowances totalling Rs.8.88 million had been paid during 2017-2024 to an interdicted employee and 07 employees of 04 Divisional Secretariats who had not actively contributed to their duties as at 31 December 2024 and been sent on compulsory leave; and, a sum of Rs.1.61 million had also been paid as salaries and allowances to 03 Grama Niladharis of 03 Divisional Secretariats who had been forced to retire as per Section 2.12 of Minutes on Pensions while on compulsory leave after being apprehended on charges of bribery.

District Secretariat, Gampaha

Non-utilization of Allocations under other Heads

A sum of Rs.247.2 million out of provision allocated to the District Secretary, Gampaha by 48 Ministries and Departments

for implementation of miscellaneous projects, had not been utilized.

“Saubhagya Production Villages” – Mirigama

The Divisional Secretariat, Mirigama had spent a sum of Rs.8.6 million to purchase raw materials & equipment and for training programmes for 36 beneficiaries of the Webodamulla clay products manufacturing village under the “Saubhagya Production Villages” programme in the year 2021. Two electric furnaces had been purchased at a sum of Rs.2.6 million for heat-treating ornamental items. However, they had not been used due to high electricity consumption.

Weaknesses in Vehicle Management

A bus and 03 double cabs the ownerships of which belonged to the District Secretary, were used by other institutions, but action had not been taken to formally transfer the ownership of those vehicles to the relevant institutions. No action had been taken to transfer the ownership of 03 vehicles valued at Rs.14.7 million belonging to the Ministry of Home Affairs and being used by Divisional Secretariats of Negombo, Katana and Wattala, to the District Secretary.

District Secretariat, Galle

Failure to make Procurements in a Manner that Provides Economic Benefits to the Government

An amount of 1,498,710 kilograms of rice were purchased in April 2024 for 149,871 beneficiaries in 22 Divisional Secretariats of the Galle District to distribute 10 kilograms of Nadu rice per month to low-income families for a period of 02 months under the first phase. As stated in the said circular, a sum of Rs.186 was paid for a kilogram of rice, but according to the consumer price reports during that period, the price of a kilogram of raw rice in the market ranged between Rs.158 and Rs.175. As such, it was observed that a sum of Rs.12.80 million

had been paid additionally for purchasing rice above the market price.

District Secretariat, Hambanthota

Banana Cultivation Project for Export

Under the sour plantain cultivation project for export, banana plants and equipment valued at Rs.22.11 million had been given to 200 beneficiaries in the Divisional Secretariats of Suriyawewa, Agunakolapelessa, and Ambalanthota. However, due to failure in putting in place a methodology for export by October 2024, objectives of the project could not be achieved, and the plastic crates and colored ribbons worth Rs.1.58 million provided to the beneficiaries remained underutilized. Furthermore, the export center and the machinery installed there, which had been constructed at a cost of about Rs.45.67 million under another government project to export bananas, remained idle.

Project for Providing Goats Having deviated from the objective of the project implemented to provide goats at an expenditure of Rs.16.51 million for livelihood enhancement of 233 beneficiaries under 07 Divisional Secretariats in Hambanthota district, 66 goats had been for the purpose of rearing them as pets. Action had not been taken regarding 91 goats provided to 36 beneficiaries that had been transferred to other parties. Furthermore, 113 of the 699 goats provided under the project had died within a period of one year, and 102 female animals had not produced offspring. Furthermore, it was observed that since no income had been earned from the sale of milk or mutton the intended objectives of the project had not been achieved.

Implementation of the Rice Distribution Programme

The procurement Guidelines had not been followed when purchasing 2,317,400 Kg of rice valued at Rs.431.04 million to be distributed among low-income families in Hambantota

District under the programme implemented by the Ministry of Women, Child Affairs and Social Empowerment and the District Secretariat for the free distribution of rice among low-income families. Due to failure of the officers in performing financial transactions economically, the Government had sustained a loss of Rs.34.9 million under Stage I of the programme.

Outstanding Lease Rents A sum of Rs.11.51 million remained due as at 31 December 2024 from 50 lessees relating to the lands and properties given on long term lease by 05 Divisional Secretariats of Hambantota District.

**Losses and Damages Caused
by Wild Elephants**

Due to the lack of a permanent solution to damages caused by wild elephants, which pose a major threat to the lives and properties of the public in the Hambantota district, 26 fatalities, 23 physical injuries and 255 property damage were reported due to wild elephant attacks in the years 2022, 2023 and 2024. A sum of Rs.41.18 million had been paid as compensation for such damages. Furthermore, It was observed that the payment of compensation for physical and property damage due to wild elephant attacks was being delayed even as at the date of audit on 31 March 2025 due to the non-receipt of wildlife site inspection reports for 48 applications for which a period of 1-3 years had elapsed since the receipt of the applications and 28 applications received in 2024.

District Secretariat, Kandy

**Construction of School
Side Wall**

Due to inefficient engineering plans, the concrete retention wall constructed at the A Rathnayake College, Walala incurring a sum of Rs.29.58 million during the year under review had partially collapsed within 02 months since construction. Action had not been taken to restore the wall based on advice of

structural and geological experts, and the existence of the sidewall was uncertain.

Failure to Construct Roads

According to Standards

An agreement had been entered into with a contractor in the year 2024 to construct a distance of 1500 meters on the road leading from Ketawala junction to Nahiniwela, and a sum of Rs.20.69 million had been incurred. With a distance of 850 meters actually constructed, bills had been presented saying that a distance of 920 meters had been constructed and payments had been made thereon. As such, an overpayment of Rs.2.80 million had been made comprising a sum of Rs.1.54 million for laying asphalt and a sum of Rs.1.26 million on 56 metric tons of asphalt more than that of the amount verified to have been supplied to the contractor by the asphalt company. It was observed that the total amount had been paid for that work despite the technical inefficiencies and weaknesses in standard such as, failure to execute contracted works, construction of only 56 per cent of the distance of the contracted road, the plans of standard specifications asphalt mixture had not been given to the contractor, failure to measure the road surface at every 5-meter interval where asphalt was applied, and failure to check with specifications the temperature of the asphalt brought to the site.

Implementation of Water Supply Projects

In order to implement a community water project in the division of Thennalanda of Divisional Secretariat, Meda Dumbara, the National Water Supply and Drainage Board had been entrusted with the project by following the direct contract method. Accordingly, a performance bond had not been obtained as per Procurement Guidelines, but the total amount of Rs.19.88 million had been paid to the Board without completing the contract, presenting a bill or entering into an

agreement. However, works of the contract had not been completed even after 06 months from the end of the year 2024.

Resettlement

A number of 1,539 families in 17 Divisional Secretariats in the Kandy District had been identified as being at high risk of landslides, but 1,319 families had not been resettled even though a period of 01 to 09 years had elapsed as at 31 December 2024.

Payment of Interest on Compensation

As for the payment of compensation for 53 plots of lands in 12 Divisional Secretariats of Kandy district, a delay ranging from 02 months to 22 years had occurred between the date of receiving approval for acquisition of lands and the date of paying the provisioned monies. Accordingly, in addition to the compensation on the acquisition, an interest on compensation amounting to Rs.167.24 million had been paid with respect to 36 plots of lands.

District Secretariat, Kalutara

Constructions Abandoned Halfway

There existed 27 buildings in the Divisional Secretariats of Beruwala, Horana, Bandaragama, Panadura, Agalawatta, Dodangoda, Mathugama and Kalutara in the District Secretariat of Kalutara the constructions of which, approximately totalling Rs.42.88 million, had been commenced using Government grants received from miscellaneous sources of funding; however, only a part of those constructions had been completed whereas the rest of the constructions remained incomplete over an extensive period. There were 04 more buildings constructed halfway the construction cost of which could not be identified. A period of 02-26 years has elapsed since the constructions of those buildings began. Some of these constructions had been limited only to the steel reinforcements used for the foundations and columns, and since those parts had long been

exposed to sun and rain, they had become unsuitable for reuse, resulting in the government expenditure incurred thereon becoming fruitless.

Weaknesses in Vehicle Management

The ownership of four vehicles used by the District Secretariat, Kalutara, had not been transferred under the name of the District Secretary, and the District Secretariat had failed to furnish information relating to 15 motorcycles registered under the name of the District Secretary.

Functions of the Committee According to the inspection conducted on the functionality of 05 Committees under the District Secretariat, Kalutara, the District Coordinating Committee, Environmental Committee, and Dengue Prevention Committee were required to meet once every month, but they had met only four times during the year under review whilst the District Drugs Prevention Committee, required to meet thrice every year, had met only once in the year. Furthermore, the District Agriculture Committee, which is supposed to meet once a month in a year, had met only 06 times during the year under review. Accordingly, the proper and timely functioning of the proposed committees is extremely important for providing effective and meaningful services to the citizens in the district, but it was observed that sufficient attention had not been paid to the timely functioning of those committees.

“Kandukara Dashakaya” Project

A sum of Rs.71 million had been allocated for projects implemented by the Divisional Secretariat, Agalawatta in the year 2024 under the Special Integrated Rural Development scheme of “Kandukara Dashakaya” 2024-2033. Having expended only 43 per cent of that provision, 23 projects had been implemented in the year under review. Provision amounting to Rs.8.6 million had been saved out of the projects

so implemented as well whilst provision amounting to Rs.32 million equivalent to 57 per cent had been returned.

“Saubhagya Production Village” Programme

In order to construct a cinnamon extraction center and distribute cinnamon plants and equipment among 60 beneficiaries under the Mandagala cinnamon village project implemented by the Divisional Secretariat of Walallavita under the “Saubhagya Production Village” Programme, a sum of Rs.4.86 million had been spent. The project proposal stated that the expected output of the Cinnamon Extraction Center was cinnamon oil, to be produced at a rate of 15 bottles per month using cinnamon leaves and 12 bottles per month using cinnamon bark. However, a period of 02 years had elapsed since its inception though, the cinnamon extraction center had produced 27 bottles of cinnamon oil. The production process of the cinnamon oil extraction center had been discontinued on 10 February 2024.

District Secretariat, Kegalle

Underutilization of Provision As for the utilization of provision given by other Ministries and Departments, a sum of Rs.13.3 million out of the provision of Rs.15.5 million granted by the Ministry of Youth Affairs & Sports for Constructing side wickets under the school cricket development programme; the entire provision of Rs.1.08 million granted by the Ministry of Tourism and Lands for constructing the vehicle park of the Dedigama Raja Maha Viharaya; and, a sum of Rs.7.45 million out of the provision allocated for miscellaneous agricultural projects under the Agricultural Modernization Program, had been returned without being utilized.

Construction of Reucastle Wire Bridge

The Divisional Secretariat, Dehiovita had entered into an agreement with an elders’ society on 12 August 2024 with respect to the project for repairing the Reucastle wire bridge,

but the elders' society had sub-contracted the project by violating the agreement. Furthermore, even though the repairs had not even been commenced as at 31 December 2024, the Technical Officer obtained a sum of Rs.2.94 million presenting misinformation saying that works had been completed, and a sum of Rs.2.51 million from that amount had been credited to that elders' society in 04 instances.

Construction of the Office of the District Secretariat

The contract for constructing the building of the District Secretariat, Kegalle had been awarded in the year 2009, and by November 2024 ,a sum of Rs.171 million had been spent thereon. That sum included a payment of Rs.16.81 million made on 04 items of works that had not been estimated. Furthermore, due to continuous delays in the constructions, a sum of Rs.48.4 million had been paid as at 31 December 2023 as adjustments on price variations.

Implementation of the “Urumaya” Programme

Out of the provision of Rs.10.81 million received for the “Urumaya “Programme, a total of Rs.10.26 million had been spent — comprising Rs.8.55 million as capital expenditure and Rs.1.71 million as recurrent expenditure. However, deeds had been given only for 753 grants and licenses. In addition, without distributing the deeds through the relevant Divisional Secretariats, a sum of Rs.1.9 million had been spent on buses to transport beneficiaries to Dambulla and Ruwanwella, and a further Rs.0.8 million had been spent on sound systems and electricity supply.

District Secretariat, Kurunegala

Idle Assets

The public utilities center that had been renovated at an expenditure of Rs.4.7 million and equipment provided to the Thittawella Clay Industrial Rural Development Cooperative Society Ltd in Divisional Secretariat, Ganewatta under the

Traditional and Rural Industries Development Integrated Program in 2021, remained unused.

Non-implementation of water projects

Although a period of over 10 years had elapsed since a payment of Rs.14.4 million had been paid to the National Water Supply and Drainage Board with respect to 02 projects implemented to extend water pipes in the division of the Divisional Secretariat, Bamunakotuwa under the “Deyata Kirula” development programme in the year 2014, the expenditure so incurred, had become fruitless as those projects had not been implemented.

Failure to Achieve the Objective of Minimizing Rural Disparities

Projects should be selected in a manner that minimizes rural disparities. However, out of the total provision amounting to Rs.95.07 million made in the year under review on rural development, a sum of Rs.46.34 million equivalent to 49 per cent had been allocated to distribute goods among community-based societies.

Idle Assets

Twenty Multi Choppers purchased at an expenditure of Rs.5.4 million from a supplier who had been selected by the District Secretariat on 29 December 2021 by calling for quotations, remained unused and idle throughout the year.

Transfer of Lands

A number of 28 lands with high commercial value including the bus station, Maligapitiya, public fair, cemetery, office of the land registrar, Rajapihilla resthouse, Rajapihilla park, the land where the Municipal Council had been established, and Magazine Hill land owned by the Government, could have been given on long-term lease to the Urban Council thus earning an extensive income for the Government. However, action was being taken to vest those properties in the Municipal Council.

Implementation of a Pilot Project for Processing Agricultural Products

The land in extent of 30.704 hectares (75 acres) in the division of the Divisional Secretariat, Ganewatta, had been given on lease for 30 years to a farmers' company on 18 January 1999, and the Government had provided properties and equipment worth Rs.113.6 million with the objective of implementing a pilot project for processing agricultural products. However, it was observed that the relevant objective had not been achieved. Out of the loan amounting to Rs.03 million given by the District Secretariat from the Agricultural Revolving Credit fund, a balance of Rs.1.9 million remained further due. As this company had defaulted on the settlement of the loan obtained in 04 instances from the Rural Development Bank by producing their right to the lease as a pawn, the company agreed to pay a sum of Rs.68.87 million to the Bank as fines and interest. However, following their failure to do so and the company sustaining losses continuously, there existed a risk for the equipment and properties worth Rs.113.6 million to be forfeited by the Rural Development Bank. Furthermore, it was observed that the land and buildings of the paddy processing center had been subleased to a private company contrary to Cap. 454 of the State Lands Ordinance and Section 09 and 20 of the Agreement, thereby depriving the Government of an income.

District Secretariat, Matale

Failure to Recover Fees on Forest Produce

The fees on forest produce amounting to Rs.20.07 million recoverable from quarries maintained at the Government lands in Matale district for the years 2023 and 2024 in accordance with Gazette Extraordinary No 2216/34 dated 25 February 2021 publishing the Regulations made by the subject Minister as per the powers vested in him through Section 64(2)(f)

(Cap.451) of the Forest Conservation Ordinance No. 16 of 1907, had not been recovered.

Failure to Follow

Procurement Guidelines

The Matale District Secretariat had spent Rs.9.15 million to purchase goods required for the Home Gardening Project under the World Food Programme and Rs.14.16 million to purchase equipment required for the Bernard Aluvihare Indoor Sports Complex, in Matale without obtaining quotations from the registered suppliers despite their sufficient availability. The bodybuilding equipment purchased had also not complied with the technical specifications.

Payment of Interest on Compensation

Due to delay in paying compensation as per the interim order 38(a) in Paragraph 04 of Section 361 of the Land Acquisition Act No 09 of 1950, an interest of Rs.39.16 million had been paid on 40 lands in the Divisional Secretariats of Matale and Yatawatta acquired for road development.

Payments without Transparency

Having been verified by the Divisional Secretary, Grama Niladhari, and the Secretary to the mill owners association-Akkrapattu that the rice mill which presented bills requesting payments of Rs.94.58 million for purchasing 503,260 Kg of rice and Rs.2.45 million on transport charges, had not been maintained at the given address in Akkrapattu, the transparency in making payments remained unsatisfactory in audit. Furthermore, a sum of Rs.21.76 million on the supply of 117,010 Kg of rice along with a sum of Rs.0.52 million on transport charges had been paid to a rice mill in Thissamaharama. However, according to the mill owner's statement, he had supplied 30,000 Kg of rice and the transport fee of Rs.0.12 million had been paid by himself. As such, an fraudulent expense of Rs.0.52 million had been incurred on transport by the District Secretariat.

District Secretariat, Matara

Failure to make Procurements in a Manner that Provides Economic Benefits to the Government

An amount of 2,579,400 Kg of rice had been purchased by 16 Divisional Secretariats in Matara district under 02 stages in order to be distributed among low-income families as per Circular No. DFD/2004-1 of the Secretary to the Ministry of Finance, Economic Stabilization and National Polices dated 04 April 2024. It was observed that the government had sustained a financial loss of Rs.54.54 million due to the purchase of 1 kilogram of rice at a higher price of Rs.186 by disregarding the retail price of Rs.150 - Rs.165 per kilogram of rice in the market.

District Secretariat, Monaragala

Payment of Interest on Compensation

The Divisional Secretariat, Wellawaya, had paid compensation amounting to Rs.447.3 million with respect to 552 plots of land acquired for the Uma oya development project. Due to a delay of 12 years in paying compensation for the lands acquired for this project launched in the year 2012, an additional interest of Rs.33.5 million had been paid for 243 plots of land.

Failure to make Procurements in a Manner that Provides Economic Benefits to the Government

The Government had sustained a loss of Rs.36.6 million following the implementation of the paddy purchasing programme in Monaragala district due to reasons such as, failure in following the procurement procedure when purchasing rice for the low-income families, failure to take action to purchase rice after surveying on market prices prevailing at the Divisional Secretariats, failure to act in a manner favorable to the Government by following the Financial Regulation 156(7), failure to act in a manner that minimized

Government expenses as mentioned in Paragraph 3.6 of the Circular No. DFD/2024-01 of the Ministry of Finance, Economic Stabilization and National Polices dated 04 April 2024, and failure to follow rules and regulations of the Government as mentioned in Paragraph 04 of the letters for approving provision dated 10 April 2024 and 10 June 2024.

Losses Caused by Wild Elephants

A number of 528 cases of property damage, 32 cases of physical injuries and 30 cases of loss of life were reported to have been caused by wild animals including wild elephants in 11 Divisional Secretariat divisions during the period from 2021 to 2024, for which a compensation of Rs.52.6 million was paid.

District Secretariat, Nuwara Eliya

Irregular Transactions

While the government sports club building, which had been constructed around the year 1941, had been accounted for as a fixed asset of the District Secretariat at a value of Rs.21.80 million, only about 10 out of the 80 members of the sports club had met on 12 June 2024 and held a monthly meeting and decided, at which the building had been given on lease to an external party for operating a night club for a period of 20 years. Since one of the officers who had signed as a participant of this meeting had been engaged in another official duty on that day, the register of signatures too remained unacceptable. Although an agreement had been prepared to give on lease a business as a moveable property, no conditions had been included therein with respect to the building to be given on lease. The liquor license pertaining to the sports club had been renewed at a sum of Rs.1.13 million personally incurred by the District Secretary thereby allowing the sale of liquor at that location. Prior to leasing the building to an external party, another building adjacent to the sports club hall had been

constructed in 2024 at a value of Rs.5.20 million under allocations made through the Decentralized Budget Programme and the Plantation Infrastructure Development Programme, for the use of the sports club and for the installation of its equipment. The financial provision for this building had been obtained by cancelling Rs.3.20 million allocated for 03 rural road development projects approved under the 2024 Decentralized Budget Programme.

“Kandukara Dashakaya” Project

As 09 projects approved on 21 March 2024 to be implemented following the feasibility studies using provision of Rs.100 million received by the Divisional Secretariat, Ambagamuwa under the Special Integrated Rural Development scheme of “Kandukara Dashakaya” 2024-2033, had not been implemented by the Divisional Secretariat despite being assigned on 22 July 2022 due to reasons such as, land-related issues, non-willingness of communal societies, non-availability of NBRO reports, and lack of Technical Officers, the provision totalling Rs.13.7 million had been returned.

Infrastructure Development Projects

Although a sum of Rs.21.00 million had been allocated to the Divisional Secretariat, Ambagamuwa on 24 July 2024 under the Special Project Funds of the Presidential Secretariat for carrying out 13 construction works and 6 procurements under the Plantation Infrastructure Development Programme, the intended objectives could not be achieved as the funds had been returned without implementing those activities by 10 December 2024.

Idle Assets

The seed bean storage building and the cold room, constructed in 2018 at a total cost of Rs.6.90 million under the Gram Shakthi People’s Movement within the premises of the Elamulla Agrarian Service Centre in the division of Divisional Secretariat, Hangeranketha using funds provided by the

Presidential Secretariat, had remained idle even as at the date of audit on 31 January 2025.

Implementation of the “Saubhagya Production Village” Programme

The Hanguranketha Divisional Secretariat had implemented a coffee seed production project at an estimated cost of Rs.8.45 million under the “Saubhagya Production Villages Programme – 2021”. Although a period of over 03 years had elapsed as at the date of audit on 31 January 2025 since the commencement of the project, the coffee seed storage center, Hunukotuwa constructed at an expenditure of Rs.3.23 million and the 02 coffee seed collection centers in the Grama Niladhari divisions of Idampitiya and Matibambiya renovated at an expenditure of Rs.0.52 million under the development of common infrastructure, remained idle. Furthermore, it was also observed that the 07 machines purchased at an expenditure of Rs.1.86 million to remove exocarp of the coffee seeds remained idle over a period of 03 years due to failure in obtaining electricity connections to the coffee seed collection centers in Idampitiya and Matibambiya.

Failure to Recover Land Lease Rents

Due to failure in properly executing the responsibilities in terms of Financial Regulation 149, lease rents totalling Rs.26.58 million had not been recovered relating to Government lands given on long term lease for commercial activities by the Divisional Secretariats of Hanguranketha and Norwood.

Conducting Land Kachcheris

According to the Circular No. 2008/04 of Land Commissioner General dated 20 August 2008, land kachcheris were conducted during the year 2022 for only 18 out of the 32 Grama Niladhari divisions in the Divisional Secretariat, Ambagamuwa Korale for the purpose of regularizing lands. However, actions had not

been taken to issue permits to 537 participants relating to 10 of those divisions.

District Secretariat Polonnaruwa

Under recovery of Fees on the Issue of Revenue Licenses

According to Circular No. 102 of the Ministry of Public Administration dated 13 January 1997 relating to divisional administration, a fee equivalent to 01 per cent of the revenue generated from the issue of revenue licenses should be levied. That fee had been increased by 10 per cent through the Public Finance Circular, No. 351 dated 06 February 1997. Furthermore, the Public Finance Circular, No. 359 dated 28 March 2001 again increased the said fee by 15 per cent. Accordingly, the fee levied on the revenue license should be 1.265 per cent (1 per cent * 10 per cent * 15 per cent). However, a revenue of Rs.1.94 million had been lost in the year 2024 as the Divisional Secretariats had underrecovered fees on revenue licenses by 0.265 per cent.

Gemidiriya Project

Under the Gemidiriya project implemented under the Ministry of Economic Development, 160 rural organizations were established in 06 divisions of Divisional Secretariats of Polonnaruwa District, and an amount of Rs.517.7 million was provided to those rural organizations. Due to the lack of formal supervision of those organizations, some of the organizations has become inactive by now, and no steps had been taken to identify and activate the relevant societies and to redirect the funds held in bank accounts and with various parties for the purposes of those societies. The value of the dormant bank account balances identified as at 31 December 2024, totaled Rs.56.6 million.

Rural Livelihood

Development Programmes With the objective of improving the livelihood of the rural masses and nutrition of the families through the consumption of eggs by providing chicks for family units under the “Gama Samaga Pilisandara”-2022 rural development programme, 28,797 chicks valued at Rs.11.6 million had been provided to the family units by the Divisional Secretariats of the Polonnaruwa district. As 22,265 chicks of them valued at Rs.09 million had died, an agreement had been entered into with the supplier to provide chicks again, but only 3959 chicks had been provided in the year under review.

Suwasewa Foundation There existed a balance of Rs.11.23 million as at 31 December 2024 in the Fund established under Suwa Sewa Foundation by the Divisional Secretariat, Welikanda in the year 2000 for supplying sanitation and drinking water facilities to the people in the Divisional Secretariat. Those monies had not been used on the intended purpose of the Fund but remained dormant over a period of 24 years.

Dues from the Paddy Mill Owners

As 4,816,652 Kg of paddy to be given to the Government under the paddy purchasing programme implemented by the District Secretariat, Polonnaruwa from the Maha Season of 2019/20 to 2022/23, had not been given, a sum of Rs.395 million remained further due from the paddy mill owners.

Uneconomic Transactions Under construction Stage III of the District Secretariat, approval had been granted to purchase essential furniture in accordance with the Cabinet Decision No. PDF/GOV/155/CM/456 dated 17 June 2019 relating to the purchase of furniture and equipment. Accordingly, 26 bunk beds and mattresses had been purchased at a value of Rs.1.8 million, and 06 of the beds so purchased had been kept in the stores without being used. Furthermore, payments had been made after verifying that kitchen equipment had been supplied

and installed at a value of Rs.6.7 million in the year 2023, but those equipment had not been installed and made use of even up to the date of audit on 28 April 2025.

District Secretariat, Puttalam

Projects Abandoned Halfway

Nine water supply projects implemented by the Divisional Secretariat, Madampe under Gamperaliya Project at an expenditure of Rs.8.58 million in the year 2019, and 06 Government buildings constructed at an expenditure of Rs.3.36 million under the "Gama Samaga Pilisandara" programme in the year 2022, had been abandoned due to non-receipt of financial provision.

Failure to Make Provisions sing e-GP

According to Circular No. 08/2019 of the Director General of Public Finance dated 17 December 2019, the District Secretariat should have registered under the e-GP system of the Government as a procurement entity prior to 31 January 2020 thereby making procurements with transparency as per instructions of the Circular. Even after 05 years by the year under review, the District Secretariat had not done so.

Failure to Recover Dues

The amount of Rs.106.17 million, which is due from 20 rice mill owners in the district for more than 4 years as at March 21, 2025, in relation to the purchase of paddy in the 2020/21 Maha season and 2021 Yala season under the government's paddy purchase program, and an interest thereon, should have been calculated and action should have been taken promptly to recover the amount due for the Government or to take appropriate legal action, but it had not been so done.

District Secretariat, Ratnapura

Lands Given on Lease for Mining Minerals

A land in extent of 94.6174 hectares in the Panahaduwa division of the Divisional Secretariat, Embilipitiya had been leased to a private company for mineral extraction. In doing so, a detailed feasibility report had not been prepared in accordance with the Cabinet Decision; and, without identifying the locations of archaeological importance and entering into a lease agreement, action had been taken by the Divisional Secretary, Embilipitiya to transfer rights on 12 September 2022 by recovering an annual lease rent of Rs.6.5 million.

District Secretariat, Trincomalee

Losses Caused by Vehicle Accidents

The government had suffered a loss of Rs.2.12 million due to the inability of the insurance company to cover the cost of restoring a Montero jeep belonging to the District Secretariat, Trincomalee that was involved in an accident. Furthermore, considering the nature of the injuries sustained as per report of the post-mortem of the deceased driver, it was revealed that the driver of the vehicle was not the one driving the vehicle at the time of the accident.

Housing Projects for Low-income Groups

The construction of 04 houses worth Rs.0.6 million and 15 houses worth Rs.0.1 million identified and provided by the Kantale Divisional Secretariat in 2021 and 2023 for low-income earners and resettled displaced families under the project implemented by the Ministry of Urban Development and Housing, remained incomplete. The amount of benefits paid for 39 houses that were not completed, was Rs.29.4 million.

Outstanding Lease Rents Long-term land and building lease rents totalling Rs.524.93 million had remained in arrears for a prolonged period as at the end of the year under review in six Divisional Secretariats.

Funds Recoverable under the Paddy Purchasing Programme

The sum of Rs.49.77 million recoverable under the expedited programme for purchasing paddy during the Maha Season 2019/20 and 2022 from 08 paddy mill owners viz 04 paddy mill owners in the Divisional Secretariat, Kantale, 02 paddy mill owners in the Divisional Secretariat, Padavi Sri Pura, and 02 paddy mill owners in the Divisional Secretariat Seruwila, had not been recovered by the District Secretariat even after a lapse of 04 financial years.

District Secretariat, Vavuniya

Economic Center, Vavuniya The Economic Center of Vavuniya established by the Ministry of Rural Economic Affairs at an estimated expenditure of Rs.291.63 million, is currently maintained by the Ministry of Trade, Commerce, Food Security and Cooperative Development. After completion of constructions in the year 2018, the Economic Center had been handed over to the District Secretariat, Vavuniya, but action had not been taken even by 31 December 2024 to make use of the Center for its intended purpose. It was further observed that a sum of Rs.14.3 million had been expended on charges for security service, cleaning expenses and water charges for the period 2018-2024.

Audit Observation

Sri Lanka Tea Board

Market situation

According to the Supplement to Annual Bulletin of Statistics 2024, the global tea production share which were 7.4 percent and the global tea export market share, which were 17.1 percent in 2011, had declined to 3.7 percent and 13 percent respectively by the year under review and although the Sri Lanka Tea Board had spent about Rs.10,128 million and Rs.5,439.6 million respectively on tea production and promotion activities for the period of 2011 to 2024, it was observed that Sri Lankan tea has gradually lost its place and market share in the global context.

Sri Lanka Rubber Research Board

Violations of Bonds

As per Section 4:7 of Chapter XV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the total amount of Rs.3.87 million due to violated the terms of bonds and had not been recovered for a period of 2 to 34 years from 04 officers who went abroad on leave with pay for academic purposes and even by 31 December 2024.

Underutilized equipment

As the Gas Chromatography- Mass Spectrometry (GC-MS) equipment worth Rs.20 million and ICP-OES equipment worth Rs.15.9 million, which were installed in the year 2020, belonging to the Tire Center, had been used for testing samples on only 111 occasions in the previous years and as the equipment was underutilized, the Board had been unable to generate revenue.

Idle assets

According to the 2017 budget discussion, an amount of Rs.50 million had been allocated for the establishment of a FEAS CENTER for the design and performance evaluation of rubber products as a business model through a public-private

partnership and although Rs.49.7 million of that amount was used to start the activities of the center in the year 2019, since the activities of the center had been completely stopped since October 2023, that is, for almost two years, the relevant building and the computers and software, machinery, furniture and office equipment which cost of Rs.38.9 million remained idle.

Pilot project for the introduction Of biofuel wood species

Due to the failure to successfully complete the pilot project for the introduction of bio-fuel wood varieties for small rubber planters, which was contracted with the Food and Agriculture Organization of the United Nations in 2017 and was scheduled to be completed in 2022, An amount of Rs.4.3 million, or 40 percent, out of the Rs.10.4 million received for the project, had remained outstanding even by 31 December 2024.

Department of Rubber Development

Recovering subsidies from Planters who have abandoned Cultivation

The Rubber Development Department provides cultivation subsidies to rubber growers and the money given to the growers should be recovered from the growers when they abandoned cultivation. However, the Department should have collected Rs.27.8 million due to 727 out of 6,021 rubber re-growers abandoning cultivation in 15 districts and Rs.24.7 million due to 2,844 out of 5,605 new rubber growers abandoned the cultivation.

Clone failure

Due to problems with the RRISL 2001 clone introduced to the nurseries of the Rubber Research Institute, the release of these plants was temporarily suspended by the end of 2023 and since the clone was a failed clone, the remaining plants of this clone in the nurseries, except for the plants that died in 2024, had been

destroyed and According to the information presented to the audit, it was observed that it costs an average of Rs.225 to produce a plant and accordingly, 28,521 plants worth Rs.6.41 million had been destroyed under the failed RRISL 2001 clone in relation to 03 nurseries.

Coconut Research Institute

Control of Whitefly damage

Although the Coconut Research Board is responsible for the prevention and control of pests in accordance with Section 1 of Schedule 1 in Paragraph 1 of Part 1 in the Government of Sri Lanka Gazette dated 30 March 1972 and due to the fact that the Board has failed to prevent or control the whitefly infestation that has been spreading since 2019, the whitefly infestation has spread rapidly in coconut cultivation in Sri Lanka over the past 6 years.

Sri Lanka State Plantations Corporation

Non-payment of contributions to the E.P.F. and E.T.F

As per Sections 15 and 16 of the Employees' Provident Fund Act No. 15 of 1958 and Section 16(1) of Part 02 of the Employees' Provident Fund Act No. 46 of 1980, an amount of Rs.695.6 million had not been paid from the year 2000 to the year 2024 even by the end of the year under review. Therefore, the surcharge payable as on 31 December 2024 was Rs.85.9 million. Due to non-payment of due contributions to the Estate Staff Provident Society (ESPS) during the year under review, the amount due to be paid was Rs.89.8 million and the amount due to be paid to the Ceylon Planters Provident Society (CPPS) was Rs.22 million. The amount due to be paid to the Employees' Trust Fund from the year 2000 to the year 2024 was Rs.47.5 million and the surcharge amount due was Rs.10.4 million.

Unavailability of plants in the cultivation area

With regard to the cultivation project to develop the Walahanduwa Plantation as a model estate using modern technology, a physical inspection conducted in May 2024 on the coconut, cinnamon and tea plantations carried out in the years 2022 and 2023 confirmed that 1114 out of 1551 coconut saplings planted, 21,488 out of 28,800 cinnamon plants cultivated and 14,077 out of 27,500 tea plants grown had not been in the cultivation area. The management had not taken any action to recover the relevant expenses from the responsible officers for this.

Sugarcane Research Institute

Failure to conduct research

With the object of starting the Kantale Sugar Factory, 400 acres of land and 13 buildings owned by the Kantale Sugar Factory, had been given to the Sugarcane Research Institute in 2011 with the aim of providing the necessary seed sugarcane, selecting sugarcane varieties suitable for the area and providing facilities for research activities and although the Institute had attached a staff of 18 and spent Rs.147.5 million in recurrent and capital expenditure over a period of 13 years up to 2024, that cost had been idle as the Kantale Sugar Factory was not started.

Even though the Director General of the National Budget had informed in 2017 that insurance coverage should be obtained through the National Insurance Trust Fund, for the staff of the institute, the institution had paid medical aid allowances of Rs.7.82 million in 2024 using treasury funds without paying attention to it.

Kurunegala Plantations Limited

Construction of a white Coconut oil production factory

The procurement of machinery for the construction of a white coconut oil production factory in Holongolla Division belonging to the Dodamgaslanda Provincial Estate Group had not been properly identified and procured simultaneously according to a plan. Machines worth Rs.9.6 million had been purchased from selected suppliers in the first instance and machines worth Rs.3.5 million had been purchased again from the same suppliers on the recommendations of the Technical and Procurement Committee without re-calling for quotations. Accordingly, although 02 years had passed since the purchase of machinery and equipment at a cost of Rs.13.1 million in the year 2023, they had not been used for coconut oil production and were stored idle even by end of the year 2024.

Chilaw Plantations Limited

Sand extraction for Land Development

As the yield of the coconut lands owned by the company is low, as per a project proposal submitted by the Chairman to develop the land by removing the mineral sand mixed soil and planting coconut saplings, the sand removal projects in Phases 1 and 2 of the Mukkuthoduwawa Estate were assigned to two private contractors and had been commenced in 2021. However, the audit did not observe that the relevant public institutions had conducted a formal study when approving the project and there was formal supervision during the implementation of the project. Formal internal controls had not been established for the supervision of the project, including verifying the amount of soil removed from the site and the CCTV system installed had only stored data for a period of one month. Although the company had recovered Rs.84.5 million

for 11,792.2 cubic meters of soil removed by the contractors under Phases 1 and 2 of the project, according to the soil profile measurement reports, 71,888 cubic meters of mineral sand mixed soil had been removed from the site. However, the company had not taken actions to recover Rs.650.55 million for the 60,095.8 cubic meters of mineral sand mixed soil that was removed in excess and the 50 percent surcharge applicable there to. It was also observed during the audit that although about 4 years had passed since the soil was removed from the land, the company had not taken actions to develop the land and plant coconut trees.

Inaugural ceremony Expenses

Although the Chilaw Plantation Company had spent Rs.5.19 million on land preparation, fencing, fuel and other expenses, purchase of equipment, and provision of food and accommodation facilities for the inaugural ceremony held in conjunction with the program implemented to develop about 20 acres of land belonging to the Palai Estate for coconut cultivation in the year 2023 on the occasion of National Coconut Cultivation Day, the said expenditure had been idle due to the fact that the project had not been implemented.

Non-charging of value added tax

Value Added Tax (VAT) of Rs.1.8 million had not recovered from the contractors when issuing invoices related to the sale of sand in the year under review and the said tax amount had been paid by the company.

Lanka Sugar Company

Capacity Expansion Project of the Sevanagala Factory

The capacity expansion project of the Sevanagala factory, which had been initiated in the previous year, had not been fully functioned even by the end of the year under review. The warranty period of the machines imported at a cost of Rs.

201.78 million had expired before they were put into use and machines worth Rs.7.72 million had been imported without following the procurement procedure. A late fee of Rs.3.62 million had been paid due to weaknesses in the machine importing process and although a sum of Rs.2.82 million had been spent on providing food and transport facilities to the workers of the supplier who came from India to install the machines, the terms and conditions in this regard were not included in the agreement entered into with the supplier.

Purchase of Furnace Oil

In the procurement of furnace oil for the boilers of the Pelwatta and Sevanagala units, the tender for the supply of furnace oil had been awarded to an external party without purchasing it from the Ceylon Petroleum Corporation and without following the procurement procedure. The said supplier had supplied unrefined substandard black oil removed from ships and machinery instead of refined furnace oil and the company had paid Rs.341.69 million for it. The company had lost 600,000 liters of ethanol production worth Rs.300 million during the 46 days that the boiler was in-operational mode due to the use of this substandard black oil.

Water Supply and Drainage

It is expected to provide water and sanitation for all and ensure sustainable management in accordance with the 06 sustainable development goals on water and sanitation in the “2030 Agenda on Sustainable Development” of the United Nations. Fulfillment of the government’s role regarding the overall water supply in the country based on the said goals, is achieved through the Ministry of Water Supply and Estate Infrastructure Development along with the institutions such as, Department of Community Water Supply, the National Water Supply and Drainage Board, Water Supply and Sanitation Improvement Project, and the China Sri Lanka Research Grant Project functioning thereunder. Annual budgetary provision amounting to Rs. 70,702.21 million and Rs. 2,212.85 million had been granted in the year 2024 under the Head of the Ministry of Water Supply and Estate Infrastructure Development, and to the Department of Community Water Supply respectively. Sums of Rs. 31,810.02 million and Rs. 1,389.20 million representing 45 percent and 63 percent of the provision had been utilized in this sector by the said institutions respectively.

Ministry of Water Supply and Estate Infrastructure Development

Water Supply Division

The key objectives of the Ministry of Water Supply, established under the vision of “Safe drinking water and sanitation for all”, include, ensuring the necessary access to provide safe and adequate drinking water facilities to the entire population, and ensuring adequate and fair sanitation facilities for all.

In order to discharge the functions of the Ministry, budgetary provision amounting to Rs.65,130.25 million had been granted to the water supply division under the Ministry of Water Supply and Estate Infrastructure Development whilst a sum of Rs.2,212.85 million had been granted to the Department of Community Water Supply in the year 2024. Of that provision, sums of Rs.30,222.87 million and Rs.1,389.20 million representing 46 percent and 63 percent only had respectively been utilized.

Audit Observations

Ministry of Water Supply and Estate Infrastructure Development

Delays in Implementing Projects

In 11 instances during the period 2017-2021, compensation amounting to Rs.138.10 million and interest thereon amounting to Rs.10.86 million had been paid with respect to 05 water

supply projects taken over for immediate possession in terms of interim order 38(a) under Directive 263 of the Land Acquisition Act, and the lands acquired for the construction of purifying unit for the wastewater and sewerage system of Badulla Municipality. However, construction works of the intended water supply projects had not been commenced even by 30 June 2024.

**Non-utilization of the
Mobile Water Testing
Vehicle**

A period of over 04 years had elapsed as of December 2024 since the mobile water testing vehicle worth Rs.40.44 million had been donated by the Government of China to the China-Sri Lanka Joint Research and Demonstration Centre for Water Technology in the year 2020. However, the vehicle remained idle even as at December 2024 without being used for any water testing activity. Nevertheless, a sum of Rs.0.89 million had been spent on the maintenance works of the vehicle, but no methodology had been put in place to use the vehicle for tests.

**Payment of Interest on the
Delay for Paying
Compensation**

As for the lands acquired under Sections 38 and 38(a) of the Land Acquisition Act, interest should be paid to the land owner until the date of paying compensation since the date of issuing the order under Section 38. As compensation had been paid after a delay of 02 years for the lands so acquired for water supply projects of the National Water Supply and Drainage Board, by issuing the order under Section 38, an interest of Rs.5.27 million had been paid; and, due to the payment of compensation after a delay of 05 years, an interest of Rs.8.11 million had been paid from January to July 2024.

Advances to the Board

Using the provision granted by the Ministry to the National Water Supply and Drainage Board, advances totaling Rs.2, 588.77 million had been given for 66 contracts during the years

2021 and 2022. However, action had not been taken even up to the date of audit in March 2025 either to complete the contract works using the said funds, or recover the advances relating to the projects stalled or abandoned.

Losses and Damages

Camera equipment, a printer, and a laptop worth Rs. 1.39 million given to the State Minister's office for official duties, were destroyed when those items were in the political office of the Minister during the unrest broke out in the country on 09 May 2022. The complete destruction of those items was mentioned in the report of inquiry presented on 11 May 2023 in terms of Financial Regulation 104 as being an incident beyond control of the officers in charge of those items. Nevertheless, the Committee of Investigation had not drawn their attention on the said items given for use in the Minister's office being taken out of the Minister's office without being authorized.

Department of Community Water Supply

Legal Background

Although Cabinet approval had been granted in 2014 for the draft bill to establish the Department of Community Water Supply, the said bill had not been enacted even by the end of the year under review, despite a lapse of 10 years. Accordingly, the Department had not been legally empowered to execute the activities such as, formulation of constitutions, Circulars and agreements relating to the community water schemes mentioned in the Cabinet Memorandum for the establishment of the Department, supervision of the activities of those associations, and preparation and maintenance of methodologies for levying fair charges.

Failure to Prepare a National Policy

Despite the lapse of 09 years since the inception of the Department, the Department did not possess a mechanism for preparation and update of national policies for the rural water

supply and sanitation with the assistance of all government and Non-government institutions, and testing the quality of water used in water supply schemes-the key functions of the Department.

Failure to Achieve the Expected Outcome

A sum of Rs.16.38 million had been paid by the Department of Community Water Supply to a private institution on 24 March 2022 for the contract to construct 04 water purification centers and supply and install Package Plants for 04 water supply projects in Puttalam district. However, due to reasons such as lack of consumers' confidence on the quality of water supplied by those Package Plants, and implementation of the projects in the vicinity to purify water through nano technology, demand for water had dropped; and, the those machines had become non-functional by the date of audit on 29 August 2024. Hence, the amount incurred thereon, had become fruitless.

Lack of Proper Supervision

The sanitation project implemented by the Department had paid Rs.4.80 million to 120 beneficiary families in the Puttalam district during the years 2020, 2021 and 2022 each receiving Rs.0.04 million. It was observed that the project had not been completed as of August 2024, the date of audit, due to the fact that the work was not carried out under proper supervision.

Delays in Completing the Projects

- (i) A number of 205 of the 244 projects implemented during 2020-2021 along with 05 projects implemented during 2019-2020 under the "Praja Jala Abhimani" programme, had not been completed due to miscellaneous reasons even up to 31 December 2024. A sum of Rs.1, 754.06 million had been incurred thereon. It was observed that projects could not be completed thus failing to supply water to the people despite a lapse of 05 years since the launch of the projects.

- (ii) Following the landslide at the site of the project implemented in the year 2019 with the objective of supplying drinking water to 800 families in the villages of Manikkadawara and Mahapallegama in Kegalle district, a new contractor had been selected in the year 2024 for the construction of a wall at an estimated cost of Rs.25.11 million. Furthermore, at the time of landslide, a sum of Rs.32.86 million had already been spent on the purchase of water pipes and accessories and construction of well, storage tank, pump house and side wall. Moreover, due to the inadequacy of water in the well dug at an expenditure of Rs.1.46 million had not been used. For Mahapolagama village a sum of Rs.40.30 million had been given to a private institution on 24 July 2024 for the construction of a pump house and a water distribution system. This contract should have been completed by 01 November 2024 as per the agreement though, the works thereof had not been completed and a sum of Rs.17.72 million had been spent thereon as at 31 December 2024.

Installation of the Nano filtration Units

The Department had awarded a contract valued at Rs.400.39 million to a private institution in 2021 for the installation of 140 nano filtration units within 10 months in 11 districts for the benefit of people suffering from kidney diseases. However, 18 nano filtration units installed at a cost of Rs.47.37 million with a view to supplying water to 5414 beneficiaries in 04 districts remained non-functional by February 2025. Furthermore, only 3835 beneficiaries could be provided with water using the 54 nano filtration units installed in 04 districts at an expenditure of Rs.183.45 million with the objective of supplying water to 25,497 beneficiaries. Moreover, 22 purifiers planned to supply water to 7310 beneficiaries at an estimated cost of Rs. 45.71 million, had not been installed even by February 2025.

Although it was planned to install 50 nano filtration units valued at Rs.193.89 million in the districts of Kilinochchi, Vavuniya, and Mulativu, payments had been made on the final bill valued at Rs.174.27 million in November 2024 without executing works valued at Rs.19.62 million. It was revealed in audit test checks that the machines had not been installed in compliance with the required standard, and it was observed that payments had been made based on certificates given by the Engineer and the Technical Officers verifying the completion of works although electrical fittings had not been fixed and despite the lack of water motors and pumps at several locations.

Unsafe Storage of Project Equipment

(i) As 07 community water projects implemented in Puttalam district under the “Praja Jala Abhimani” programme, had not been functional even by October 2024, the PVC pipes worth Rs.23.49 million and the water meters worth Rs.10.11 million provided for those projects, had been kept under unsafe conditions at houses, temples and common areas. Although the Department had been informed in that connection, no necessary action had been taken.

(ii) Water pumps and accessories worth Rs.4.31 million and 945 water meters valued at Rs.4.29 million purchased for the “Sisilasa” drinking water project in Manikkadawara, had been stored for 02 years without being used. Furthermore, many of the water pipes and accessories purchased in October 2020 at an expenditure of Rs.9.11 million had been stored under unsafe conditions without being used until 31 December 2024. Of them, the accessories used in steel/ iron water supply systems, were decaying.

(iii) Of the 1208 water meters provided at an expenditure of Rs.11.31 million for 08 community-based associations in 07 districts in December 2023, a number of 908 water meters

valued at Rs.9.27 million had not been used even by 31 March 2025.

Failure to Recover Losses

During the sample audit conducted in the period 2021-2024 on community water supply projects implemented by the Department, 23 instances were identified in which non-executed works existed and overpayments had been made. It was further revealed that a sum of Rs.20.34 million had been paid in that connection. As for implementing recommendations by conducting preliminary inquiries with respect to those disclosures, the Department had only issued strong-worded letters and instructions to the officers requesting them to adhere to the matters often stated in Guidelines and Circulars, but no action had been taken to initiate disciplinary action against the officers responsible for losses or recover the loss sustained by the Government in terms of Financial Regulation 156 and Chapter XLVIII of Volume II of the Establishments Code

National Water Supply and Drainage Board

The revised targets and the performance of the Corporate Plan prepared for the National Water Supply and Drainage Board – the key institution responsible for facilitating safe drinking water and sanitation within Sri Lanka, with respect to the period 2020-2025, are as follows.

Table No. 2.36 Targets and Progress of the Performance Indicators.

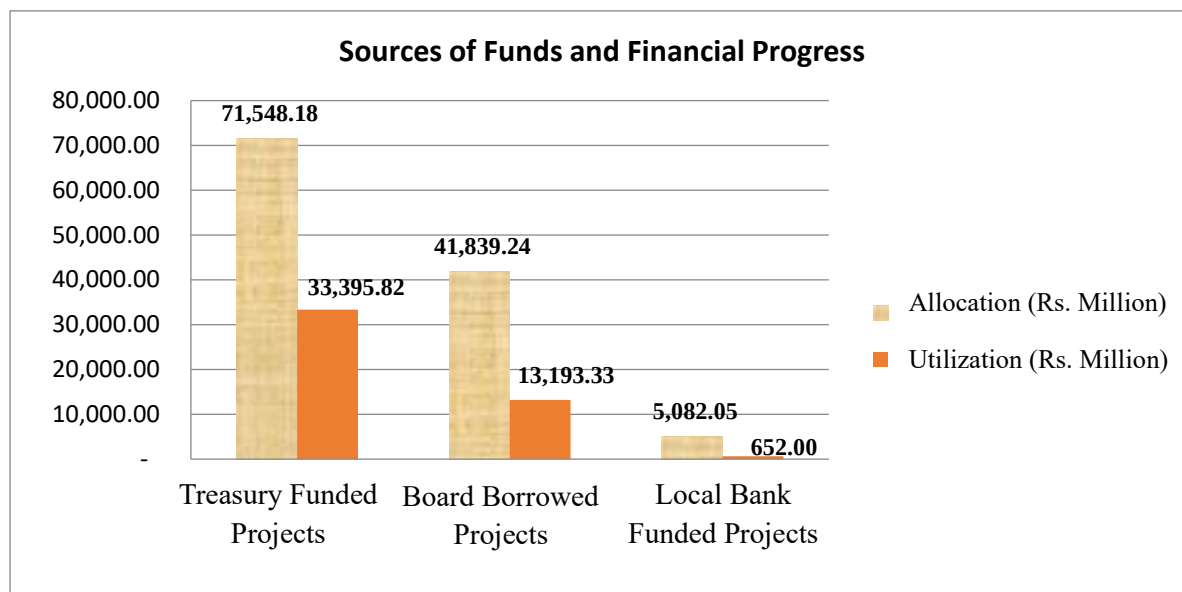
Performance Indicator	Unit	2024	
		Target	Achievement
Safe Drinking Water	Percentage of Population %	-	98.8
Safe Pipe-borne Water	Percentage of Population %	69.7	50.2
New Water Connections	No.	151,274	118,274
Safe Sewerage Facilities	Percentage of Population %	2.07	2.08
Non-revenue Water Supplies			
City of Colombo	Purified Water %	19.01	19.24
Island wide	Purified Water %	24.82	24.80

Source: Information presented by the National Water Supply and Drainage Board.

Foreign Grants and Government Contribution

According to the financial statements, the loans obtained by the Board for projects under involvement of the Government from local and foreign sources totaled Rs.286,272 million as at 31 December 2024. A sum of Rs.27,585 million had been spent there from on the implementation of miscellaneous water supply projects during the year. Furthermore, a sum totaling Rs.136,091 million being the value of loans obtained for the projects implemented by the Board and the interest thereon, had been brought as Government liabilities as at 31 December 2024. Furthermore, the total of the contributions from the foreign financial institutions and the Government with respect to 28 water supply projects being implemented by the end of the year 2024 under direct and indirect supervision of the Board amounted to Rs. 479,162 million.

Diagram No -2.35 Financial Progress and Sources of Funds of the National Water Supply and Drainage Board.

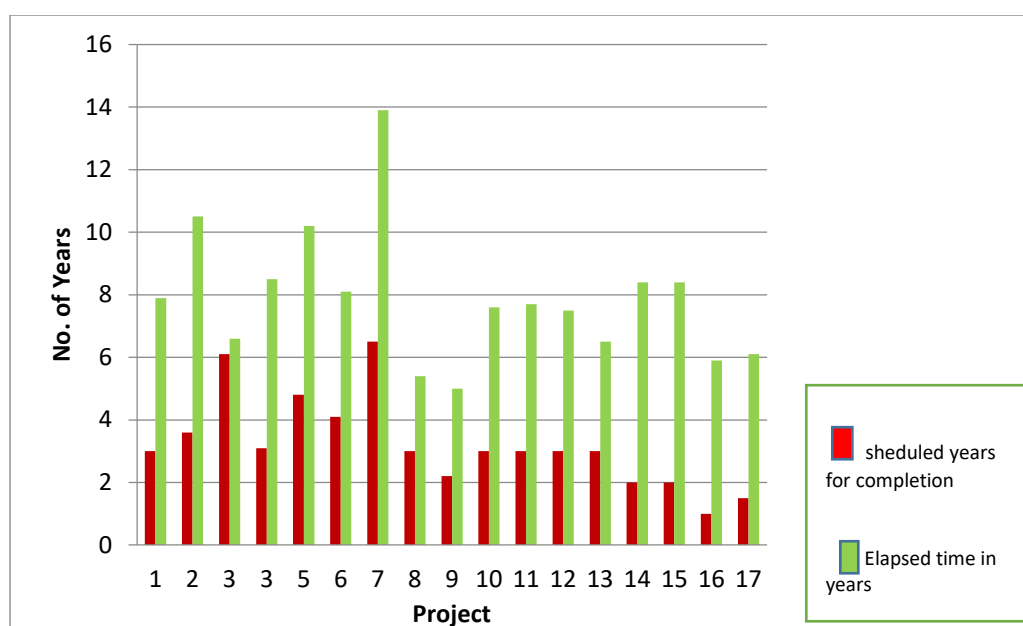


Source: Report of the Management Information - National Water Supply and Drainage Board, 2024.

Delays in Implementing Projects

Failure to complete the projects within the scheduled time frame and to provide the intended services to the relevant beneficiaries had been a fundamental and common shortcoming in implementing these projects. Of those projects, extensions had been given for the project duration in 01-11 instances for 17 projects. Accordingly, periods of 0.5-07 years had elapsed exceeding the expected time of completion of those projects, but they remained incomplete even by the end of the year 2024. The following graph illustrates the delays associated with the said 17 projects.

Diagram 2.36 - Delays in Completing Projects.



Source : Information Presented by the National Water Supply and Drainage Board.

Due to the unusual extension of the project period as mentioned above, the required services could not be provided for the beneficiaries as scheduled and the Board failed to recover the revenue on time. As such, the water consumers faced inconveniences like increase in water charges implemented to cover the losses sustained by the Board.

Payment of Allowances

In addition to the sum of Rs.444.60 million paid as monthly productivity allowance before remitting the taxes and profits to the Consolidated Fund of the Government, a productivity allowance of Rs.286.76 million along with a bonus for the year 2024 amounting to Rs.149.03 million without remitting to the Consolidated Fund, had been paid.

Recovery of Overpaid

Fuel Allowances

The Additional General Managers and Deputy General Managers of the Board had used 23,313 liters of fuel worth Rs.7.45 million in excess during the period from January 2022 to July 2023. However, action had not been taken up to April 2025 to reimburse this expenditure incurred on fuel used in violation of provisions of Circulars.

**Failure to Recover Cost
from the Retention
Money**

According to an investigation conducted on an irregularly that took place in procuring 04 pumps worth Rs.45.93 million for the pump house of the Water Board in Kadduwa, it was recommended that the cost of Rs.4.9 million incurred by the Board with respect to the retention money of Rs.2.6 million relating to this procurement, be recovered. The relevant performance bond had expired, and the Board had not taken any action up to April 2025 to recover the balance amount of Rs.2.3 million.

**Deficiencies in Vehicle
Management**

Even after completion of the joint water supply project in Hemmathagama, 04 vehicles valued at Rs.65.78 million purchased for the project, had been used for objectives outside the scope of the project. The purpose of using another vehicle obtained on rent at a monthly rental of Rs.422, 000 and the parties, who used that vehicle, could not be identified in audit. Nevertheless, in the wake of vehicle imports being suspended temporarily in the year 2023, approval had been granted by the Minister of Finance, Economic Stabilization and National Policies to import vehicles only for project purposes, but contrary to Sub-section 4.5.4 of the contract agreement, the project had imported used/refurbished vehicles from Thailand instead of being imported from brand new vehicles from Japan.

**The Board Providing
Security for Private
Premises**

Following the approval of the General Manager, services of the security officers recruited to the Board had been provided for private premises of the former Chairman of the Board during the period from August 2021 to May 2024. As such, the Board sustained a loss of Rs.5.8 million.

Failure to Recover Contract Advances

- (i). Due to failure in properly addressing the manageable problems, the water supply project in Giridara had been terminated by the contractor on 13 June 2024. Although a period of 10 months elapsed since the termination of the project, the Board could not recover a sum of Rs.35.61 million from the contract advance even up to April 2025.
- (ii). The Contract No. PR/RSC/(NC)/D&B/Medirigiriya/2016/300 awarded with a view to completing works on 18 November 2019, had not been completed even by 15 July 2024, and the project indicated a poor performance of 13.19 percent. A sum of Rs.118.38 million remained unrecovered from the advance given on 01 August 2018, and the Board of Finance had not requested the liquidity damages amounting to Rs.123 million in terms of Condition No. 8.7 of the contract.
- (iii) Of the advances amounting to Rs.1,710 million given for the contracts executed by the Board, a sum of Rs.364.71 million continued to exist for over 03 years without being settled. Furthermore, due to lack of performance bonds, the advances totalling Rs.31 million given to 04 contractors, remained unrecoverable.

Recovery of Funds Deposited

in External Institutions

Short term refundable deposits valued at Rs.75 million deposited in external institutions, remained unrecovered for a period of 03 years. Due to non-availability of essential documents, a sum of Rs.11.95 million there from remained non-recoverable. Furthermore, an advance of Rs.4.37 million given to the Line Ministry, remained due without being recovered for 11 years.

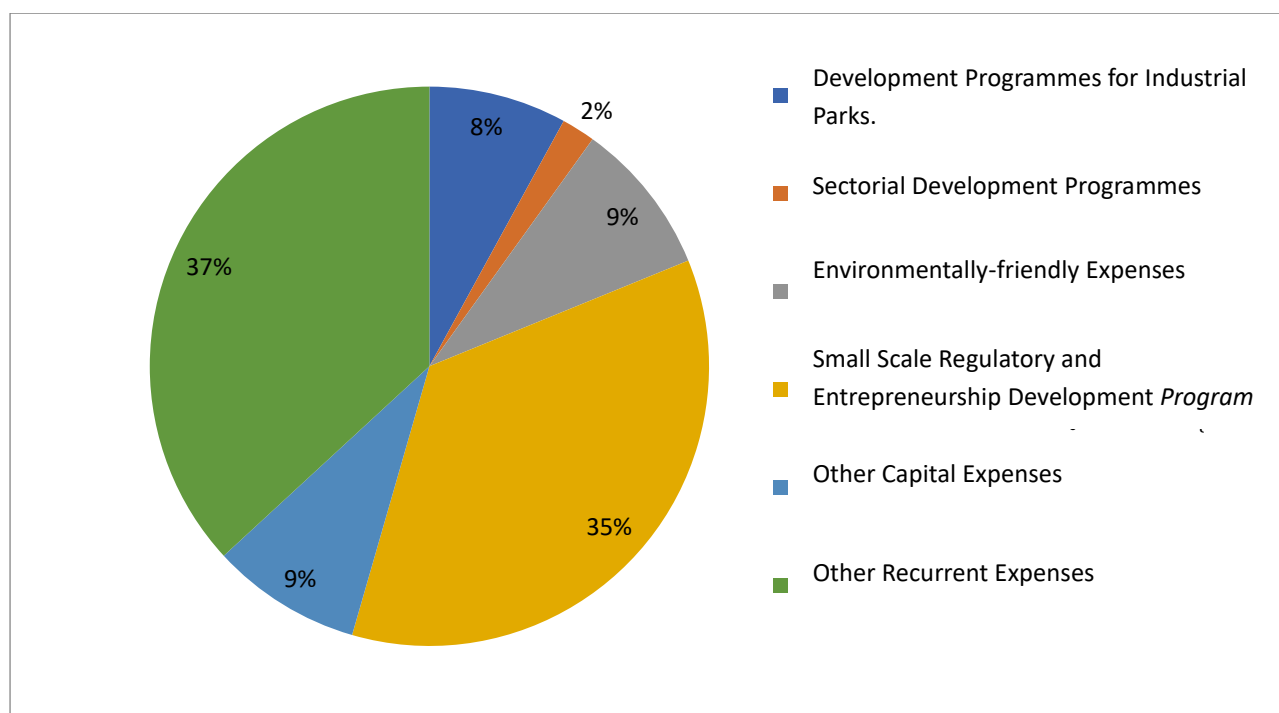
Industries and Manufacturing

Ministry of Industry and Entrepreneurship Development functions in view of industrial development ensuring diversification, high value addition, new industrial products, use of environmentally-friendly methods, greater opportunities for market access and providing benefits for all through the creation of a conducive environment based on technology, knowledge and innovative thinking. A Department, 12 Statutory Boards and Corporations and 12 Companies.

Net provision amounting to Rs. 9,101.7 million had been granted to the Ministry of Industry and Entrepreneurship Development in the year 2024 in order to execute the said functions. By the end of the year 2024, only a sum of Rs. 7,548.5 million had been utilized thereby saving Rs. 1,553.2 million as at that date.

The details relating to the sectors in which the funds were utilized are as follows.

Diagrams No 2.37 - Expenditure of the Ministry of Industry and Entrepreneurship Development for the year 2024



Source: Information furnished by the Ministry of Industry and Entrepreneurship Development

Audit Observations

Industrial parks where no Industries commenced.

Although a sum of Rs. 905 million had been expended during the period 2017-2024 for establishing the Raigama Industrial Park at an area of 200 acres, a project plan had not been prepared after conducting a feasibility study prior to commencing the Industrial Park. No industry whatsoever had been started there even by the end of the year 2024.

A sum of Rs. 1,542 million had been expended by the Government for the development another 09 Industrial Parks proposed to be established over 281.399 acres of Government lands. However, any industry had not been commenced there even up to 31 December 2024.

Under-utilization of lands

Out of a total extent of 1,340 acres of land allocated for the establishment of Industrial Parks in 21 districts, only 741.50 acres had been used for Industrial parks. Accordingly, an extent of 598.50 acres remained idle as at the end of the year 2024.

Failure to enter into Lease Agreements

According to the letter for allocation of lands to the industrialists, a lease agreement for a period of 35 years should be signed after allocation of lands. However, it was observed that such lease agreements had not been signed with 347 industrialists of 30 Industrial Parks.

Sri Lanka Cement Corporation

Failure to achieve Institutional Goals

The Sri Lanka Cement Corporation, established under the State Industrial Corporations Act No. 49 of 1957, has its vision as, “To provide guidance and leadership to the cement industry, with a mission to ensure an adequate supply of quality cement for the nation's needs and other cement related products” Nevertheless, the Corporation does not manufacture cement or

any cement-related products at the present day. The main sources of revenue for the Corporation in the year 2024 included: the lease rent of Rs. 115.77 million from the Aruwakkalu limestone mine, the sum of Rs. 9.83 million from the land in Kollupitiya given on lease for a vehicle park, and the sum of Rs. 32.49 million earned through investments.

Recoverable funds

Ceylon Petroleum Storage Terminals LTD, a state company, had used 02 oil tanks and the pipelines of the Corporation located in Kankasanturai without entering into an agreement. A sum of Rs. 234.72 million assessed to be recoverable to the Corporation from the year 2010 up to the end of the year 2024, along with a sum of Rs. 1.96 million being the lease rents from the land and building of the Corporation in Kollupitiya given on lease to the Ranaviru Sewa Authority relating to the period 2002-2011, had not been recovered even by the end of the year 2024.

Ceylon Ceramics Corporation

Improper lease of lands.

Without following the competitive bidding process, the land in extent of 09 acres 01 rood and 31 perches inclusive of the factory in Weuda owned by the Corporation, had been given on lease for a period of 05 years since 05 September 2023 without being approved by the Board of Directors and the Line Ministry.

Lack of legal rights to the Lands and buildings

The Corporation did not possess legal rights to the land in extent of 47 acres 01 rood and 37.2 perches valued at Rs. 172.06 million and the buildings thereon valued at Rs. 9.73 million shown in the financial statements of the year 2024. It was further observed that the Corporation did not possess legal rights to the lands in extent of 119 acres 01 rood and 37.84 perches located in areas such as Bangadeniya, Yatiyana,

Weuda, Elayapattuwa, Bingiriya, Uswewa and Oddusudan that had been used by the Corporation.

Idle Assets

The Corporation owned 09 factories, but 07 of them had stopped the manufacturing processes during the period 2002-2018. Lands in extent of 96 acres 16 roods and 100 perches relating to the factories in Bangadeniya, Elayapattuwa, Yatiyana, and Bingiriya remained idle eve by 31 December 2024. Furthermore, a stock of raw materials worth Rs. 10.46 million and an average stock worth Rs. 10.28 million remained idle over a period of 01-14 years at the 07 factories the manufacturing processes of which had been stopped.

Minimal Performance in Manufacturing Process.

The actual production of the 02 factories in Eragama and Mahiyangana stood at 992,525 units in the year 2024 whereas the actual production for the preceding year was 1,118,444 units, thus observing that the production had declined by 125,919 units equivalent to 11 percent.

Comparing with the production cost per unit of the factory in Eragama, it was observed that the production cost per unit at the factory in Mahiyangana was higher by Rs. 246. Furthermore, the Gross profit ratio, being 25 percent for the factory in Eragama, was reported as 93 percent for the factory in Mahiyangana.

Due to the increase in production cost of the Mahiyanganaya factory, production activities had been carried out only during the initial three months of the year 2024 and had thereafter been temporarily suspended. Although production activities had been suspended, an amount ranging between Rs. 2 million and Rs. 2.5 million per month had been incurred for the maintenance of the factory.

Increase of salaries without approval

Despite the institution continuously incurring losses, and without due consideration of its liquidity position, action had been taken, on the approval of the Board of Directors, to increase the salaries of all employees of the institution by Rs.15,000 with effect from January 2024.

National Crafts Council**Failure to establish raw Material banks properly**

For the purpose of expanding facilities for obtaining raw materials used in traditional and rural industries relating to cane, brass, clay and other specialized crafts, 248 items comprising 21 types of equipment valued at Rs. 10.55 million had been purchased on 31 December 2021 for the establishment of raw material banks. However, those items remained idle as those banks had not been operated even up to 25 November 2024.

Incurring fruitless Expenses

A sum of Rs. 12.50 million had been incurred during the years 2021 and 2022 for the development of a website for marketing products both locally and internationally through online channels. However, the total income earned through the website up to 31 December 2024 amounted to only Rs. 30,225.

Village in Kawanthissapura remaining idle

A land extent of 1.6187 hectares had been acquired from the Divisional Secretariat, Thissamaharama for the construction of the Kawanthissapura village on a long-term lease basis since 2013 and construction had been carried out with financial assistance of Rs. 18.43 million from the Government of India and Rs. 8.74 million incurred by the Council. However, the said land and buildings had not been utilized productively even during the year 2024, but the Council had incurred Rs. 36.76

million as lease rent for the land and Rs. 1.40 million for security and other expenses for the year 2024.

Sri Lanka Institute of Textile and Apparel

Failure to initiate new products

Although a decision had been made at the Board of Directors meeting held in February 2023 to commercialize the use of banana fiber using the HTHPS Dyeing machine, valued at Rs. 11.69 million and purchased in 2019, the processing of banana fiber had not been commenced up to the end of the year 2024.

National Gem and Jewellery Authority

Operating Funds contrary to the Act

According to Section 20(1) of the Act, all funds and donations received by the Authority should be credited to the Authority's Fund. However, it was stated that rewards should be paid by using that Fund, but 03 separate Funds had been established viz. The Reward Fund had been established to credit the proceeds through the auctioning of gemstone deposits and the fines imposed by the Authority, the Gem Mining Welfare Fund had been established to strengthen the protective measures for the safety and quality of life of those involved in gem and jewellery industry and the Jewellery Development Fund had been established in view of technical improvement of the jewellery manufacturers. In case of a separate Fund being operated in addition to the main Fund, approval of the Treasury should be obtained. But, without such an approval, balances of Rs. 70.92 million, Rs. 40.74 million and Rs. 101.45 million had been maintained in the Reward Fund, Gem Mining Welfare Fund and Jewellery Development Fund respectively as at 31 December 2024.

**Failure to remit the
Withholding Tax**

Withholding tax collections amounting to Rs. 513.5 million for the year 2024, together with Rs. 491.42 million collected prior to 2024 had not been remitted to the Commissioner of Inland Revenue.

**Incurring fruitless
expenses**

The Authority had entered into an agreement with a software development company in the year 2016 for a period of 11 months in order to install a software for the institution at a cost of Rs. 19 million and a sum of Rs. 10.92 million had been paid by the year 2024. Even after a lapse of 08 years since the date of procurement, the installation of software had not been successfully concluded by 31 December 2024.

**Leasing of Gem Tower
Building**

Out of the 27 shops in the Gem Tower Building built by the Authority for establishing an international gem trade center, proposed to be given on lease for 30 years, 13 shops and the cafeteria remained underutilized over a period of one year. Furthermore, lease rents totaling Rs. 2.18 million remained due as at 31 December 2024 from 05 shops given on lease.

**Failure in the recovery of
security deposits**

The lease agreement entered into between the Authority and the World Trade Center Company with respect to the shops to be provided for the gem and jewellery traders, had been terminated on 31 October 2021, but the security deposits valued at Rs. 4.31 million paid to the Company by the Authority from time to time during the period 2004-2018, had not been recovered.

**Machines remaining
Underutilized/ idle**

Two FTIR machines costing Rs. 16.38 million had been purchased for the Head Office and the office in Rathnapura in the years 2013 and 2020 in order to identify whether the gems had been heat-treated, but only 07 certificates had been issued

from the date of purchase of those machines up to March 2025. The foreign training to be given to 02 officers by the institution that manufactured the machine in terms of the agreement of the machine purchased in the year 2020, was not received up to 31 December 2024 even after 05 years. No service agreements had also been entered into for those machines. Due to lack of trained laborers and data files, the machines could not be used at maximum efficiency at present.

The 06 Lesser Marking Machines of the Authority used to analyze and hallmark precious metal had become non-functional by 15 March 2024 and only the Manual Hallmarking Process had been done since that date. Those machines had not been repaired even up to 28 May 2025. No agreements had been entered into for repairing and servicing those 06 machines costing Rs. 52.54 million the useful life of which had not yet expired, and hence, the machines had been kept idle without being used. Furthermore, the foreign training agreed to be provided for officers of the Authority as per the agreement by the manufacturer of the 02 Lesser Marking Machines purchased in the year 2020, had not been obtained even after 04 years, but the training cost of Rs. 0.9 million included in the bill of purchase, had been recovered on 27 February 2025.

Export Development Board

Non-entitled payments

Transport allowances totaling Rs. 15.54 million had been paid by the Board in the year 2024 to 166 employees of the Board whose salary scales belonged to PL, MA, and JM hence not entitled to the transport allowance.

National Enterprise Development Authority

Failure to verify assets annually and existence of idle or unutilized assets

Under approval of the Cabinet on 11 April 2016 a limited company had been established in the Industrial Park, Makandura in the year 2017 as an Incubator and Technology Transfer Center, in a manner that 60 percent of the shares belonged to the Authority. The Company owned 30 machines worth Rs. 21.19 million in accordance with the register of assets of the Company, but no verification of assets had been conducted annually and as of 31 December 2024, nine of those machines remained non-functional over 02 years whereas 04 machines remained idle.

Ministry of Science and Technology

Sri Lanka Standards Institution

Non-compliance with the Sri Lanka Standards Institution Act No. 06 of 1984.

According to Section 2(c) of the Sri Lanka Standards Institution Act No. 06 of 1984, once a license is issued for use of SLS logo, tests should be done on samples of the product obtained from the open market to verify the compliance with conditions of the license and satisfactory implementation of the quality assurance system. Although SLS certification had been given for 924 products as at 31 December 2024, the market surveys had been conducted only for 183 of the products or 20 percent in the year 2024.

Non-payment of dividends/ taxes to the Consolidated Fund

Profits had been generated during the financial year of 2023, but it was observed that at least 30 percent of the profit had not been credited to the Consolidated Fund as dividends/ taxes in

terms of Paragraph 01 of the Public Enterprises Circular, No. PED/03/2024 dated 23 December 2024. Such institutions are not entitled to pay bonuses to the staff based on profits, but a sum of Rs. 799 million had been paid to the employees as bonus in the year 2023.

Arthur C Clarke Institution for Modern Technologies

Idle instruments

Eight instruments purchased during 2016-2018 valued at Rs.29.3 million remained idle over a period of 05 years at the library, communication division and the industrial services division.

Incomplete Projects: Failure to complete the Tea Quality Color Separating System project

A sum of Rs. 13.17 million had been spent by the year 2023 on the project, “Tea Quality Grading & Color Separating System” launched in the year 2012. The project scheduled to be completed by January 2023, had not been completed even by April 2025. An objective of the technology transfer project implemented on 01 January 2022, being the transfer of EPGA technology to the staff of the Arthur C Clarke Institution through a private Ltd, had not been completed.

An unmanned aerial vehicle valued at Rs. 10.56 million was purchased in 2016 for the purpose of photographing archaeological explorations and excavations of the Department of Archaeology. Although Rs. 110,320 had been spent to operate it, including obtaining the necessary training and flight permissions, the machine had not been utilized for the intended purpose from the date of purchase up to the date of audit on 22 April 2025.

**Funds used for investments
rather than achieving
institutional objectives.**

Although the institution's primary objective was to become an innovation center through research and development aimed at advancing modern technological capabilities with a local foundation, action had not been prioritized to achieve this objective and a sum of Rs. 139.70 million had been invested in treasury bills and fixed deposits by the end of the year 2024.

National Research Council

**Performance of the research
projects**

Despite being mentioned in the project guidelines that the final report should be furnished within 03 months after completion of the research projects, final reports had not been presented relating to 25 projects as at 30 April 2025 even after a delay between 03 month to 4 years since the completion of the projects.

Three of the 07 research projects that should have been launched during 2015-2019 and completed during 2016-2022 by utilizing Treasury grants totaling Rs. 24.55 million, had not been completed even by April 2025 despite a lapse of 04-07 years.

Due to failure in identifying the viability of implementing the projects by conducting pre-feasibility studies prior to commencing the them, 12 research projects scheduled to be completed during 2017-2024 for which Treasury grants totaling Rs. 89.93 million had been obtained, were suspended without being implemented. As such, those funds remained idle in the accounts.

Fisheries Sector

The desired objectives were to create a sustainable fisheries industry that makes a high contribution to the national economy by responsibly utilizing the 517,000 square kilometers of maritime area belonging to Exclusive Economic Zone of Sri Lanka, 21,500 square kilometers of inland waters, 4,180 square kilometers of lagoons, estuaries and inland reservoirs, thereby conducting the nutritional level of the public by maintaining the per capita fish consumption of Sri Lanka at 36.85 grams per day, promoting the ornamental fish industry targeting the export market, encouraging small and medium scale enterprises to promote entrepreneurship related to the fisheries industry, expanding the welfare activities of the fishing community and introducing effective banking and insurance systems. One department, 5 statutory bodies and one management trust were operational in 2024 under the Ministry of Fisheries, Aquatic and Ocean Resources to achieve these objectives.

In the year 2024, Parliament had provided a total provision of Rs. 11,019 million to the Ministry of Fisheries and to the Department of Fisheries and Aquatic Resources and provision amounting to Rs. 8,877 million had only been utilized by the end of the year.

Table No 2.37- Allocation and Utilization of provision to carry out relevant functions in the year 2024

	Net Provision Rs. Million	Expenditure Rs. Million	Saving Rs. Million
Ministry of Fisheries	9,255	7,945	1,310
Department of Fisheries and Aquatic Resources	1,764	932	832
Total	11,019	8,877	2,142

Source: 2024 Annual Report

The audit observations revealed during the audit test checks carried out in relation to the accomplishment of the above roles by the Ministry of Fisheries, Aquatic and Ocean Resources, Department of Fisheries and Aquatic Resources, Statutory Institutions and Management Trust are summarized below.

Ministry of Fisheries, Aquatic and Ocean Resources

Construction of Gandara Fisheries Harbour

The contract period of the Gandara Fisheries Harbour project, which was scheduled to be completed on 06 December 2023, had been extended until 23 December 2024. Late interest payments amounting to Rs. 206.827 million had been made to the relevant contracting company by 31 December 2024 due to the delay in payments by the Ministry for 38 interim payment certificates submitted by that date.

Shrimp Cultivation Project

It had been estimated to produce 15,000,000 shrimp post larvae in the lagoons through the shrimp post larvae stocking project in 2023 and 2024 by the National Aquatic Resources Research and Development Agency. However, only 3,444,000 post larvae had been stocked according to progress reports. The project failed as the mother shrimp had become pathogenic. However, the Ministry had spent Rs. 20.317 million for the project in the years of 2023 and 2024.

Department of Fisheries and Aquatic Resources

Communication Equipment

The radios used in 06 search operation centers, out of the radios available for communication between the Department and fishing vessels during fishing activities, were more than 20 years old and the performance of those radios was at 50 percent. Furthermore, the radios in 04 search operation centers in Colombo, Mirissa, Nilwella and Kirinda were not operative by 31 December 2024. Since the institutions that had manufactured, these old radios had stopped manufacturing the radios of that model, it had also become difficult to repair those radios.

Purchase of new

communication equipment Procurement activities had commenced in February 2024 for the re-purchase of 05 radio communication equipment with a capacity of 250W for the Department. Accordingly, although the Department had made international quotations and selected a Japanese company to purchase these 05 radio communication equipment, the contract agreement had not been signed since its local representative was the institution, from where the radio equipment had been purchased in the year 2019. Although advice had been sought from the Attorney General's Department regarding this matter, the equipment had not been purchased even by 20 May 2025 due to the failure in resolving this issue.

National Aquaculture Development Authority of Sri Lanka

Idle fish hatcheries

Although 5 fish hatcheries were constructed at a total cost of Rs. 894.77 million with the primary objective of improving fish production, 03 fish hatcheries, out of the 5 hatcheries, were not operational from 2020 to 2024.

Idle Lands

Although the Authority had acquired 05 government lands in extent of 142.69 hectares through handing over of government lands for the promotion of aquaculture, those lands remained idle without being utilized for the promotion of aquaculture. Moreover, Rs. 107.6 million had been spent from 2017 to 2022 to develop infrastructure facilities of 04 lands in extent of 1,361.76 hectares, not owned by the Authority and a land, for which the extent could not be identified, any project had not been initiated in those lands until 31 December 2024.

**Failure to collect
Outstanding rents**

The shrimp hatchery located in Pudukudirippu, Batticaloa was leased to a private company for a period of 05 years from 02 December 2021 and the lease agreement was terminated on 01 July 2024 before the expiry of the lease period. According to

condition 21 of the agreement, if the lease agreement is terminated before the agreed period, a performance bond equivalent to 50 percent of the annual rent, i.e. Rs. 3 million, should be obtained to cover the loss incurred by the Authority. However, such a performance bond had not been obtained. Although the relevant company had returned the hatchery and inventory items to the officers of the Authority, action had not been taken to recover the outstanding rental amounting to Rs. 5.885 million that should be recovered by the Authority.

Contract losses

The Welikanda and Sevanapitiya fish hatchery construction contracts were unsuccessful and a long extension was granted for the contract period. Later, it had been resorted to the settlement on the liquidation of the contract. The Company had resorted to arbitration as the Authority had not agreed to pay the amount decided to be paid to the company. The Authority had failed to obtain favourable decisions by presenting reasonable arguments to the arbitration and had to pay the contractor a sum of Rs. 55.39 million comprised of late fees collected, the interest on it and the loss of income to the contractor. Since the performance bond amounting to Rs. 14.36 million had not been encashed within the stipulated time, a total of Rs. 69.75 million had been lost to the Authority.

National Aquatic Resources Research and Development Agency

Idle Lands

A 03-acre land was leased for a period of 30 years with effect from 16 February 2022 to construct a multi-species fish hatchery complex in the Kudawa area of Kalpitiya and even though a sum of Rs. 1.63 million had been spent for the development activities of that land before taking up the lease in the year 2020, but this land remained underutilized without being used for the relevant purposes.

Stopping the construction of Hatcheries

As the construction of a hatchery complex in Kalpitiya, which was started in the year 2020, and the construction of a multi-species hatchery, which was started in the year 2019, were stopped by 31 December 2024, the expenditure totaling to Rs. 1.82 million spent for that purpose had become an idle expenditure.

Ceylon Fisheries Corporation

Payment of Gratuity Fines When an employee, entitled to gratuity funds according to the Payment of Gratuity Act, No. 12 of 1983, leaving the service, the gratuity money, to which he is entitled, should be paid within 30 days. However, due to non-payment of the gratuity money on the due dates, the total gratuity fine payable by 30 September 2024, the date of audit, had amounted to Rs. 5.78 million.

Construction of a Fish Processing Unit

The Ministry had provided a sum of Rs. 65 million to the Corporation on 27 February 2017 for the construction of a fish processing unit and a sum of Rs. 28.02 million had been spent as at 31 December 2018. The remaining amount of Rs. 36.98 million had been spent for general expenses in the years 2017 and 2018. Furthermore, the constructions of that unit had not been completed even by 04 October 2024.

Fish canny factory project A land in extent of 01 ½ acres had been transferred by a deed of transfer as a contribution of the Corporation to the joint venture entered into with a Russian company in the year 2003 for the purpose of starting a fish canning factory. Although this was considered as an investment property worth Rs. 110 million, the project had not been started up to this moment and the Corporation had not received any income. Furthermore, a case bearing No. DLM 15/2018 had been filed in the Colombo

District Court to legally recover the land transferred to the Company by the Corporation.

Ceylon Fishery Harbours Corporation

Operations of the Peraliya Anchorage

Although an income of Rs. 14.37 million had been earned from the operational activities of the Peraliya Anchorage in the year 2022, income had not been received as any operational activities had not been carried out in the years of 2023 and 2024. However, Rs. 5.06 million and Rs. 0.33 million had been spent on the operations of the anchorage in the years of 2023 and 2024 respectively.

Arrears of rent income

Since a balance of Rs. 127.17 million, out of the rental income amounting to Rs. 186.65 million receivable as at 31 December 2023, was debtor balances older for more than 5 years, the recovery of these amounts was uncertain.

Peliyagoda Central Fish Market Complex Management Trust

Central Fish Market Complex Management Trust

Although 12 years had passed since the Peliyagoda Central Fish Market Complex Management Trust was established by the end of the year 2024, the Management Trust had not been legalized by an Act of Parliament. Furthermore, the necessary guidelines had not been introduced to ensure that the fish in the fish market complex is handled hygienically and that the health and quality of the fish food traded is maintained at a prescribed standard.

Rental income lost

Although the monthly rent amount should be revised by the Management Trust once in every 5 years based on the assessment of the Government Valuation Department as per the lease agreements for wholesale shops, the rent amount that had

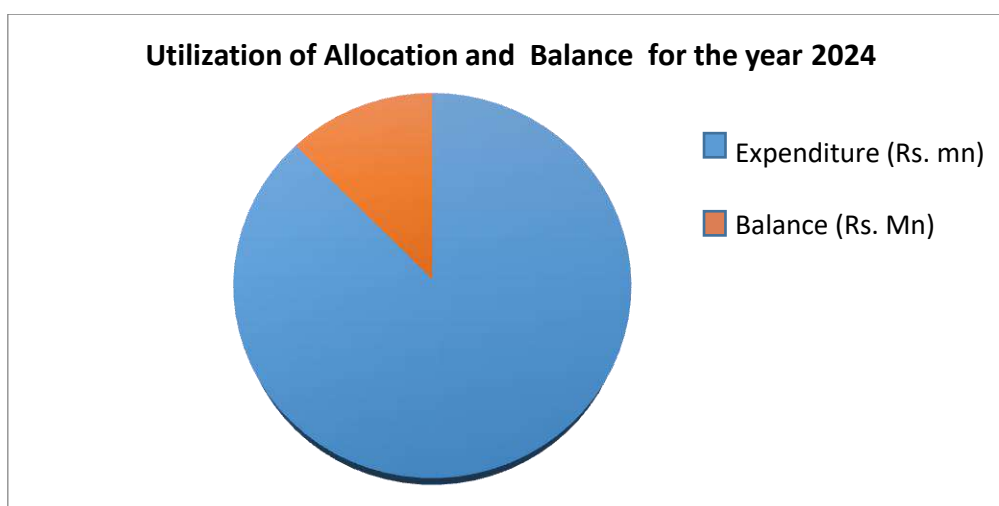
to be revised with effect from 01 January 2024 had been revised from 01 June 2024. As a result, rent income amounting to Rs. 11.55 million was lost for 5 months for 154 shops at Rs. 15,000 per one shop.

Ministry of Environment

The mission of the Ministry of Environment is to provide leadership for sustainable environmental management by ensuring environmental protection through the vision of a sustainably developed Sri Lanka and sustainable natural resource management. To fulfill that mission, the Ministry of Environment and the 05 departments, 03 statutory boards/state institutions, 04 self-financing institutions and 04 state funds were to perform the functions and tasks assigned to the Ministry Environment

In the year 2024, the Ministry of Environment was provided with a net allocation of Rs. 2,281 million by Parliament to carry out the above-mentioned functions, and by the end of the year under review, only Rs. 1,998 million had been utilized. Accordingly, the balance at the end of the year was Rs. 283 million.

Diagram No – 2.38 Utilization of Allocation and balance for the year 2024



The material and significant audit observations revealed during the sample audit regarding the performance of the above-mentioned functions and tasks are summarized below.

Table: 2.38 Not achieving the desired output level

Expenditure Code	Description	Net Allocation (Rs. Million)	Actual Expenditure (Rs. Million)	Financial Progress (%)
i. 160-02-03-148-2507(13)	Developing a highly transparent framework for agriculture, forestry and other land use sectors	137	32	24
ii. 160-02-03-151-2507(13)	Project to prepare the first and second bilateral transparency reports and the fourth national communication report	13	3	20

Source: Financial statements of the Ministry of Environment.

The financial progress of 02 projects under the Ministry was less than 50 percent as of December 31, 2024.

Climate Change Mitigation Action Collaboration Project

National Climate Change Data Sharing Network (NCDSN)

Although, Rs. 46.37 million was spent on the establishment of the National Climate Change Data Sharing Network (NCDSN) proposed to be developed and implemented by the Climate Change Mitigation Action Plan and for the purchase of equipment, it was observed that this system was not operational as at 31 March 2025, to achieve the desired objectives. This had also been pointed out in previous audit reports, and the Committee on Public Accounts held on 19 November 2021 had stated that the progress of this project was not satisfactory and emphasized the need for a methodology to update the data system in good coordination with the relevant sectors and the need for continuous monitoring of this system.

Assets Management

According to the information obtained from the Department of Motor Traffic, the number of vehicles registered in the name of the Ministry of Environment was 251 and in addition, the registration certificates of 06 vehicles used by the Ministry were submitted to the audit. According to all the data, the total number of vehicles registered in the name of the Ministry of Environment was 257. However, according to the information submitted to the audit, the number of vehicles physically registered in the name of the Ministry was 55. It was also observed that 03 vehicles included in these 55 vehicles were used by other institutions. Information that the remaining 202 vehicles were transferred to other institutions under the then line ministry, or were vested or disposed was not submitted to the audit.

Management Inefficiencies The maintenance of the Sobadham Piyasa office building, which houses the Ministry of Environment, had been handed over to the Central Engineering Consultancy Bureau from the date of completion of the construction work and the handover of the building. Although, an agreement had been entered into between the Secretary to the Ministry and the Additional General Manager of the relevant institution on 27 December 2019, for the maintenance of the Sobadham Piyasa building for the period from 21 August 2018 to 20 August 2023 at an estimated cost of Rs. 43.16 million, a formal approval had not been obtained for the work.

Water Resources Board

Establishing a Ground Water Monitoring Network

The pilot project for establishing a Ground Water Monitoring Network was approved by the Cabinet Decision No. Amap/15/1087/644/005 dated 29 July 2015 for implementation in 4 selected districts namely Anuradhapura, Polonnaruwa, Monaragala and Puttalam where kidney disease is prevalent. The Secretary to the Ministry of Irrigation had entered into an agreement with a Netherlands' institution on 03 October 2017 to implement the project and the project activities were completed on 31 December 2022. The project cost of 20.63 million euros or Rs. 5,521 million was to be repaid in 20 equal installments over 10 years at a concessional interest rate of 1.45 percent per annum from a Netherlands bank, while the government had agreed to pay the remaining 15 percent from the Hatton National Bank of Sri Lanka, after a grace period of 3 years, over 15 years starting from the second half of 2025. Although, the project was completed in 2022, the construction of the data center building, which was a key component of the project, had not been completed and it was observed that the data center was being maintained in a part of the Board's on-site office.

Changing the location of Head Office

The Water Resources Board had been operating since 1978 on the land located at the head office of the Hectare Kobbekaduwa Mawatha in Colombo 07, since 2013. Although, the Thimbirigasyaya Divisional Secretary had informed the Board to obtain a lease rental license by paying a lease of Rs. 12.77 million annually since 2013, due to non-compliance, the Thimbirigasyaya Divisional Secretary had filed a case in the Colombo High Court in 2019. Later, although, the Attorney General had instructed the Thimbirigasyaya Divisional Secretary to reach an agreement regarding the ownership of the land, without acting on the Attorney General's instructions, the premises where the head office was operated for about 45 years were handed over to be used for the expansion of the official residence used by the Prime Minister at that time. The head office was maintained in a private rented building in Rajagiriya from 18 July 2021 to 15 July 2022 and in a private building in Koswatta, Nawala from 01 August 2022. For this, Rs. 42.51 million was paid as building rent from 2021 to 31 December 2024.

Physical and Financial Progress of the Project

When examining the Board's Action Plan for the year 2024 and its progress as at 31 December 2024, it was observed that the physical and financial progress of the groundwater management and development activity of the water supply scheme under the Groundwater Study and Infrastructure Development Project implemented under Treasury allocations was 68 percent and 22 percent respectively, as expected, and the physical and financial progress of the groundwater resources management strengthening activity of the IWRMP project implemented under the Ministry of Irrigation on foreign grants was 34 percent and 13 percent respectively.

Observations Included in Environmental Audit Report on Evaluation of grassland conservation process in National Parks of Sri Lanka

Requirement of National

Policy

There is only a process based on management plans for grassland management in Sri Lanka's national parks, and no national policy and strategic plans based on it were observed for grassland management. Although, the institutional roles, objectives, relationships between institutions, activities, etc. could be identified precisely, it was observed that these tasks had not been fulfilled as expected due to the absence of a national policy.

Although, the audit revealed the need for a formal, timely and comprehensive legal system for grassland management in Sri Lanka's national parks, proper attention had not been paid to this regard so far.

The Wildlife Protection (Amendment) Act, No. 22 of 2009, is relevant for the management of grasslands in Sri Lanka's national parks and although, Section 4.2.A.(1) of the Act provides for the preparation of management plans for national protected areas and sanctuaries, the management plans of Horton Plains, Kaudulla, Minneriya and Lunugamvehera National Parks, among the national parks audited, had not been updated. It was also observed that these management plans did not pay sufficient attention to the management of grasslands in the relevant national parks.

Adequate measures had not been taken for the conservation of grasslands in these national parks, which were identified as grasslands that require special attention and conservation by the Department of Wildlife Conservation. In addition, it was observed that although, special attention had been paid to the grasslands located within the Victoria, Randenigala, Rantambe

Threats to the survival of grasslands

Sanctuary and Ravana Ella sanctuaries and they had been identified as grasslands that needed to be conserved, adequate measures had not been taken to conserve these as of the audit date of 23 September 2022.

The current threats to the survival of grasslands were identified as the rapid spread of invasive plants, the unauthorized entry of domestic cattle into protected areas, and the disruption of grassland maintenance due to various weather conditions such as frequent heavy rainfall and fires during droughts. However, it was observed during the physical inspection that the Department of Wildlife Conservation had not taken sufficient measures to minimize the obstacles such as the rapid spread of invasive plants and the unauthorized entry of domestic cattle into protected areas.

It was observed that invasive plants were prevalent in all the grasslands in the national parks audited and that they were a threat to the survival of the grasslands.

It was observed during the audit that the illegal cultivations carried out in each national park adversely affect the survival of its biological system, and the gradual reduction in the area of legally recognized land areas is likely to cause a number of serious environmental and social problems. Furthermore, it was observed during the sample audit that the loss of land areas in national parks to the animals living in the park as mentioned above can be detrimental to the survival of those animals and also affect the reduction of food and habitats of the animals. Although, there are relevant rules and regulations for this, it was observed that those rules and regulations were not implemented properly due to certain influences. The obstacles to the exercise of power by the relevant officers were also a reason for this.

Although, the Department of Wildlife Conservation had determined the boundaries of national parks when they were gazetted and marked with boundary stones, this had not been done.

Allocations for grassland conservation

It was observed that the lack of a proper plan for grassland conservation, lack of continuous provision, and lack of clear identification of the priority given to grassland conservation in prioritization may be the reasons for not receiving adequate provisions. Although it is reasonable not to allocate provisions in the face of the current economic crisis, this had not been done even when the country had normalized before this situation.

Central Environmental Authority

Idle Expenditure

Even though the Pethiyakanda Compost Yard was completed in the year 2018 and handed over to the Waste Management Authority by the Central Environmental Authority, any operational activity had not been carried out there up to date. There were weeds in the office complex and other buildings, and the Kibu pyrolysis machine, which was valued at Rs. 49.4 million and provided by the South Korean government, was decaying. Accordingly, the amount of Rs. 231.7 million spent on the reestablishment and maintenance of this compost yard, excluding the annual maintenance cost, had been an idle expenditure.

Idle assets

Although the Authority had purchased a set of equipment worth Rs.7.0 million in the year 2016 to measure pollutant gases in chimneys, the equipment had not been put into use for more than 8 years, i.e. until 31 December 2024. Furthermore, the analytical machine, which was purchased in the year 2016 at a cost of Rs.3.3 million for the purpose of analyzing methane and

non-methane hydrocarbons and volatile organic compounds, had been idle since 2021.

Equipment sets worth Rs.2 million were provided to the laboratory of the Southern Provincial Office in the years of 2020 and 2021, enabling these tests to be carried out in the laboratory of the Southern Provincial Office due to the and the high transportation costs of collecting water samples for these tests and sending them to the head office on the increase of the demand from clients for conducting Micro Biology Analysis tests in addition to chemical tests of wastewater. However, since the microbiological testing had not been commenced, the equipment kits were stored idle in the official residence of the director.

Rentals for Buildings

Fifteen (15) offices, out of the 24 district offices of the Central Environmental Authority, were being operated in privately owned buildings and 02 in government-owned buildings on a rental basis, and Rs.24 million had been spent annually on building rent.

Non-compliance with the conditions specified in the Environmental Protection Licenses

It was observed that out of 35 industries registered under the B-52 category of the Environment Authority and granted environmental protection licenses for the year 2024 for activities related to the refining, transportation and storage of furnace oil, there were 07 institutions had not taken steps to prevent pollution of surface water or groundwater due to oil spills, which are the compliances required to obtain the environmental protection licenses, 08 institutions that had not covered oil tanks with a roof to prevent oil tanks from filling water and overflowing during rain, 11 industries that had dumped waste generated due to the operation of furnace oil

storage, in open areas, and 06 industries that had not properly maintained fire extinguishing equipment.

Department of Coastal Conservation and Coastal Resources Management

Not reporting

Revenue Arrears

Although there were arrears of revenue amounting to Rs. 8.3 million to be collected for issuing licenses for sand removal from five fishing ports in the years of 2019, 2020 and 2021, the Accounting Officers had reported that there were no revenue arrears when submitting the arrears of revenue reports to the Director General of Treasury Operations.

Execution of orders

to remove unauthorized Constructions

Although 3,039 orders were issued for the demolition of constructions carried out without licenses from the year 2012 and 31 December 2024 according to information from the Department of Coastal Conservation and Coastal Resources Management, 2,825 of these orders had not been implemented. Furthermore, the cost incurred for the removal of unauthorized constructions should be recovered from the relevant person in accordance with Section 31(4) of the Coastal Conservation Act, No. 57 of 1981. However, it was observed that Rs.3.5 million had not been recovered, out of the Rs.4 million spent by the Department for the removal of unauthorized constructions during the period from the year 2015 to 31 December 2024.

Non-recovery of arrears

During the period from the year 2017 to 31 December 2020, the amount to be recovered for sand mining exceeding the permit amount by Lanka Mineral Sands Limited was Rs.79.4 million, and Rs.60.1 million, out of that amount, had not been recovered even by the end of 2024 and there was no written agreement or contract for recovery of the amount.

Coast Guard Reward Fund

Non-payment of prize money

Rs.1.7 million received by the Fund in respect of 173 legal , out of the Rs.1.8 million received by the Prize Fund for 198 legal cases filed before the year 2024, had been sent directly to the General Treasury without determining the persons eligible to receive the prizes and making payments. Due to this, it was observed that the achievement of the objectives of establishing the Prize Fund had failed.

Forest and Wildlife

The Ministry of Wildlife and Forest Resources Conservation was operational until 26 September 2024 to fulfill the mission of “having the objective of nurturing the biodiversity through conservation of wildlife and forest resources, to give leadership to make policies on in-situ forest conservation and in-situ and ex-situ conservation of fauna and for the promotion of sustainable timber industry, coordination and steering of pilot agencies for the implementation”, with the aim of nurturing biodiversity through wildlife and forest conservation, with the vision of “a sustainable country where wildlife and forest resources are conserved”. The Ministry was established as the Wildlife Conservation Division under the Ministry of Environment with effect from 27 September 2024. Three departments, one statutory body and three statutory funds were operational under the Ministry of Wildlife and Forest Conservation.

Provision amounting to Rs. 9,082 million had been provided by Parliament to the Ministry of Wildlife and Forest Resources Conservation and to 03 departments to carry out the above-mentioned role in the year 2024. By the end of the year 2024, provision amounting to Rs.7,282 million, out of the provision allocated had been utilized and provision amounting to Rs. 1,800 million had been saved.

**Table No 2.39 - Provisions allocated to ministry of wildlife and forest resources
Conservations and relevant Departments and utilization of provision**

	Net Provision Rs. Million	Total Expenditure Rs. Million	Savings Rs. Million
Ministry of Wildlife and Forest Resources Conservation	395.00	184.96	210.04
Department of Wildlife Conservation	4,930.00	3,542.37	1,387.63
Department of National Zoological Gardens	845.84	773.38	72.46
Department of Forest Conservation	2,911.87	2,781.44	130.43
Total	9,082.71	7,282.15	1,800.56

Source. Annual Financial Statements 2024

Audit Observations

Department of Wildlife Conservation

Human-Elephant conflict During the year 2024, a sum of Rs. 2,835.1 million was spent on the construction and maintenance of elephant fences from the year 2021 to the year 2024 alone, including Rs. 53.5 million for the construction of electric fences, Rs. 351.7 million for the purchase of elephant bullets and rubber bullets, and Rs. 74 million for its maintenance (construction of guard houses). The total length of electric fences constructed by 31 December 2024 was 5,620 kilometres. However, the elephant deaths, human deaths and property damage caused by wild elephants in the last 05 years were as follows.

Table No 2.40 - Elephant Deaths, Human deaths and Properly damage caused by wild elephant in last 5 years

	2024	2023	2022	2021	2020	Total
Wild elephant deaths	388	488	439	375	327	2,017
Human deaths	157	184	145	142	113	741
Bodily injuries	202	239	179	58	75	753
Damages to Property	3,756	3,429	2,668	1,326	850	12,029

Source: Informations provided by the Department of Wildlife and Forest Resources conservations.

Maintenance and provision of facilities at locations of Tourist attractions

The museum built at the entrance to the park with the aim of providing tourists with an understanding of the Minneriya National Park and its ecosystem and animals had not been properly maintained and renovated, and was therefore not in a suitable condition for display due to its unclean condition.

Although about 27 years had passed since the Minneriya Forest Park had been designated, the Department had failed even by 31 December 2024 to provide clean drinking water, which is a basic need for tourists.

It was also observed that the Pattipola entrance, which is the main entrance to the Horton Plains National Park, is in a dilapidated condition due to lack of proper maintenance.

Non-utilization of Assets Although the renovation work of the Meniksorowwa Tourist Bungalow located in the Kaudulla National Park was completed in April 2024 at a cost of Rs. 3.5 million, it had not been opened for tourists even by April 2025.

Memorandum of Understanding for Water Management Although it had been decided to enter into a Memorandum of Understanding with the parties involved in the water management of the Minneriya and Kaudulla reservoirs in order to prevent the escalation of human-elephant conflict due to the invasion of wild elephants villages due to the lack of sufficient food for elephants that come to graze on the fields of the reservoirs due to the constant water filling in the Minneriya and Kaudulla reservoirs owing to the Moragahakanda Reservoir Project and to protect the tourism industry, such a Memorandum of Understanding had not been entered into even by 31 October 2024.

Department of Forest Conservation

Non-transferring of the Ownership of lands Action had not been taken even by 31 December 2024, to transfer the ownership of lands in extent of 79.38 hectares belonging to the Department of Forest Conservation.

Overdue deposits Deposits amounting to Rs. 327 million, which had exceeded 02 years, had not been credited to the state revenue even by 31 December 2024.

Non-approval of Forest management plans Although management plans had been prepared for 512 reserved and conservation forests as at 31 December 2024, 459

of them could not be implemented as the plans had not been approved.

Although the gazette has been published to declare reserved and conservation forests and prepare management plans for them in order to achieve the objectives of biodiversity, soil and water conservation, protection of genetic resources and the rare and endangered species of flora and fauna, it was observed that the relevant management plans had not been implemented even though a long period of time ranging from 01 to 19 years had passed since 897 forests were published by gazettes as reserved and conservation forests.

Purchase of drone cameras The Department had purchased 06 drone cameras in December 2023 at a cost of Rs. 3.4 million and the Department had failed to submit the bid documents received for this purpose to the audit. It was observed that action had not been taken to obtain bid security.

Vehicles that are not operated There had been 143 vehicles that had not used for more than 03 years and action had not been taken to repair them and put them into use or dispose of them.

Damages and losses Action had not been taken even by 11 April 2025 to submit preliminary reports in terms of F.R. 104 (3) in respect of 10 incidents of damages and losses amounting to Rs. 1 million that had occurred during the period from 2017 to 2023, and to submit full reports in terms of F.R. 104 (4) in respect of 15 incidents of damages and losses amounting to Rs. 5.5 million that had occurred during the 11-year period from 2013 to 2024.

Sustainable Development Goals Although the coverage of important reserved areas/lands for mountain biodiversity had been identified under the Sustainable Development Goals, any function had not been carried out to achieve this Sustainable Development Goal by 2024.

Department of National Zoological Gardens

Underutilization of assets One hundred and fifty (150) acres of land in the Ridiyagama Safari Park, which has an area of approximately 500 acres, had not been utilized.

Not having guidelines Although about 09 years have passed since the opening of the Ridiyagama Safari Park, which is the only safari park owned by the Department, specific guidelines regarding the operation of the park had not been prepared and implemented.

Existing of vacancies in the Staff There had been 173 vacancies, out of the approved cadre of 894 in the Department of National Zoological Gardens as at 31 December 2024 and there had been 11 senior level posts, 37 secondary level posts and 125 primary level posts among the vacancies.

Wildlife Conservation Fund

Not revising the License fees Although the fees charged by all government institutions for various services provided by them must be increased by 15 percent in terms of Section 03 of the Public Finance Circular No. 01/2010 (1) dated 13 June 2019, the license fee of Rs. 250 charged for fishing vessels used for fishing in a reservoir located in a national reserve or sanctuary in terms of the Extraordinary Gazette No. 1433/4 dated 20 February 2006 had not been revised even at the end of the year 2024.

Zoo Development and Welfare Fund

Non-utilization of assets Although the Australian, Leopard & Cheetah zones were constructed and completed at a cost of Rs. 139.8 million since 2017, the construction remained idle due to the absence of animals required for the animal zones due to the lack of a proper system for obtaining the animals required for those

zones. They were being destroyed due to lack of proper maintenance, and photos of the building and caves constructed at a cost of Rs. 12.90 million in 2019 to confine the animals in the Australian zone, which was being destroyed so, are shown below.

Diagram No 2.39 - Building and Caves Constructed in 2019



Automated ticket Issuing system

The Department of National Zoological Gardens has installed and maintained an automated ticket issuing system for zoos operating across the island and there were administrative

issues such as the system has not been officially taken over by the institution, not preparing a proper monitoring system to ensure the continuous operation of the system, the uniformity and stability and safeguarding of the system across the island, and not appointing officials responsible for maintenance and updates.

Underutilized assets

The land extent of about 41 acres of the Kahapola farm land in extent of 71 acres, which is maintained for the purpose of producing food for the Department of Zoological Gardens, remained idle.

Central Environmental Authority

Idle Expenditure

Even though the Pethiyakanda Compost Yard was completed in the year 2018 and handed over to the Waste Management Authority by the Central Environmental Authority, any operational activity had not been carried out there up to date. There were weeds in the office complex and other buildings, and the pyrolysis machine, which was valued at Rs. 49.4 million and provided by the South Korean government, was decaying. Accordingly, the amount of Rs. 231.7 million spent on the reestablishment and maintenance of this compost yard, excluding the annual maintenance cost, had been an idle expenditure.

Idle assets

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Equipment sets worth Rs. 2 million were provided to the laboratory of the Southern Provincial Office in the years of 2020 and 2021, enabling these tests to be carried out in the laboratory of the Southern Provincial Office due to the high cost of transportation for sending water samples to the head office for these tests and the increase of the demand from clients for conducting Micro Biology Analysis tests in addition to chemical tests of wastewater. However, since the microbiological testing had not been commenced, the equipment kits were stored idle in the official residence of the director.

Rentals for Buildings

Fifteen (15) offices, out of the 24 district offices of the Central Environmental Authority, were being operated in privately owned buildings and 02 in government-owned buildings on a rental basis and Rs. 24 million had been spent annually on building rent.

Non-compliance with the Conditions specified in the Environmental Protection Licenses

It was observed that out of 35 industries registered under the B-52 category of the Environment Authority and granted environmental protection licenses for the year 2024 for activities related to the refining, transportation and storage of furnace oil, there were 07 institutions had not taken steps to prevent pollution of surface water or groundwater due to oil spills, which are the compliances required to obtain the environmental protection licenses, 08 institutions that had not covered oil tanks with a roof to prevent oil tanks from filling water and overflowing during rain, 11 industries that had dumped waste generated due to the operation of furnace oil storage, in open areas, and 06 industries that had not properly maintained fire extinguishing equipment.

Department of Coastal Conservation and Coastal Resources Management

Failure to report arrears of income

Although there were arrears of revenue amounting to Rs. 8.3 million to be collected for issuing licenses for sand removal from five fishing ports in the years of 2019, 2020 and 2021, the Accounting Officers had reported that there were no revenue arrears when submitting the arrears of revenue reports to the Director General of Treasury Operations.

Execution of orders to remove unauthorized Constructions

Although 3,039 orders were issued for the demolition of constructions carried out without licenses from the year 2012 and 31 December 2024 according to information from the Department of Coastal Conservation and Coastal Resources Management, 2,825 of these orders had not been implemented. Furthermore, the cost incurred for the removal of unauthorized constructions should be recovered from the relevant person in accordance with Section 31(4) of the Coastal Conservation Act, No. 57 of 1981. However, it was observed that Rs. 3.5 million had not been recovered, out of the Rs. 4 million spent by the Department for the removal of unauthorized constructions during the period from the year 2015 to 31 December 2024.

Non-recovery of arrears

During the period from the year 2017 to 31 December 2020, the amount to be recovered for sand mining exceeding the permit amount by Lanka Mineral Sands Limited was Rs. 79.4 million and Rs. 60.1 million, out of that amount, had not been recovered even by the end of 2024 and there was no written agreement or contract for recovery of the amount.

Coast Guard Reward Fund

Non-payment of reward money

Rs. 1.7 million received by the Fund in respect of 173 legal cases, out of the Rs. 1.8 million received by the reward Fund for 198 legal cases filed before the year 2024, had been sent directly to the General Treasury without determining the persons eligible to receive the reward and making payments. Due to this, it was observed that the achievement of the objectives of establishing the reward Fund had failed.

State Timber Corporation

Revenue Arrears

Action had not been taken to recover a sum of Rs. 378.8 million, which were not recovered for a period of 2 to 4 years and a sum of Rs. 87.8 million, which were not recovered for over 4 years within the balance of Rs. 1,241.8 million in the trade debtors account as at 31 December 2024.

Unfinished goods

It was observed that unfinished stocks were existing from the year 2011 within the work in progress amounting to Rs. 20.4 million at the Boossa manufacturing plant as at 31 December 2024. The production of furniture in this manufacturing complex is carried out by external contractors on short-term work contracts and tasks were provided again and again before completing one task and Rs. 11.4 million had been paid for that to 26 contractors as amounts for parts of work as at 31 December 2024.

Performance

Production of timber logs, which was 103,121 cubic metres in the 2022, had also decreased to 93,103 cubic metres and 87,176 cubic metres in 2023 and 2024 respectively, and the amount of timber logs sold in 2022 was 102,491 cubic metres and it had decreased to 85,378 cubic metres in the year 2023.

The production of sawn timber, which was 3,432 cubic metres in 2022, decreased to 2,456 cubic metres in 2024 and the

amount of sawn timber sold in 2022 was 3,441 cubic metres and amount of sawn timber sold had decreased to 2,087 cubic metres in 2024.

Sales revenue, which was Rs. 428 million in 2022, had decreased by about 29 and 33 percent compared to 2022 to Rs. 303 million and Rs. 288 million in the years of 2023 and 2024.

Sale of Furniture

A single item of furniture, out of the 428 furniture items worth Rs. 76.1 million existed at the Boossa manufacturing facility as at 31 December 2023, had not been sold even by 30 June 2025 due to the failure in forecasting production requirements based on annual sales requirements. Even though losses had been continuously recorded in the furniture production and sales process of the Corporation, the Corporation had not focused its attention on bringing it to a profitable level.

Chainsaw purchase and underutilization

A total of 814 chainsaws, including those confiscated by judicial process and handed over to the Corporation, were in the possession of the Corporation by February 2022. However, the Corporation had carried out 97 percent of the full tree felling and 85 percent of the forest crime and removals of donated timber in 2021 and 2022 through contractors. Furthermore, the Corporation had submitted information to the Cabinet of Ministers stating that there had been a requirement of 200 for afforestation, thinning and removal of dangerous trees without taking this into account that the Corporation had indicated a requirement of only 19 saws at the zonal level, and the Corporation had purchased 100 chain saws in the year 2023 for Rs. 35.8 million (including VAT) while the purchase of capital assets had been temporarily suspended. Although chainsaws were purchased for the above requirement, Rs. 572.4 million in 2023 and Rs. 435.5 million in 2024 were paid to contractors for full felling work and removal of donated timber. Furthermore, the approved cadre for the position of Chainsaw

Operator was 40 and the actual number of employees as at 30 June 2025 was 23 and 7 casual and daily employees were included in that.

Losses incurred due to non-compliance with the Employees' Provident Fund Act and the

Employers' Trust Fund Act Due to the failure of the Corporation to function in accordance with the provisions of the Employees' Provident Fund (Amendment) Act, No. 15 of 1958 and the Employers' Trust Fund Act, No. 46 of 1980, the Corporation had incurred a loss of Rs. 249 million as the Corporation had paid a sum of Rs.122.2 million as surcharge to the said funds and paid a sum of Rs. 126.8 million that should be paid by the employees as contributions for the period from 2006 to 2022.

Women and Child Affairs

For the purpose of establishing a favorable and sensitive society that ensures the rights and protection of children and women, the women and child affairs sector and social empowerment sector come under purview of the Ministry of Women, Child Affairs and Social Empowerment; and, the institutions such as, Department of Probation and Child Care Services, and National Child Protection Authority function thereunder.

Provision and Expenditure

Provision totalling Rs. 20,083 million had been granted by the Treasury to the Ministry of Women, Child Affairs and Social Empowerment, Department of Probation and Child Care Services, and National Child Protection Authority in the year 2024. By the end of the year 2024, only a sum of Rs. 13,854 million had been utilized therefrom.

Table No 2.41 - Provisions and Expenditures for the Year 2024 under the Ministry of Women, Children's Affairs and Social Empowerment

	Provision Rs. million	Expenditure Rs. million	Saving Rs. million
Ministry of Women, Child Affairs and Social Empowerment	19,227	13,027	6,200
Department of Probation and Child Care Services	496	484	12
National Child Protection Authority	360	343	17
Total	20,083	13,854	6,229

Source - 2024 Annual Financial Statements

Ministry of Women, Child Affairs and Social Empowerment

Lack of an Information System

for the Saubagya Production

Villages Programme

By making those engaged in traditional industries, low-income earners engaged in self-employment, and small entrepreneurs without production income lacking access to finance, technology and markets, into strong contributors in production process, a sum of Rs. 2,563.89 million had been expended during the period 2021-

2024 to establish “Saubagya Production Villages” that had been initiated in the year 2021 to enhance the livelihood of low income groups living in selected villages, and improve the existing Production Villages. However, a database including information such as, Production Villages established and developed through this project, and their current progress, had not been maintained.

Failure to appoint the National Committee on Women

Although the National Women’s Committee, consisting of 15 members appointed under Article 17(2) of the Sri Lanka Women’s Charter, is required to meet once every two months or as frequently as necessary, meetings of the Operations Committee and Subcommittees had not been held, and operational and supervisory functions had not been carried out during the year 2024 and the preceding period of one and a half years due to failure in appointing members to the Committee.

Department of Probation and Child Care Services

Failure to pay attention to children at risk.

It is the mission of the Department of Probation and Child Care Services to ensure the safety, well-being, and equal opportunities for all children, especially those who are orphaned, abandoned, destitute, or in conflict with the law in accordance with national policies and standards. However, it was observed that no programme had been formulated to maintain a database by identifying street children at serious risk and children belonging to coastal and estate-dependent marginalized communities, and to safeguard their rights whilst preventing the violation of their rights.

Failure to update Laws and Acts.

Although it is a key function of the Department to amend the laws and Acts in a timely manner, the Adoption of Children Ordinance No. 24 of 1941 has not been amended in such a manner.

Adoption of Sri Lankan children.

Forty one Sri Lankan children had been given for adoption to foreign countries during the period from the year 2019 up to 11 November 2024. Reports of follow-up action on the children so given for adoption, should have been obtained up to a period of 10 years since a child is given for adoption in terms of Paragraphs (a), (b), (c) under Section 10(d) of the Adoption of children (Amendment) Act, No. 15 of 1992. However, it was observed that such reports had not been obtained continuously and properly.

Training centers remaining idle.

Although the National Child Training and Counseling Services Center, which had been used as a Covid intermediate treatment center in 2021, was handed back on 06 June 2023, action was not taken to make use of the Center until 31 December 2024, thus depriving approximately 80 children of opportunities for training courses and consultancy services, and the Center equipped with training equipment, remained idle. Furthermore, the National Training and Research Center at Gorakana, Panadura, belonging to the Department, which is a fully air-conditioned facility with all necessary amenities capable of conducting training programs for about 60 officers, also remained idle since 06 June 2023.

Expenditures outside the intended purposes

Until the year 2024, no amount whatsoever had been spent out of the sum of Rs. 27.7 million granted by UNICEF to the Department for a project to be implemented for providing short-term financial assistance. An Action Plan had been prepared for the year 2024 in

view of expending a sum of Rs. 14.34 million that had not been expended out of the assistance given in the year 2023. It was observed that a sum of Rs. 11.4 million therefrom had been spent on expenses of the officers of the Department by deviating from the objectives of UNICEF, such as, at protecting child rights, fulfilling basic needs, expanding opportunities for children to reach their potential, and promoting early childhood development.

National Child Protection Authority

Formulation of a national policy.

A national policy relating to in terms of Sections 14 (a) and (f) of the National Child Protection Authority Act, No. 50 of 1998 had been approved on 29 October 2019 relating to prevention of child abuse and the protection and treatment of children who have been victims of such abuse. However, the policy had not been implemented even by the end of the year 2024.

Failure to prepare a national database.

Due to failure in preparing and maintaining a national database, a key objective of the Authority in terms of Section 14(m) of the National Child Protection Authority Act, No. 50 of 1998 even after 26 years since its inception, it was not possible to provide information regarding the progress in the enforcement of laws related to child abuse, as well as on the protection of children's safety and their rights in terms of Sections (g), (h) and (p) of the Act.

Investigation of complaints on child abuse.

A total of 107,663 complaints related to child abuse had been received by the Authority from 2014 up to 30 April 2025, of which 46,813 complaints, or 43 percent, had not been fully investigated in terms of Sections 14(e), (g), (h), (j), and (k) of the National

Child Protection Authority Act, No. 50 of 1998. As such, the objectives such as, enforcing and regulation of laws relating to all forms of child abuse by protecting and safeguarding victims of child abuse, reviewing the progress of all investigative cases, and receiving complaints regarding abuse & referring them to the competent legal authorities, could not be achieved in a timely manner.

Idle assets

A sum of Rs. 18.31 million had been paid by the National Child Protection Authority to the Urban Development Authority in the year 2016 and acquired a land in Madiwela under a lease agreement for a period of 30 years . However, the land had not been made use of for any purpose even after a period of 08 years from land acquisition.

The Ministry of Public Security was established as a Cabinet Ministry by the Extraordinary Gazette No. 2202/25 dated 20 November 2020, amending the subject matter of the Internal Security Division. According to the plans prepared for the year 2024 in accordance with government policies, the Ministry and its institutions are primarily responsible for maintaining public services in an efficient and public-friendly manner, creating an environment suitable for all citizens to live freely without fear and suspicion, ensuring citizen identity, facilitating immigration and emigration activities for local and foreign individuals, regulating the network of non-governmental organizations operating in the country to strengthen the national economy, and combating the drug menace.

The Sri Lanka Police, the Special Task Force, the National Secretariat for Non-Governmental Organizations, the Department of Immigration and Emigration, the Department of Registration of Persons and the National Dangerous Drugs Control Board were included under the Ministry of Public Security.

Audit Observation

Special Task force

United Nations

Peacekeeping Duties

It was observed that an expenditure of nearly Rs. 2000 million had been incurred for the project related to the deployment of Special Task Force officers for United Nations peacekeeping duties (Formed Police Unit) by September 2024. It was observed that this project had not yielded sufficient benefits with the objectives of earning foreign exchange, developing the skills of officers, gaining international experience, strengthening the economic status of officers and improving their living standards.

Utilizing vehicles For Peacekeeping Duties

53 vehicles worth Rs. 1,264.02 million purchased for the project were parked in 17 camps from 2018 to the date of audit, and Rs. 3.02 million had been spent on the maintenance of those vehicles up to 31 December 2024.

Department of Immigration and Emigration

Software Development Activities

54.2 million rupees had been estimated for the establishment of Vehicle Maintenance, E-Inventory, Human Resources II, and Data Migration modules under software development in the year 2024. However, the relevant tasks had not been completed as planned.

A payment of Rs. 16.20 million had been made on 29 December 2023 for the installation of Phase-I of the Human Resource Management Module, which cost Rs. 29.85 million. However, the payment had been made without the UAT (User Acceptance Testing) test that should have been carried out in relation to the system and without a formal recommendation from a responsible officer. It was observed that this module had not been installed and used in the institution until 30 June 2025.

Computerization of Operations

The Department of Immigration and Emigration had entered into an agreement with a private company on 16 June 2003 to carry out a number of activities of the Department such as passports, visas, citizenship certificates, border control activities, personnel administration, etc. using a computer system. Services had been obtained from the private company for a period of 22 years from 2003 to 2024, while also paying the maintenance costs of the computer systems for that purpose. The Department had not taken the necessary steps to completely take over the maintenance of the relevant computer systems to the Department.

The agreements maintained with the Department and the private company regarding the maintenance of the systems had not been updated in a timely manner. The agreement had been updated a few months after the end of the agreement period, in accordance with the agreement prepared by the private company and the certificate provided by the Controller (Information Technology) that the Department was satisfied

with the services provided by the company. When renewing the agreement, the agreement had been renewed using the previous date of January 01.

Department of Registration of Persons

Issuance of National Identity Cards

Although, in terms of sections 5(2)(1) and 15(14) of the Registration of Persons (Amendment) Act, No. 08 of 2016, the Commissioner General shall issue a National Identity Card to every person who is a citizen of Sri Lanka and has attained or will attain the age of 15 years as soon as practicable, there were 1,055,461 applications for which a National Identity Card had not been issued as at 01 January 2024. Since the Department had received 985,209 applications during the year under review, the number of National Identity Cards issued during the year 2024 was only 431,960, although a total of 2,040,670 applications were to be issued. As at 31 December 2024, there were 1,608,710 applications for which a National Identity Card was not issued, and the Department had only 667,820 pre-printed cards on that date. Accordingly, it was observed that the Department did not have a sufficient number of pre-printed cards. In addition, 588,402 information verification letters were issued to school applicants in the year 2024.

Sri Lanka Police

Approved Cadre

The Sri Lanka Police consists of 45 territorial Police Divisions and 74 Operational Police Divisions, and the number of police stations located throughout the island is 607. These police divisions and police stations employ a total of 87,323 personnel, consisting of 79,718 uniformed personnel, 1,114 police support staff and 6,491 civilian personnel, with a total of 27,849 vacancies. However, after a study of the nature of duties in the police divisions and police stations, it was observed that there was no specifically identified approved staff.

Filing Cases for narcotic pills incidents

The Sri Lanka Police had taken steps to file cases for the seizure of narcotic substances such as cannabis, opium, hashish, heroin, morphine, cocaine, ice, babul, mawa, drugs, alcoholic beverages and pain killers, 142,632 cases, in 2022, 175,781 cases in 2023 and 222,785 cases in 2024. Accordingly, it was observed that the number of reported cases in 2024 had increased by 56 percent compared to 2022.

Vehicle Accidents

In the year 2024, 2272 fatal road accidents were reported, of which 2381 resulted in deaths. The number of serious injuries was 6,762. Compared to the previous year, fatal road accidents have increased by 3 percent, serious injury accidents by 10 percent and the number of deaths due to accidents by 3 percent.

Procurement

The procurement agreement of Rs. 93.45 million entered into by the Sri Lanka Police to obtain 60,000 peak caps for the ranks of Police Sergeant and Police Constable from a foreign supplier was cancelled on 30 August 2011 without any valid reasons. Accordingly, the supplier instituted arbitration against the Sri Lanka Police, stating that the cancellation of the said procurement was illegal, and due to the delay in implementing the arbitration decision until 2023, the Sri Lanka Police had to bear the disadvantage of the supplier's storage charges, legal fees, interest on delay and the increase in foreign exchange rates also due to the demand for the period up to 26 January 2023. Accordingly, the Sri Lanka Police had to pay Rs. 289.13 million to obtain 60,000 peak caps. The cancellation of the procurement had increased the procurement value of Rs. 93.45 million to Rs. 289.13 million. Accordingly, public money of Rs. 195.68 million had to be paid to the relevant supplier, and the Sri Lanka Police had to receive the peak caps after a period of more than 12 years of production. This peak cap stock was in an unusable condition, and 3288 peak caps worth Rs. 12.67

million were kept in the main supply warehouse for destruction as they were completely unusable.

“Nila Sevana” Housing Scheme in Habaraduwa

An agreement was reached on 29 December 2017 to purchase 192 houses for Rs. 729.6 million at Rs. 3.8 million each under the Habaraduwa “Nila Sevana” scheme. As at 02 April 2019, an advance of Rs. 500 million had been paid. Although, the main objective of this project was to provide houses to government employees, no houses had been provided to police officers for residence under this project. Even when an on-site audit was conducted in 2025, Even as of January 2025, the work related to the acquisition of these houses had not been completed. Although, the amount to be paid for these 128 housing units was Rs. 486.4 million and as the Sri Lanka Police had paid Rs. 500 million, it was observed that the government had suffered a financial loss by allowing Rs. 13.6 million belonging to the government to be held by an external party for more than 6 years. Actions had been taken to release the advance security deposit as well.

Construction of City traffic Building

Rs. 237.73 million had been paid to the contractor and Rs. 8.79 million to the consultancy firm for the construction of the Colombo City Traffic Division building as of October 2024, of which the construction had been commenced in 2006. Although, this was about 61 percent of the agreed value, the physical progress of the construction was about 46 percent. Since the construction work had been abandoned from 2021, and the contractor could not be held responsible for not completing the construction in a proper manner as the construction company had been liquidated pursuant to a judgment of the Commercial High Court.

Acquiring Building On rent

By the end of 2024, the Sri Lanka Police had acquired 331 buildings on a rental basis to continue 80 police offices, 121 police stations, 15 police barriers, 106 quarters and barracks and 09 warehouses, and Rs. 738 million had been paid as building rent for the year 2024. Out of this, there was a building belonging to a private company in Colombo 05 to maintain the Sri Lanka Police's Illegal Assets Investigation Division, Counter-Terrorism and Investigation Division, Anti-Trafficking and Maritime Security Division and Homicide and Organized Crime Investigation Division at a monthly rate of Rs. 10.4 million and an annual rate of Rs. 124.8 million.

Installation of CCTV Cameras System

Although, 108 cameras were installed at 33 key locations in Colombo City with the aim of performing specific functions such as conducting surveillance activities by obtaining live video footage, monitoring traffic violations, controlling traffic in Colombo City, and ensuring the safety of people and properties visiting and living in Colombo City, but in August 2024, 37 cameras at 23 locations, including 06 locations were deactivated completely.

At the time of the inception of this camera system, operations had been started using Windows XP, which was used as the computer operating system (OS). Although, Microsoft had discontinued the facilities provided for Windows XP after 2014, the camera system was still being operated using Windows XP as of 15 August 2024. Due to the use of such an old technology, maintaining the camera system had become very difficult, and the audit observed the need to move towards new technology.

Ministry of Labour and Foreign Employment

Delays in Labour Legislation

Although policy formulation, implementation of program plans, monitoring and follow-up related to labour issues have been mentioned based on the Government's National Policy, the unified Labour Law Reform was not completed to suit current needs and only 2 new law amendments had been made in the year 2024 .

Failure to Formalize Labours' Compensation Payment Process

Although the main task of the Ministry has been stated to be to reform all methods and procedures using modern management methods and technology in a manner that will help ensure that the Ministry fulfills its duties while eliminating waste and corruption, and due to the long time taken in following the workers' compensation payment process in accordance with the provisions of the Compensation Ordinance and the lack of necessary steps to computerize the files of the Compensation Commissioner's Office, there were delays in getting updated information.

Conducting the Vigamanika Harasara Programme

The Minister of Labour and Foreign Employment had approved the holding of three (03) programmes in the Southern, Northern and Western Provinces in accordance with the Memorandum of Cabinet of Ministers submitted on 26 June 2024 to “conduct a Vigamanika Harasara Programme to appreciate the great contribution made by migrant workers in overcoming the economic crisis”. It was observed that instead of organizing the function in the Northern Province, a function was organized and held in Kurunegala (North Western Province) on 21 July 2024, and this process is observed to be contrary to the Decision of the Cabinet of Ministers. Although an amount of Rs. 63 million was spent on the function for the Vigamanika

Harasara Programme held to honor migrant workers, apart from the food provided during the function, no self-employment or other benefits were received for future welfare. A sum of Rs.1.93 million had been spent to present a file with three greetings from the President, Minister of Labour and Foreign Employment and the Minister of State to pay tribute to the workers. A sum of Rs.8.04 million had been spent for the Sri Lanka Transport Board for 226 buses to bring the relevant migrant workers to the celebrations.

Department of Labour

Failure to settling of General Deposit Account balances

The balance in the General Deposit Account of the Department of Labour as at 31 December 2024 was Rs.821.97 million and necessary actions had not been taken to settle the amount of Rs.7.02 million in the EPF (Compensation and Gratuity) existing before 2015. The balance to be settled by April 2025 out of the amount of Rs.349.19 million held from the year 2016 to 2024 was Rs.311.59 million. During an audit test check of three offices of the claims accounts for the year 2024 although it has been sent to the relevant district offices, a balance of Rs.2.16 million remained to be paid by May 2025 from the Colombo Central, Colombo West and Colombo South offices .

Department of Samurdhi Development

Failure to remit Mandatory savings directly to banks

The Bank Finance Division has Rs.30,356.57 million in compulsory savings held as mandatory savings from the subsidy money of Samurdhi beneficiaries, and out of this value, a sum of Rs.29.51 million was unidentified mandatory savings. All this money was deposited as investment, and the investment interest thereon as at 31 December 2024 was Rs.4,461.47 million. Although the Bank Finance Division has invested the

mandatory savings money in the year 2024, it has given a low interest rate of 1 per cent to the banks. However, the interest that banks have to pay to Samurdhi beneficiaries for mandatory savings is 3.6 per cent as per the Management Decision No. 2024/133/01. By not remitting the mandatory savings money directly to the bank but by holding and investing it in the Bank Finance Division, there was a disadvantageous situation such as the interest income that was lower than the interest income that could be obtained by investing the community-based bank itself and the ability to lend that money for the livelihood development activities of the people was reduced.

Unsettled Deposit Balances

According to the age analysis reports of the general deposit account, 04 types of deposits are maintained at the Head Office and District Offices for the year 2024 and the relevant unsettled deposit balance was Rs.2,387.24 million. Out of this, the balance between 1-2 years was Rs.2.03 million, the balance between 2-5 years was Rs.3.91 million, and the balance for more than 5 years was Rs.2,375.75 million..

Failure to establish the Fund as per the Act

The Divineguma Development Fund shall be established under Section 36 of the Divineguma Ordinance No. 1 of 2013 and all grants received by the Department, prizes and other contributions from banks and banking societies established under the Prizes Act, and all receipts from the profits of banks as a percentage determined by the Minister shall be credited to the Consolidated Fund and thereafter credited to the Divineguma Development Fund with the approval of Parliament. The Fund had not been established up to now. It had been informed on 03 May 2021, that there was no objection of the Treasury to the establish the Divi Neguma Development Fund.

Non-recovery of outstanding debts of the Rataviru Housing Loan Scheme

If any loss or expense is incurred by the Samurdhi Authority due to non-repayment of the loan or any other activity in implementing the housing loan scheme for Rataviru persons agreeing to operate in a way that divides it, the Sri Lanka Bureau of Foreign Employment had provided Rs.100 million to the Sri Lanka Samurdhi Authority in 2013. Accordingly, Samurdhi Banks had issued loans valued at Rs.3,547.13 million to 11,929 Rataviru persons. A Memorandum of Understanding (MoU) had been signed between the Samurdhi Authority and the Sri Lanka Bureau of Foreign Employment on 07 March 2012 for a period of 5 years for the Rataviruvo Housing Loan Project and it had ended on 06 March 2018. Although instructions had been given to sign the new Memorandum of Understanding immediately and proceed with the loan project, the two parties had not entered into a new Memorandum of Understanding. Accordingly, the outstanding debt balance had been Rs.102.59 million.

Non-payment of dividends to shareholders of community banks

Out of the 784 financial statements audited and issued with a true and fair opinion by the Community Banks from 2015 to 2022, permission for dividing of profits had not been granted due to the increase in bad debt ratios in 34 financial statements, and out of the 9441 audited financial statements received by the Microfinance Division as at 27 February 2025, permission for dividing of profit had been granted for only 2145 financial statements. Due to this, the dividend of Rs. 9710 million payable to shareholders as at 31 December 2024 could not be paid.

Samurdhi Social Development Trust Fund

Limitation on payment of benefits to beneficiaries by the Fund

Financial assistance was provided as a safeguard against that deterioration to eligible families whose living conditions were very close to deteriorating in some way as the main objective of the Fund. Under this, benefits were provided as an insurance scheme for expected and unexpected events, mainly births, twins births, marriages, hospitalizations, Charana and Sisdora scholarships. However, due to the suspension of Samurdhi benefits, the benefit payment in the year under review had decreased by Rs.1,422.44 million, that is 68 per cent, compared to the previous year. However, the beneficiary payments for this year had also included payments related to the year 2023.

Samurdhi Housing Development Lottery Fund

Loss of Main Income of the Fund

A sum of Rs.662.60 million had been provided to 1355 beneficiaries under the Special Housing Programme and only Rs.355.37 million was received by the Fund from investment interest during the year under review. Further, a sum of Rs.143.90 million had realized from the investment amount of the Fund during the year under review. Accordingly, with the cessation of the Fund and the lottery draw programme, the main source of income of the Fund was lost and a problematic situation arose regarding the existence of the Fund to fulfill its objectives.

Shrama Wasana Fund

Weaknesses in the Distribution of School Supplies

Even though Rs.8 million has been allocated for the Scholarship Programme and Disaster Relief Programme to provide financial and other benefits to employees or their dependents in times of disaster, only 9 out of the planned 100

scholarships had provided and only Rs.0.47 million had been spent for this.

Employees Provident Fund

Money not credited to Members' Individual Accounts

Out of the member account balance of Rs.4,289,544 million of Employees Provident Fund as at 31 December 2024 a sum of Rs.91,943 million remained without crediting to individual member accounts for various reasons. A sum of Rs.13,393 million recovered from lawsuits filed against employers in the Labour Commissioner's account in the Members' Fund and held at the Central Bank of Sri Lanka, Rs.388 million recovered from lawsuits and held in a general deposit account of the Department of Labour pending settlement, and the balance of Rs.74,849 million held as at 31 December 2024 in the account titled "Current Year Contributions No. 01" maintained separately in the name of the employers had not been distributed to the relevant members. A sum of Rs.1074 million, and less/excess contributions and benefit payments amounted to Rs.2,753 million and Rs.514 million respectively as at 31 December 2024 to further settle under the Members Fund as benefits withheld from members for various reasons and benefits not claimed.

Declining of Returns on Investments in the Employees Provident Fund

Dividend income of the Fund had not been received for ordinary share investments of Rs.19,970 million made in 22 listed companies in the year 2024 and for investments in equity shares valued at Rs.6,936 million made in 9 listed companies from 2019 to 2024. A sum of Rs.5,000 million had been invested in unlisted companies in 2013 for a hotel complex to be constructed, and although 11 years had passed since the

investment was made, the Fund had not received any benefits from the investment as the construction of the hotel complex had not yet commenced..

Failure to register employers who should be registered with the Employees Provident Fund

The number of employers who were not registered with the Employees Provident Fund but were registered only with the Employees Trust Fund Board was 22,764 as at 31 December 2024 and the total contributions received by the Employees' Trust Fund Board from those employers on that date were Rs.505 million. Accordingly, no appropriate arrangements had been made in coordination with the Board to identify and register those employers who should have registered with the Fund but had failed to do so.

Lack of Supervision over Registered Employers in the Employees Provident Fund

Although every employer registered with the Employees Provident Fund should be allocated to a District Labour Office and a Labour Officer and should be supervised periodically, according to the Employees Provident Fund Monitoring Database, more than 81,987 employer institutions registered with the Fund in the 24 zones of the Department of Labour were not divided to sub-zones, 76,306 institutions out of that were observed as active institutions and 7,335 institutions as inactive institutions. Out of those active institutions, 75,675 institutions were not supervised due to the fact that no Labour Officer was appointed for those institutions.

Sri Lanka Social Security Board

Failure to Achieve Desired Objectives

The main statutory objective is to implement social security and pension benefit schemes for all employees who are not entitled to pension or do not hold a pensionable position as per

the Social Security Board Act No. 17 of 1996 as amended by Act No. 33 of 1999 and Regulation No.04 published in the Extraordinary Gazette No. 1464/05 dated 25th September 2006. Accordingly, the performance had remained below the expected level due to the failure to achieve the desired objectives of providing for self-employed persons.

**Withdrawal of members
who contributed to
the pension scheme**

The total first premium collected when enrolling new contributors to the pension scheme was Rs.163.29 million and the annual collections were Rs.261.77 million as at the last day of the year under review. The income of the Fund in the year 2024, which was Rs.769.55 million, consisted of members' contributions and investment interest income. A sum of Rs.22.12 million was refunded due to the withdrawal of 539 members before and after the date of pension entitlement during the year under review.

Employees' Trust Fund Board

**Contributions not credited
to Members' Accounts**

Although the Employees' Trust Funds remitted to the Board by employers should be credited to the personal accounts of each member, sum of Rs.14 million and Rs.597 million from 1981 to 2014 and from 2015 to 2023 respectively had not been credited.

**Failure to Achieve
Project Objectives**

The Board and the Sri Lanka Information and Communication Technology Agency had entered into an agreement on 27 November 2016 to increase the efficiency and effectiveness of the Board's functions and services by utilizing modern technology and planned to complete the project work by October 2021. Also, although Rs.145.7 million had been spent on the purchase of hardware that was identified as very essential before the project was started, equipment valued at

Rs.18.6 million of which was still lying idle in the warehouse by the end of March 2025. The Board had so far failed to complete the tasks related to the establishment of service units, accurate data transfer from the existing system to the new system, unallocated contributions and Lanka Clear and achieve its objectives.

Idle Assets

Due to the failure to accurately estimate the purchase requirements, a stock of uniforms valued at Rs.3.5 million, which had been purchased for distribution to the staff of Board from 2018 to 2024, had been unused and was kept in storage for between 2 and 6 years.

Undivided Money

Every employer with at least 15 employees in their service shall submit contributions and monthly reports to the Board electronically and the primary objective of this measure was to ensure that the contributions are distributed to the members without delay in accordance with the Extraordinary Gazette Notification No. 2311/39 dated 22 December 2022, with effect from 01 February 2023. However, the undistributed amount in relation to active and inactive institutions has been Rs.171 million and Rs.117 million in relation to the years 2022 and 2023 respectively since the year 2015.

Special Audit Report on the Food Security and Livelihood Restoration Emergency Assistance Project financed by the Asian Development Bank

Audit Observations

Benefits Payments for Elderly People over 70 years of Age

(a) Although the estimated number of beneficiaries for the payment of allowances to low-income elder persons by the Samurdhi Development Department is 132,500 each month, it was observed that the number of beneficiaries who were credited with money to Samurdhi Banks for payments was

nearly 115,000, which overstated the relevant estimates by about 13 per cent.

(b) Similarly, although the number of waiting list beneficiaries identified for each month for the period under review was 131,978, according to the information of the National Elders' Secretariat, the main institution for the protection of the rights of the elders in Sri Lanka the money was credited to Samurdhi Banks for payments to 115,037, 115,018 and 115,753 beneficiaries for the months of September, October and November 2022 respectively. Accordingly, a difference of about 13 per cent was observed between the waiting list beneficiaries identified and the beneficiaries credited to the banks.

(c) Similarly, when comparing the number of beneficiaries credited to Samurdhi Banks for payments for the months of September, October and November 2022 by the Samurdhi Development Department with the number of beneficiaries actually paid by Samurdhi Banks, it was observed that the amount credited to the banks for additional allowances (top-up) was about 11 to 13 per cent higher and in the case of waiting-listed beneficiaries, it was about 28 per cent higher value.

Due to the above situation, the Samurdhi Banks would have been saved with 11-14 per cent of the additional allowances and about 28 per cent of the waiting-listed beneficiary allowances out of the money credited to Samurdhi Banks for payments, and accordingly, the beneficiaries who were actually to be paid had not been correctly identified.

Duplicating of Beneficiaries

(i) It was observed during the audit that nearly 10 per cent of the money received for the payment of the adult top-up allowance in the Galgamuwa Divisional Secretariat had been saved at the end of each month of the period under review,

and this was due to the duplicating of beneficiaries. Similarly, it was observed that between 14 and 18 per cent of the money received for the waiting list beneficiaries had been saved over at the end of each month of the period under review, and this was also due to the duplicating of beneficiaries..

(ii) Between 6 and 8 per cent of the money received for additional allowance payments remained in the Ambalantota Divisional Secretariat and this situation had also led to a duplicating.

(iii) Nearly 33 per cent of the money received for the payment of additional allowances for the elderly in the Palugaswewa Divisional Secretariat remained at the end of each month, resulting in the duplicating of beneficiaries.

(iv) Nearly 12 per cent of the money received to pay the waiting list beneficiaries in the Ibbagamuwa Divisional Secretariat remained at the end of each month and this situation had also caused to the duplication of beneficiaries.

Although necessary steps had been taken to transfer the remaining funds to the Samurdhi Development Department by the end of 2022, it was observed that the failure of the relevant Divisional Secretariats to correctly identify the beneficiaries has resulted in duplication and excessive flow to the Samurdhi Banks.

Failure to follow a Uniform Method in Making Payments

When providing allowances under this project, adults who were included in the elderly allowance program as well as those on the waiting list until then, were required to open a Samurdhi Bank account. this system was expected to streamline the Existing Cash Transfer Mechanisms.

Accordingly, during the inspections carried out in the Divisional Secretariats where we conducted physical inspections, it was observed that although arrangements had been made to pay the

elders allowances for the months of September, October and November through Samurdhi Banks, the allowances provided by the government for the months of December 2022 and January 2023 were again being provided through post offices as before.

Accordingly, it was observed that the objective of streamlining the existing money transfer methods expected through opening Samurdhi Bank accounts and making payments deviates from the objective.

In planning and paying benefits according to the districts selected during the audit, the National Secretariat for Early Childhood Development for Hambantota District had paid money for 5 beneficiaries more than the beneficiaries requested, and there was not enough money for 418 beneficiaries for Anuradhapura, Monaragala, Kurunegala and Batticaloa Districts.

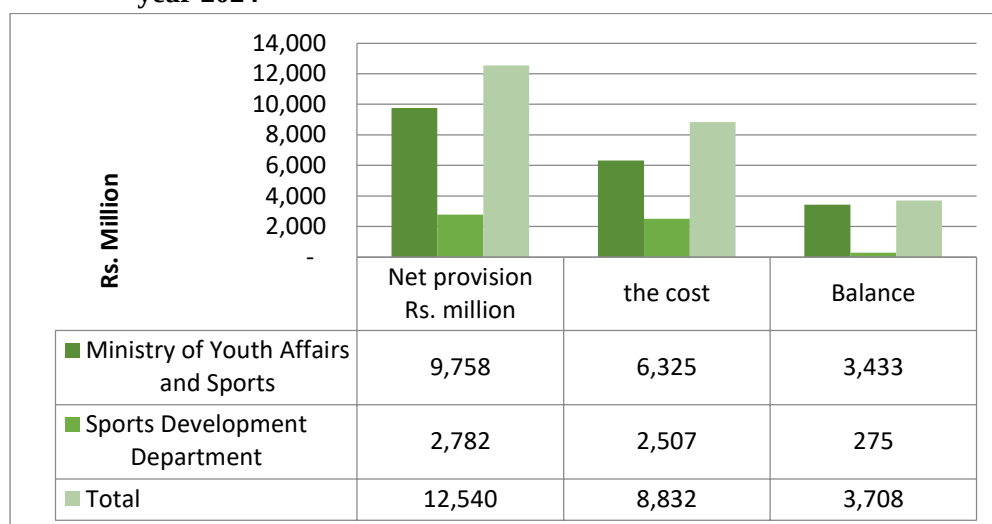
Sports and Youth Affairs

Ministry of Youth Affairs and Sports

The mission of the Ministry of Sports and Youth Affairs was to create a youth community that actively contributes to the national economy and contribute to building a united and prosperous nation through a disciplined, sports-oriented society. To achieve those results, there were 11 statutory bodies, including the Ministry of Sports and Youth Affairs and the Department of Sports Development, along with a sports fund and 67 sports associations which are actively operated.

In the year 2024, a total net allocation of Rs.12,540 million was provided by Parliament to the Ministry of Youth Affairs and Sports and the Department of Sports Development, and by the end of the year 2024, there was a saving of Rs.3,708 million allocation. The details are shown in the diagram.

Diagram 2.40 - Net allocations and expenditures provided to the Ministry of Youth Affairs and Sports and the Department of Sports Development for the year 2024



Source: Financial Statements of the Ministry of Youth Affairs and Sports and Department of Sports Development 2024

The significant and material audit observations revealed during the sample audit of the Ministry of Youth Affairs and Sports and its departments and statutory bodies are summarized below.

Audit Observations

International Achievements

In 2024, Sri Lankan players participated in 26 major international tournaments and won 64 medals, including 17 gold, 24 silver and 23 bronze. Furthermore, the Sri Lankan women's cricket team won the 2024 Asian Championship, the Sri Lankan men's cricket team won the test tournament against New Zealand, the Central Asian Women's Under-20 Volleyball Team was the runner-up, and the Sri Lankan netball team was the Asian runner-up.

Ministry of Youth Affairs and Sports

Non- Existence of Vehicles Physically

According to information obtained from the Department of Motor Traffic, 17 vehicles registered in the name of the Secretary of the Ministry of Sports were not physically in the possession of the Ministry and no steps had been taken to find out which institutions currently held those vehicles and either return them to the Ministry or hand them over to the relevant institutions.

Failure to fulfill duties

Among the main functions of the Ministry of Youth Affairs and Sports are to promote and coordinate the facilities required to provide physical fitness to the general public and to establish a youth human resource bank suitable for local and foreign employment opportunities. The Ministry had not taken any action to fulfill the tasks so far.

Abandonment of projects Without Concurrence of the Stakeholders

Although, a loan of 264,492.34 euros, or Rs.51.05 million, had been paid as loan planning fees for the project to construct the high-altitude sports complex, which was proposed to be built on a 34.5 hectare land in Nuwara Eliya belonging to the Ministry of Sports, the total expenditure incurred on it had been

wasted due to the suspension of the project in 2021. In addition, due to the suspension of this project, the contractor had requested a compensation of 23,026,417.76 euros and the University of Moratuwa as the consultancy firm for the project, had requested a compensation of Rs.378.07 million. Furthermore, due to the cancellation of this project, Rs.3.65 million was also paid to get the expert consultancy for the study of the claims submitted by the contractor and consulting firms in the year 2024.

Under-utilization of Funds

With the aim of enhancing cricket at the regional level by improving cricket infrastructure and identifying 3000 talented cricketers, a provision of Rs.1,500 million had been allocated in the year 2024. It was observed that only Rs.507.88 million had been utilized for the implementation of this project in 373 schools and that provisions of Rs.992.12 million had not been utilized. Furthermore, sample audits revealed that many of the schools where this project was implemented had not successfully completed the tasks under the project.

Sports Development Department

Inappropriate transactions Sports Development Department, Ministry of Youth Affairs and Sports and private communication Company had organized together the Sri Lanka Sport Fiesta program at a cost of Rs.39.06 million. However, the agreement between the above institutions had not been reached and the Department had not received any income or sponsorship money earned from the contribution made by private communication Company for the program and the food and beverage outlets that had been operated during the 03 days of the program's implementation. Although, Rs.16.8 million had been released for the sports tournaments planned to be held in conjunction with this program, Rs.3.5 million of which was planned to spent on

hockey matches had not been held, resulting in a loss of Rs.1.53 million.

An event management company had been selected to conduct this program without any procurement process and since the services obtained from that company were also provided by the Sri Lanka Youth Services Private Limited, it was observed that the expenditure of Rs.19.19 million paid to that company was not carried out transparently.

Since the presidential election was scheduled to be held a few days after the program was planned to be held, the Election Commission had informed that the musical show proposed to be held concurrently with the sports festival would not be held. However, contrary to those instructions, food promotion programs, musical shows, etc. had been held and for that, the National Youth Services Council and the Youth Services Private Limited had also spent Rs.16.32 million.

Matale District Sports Complex

The advance payment of Rs.6.4 million to be recovered from the National Machinery Institute for two suspended projects at the Matale District Sports Complex remained unrecoverable due to the insolvency of the relevant institution.

Not accounting development Expenditures as assets

The Sports Development Department had spent Rs.154.19 million and Rs.165.7 million respectively in 2024 to upgrade the Torrington Hockey Stadium and Matale Hockey Stadium, which were constructed several years ago, had not been accounted for as assets.

Not Maintaining a formal data system

In order to identify talented athletes, each National Sports Association/Confederation should provide training programs to improve the abilities and skills of the athletes and maintain a formal database system consisting of biographical data of the

athletes, competitions participated in, sports competitions, teams represented, information on their performance and selection, rankings and classifications, the Department had not done so.

Non-compliance to the Procurement Guideline

In the year 2024, Rs.16.59 million was spent on the purchase of 200 sets of sports equipment and no procurement guidelines were followed in this purchase. Furthermore, information on the parties to whom the 200 sets of equipment were provided was not submitted to the audit and as at 31 December 2024, 68 sets of sports equipment had not been distributed to the relevant parties and were being stored idle. It was observed that a formal procedure had not been developed and proper approval had not been obtained for the distribution of the sets of equipment.

Not getting an e-visa

Due to the failure to obtain e-visas as mentioned in the invitation letter for 06 athletes including the coach had missed the relevant flight due to that visa issues related to the the Senior Asian Wrestling Tournament, Asian Olympic Games Qualifiers and Training Programme – 2024 which was held in Kyrgyzstan from 03 April to 22 April 2024. Therefore, the flight tickets purchased at the first time costing Rs.1.49 million had been used only for the return trip. Later, another Rs.1.19 million had been spent to leave for the relevant tournament through e-visa. Due to this, the government had to spend Rs.1.19 million more and the athletes had to delay their participation in the relevant tournament and programs by about 05 days.

Institute of Sports Medicine

Failure to achieve the intended objectives of installing the software System

Although, a software worth Rs.6.89 million had been developed to achieve the objectives of aiding the talent identification process using modern technology, maintaining a database of all national level sportsmen and sportswomen, providing medical records of sportsmen to authorized officials regarding referrals for physical fitness disorders and all other relevant medical information as and when required, the institution had not achieved the desired objectives.

Not started the Human

Performance Laboratory

As at 31 December 2024, a private company had been paid Rs.273.67 million for the establishment of the Human Performance Laboratory, and the laboratory had not yet commenced operations even as at 22 April 2025. Due to this, a situation had arisen where the expected outcomes of the project could not be achieved.

National Center for Leadership Development

Asset Management

The National Center for Leadership Development was unable to use this land properly due to the presence of private property and private residents within the Embilipitiya Leadership Development Center land.

The Staff

Although, the leadership Development Center was established in 1985, it was observed that the staff approved for the center had not been revised and new posts had not been added as required. At present, there is a lot of physical construction and renovation work in this center and there is no technical officer. It was noted that the Out Bounding Center has been newly established to provide physical fitness training and It was also observed that there were no trained officers on staff to carry out the activity.

National Sports Fund

Compensation for Fox Hill Super Cross 2024 Tournament

The Fund had to pay compensation of Rs.8 million and Rs.4 million respectively for the 8 deaths and 16 injuries in the accident that occurred during the tournament of the Fox Hill Super Cross 2024 organized by the Sri Lanka Army and the a Sports Association in 2024. Due to the lack of full insurance coverage, this compensation had to be borne by the government and it was also observed that there was the fund itself spent this loss on the recommendations of the former Sports Minister without taking steps to recover it from the tournament organizers.

Assistance for sports Equipment Purchase

When providing assistance for the purchase of sports equipment through the National Sports Fund, assistance had only been provided to schools in several districts of Sri Lanka, and a program had not been prepared to identify the needs and provide sports equipment to cover the entire island.

Providing support and sponsorship to participants in international competitions

It was observed during the audit that instead of preparing a formal system for providing assistance and sponsorship to athletes and coaches who participated in various international competitions and following it, the fund releases money based on requests made by various individuals and parties to the Sports Development Department from time to time. Accordingly, in the year 2024, an amount of Rs.8.33 million was provided and the fund had not followed up on whether the money was used for specific purposes. Furthermore, instead of looking into the competitions in which Sri Lanka must necessarily participate and providing assistance and sponsorship for them, it was observed during the sample audit that those actions are being taken informally and it was also

Non-Submission of a document on planned activities

observed that the funds have been released without confirmation from the relevant international sports associations when providing those funds.

Due to the failure to submit a document on the planned activities of the Fund to the Treasury, the Fund had not received Rs.156.27 million and Rs.367.26 million due from the National Lotteries Board for the year 2024 and previous years respectively. As a result, the fixed deposit of Rs.29.37 million, which was due to mature after 03 months, had to be withdrawn in 47 days in order to continue the activities of the Fund.

Sri Lanka Cricket

The Corporate Plan

Although, an advance of Rs.3.3 million was paid to a private company on 15 August 2024 to prepare the corporate plan for the next 10 years, the plan had not been submitted to the Sri Lanka Cricket Board until 30 June 2025.

No APIT tax on Cricketers, local consultants and coordinators

Although, with effect from 01 January 2023, Sri Lanka Cricket is required to deduct Advance Personal Income Tax (APIT) on any payments made to cricketers, local consultants and coordinators, the relevant income tax for the amount of Rs.860.43 million and Rs.2,355.93 million paid to them in 2023 and 2024 respectively had not been collected from the above parties and remitted to the Inland Revenue Department.

Value Added Tax (VAT) And withholding (WHT) tax

Effective action had not been taken as at 31 December 2024, to recover the Value Added Tax (VAT) and With Holding Tax (WHT) of Rs.135.8 million and Rs.28.24 million respectively which have not been collected for more than 05 years.

Installation of new lighting system for stadiums

During the installation of the new floodlights system at the R.Premadasa International Cricket Stadium and the Rangiri Dambulla International Cricket Stadium, the previous floodlighting systems at the above two stadiums costing Rs.20.03 million and Rs.17.61 million respectively had been removed. 06 items worth Rs.9 million belonging to the system thus removed had been handed over to the Colombo Cricket Club (CCC) on 24 July 2024 and the remaining items were still unused even as at 31 May 2025.

Sponsorship Rights Revenue

Sponsorship rights revenue receivable of Rs.37.56 million (US \$ 187,084.75) for the Sri Lankan team's tour of South Africa in 2018, had not been collected even by the end of the year 2024.

Construction of Moratuwa High Performance Center

Sri Lanka Cricket had entered into a lease agreement with Cricket Club in Moratuwa on 24 September 2022 to lease a 57.62 perches land in Moratuwa area for a period of 10 years to construct a High Performance Centre. However, the construction of the centre was suspended due to various reasons after a refundable deposit of Rs.7.5 million and a lease rent of Rs.7.5 million was paid.

Construction of the proposed Advanced Technical Training Centre in Kandy

A land measuring 1 acre, 3 roods and 20.2 perches was acquired from the Kandy area on 20 April 2017 for a consideration of Rs.26.5 million on a 30-year lease basis for the construction of the proposed Advanced Technology Training Centre in Kandy. Furthermore, Rs.23.93 million had been spent on the construction of the building as at 31 December 2024 without conducting a feasibility study. Meanwhile, even though seven (07) years have passed since the commencement of the

construction work, the construction work had not been completed even as at 31 December 2024.

Sugathadasa National Sports Complex Authority

Under-utilization of Funds According to the 2024 Action Plan, although 12 capital projects were planned to be implemented at an initial estimate of Rs.320 million, it was observed that Rs.149.13 million had been spent on only 06 projects in 2024, leaving Rs.171 million, or 53 percent, underutilized.

Lost Revenue The Authority had incurred a loss of Rs.10 million by allocating premises owned by the Authority to a religious institution at rates lower than the Authority's standard rates for holding a religious program, and the refund deposit of Rs.3.4 million that should have been collected on such allocation had not been received.

National Youth Corps

Advances that have not been collected for a long time

As at 31 December 2024, the outstanding balance of mobilization advance due to the abandonment of construction for more than 08 years was Rs.99.86 million, and effective action had not been taken to recover that amount.

Delay in amending the Act

Although, the Cabinet had decided in 2011 that the existing Act should be amended to carry out the functions of the Corps efficiently and effectively, that decision had not been implemented even after 14 years.

Vacancies

The continued vacancy of 251 related to Center Commander and Instructor posts, which are essential for the efficient and effective implementation of the Corps' key functions of youth development, job training and vocational education had

severely impacted the achievement of the Corps' objectives and the maintenance of the quality of the courses.

National Youth Services Council

Construction progress of the Bellwood Aesthetic Residence Centre

Although, the construction and procurement of the Belwood Aesthetic Residence Centre which cost Rs.147.45 million, should have been done by the Cabinet Procurement Committee, the contract value had been divided into 02 units and done by the Departmental Procurement Committee. Furthermore, the advance payment of Rs.18.08 million paid in the year 2018 for this construction work had been recovered in the year 2024 after 06 years and the construction work had not been completed.

Failure to act in accordance with the provisions of the Act

Although, the objective was to establish farms to orient young people towards the agricultural sector in accordance with Sections 4(f), 5(2)(g) and 5(2)(h) of the National Youth Services Council Act No. 69 of 1979, no steps had been taken to maintain training courses at the 10 farms existing in the Council.

Informal relations with the Youth Social Federation

The Sri Lanka Youth Social Federation, which is a charitable organization established under Section 31(9)(a) of the Inland Revenue Act, No. 28 of 1979, had been associated with the Council on an irregular basis and had paid allowances of Rs.750 per month to 10 members since 2018. Furthermore, two officers of the Council had been permanently released and Rs.1.49 million had been paid.

13-year certified education program

The Ministry of Education released Rs.168.97 million for the 13-year certified education program from 2019 to 2024, leaving

Human Resources Management

Rs.2.80 million at the end of the year under review, and due to the lack of information on the number of students registered for the courses and the final evaluation, it was not possible to determine and evaluate the performance of the courses. Furthermore, no follow-up had been carried out in this regard.

In order to provide relief to those who faced various problems due to political reasons during the period from 1994 to 2014, a committee of retired officers was not appointed as per the Cabinet decision No. 17/0186/734/005 dated 02 February 2017, and instead, 40 officers were given double promotions on superannuation basis and Rs.2.1 million was paid as compensation, without obtaining recommendations from the committees appointed in contravention of the decision.

National Sports Associations and Federations

Non-submission of Financial Statements

Although, the certified financial statements of the currently operating sports associations and federations are required to be submitted for audit within two months of the end of each financial year, the financial statements of the Sri Lanka National Angampora Federation have not been submitted for audit since 2013, the Surfing and Handball Federations since 2021, the Sri Lanka Elle and Muay Thai Association since 2022, and the Softball Cricket, Baseball, and National Roller Skating Federations since 2023.

Geology and Mining

Geological Survey and Mines Bureau

The Geological Survey and Mines Bureau was established by the Mines and Minerals Act, No. 33 of 1992, as amended by the Mines and Minerals (Amendment) Act, No. 66 of 2009.

Audit Observation

Not rehabilitate Lands

Although, a licensee is required to rehabilitate lands to the satisfaction of the Bureau in terms of Section 52(2) of the Mines and Minerals Act, No. 33 of 1992, as amended by Act No. 66 of 2009, upon completion of the activities authorized by his license or on the date of expiry of his license, whichever is earlier, the Bureau had retained the funds relating to rehabilitation bonds of Rs. 462.26 million obtained from 2,713 licensees as at 11 August 2025. Out of this, the Bureau had failed to carry out land rehabilitation activities in respect of 1,742 licenses worth Rs. 316.64 million. Furthermore, the Bureau had also failed to carry out rehabilitation activities related to 268 licenses worth Rs. 62.56 million in bonds for which the Bureau had failed to collect the money.

Not reviewing the Methodology of issuing the exploration licenses

In accordance with the Supreme Court judgment No. SC Appeal 137/2017, published on 08 October 2024, the Bureau was required to grant licenses in a manner that would provide equal opportunity to interested parties. However, the Bureau had decided that the existing methodology should be reviewed in accordance with the judgment and had temporarily suspended the issuance of exploration licenses from that date until the methodology was revised accordingly. However, the methodology had not been prepared until 30 May 2025, and due to the temporary suspension of the issuance of exploration licenses, which can be identified as a major source of income,

the Bureau had been forced to retain in the imprest account the license fees of Rs. 75.32 million received from 50 applicants as of 30 May 2025.

Not establishing Enterprise

Resource Planning system Although, Rs.1.63 million had been spent on establishing an Enterprise Resource Planning (ERP) system, the Bureau had decided not to implement the work on 20 February 2023. Although, it is essential to establish an ERP system that suits the current operational and financial needs of the Bureau, the Bureau's software system, which is more than 20 years old, has not been taken up so far and was being used at an annual maintenance cost of Rs.1.04 million. The 60 computers purchased for Rs.20.39 million for the purpose of installing the ERP system have now been provided to the regional offices.

**Being dishonored the
Cheques received for
License fees**

Although, 13 cheques worth Rs.1.28 million received by the Bureau for license fees during the period between 2017 to 2022 had become dishonoured, the Bureau had not taken steps to recover them.

Not recovering Royalty

Although, a royalty of Rs.10.54 million receivable for 51 licenses had been accounted for as a current asset by the end of the 2024, the Bureau had not taken any legal or other action to recover this value.

Expired Bonds

Although, bonds worth Rs.80.87 million related to 362 mining licenses were presented to the relevant banks to encash during the period from 2012 to 11 August 2025, the said funds had not been received by the Bureau and these bonds had expired by now. In addition, 75 bonds worth Rs.15.75 million had not been presented to the banks to encash before their expiry in the year 2020. Accordingly, value of the bond amount of Rs. 96.62

Excavating sands illegally

million had not been received due to lack of follow-up by the Bureau.

An industrial mining permit bearing number IML/C/HO/N/17006 was issued to a private company for the extraction of sand from the Mukkuthoduwawa Estate in the Puttalam District belonging to the Chilaw Company, subject to mining conditions of not more than 500 cubes of monthly production volume and not more than 9,400 cubes of total minable Cubes. This permit was renewed on 3 occasions from 14 December 2023 to 13 September 2024.

However, according to the report on the estimated volume of sand excavated issued by GSMB Technical Services (Pvt) Ltd. on 19 December 2024, the contractor had removed a stock of sand in the range of 36,531 to 45,561 cubes of sand and paid Rs.0.69 million as royalty to the Bureau for only 1,594 cubes. Considering only the lower range of the report, a royalty of Rs. 12.73 million had not been paid for 34,937 cubes.

Furthermore, while permits had been obtained from the Bureau to transport only 2,920 cubes of sand, considering the lower range of the report, a stock of sand of 33,611 cubes had been transported without a license. Furthermore, although the new condition imposed for the renewal of the permit until 13 September 2024, stated that the excavated land should be rehabilitated to the satisfaction of the Bureau on the date of expiry, the Puttalam Regional Office had not taken steps to verify whether this rehabilitation work had been carried out even as at 31 May 2025.

Inefficiencies in Human Resources Management

The preliminary investigation was conducted on 10 September 2024 regarding the Director (Human Resources), who had been on compulsory leave since 21 December 2023. If the preliminary investigation shows that there are sufficient

grounds to charge the officer, the relevant disciplinary authority should have formally issued a charge sheet to the officer. However, it had not been done so and a formal disciplinary investigation was not conducted. Therefore, while he was not employed for more than 1 ½ years, salaries were being paid, and the amount paid up to May 2025 was Rs.1.89 million.

As per the decision of the Board of Management meeting No. 344 dated 17 May 2024, approval was given to recruit a Human Resources Consultant to the Bureau on a contract basis from 15 July 2024 and to use the basic salary of the Director of Human Resources as his salary. Accordingly, while the basic salary payable to the Director of Human Resources was Rs. 81,670, Rs. 175,000 had been paid from 15 July 2024 to 15 April 2025, and Rs.0.84 million had been paid as excess salary. Furthermore, although the task of preparing the Bureau's human resource plan and conducting a human resource audit had been assigned to this consultant, it could not be confirmed whether these tasks had been completed.

Although, an enforcement unit had been established with the aim of cracking down on illegal mining, processing and trading of minerals, 3 posts out of the 06 approved enforcement officer posts remained vacant even at the end of the year under review, which had become an obstacle to carrying out illegal raids.

GSMB Technical Services (Pvt) Ltd.

The Company is a subsidiary of the Geological Survey and Mines Bureau and was incorporated by the Registrar of Companies on 12 September 2001 under the Companies Act No. 17 of 1982. The share capital of the Company is held by the Geological Survey and Mines Bureau by 66.67 per cent, the National Gem and Jewellery Authority by 16.67 per cent and the Lanka Phosphate Limited by 16.67 per cent.

The mission of the Company is to facilitate the geological and mining industry by providing technical services in the areas of mineral exploration and commercial mining, testing, feasibility studies and environmental impact studies, project management support, geological information and geotechnical consultancy and marketing support for mineral products, in order to enable the mining industry to manage its social costs.

Kantale Sirimangalapura Sand Sales center

Although, the Kantale Sirimangalapura Sand Sales Center was started in 2023, the Board of Directors had decided to discontinue the activities related to the project on 26 January 2024 in a context where the company had failed to commence the expected work of this project. In this regard, the total expenditure of Rs. 1.77 million paid for the salaries, transportation expenses and accommodation expenses of the officers assigned to the project remained idle.

Muthur Sand Mining Project

Although, the company had taken steps in 2022 to restructure the Muthur Sand Mining Project, which was started in August 2020 in the Paraipagnama area of Trincomalee, due to the continuous loss-making situation, the project was suspended in 2022 itself, and the Board of Directors had approved this on 25 July 2024. This project had incurred a total financial loss of Rs. 8.06 million from 2020 to 2024.

Kotikambokka Quartz Deposit Mining Project

The Kotikambokka Quartz Deposit Mining Project, which was planned to commence in 2017, had not commenced even as at 07 April 2025, and Rs. 27.87 million had been incurred unnecessarily from 2017 to the end of 2024 for administrative expenses, surveying activities, purchase of fixed assets, employee salaries and consultancy allowances.

Inefficiencies in human resources management

The former Manager (Administration and Public Relations) of the company had filed a case against the company at the Colombo Labour Tribunal Authority due to the dismissal of the officer on the grounds that he had left the company on 16 May

2019. In the judgment of the case, the Labour Tribunal Authority had concluded that the termination of the officer's service was unfair, and the company had paid Rs. 1.52 million to the officer and Rs. 0.4 million as legal fees. The company had thus incurred Rs. 1.93 million in unnecessary expenses due to the company's poor human resource management.

Disaster Management

A national policy and a national plan should be prepared and implemented to protect human life and the environment from threats and dangers caused by disasters occurring within the territory of Sri Lanka.

A Disaster Management Division, a Department and 2 statutory institutions and projects are operating under the Ministry of Defence for disaster management.

Audit Observation

Disaster Management Division - National Disaster Relief Services Center

Resettlement Project

The center had planned to construct 5025 houses under the resettlement project in the year 2017. Out of these, though work had been started on 4898 houses, only 2558 houses had been completed. The construction of 1179 houses that had been started had been abandoned. Although, Rs. 583.83 million had been spent as at 31 December 2024, it was observed that the houses constructed were not occupied due to lack of infrastructure facilities and refusal of residents to vacate the places identified as risky. Although, it was identified that a database containing information on beneficiaries, revision of guidelines and stabilization of risky places should be done accordingly, no action had been taken in this regard.

Shortfalls on assets management

Although, out of 133 unused water bowsers in the possession of the National Disaster Relief Services Centre, 78 had been transferred to other institutions, no steps had been taken to remove them from the books. Although, the approval of the Secretary had been received to transfer 33 bowsers to other institutions during the year under review, no steps had been taken to transfer them formally. Furthermore, 3 bowsers remained inactive due to non-use for more than 3 years.

Disaster Management Center

Failure to make necessary Amendments to the Act

Although, approval was given to establish the Interim Management Committee pursuant to the Cabinet approval dated 05 July 2012, the necessary amendments to the Sri Lanka Disaster Management Act No. 13 of 2005 had not been made even by 31 December 2024.

Preparation of emergency Operation plan

In accordance with Section 04 of the Sri Lanka Disaster Management Act No. 13 of 2005, the National Emergency Operation Plan, which is one of the main functions of the Centre, had not been drafted and submitted to the Cabinet for approval. Furthermore, although an operation plan was to be prepared for each district, the preparation of plans for 7 districts had not been carried out.

Failure to act in accordance With the general guidelines for disaster mitigation

The project to remove the risk of rockfall along the Dehiowita-Thalapitiya-Medikele road in Kegalle District, with an estimated cost of Rs. 2.96 million, was stopped halfway due to the opposition of the residents of the area after half-completion due to the failure to select the project in a manner that would minimize public opposition as per Annexure 01, 2 (ii) of the General Instructions dated 31 January 2024. The project had increased the risk of disaster due to the half-completion and the desired objective could not be achieved.

Weaknesses in Contract Administration

The concrete bridge across the Elephant's Footprint on the road from Post 7 to Kotikapitiya in the Polonnaruwa District, which was supposed to have only the side walls on both sides, at an estimated cost of Rs. 10 million, was not completed on time and the bridge had to be completely rebuilt due to the complete collapse of the bridge due to heavy rains.

Department of Meteorology

Delay in the Installation of Doppler Radar System

With the aim of improving the capacity of the Department of Meteorology to observe, forecast and disseminate weather information, a provision of Rs. 1,965.08 million was allocated from 2019 to 2024 under the JICA support program for the installation of the Doppler Radar System at the Puttalam Weather Station. However, only Rs. 0.740 million had been spent as at 31 December 2024. Although, the construction of the radar system was to be completed by the end of 2020, and 06 years (2019-2025) have passed since the contract was signed, the construction work of the project in Puttalam and the manufacturing of the equipment in Japan had commenced in December 2024. Due to this, the physical progress of the project was only 25 percent as at 31 December 2024.

Automatic Meteorological Systems Utilization and Maintenance

Out of the 37 automatic meteorological stations installed in the Department of Meteorology, 04 stations are inactive and 02 stations have been removed. Although, the ability to obtain automatic data is very important in cases of sudden weather changes, maintenance work had not been done to make these inactive stations operational. Further, there are 460 conventional rain gauges scattered throughout the island, and according to the current operation and data receipts, data is being obtained from only 420 conventional rain gauges, and data is not being received continuously from 40 rain gauges. Maintenance work is not being carried out on these rain gauges, and the number of stations that had been removed was 03. Furthermore, there are 122 automatic rain gauges installed by the Department, and as at 31 December 2024, only 84 rain gauges were operational and 33 were inactive. The number of

Non-issuance of Airport Weather Forecast (TAF) for Palali Airport

centers that were removed due to lack of proper maintenance was 05.

As per the recommendations of the International Civil Aviation Organization (ICAO), one of the main objectives of providing meteorological data to airports is to protect air passengers and airports from weather hazards. The Katunayake Meteorological Office issues Airport Weather Forecasts (TAF) for Palali Airport using weather information and mathematical modeling data issued by the Jaffna Office. However, the issuance of airport weather forecasts had been suspended since 01 June 2023 due to the lack of in-situ data to verify the accuracy of the forecasts.

Non-expropriation of land ownership

The Department had not taken steps to transfer the ownership of 10 land areas even as at 31 December 2024, where the Meteorological Regional Offices are located, namely Anuradhapura, Batticaloa, Katugastota, Mahailuppallam, Mannar, Kurunegala, Vavuniya, Mullaitivu, Hambantota and Galle.

National Building Research Organization

Not obtaining Certificate of Compliance (COC)

Although, a Certificate of Compliance (COC) must be obtained after the construction of a building before it can be put into use, the new building worth Rs. 768 million, which houses the organization's head office, had not received a Certificate of Compliance.

Inactivation of Automatic rain gauge

330 automatic rain gauges had been installed in 14 vulnerable districts to obtain data for issuing landslide early warnings as at 31 December 2024, and out of 251 automatic rain gauges systems which were active, only 192 systems had contributed to issuing landslide early warnings.

Delay in mapping landslide zones

The Landslide Research and Disaster Management Division (LRRMD) of the National Building Research Organization had completed the mapping of landslide zones at a scale of 1:50000 covering an area of 32,593 square kilometers in 13 districts in 2022, and on a priority basis, mapping activities at a scale of 1:10000 had been carried out for only 25,649 square kilometers covering 10,560 square kilometers. Although, based on that mapping, the organization had identified 84,755 houses, shops, schools and religious buildings in vulnerable areas, the risk level had not been identified as high, medium and low. Furthermore, out of the 25,649 square kilometers selected on a priority basis, 15,089 square kilometers had not been mapped at a scale of 1:10000. Therefore, it was not known how many high-risk buildings existed within that area.

Non-utilization of Treasury Allocations for approved tasks

Treasury allocations of Rs. 236.77 million, which had been provided for 2 projects, a program and the construction of offices with laboratory facilities in Badulla and Kalutara, had not been utilized for the relevant purposes and had been invested in fixed deposits as at 31 December 2024.

Delay in Project Implementation

Out of the funds received from the Treasury for 07 Landslide Mitigation Projects in 2023 and 2024, Rs. 134.28 million remained outstanding at the end of 2024, and those projects had not been completed by June 2025.

Landslide Risk Reduction**Project through****Stabilization methods**

According to the project loan agreement, the estimated amount provided by the lending agency was Rs. 18,396.03 million which was US\$ 101.3 million. Out of this, only Rs. 8,486.93 million which was US\$ 29.63 million had been utilized as at 31 December 2024. This was 29.24 percent of the allocation amount, and the physical progress was 58.32 percent. Although, the loan agreement specifically stated that the project activities should be completed within 5 years, it had not been possible to do so.

Although, the “Project Mission” report of the lending agency stated that the sustainable maintenance of the construction work should be handed over to the relevant institution by the Project Operations Unit after the completion of the construction work, this had not been done for 13 construction completion contracts costing Rs. 1,308.77 million.

Observations included in the performance audit report on the performance of institutions involved in disaster management from natural disasters occurring in Sri Lanka

- (1) The existing laws and policies of the government should be sufficient to minimize the impact of natural disasters and the institutions responsible for implementing them should act within that legal framework. It was observed that the relevant institutions were unable to carry out disaster management effectively due to the non-implementation of the relevant provisions of the relevant acts and the lack of a program to update the disaster management policy in a timely manner.
 - (i) Although, a fund belonging to the Council should be maintained in terms of Section 17 of the Sri Lanka Disaster management Act No.13 of 2005, such a fund had not been established in the National Council so far.
 - (ii) Although, the Council is able to appoint officers, employees and associates as it considers necessary for the performance of its functions and for the

administration and implementation of this Act in terms of Section 20 of the Act, such appointments had not been made.

- (iii) Pending approval for the amendments to this Act, an interim committee was established to oversee, supervise and direct the management and financial control of the Disaster Management Center pursuant to Cabinet Memorandum No. 04/2012. Although, more than 10 years had passed, due to the failure to obtain the approval of Parliament for the relevant amendments, Rs. 1.4 million had to be paid annually for the interim committee for nearly 05 years (2017 to 2021)
 - (iv) Although, Sri Lanka's National Policy on Disaster Management was formulated in 2014, there was no program to identify new needs and take the National Policy on Disaster Management forward or to prepare a new policy thereafter.
 - (v) The necessary amendments to the National Disaster Management Plan, which is a core function of the Centre, had not been made in accordance with Section 8 of the Sri Lanka Disaster Management Act, No. 13 of 2005, and the preparation of the new Disaster Management Plan had not been completed by the end of the year under review.
- (2) The Disaster Management Center had established 77 early warning towers for tsunamis and cyclones in 14 districts covering the coastal areas of the island. On 16 December 2016, the then Ministry of Disaster Management had signed an agreement with a private institution on behalf of the Disaster Management Center for a period of 05 years at a value of Rs. 135 million including VAT. Out of these 77 towers, 55 towers are currently inoperative and only 22 towers are operational. Although, Rs. 90 million has been spent on these towers by a private institution since 2016 and Rs. 576,185 has been spent on their maintenance to date, it was observed that the effectiveness of the program is not sufficient as the desired objective of installing these towers has not been achieved to date. It was observed that instead of early warning towers, attention has been focused on other alternatives at present.

(3) Providing physical facilities to minimize the damage caused by dry weather.

The National Disaster Relief Services Center has provided 191 tractor bowsers, 133 lorry bowsers and 11,936 water tanks to all the district secretariat divisions of the island to meet the drinking water needs of the public who are unable to meet their daily drinking water needs due to the dry weather conditions affecting the island. The following observations are made in this regard.

- (i) These tractor bowsers included 179 tractor bowsers purchased by the National Disaster Relief Services Center for each district from 2013 to 2017 for Rs. 316 million, and 12 tractor bowsers received as a donation from the Asian Development Bank in 2016 for Rs. 22 million.
- (ii) When the National Disaster Relief Services Center inquired from each District Secretariat to confirm the location of the tractor bowsers distributed to the District Secretariats in February 2021, it was informed that 05 tractor bowsers provided to the District Secretariats of Ampara, Anuradhapura, Monaragala and Kurunegala were not available in those offices.
- (iii) It was informed to the audit that 188 out of the above 191 tractor bowsers were handed over to the District Secretariats on 03 March 2021. Although, the institutional objectives of the National Disaster Relief Service Center are to plan, implement and follow up on relief activities in order to fulfill the objectives more efficiently and effectively, no information was observed that any follow-up was carried out on the above tractors and bowsers after they were handed over to the District Secretariats. Since the tractor bowsers, which were purchased at a cost of Rs. 316 million by the government, were handed over to the District Offices without any follow-up, it was not possible to observe to what extent the objective of providing facilities for drinking water needs expected by the National Disaster Relief Service Center has been fulfilled.
- (iv) The Disaster Relief Services Center had distributed 12,236 water tanks in 25 districts from 2015 and earlier to 2021, and there was no information observed that those water tanks were available in the district offices, were in a condition suitable for use for drinking water needs, and that the National Disaster Relief Services Center was conducting a follow-up regarding the distribution of water tanks to families.

Foreign Funded Projects

Urban Development Projects.

Table No 2.42 Projects of the Urban Development Sector

Serial No.	Name of the Project	Amount of Loan		Project Duration		Utilization as at 2024.12.31		Progress as at 2024.12.31	
		US \$ Million	Rs. Million	Date of Commencement	Project Duration	US \$ Million	Rs. Million	Financial Progress %	Physical Progress %
1	Anuradhapura Integrated Urban Development Project(AIUDP)	EURO 52	8,149.96	2016 December 01	5 years	EURO 9.21	2,754.08	28	60.91
2	Urban Project Preparatory Facility (UPPF)	5.27	1,064.79	2019 march 06	3 years	1.6	523.42	40.35	100
3	Support to Colombo Urban Regeneration Project (SCURP)	200	35,164	2019 July 22	6 years	90.12	25,236.94	54.59	23.39

Sources- Agreements, Progress reports and Financial Statements of Projects

Anuradhapura Integrated Urban Development Project (AIUDP)

Underutilization of Loan The project duration had been extended up to 31 March 2025 following a Cabinet Decision, and out of the loan amounting to 52 million Euros agreed by the French Development Agency in terms of the loan agreement, a sum of 5.97 million Euros equivalent to as low as 12 per cent of the loan, had been utilized as at 31 December 2024.

Despite being expected to make procurements under 12 packages as per the loan agreement, procurement activities relating to 07 packages had not even been commenced by the end of the year 2024.

Failure to Achieve the Expected Performance

Out of the 12 packages expected to be implemented under the project, only 05 packages valued at Rs. 2,123.19 million had been commenced, and as at 31 December 2022, only 02 packages had been completed. Packages No. 03 and 04 were completed after a delay of 04-07 months in 2023, mainly due to weak supervision on construction and deficiencies in project planning.

Furthermore, the National Operations Centre had decided to implement the project in 2024 by utilizing provision amounting to Rs. 2,070 million from local funds. However, no agreement had been reached with the lending institution regarding the manner in which the activities were to be carried out.

Allowing for Variations Beyond Approved Limits

In relation to the construction project of the Southern Multimodal Transport Center – Anuradhapura, the Project Director was authorized to approve price variations up to 10 per cent of the estimated value based on the recommendations of the Technical Evaluation Committees, but the Project Director had approved and paid 29 variation orders amounting to Rs. 196 million, representing 23 per cent of the estimated value .

Urban Project Preparatory Facility (UPPF)

Extension of Contract Period All operational activities of the project had been halted by the end of 2020 and the contract period had been extended again until 31 March 2024.

Limits on the Project Scope

Dambulla, Trincomalee, Kurunegala and Ratnapura districts were selected to implement this project under 3 components and an amount of Rs. 418.29 million was spent from 2019 to 31 December 2022. Due to the decision to give priority only to Trincomalee and Dambulla districts during the extension of the period, the money spent on Kurunegala and Ratnapura districts had become fruitless. The project was initiated on March 6, 2019 and was scheduled to be completed by 31 March 2022. However, due to the improper execution of works, only US\$ 1.33 million, equivalent to Rs. 434.59 million, was spent from the agreed loan amount.

Support to Colombo Urban Regeneration Project (SCURP)

Extension of Contract Period

A sum of Rs. 21,640.54 million equivalent to US \$ 77.28 , had been utilized as at 31 December 2024 after a period of 05 years and 06 months since the commencement of the project.

Inefficient Utilization of Funds

Due to inefficiency of the project in utilizing funds, the Cabinet had decided to deduct US \$ 70 million from the loan amount of US \$ 2,00 million and deduct the Government contribution of US \$ 82 to US \$ 28 million by US \$ 54 million. As a consequence, stage 03 of the project had been suspended, and the number of beneficiaries for houses had been deducted by 1272. Contribution from private parties to the development of lands had been completely withdrawn as per the revised agreement. Nevertheless, approval had been given by the Cabinet to grant a sum of US \$ 28 million for the project in the year 2024.

Housing Schemes of Stadiumgama, and Kolambage Mawatha

Progress of the housing project in Obesekarapura remained 98 per cent. The works of the projects for constructing 624 housing units on Kolambage Mawatha and constructing 1,000 houses in Stadiumgama, had reached the final stages. However, it was initially proposed that sewerage system of the project be connected to the sewerage system of the Colombo Municipal Council, but due to issues in the sewerage system at present , the projects could not be completed and handed over to the public.

Applewatta Housing Scheme

The Applewatta Housing Project, at an estimated value of Rs. 4,473.50 million, had been planned for the construction of 700 housing units. According to the Action Plan for the year 2024, it was expected to complete 93 per cent of the total construction works of the project. However, it was observed that only 40.47 per cent of physical progress had been achieved as at 31 December 2024.

Informal contract Cancellation

According to the decision given by the arbitrators on dispute resolution on 21 August 2023, the contract agreement entered into with Private Constructions Company had been cancelled without following the steps mentioned in sub-section 15.2 of the conditions in the agreement, a sum of Rs. 294.53 million remained payable to the contractor.

Health Sector Projects

Table no.2.43- Health Sector Projects

Serial No.	Name of the Project.	Loan/Grant		Duration		Utilization as at 2024/12/31		Progress as at 2024/12/31 (%)	
		US \$ Million	Rs. Million	Date of Commencement	Project Duration	US \$ Million	Rs. Million	Financial Progress %	Physical Progress
1	Health System Enhancement Project.	Loan - 37.50	6,937.50	2018 December 01	6 Years	26.28	5,986.12	70	Not Presented.
		Assistance - 12.50	2,312.50	2018 December 01	6 Years	7.49	1,695.72	60	Not Presented.
		Local - 10.00	1,850.00	2018 December 01	6 Years	2.55	591.67	32	Not Presented.
2	Health System Enhancement Project - Additional Financing	Loan - 110.00	21,975.00	2021 November 17	4 Years	56.28	16,405.27	51	Not Presented.
		Assistance - 03.00	598.50	2021 November 17	4 Years	0.11	32.90	4	Not Presented.
		Local - 10.00	1,995.00	2021 November 17	4 Years	0.81	248.64	12	Not Presented.
3	COVID-19 Emergency Response & Health Systems Preparedness Project and Second Additional Financing for the COVID-19 Emergency Response & Health Systems Preparedness Project.	Loan - 209.11 Revision 225.72	41,717.45 Revision 45,031.15	2020 April 04	3 Years and 08 Months.	218.2	43,308.35	97	95
4	COVID-19 Emergency Response & Health Systems Preparedness Project.-Third Additional Financing.	Loan - 100.00 Revision 86.76	21,000.00 Revision 18,219.60	2021 September 27	2 Years and 03 Months.	86.76	18,219.60	100	Not Presented.
5	Emergency aid Project of US \$ 100 Million for Essential Drugs and Medical Supplies.	Loan - 100.00 Revision 60.00	35,000.00 Revision 21,000.00	2022 July 18	3 Years and 05.50 Months.	28.16	9,391.85	47	70
6	Primary Health Systems Strengthening Project - Component I (Medium Level)	Loan - 50.845	8,030.46	2019 January 23	5 Years	24.3	3,849.00	48	Not Presented.

7	Primary Health Systems Strengthening Project - Component II.	Loan - 14.22 Revision 5.22	2,590.74 Revision 951.03	2019 February 01	4 Years and 11 Months.	3.92	839.12	75	Not Presented.
8	Responsive COVID-19 Vaccines for Recovery Project.	Loan - 150 Revision 106.4	30,000.00 Revision 22,981.43	2021 August 19. Liquidated on 2022 December 31.	2 Years and 10 Months.	106.4	22,981.43	100	Not Presented.
		Local - 11.85 Revision 8.48	2,370.00 Revision 1,838.43	2021 August 19. Liquidated on 2022 December 31.	2 Years and 10 Months.	-	25	1	Not Presented.
9	Health & Medical Service Improvement Project.	Loan (Japanese Yen) 10,639.00	15,915.00	2018 October 20	7 Years	Japanese Yen 243.10	437.19	2	Not Presented.
		Local	713	2018 October 20	7 Years	-	107.23	15	Not Presented.

Sources- Agreements, Progress reports and Financial Statements of Projects

Projects Not Audited by the Auditor General as per Agreements

Under the Ministry of Health expenditure heads, provisions amounting to Rs. 52,086.35 million were allocated for 22 foreign-aided projects from 2021 to 2024, of which Rs. 22,045.07 million had been spent. However, since the Auditor General had not specifically identified these projects as project audits according to the agreements related to the foreign-aided projects, the Auditor General did not have provisions to conduct audits and issue audit reports on these projects.

Primary Health Systems Strengthening Project - Component II

Making Payments before Receipt of Goods

A sum of Rs. 18.43 million had been paid to a private institution on 31 July, 2024, for the purchase of 22 smart boards and panels and 20 projectors. The delivery of the goods to the relevant institutions was made from August 28 to 06 September 2024. Accordingly, it was observed in audit that the payment had been made before the goods were received.

Health System Enhancement Project (HSEP)

Failure to Take Action regarding the Defaulting on Constructions

An agreement had been entered into on 09 April 2021 with a contractor selected for completing the construction works of the outpatient section of the divisional hospital of Haputale by 25 January 2022, and a sum of Rs. 8.01 million had been paid in 03 instances for the works completed. Nevertheless, the agreement had been cancelled on 03 February 2023 as the contractor had abandoned the contract halfway. The sum of Rs. 1.97 million recoverable from the contractor who had abandoned the constructions of the project, was not recovered even after 02 years since the conclusion of the project by the date of audit on 10 March 2025. No legal action had been taken against the contractor for his abandonment of constructions.

Emergency Aid Project of US \$ 100 Million for Essential Drugs and Medical Supplies.

Recruitment of Procurement Consultants

Letter No. DMS/7777/HSEP/VO/11 of the Department of Management Services dated 30 June 2022 had approved the appointment of 02 senior procurement officers to the project staff. Furthermore, according to Paragraph 4.3 of the meeting of the operating committee of the project held on 04 April 2023, it was informed by the Department of Management Services that staff requirements of the procurement processes of the project could not be met, and internal transfers should be made therefor from the 09 posts approved for the State Ministry of Health. However, contrary to that, 02 procurement consultants had been recruited to the project thereby paying a sum of Rs. 1.69 million as consultancy fees.

Making Procurements Exceeding the Approved Limit

According to the letter submitted to the audit as the implementation methodology of the project, the limit approved for the shopping

method of procurement was Rs. 73 million, but 06 procurements valued at a total of Rs. 666.58 million had been carried out exceeding that limit.

Extending undue favoritisms to bidders

According to the procurement notice published on 04 June 2024 for the procurement of Transfusion Drugs, the bidding period was two weeks. Two bids had been received for this procurement, and the bid opening had been done on 18 June 2024. Although the technical evaluation report had been prepared on 29 July 2024, the first bidder had not obtained the registration certificate from the National Medicines Regulatory Authority (NMRA) as at the date of bid opening. Accordingly, 02 out of the 03 members of the Technical Evaluation Committee had not agreed with the recommendation to award the bid to the first bidder. However, this report of the technical evaluation committee had not been submitted to the Project Procurement Committee. Subsequently, on 09 August 2024, another report of the technical evaluation committee had been prepared thereby recommending to award the bid to the first bidder, and that recommendation had been approved by the procurement committee on 26 August 2024. Accordingly, an agreement had been entered into on 18 September 2024 for the supply of 200,000 vials of the aforesaid drug at a rate of US\$ 6.90 per vial, amounting to a total of US\$ 1,380,000. Accordingly, it as was observed in audit that the recommendation of the Technical Evaluation Committee had been delayed until the registration certificate of the first bidder with the National Medicines Regulatory Authority (NMRA) became valid.

COVID-19 Emergency Response & Health Systems Preparedness Project and Second Additional Financing for that Project.

Non-verification of Medical Supplies through Bills

In order to convert the old general hospital of Hambantota District to a one specialized in communicable diseases, constructions works had been done by spending project funds amounting to Rs. 424.63

million. However, it was revealed that those constructions had not been used for the intended purpose. According to the financial statements presented as at 30 April 2024, a sum of Rs. 7,790.84 million had been paid by the project to the respective suppliers for the purchase of medical supplies, based on the pro forma invoices of the suppliers submitted by the State Pharmaceuticals Corporation of Sri Lanka. The value of commercial invoices presented in that connection, amounted to Rs. 6,587.28 million, hence, information on commercial invoices relating to a value of Rs. 1,072.77 million had not been made available to the Audit. Accordingly, it was not verified in audit as to whether these medical supplies had actually been received.

Failure to Present Detailed Schedules to the Audit

A sum of Rs. 5,424.31 million had been paid to the United Nations Children's Fund (UNICEF) for purchasing medical supplies. Medical supplies corresponding to five purchase orders issued by UNICEF had been supplied by foreign suppliers. According to the invoices submitted for audit, the total cost under these five purchase orders amounted to US\$ 3,968,681.18, covering 101,343 units of 12 medical supply items. However, information regarding which institution actually received these medical supplies was not provided to the Audit. The cost of medical equipment and supplies purchased through the United Nations Office for Project Services (UNOPS) was mentioned as Rs. 3,672.02 million as at 31 December 2022, but according to the relevant schedule, the value amounted to only Rs. 1,709.89 million. Accordingly, detailed schedules for Rs. 1,962.13 million had not been made available to the Audit.

Non-accounting for Assets

A sum of Rs. 12,442.3 million had been spent as at 31 December 2024 for the purchase of non-financial assets under the 05 projects viz Primary Health Systems Strengthening Project – Component II, Health System Enhancement Project (HSEP), Health System Enhancement Project -Additional Financing, emergency assistance

project of US \$ 100 million for procurement of essential medicines and medical supplies, and COVID-19 Emergency Response & Health Systems Preparedness Project and Second Additional Financing for that Project. However, Evidence regarding the accounting of those assets either under the Ministry or under the institutions to which the assets were assigned, or under non-financial assets, had not been made available to the Audit.

Projects in Energy Sector

Green Power Development and Energy Efficiency Improvement Investment Program (Phase I)

Morogolla Hydropower Project

Under the energy sector project, an allocation of US\$ 113.86 million had been made from Asian Development Bank loan funds for the implementation of Morogolla Hydropower Project, of which four contract packages valued at US\$ 94.65 million had been awarded since 2018. Due to delays in the implementation of the project, only US\$ 79.76 million, representing 84 percent of the allocated amount, had been spent by the end of the 10-year loan period. As such, the Ceylon Electricity Board had to obtain an additional financing facility of US\$ 15 million from the Asian Development Bank to complete the remaining activities of the project. According to the progress report, the overall physical and financial progress of the project stood at 84.8 percent and 84.3 percent, respectively as at 31 December 2024.

Supporting Electricity Supply Reliability Improvement Project

Under the Package No. 04 of the Supporting Electricity Supply Reliability Improvement Project, the contract for the construction of 33 KV transmission tower lines over a distance of 285 Km and 13 gantries of 33 KV had been awarded on 30 May 2019 at the values of US \$ 23.29 million and Rs. 3,025.33 million with the expectation of being completed within 730 days. However, 04 extensions totaling 1,251 days had been granted up to 31 March 2025 and the project takes further action to obtain additional extensions. The financial and physical progress of the project had

been reported at 70.5 percent and 73.8 percent, respectively by the end of the review year.

Green Power Development and Energy Efficiency Improvement Investment Program (Phase II).

Construction of the Padukka- Horana Transmission Line

The contract for the construction of Padukka–Horana 132 kV transmission line over a distance of 25 Km executed under Package 02 Lot B2 of the Green Power Development and Energy Efficiency Improvement Investment Program (Phase II), had been awarded on 28 February 2019 at a value of US \$ 3.83 million. Once Project duration had been extended in 04 instances by 710 days, the completion was marked on 31 March 2024. However, the scope of the contract had been reduced by 4 January 2024, with civil works and installation activities cut by 70 percent and the contract price revised to US\$ 2.79 million, subject to the completion of the remaining works to be undertaken by the Ceylon Electricity Board. The equipment and essential spare parts valued at Rs. 954.98 million, supplied from abroad, remained in the contractor's warehouses without being handed over to the Ceylon Electricity Board even up to the date of audit on 02 June 2025, and it was observed that the Ceylon Electricity Board had not commenced the remaining works. As such, the expected objectives of the project could not be achieved.

Upgrading of substations and Kerawalapitiya construction of a switching station

Relating to the improvement of grid substation in Ambalangoda and Pannala and supply of 02 additional transformers of 132/33 KV 31.5 MVA, and construction of a 220KV switching station in Kerawalapitiya, bank sureties amounting to Rs. 163.54 million & US \$ 199,500 and Rs. 13.86 million had respectively been obtained with respect to the remaining works contrary to the

conditions of the contract, thus observing in audit that payments had been made to the contractors. Furthermore, once advances had been given as mentioned above for the remaining works of constructing the 220 KV switching station in Kerawalapitiya, the scope or works had been reduced by Rs. 4.70 million.

Projects in Agriculture and Plantation Sector

Table No.2. 44 Projects Implementing in the Agriculture and Plantation Sector.

Serial No	Name of the Project	Loan/Grant		Project Duration		Utilization as at 2024/12/31		Progress as at 2024/12/31	
		US \$ Million	Rs. Million	Date/Year of Commencement	Project Duration	US \$ Million	Rs. Million	Financial Progress %	Physical Progress %
1	Climate Smart Irrigated Agriculture Project .	110	19,800.00	2019 May 7	07 Years	86.45	25,479.16	69	76
2	Smallholder-Agribusiness-Partnerships-Programme	54.4	8,893.00	2017 June 26	08 Years	71.2	18,330.00	68	82
3	Smallholder Agribusiness and Resilience Project.	42.70	12,596.50	2022 August	06 Years	2.06	626.22	3	15
4	Agriculture Sector Modernization Project-Phase 01	48.62	10,800.00	2016 Oct 15	8 Years	83.3114	9616.341	99	87
5	Agriculture Sector Modernization Project- Phase 02	88.1	24,618.20	2017 January 01	8 Years	82.71	22,264.18	94	100

Sources- Agreements, Progress reports and Financial Statements of Projects

Climate Smart Irrigated Agriculture Project

Maps based on Drone Technology

The necessity for drone technology had not been recognized for the Southern Province under the Climate Smart Irrigated Agriculture Project. However, a sum of Rs. 2.24 million had been paid to the contractor for drone-based mapping- an activity the requirement of which had not been recognized, or included in the contract agreement entered into for renovation of Punchi Appu Wewa in Hambanthota district. It was informed that the contractor had obtained drone-based maps from a private institution under approval of the Director of Irrigation-Southern Province without being recommended by the District Engineer being the supervisor

of contract, but the relevant maps had not been received by the project. Disciplinary action had not been taken against the Director of Irrigation-Southern Province who approved that payment to the contractor despite the non-necessity and without obtaining necessary recommendations.

Small scale agribusiness participation program

Performance of the Programs

The objective of the programme was to sustainably enhance the income and quality of food of 57,000 small families engaged in the production and marketing system targeted for commercialization. Accordingly, the activities of the programme are implemented under three components, namely, access to commercial partnerships, management of commercial programs, and policies. The programme had been scheduled to be commenced on 26 June 2017 and completed by 30 June 2023, but an extension had later been given to the date of completion until 30 June 2025. The financial and physical progress stood at 68 per cent and 81.8 percent respectively by the end of December 2024. Accordingly, it was observed that the programme could not be fully completed by June 2025.

Cultivation Using Drip Irrigation

The programme had entered into an agreement with a private institution with the objective of developing young entrepreneurs by constructing a greenhouse and drip irrigation system and cultivating crops such as salad cucumber, capsicum, chili, or other introduced varieties. Accordingly, the bank had credited to the bank account of that institution the loan of Rs. 15.5 million to be disbursed among 25 beneficiaries each receiving Rs. 500,000. As the promotional institution failed to present bills relating to the manner in which the loan had been utilized on the water supply system and other items, there existed no evidence that the loan had been used in full for a single beneficiary. Although the promoter

had agreed to provide technical recommendations and advice as per the agreement, information was submitted that such advice had not been provided and that the crops had been destroyed as a result. Although 07 people from the Padukka area were listed in the beneficiary list, it was observed that all 07 greenhouses were maintained on a land belonging to a director of the above company. Although the promoter was a representative of the SAPP program, it was observed that the relevant company had neglected its responsibilities, but the SAPP program had not intervened to take any action in that regard.

The procurement for providing 2000 Grass Choppers

The procurement for providing 2000 Grass Choppers to the dairy farmers of the 4Ps projects had been awarded to a private engineering technology institution by the programme thus signing the agreement on 02 August 2022. Those machines should have been supplied to the beneficiaries within a period of 08-12 weeks since the date of signing the agreement, but the institution had provided the machines in 24 instances within a period of 68 weeks. Although the supplier had spent more than 1 ½ years to complete the supplying of machines, the programme had not taken action on the delay and recover the loss thereon. The programme had additionally paid a sum of Rs. 18.69 million as Value Added Tax (VAT) due to that delay.

Implementation of the Mushroom Cultivation Project

As a sum of Rs. 63.01 million had directly been credited to the relevant promotional institution relating to the mushroom cultivation project implemented targeting 350 beneficiaries in Ratnapura district, that expenditure had been incurred outside the supervision of the programme. Despite being expected to spend a sum of Rs. 55.65 million under the first phase of the project, only a sum of Rs. 34.58 million had been spent. Equipment had been obtained contrary to Guidelines 2.7.6, 2.8.4 and 6.2.2 of the

Smallholder Agribusiness and Resilience Project

Procurement Guidelines. The proposed contribution from the beneficiaries amounted to Rs. 181.8 million, but such contributions had not been confirmed. The beneficiaries in Erathna had given up cultivating mushrooms.

A purchase order (PO) valued at Rs. 1.47 million was issued on 10 October 2022 to a private company for the installation of an accounting system. As per the terms and conditions of the said purchase order, the installation process should have been completed within 26 days from the date of the agreement. It was reported that 75 per cent of the total contract value for the installation of accounting system equivalent to 1.10 million had been paid as at 16 February 2023 and the installation process had been completed by that date. However, it was stated that the essential components such as, reports for the justification of formats to request recommendations of the IFAD and preparation of financial statements, would be integrated into the solution that had been provided.

Although 06 posts had been approved for the post of Agriculture Consultant-a key role in the approved cadre, no vacancy had been filled as at 31 December 2024.

Agricultural sector Modernization project Phase I

Establishment of a Cinnamon Processing Center.

Based on the project's matching grant scheme, a private company had entered into an agreement to obtain a grant of Rs. 10.56 million with the goal of establishing a cinnamon processing center within the Divisional Secretariat, Ayagama of the Ratnapura District and improving the harvesting process, targeting the export market. By November 2019, the company had received Rs. 9.51 million as the first and second matching grants, and the company had ceased its operations by December 2024. Accordingly, the expected

Manufacturing of agricultural products

objectives of the company improving the cinnamon harvesting process, introducing cinnamon products to the export market, developing the venture as a model project facilitating the processing of 5,000 kilograms of fresh cinnamon per day, enhancing the livelihoods of cinnamon farmers in Ayagama, and providing employment opportunities had not been achieved.

A private company in Wennappuwa of the Puttalam District had entered into an agreement with the project in 2021 to obtain a matching grant of Rs. 30 million. The company had received Rs. 15 million as the first matching grant on 14 June 2023, and by October 2024, only the first matching grant had been received. Accordingly, the objectives of the company such as, manufacturing machinery for agriculture, producing compost fertilizer and providing necessary advisory services for industries, minimizing the outflow of foreign currency from the country, introducing new technology, increasing employment opportunities, and developing machinery through continuous research and development processes , could not be achieved.

Agricultural sector Modernization project Phase 02

Jaffna Seed Potato Purchasing Project

The project had spent a sum of Rs. 14.48 million under the potato cluster project in Jaffna relating to the purchase of seed potato (red la Soda), storage, disposal and other expenses. The primary laboratory investigation report of the Plant Quarantine and Protection Service of the Department of Agriculture stated that a fungus , *Geotrichum* was observed in the imported potato seeds. It was hence noted that greater care should be taken when storing potato seeds. However, during the storage of seed tubers, the seeds were stored together in sacks in a poorly ventilated area where air circulation was inadequate. As a result, the *Geotrichum* fungus spread, leading to the destruction of the potato seeds. As such, it was observed that the expenditure of Rs. 14.48 million incurred on

Construction of Hybrid Seed Production Houses in Kandy

the potato cluster project was fruitless and the objectives of harvesting potato seeds could not be achieved.

A contract agreement had been entered into with a private company on 25 June 2023 for the construction of 75 hybrid seed production facilities in Kandy district at a value of Rs. 399.19 million. According to the contract agreement, three performance bonds valued at Rs. 133.1 million were required to be submitted; however, the performance bonds had not been submitted as at 13 August 2024. Construction of 75 houses for cultivation should have been completed within 03 months, but constructing 35 houses had not been completed even by August 2024. During the physical inspection of the constructed hybrid seed production facilities, it was observed in audit that the completed production units were not up to standard, resulting in the inability to control excessive temperatures, the inability of the fertilization unit to control the process of applying fertilizer, and the inability to cultivate the expected number of seedlings. As the project had not entered into an agreement with the farmers producing seeds to whom the cultivation facility had been provided, it was also observed that there was a risk of the hybrid seed production process not being carried out.

Meeting the Requirements for Providing Tax Reports

The project had not submitted the information on payments made to the suppliers at the end of each quarter, to the Department of Inland Revenue in terms of Circular No. CGIR/2019/03-1 (Ins. & Cir) of the Department of Inland Revenue dated 09 July 2019 and the Circular No. CGIR/2021/02 dated 09 April 2021. It had not been examined as to whether the project had registered to pay the PAYE tax when selecting suppliers and making payments to them, and paid the VAT actively.

Ministry of Transport, Highways and Civil Aviation.

Table No. 2.45 Projects Implementing in the Transport Sector.

Serial No.	Name of the Project	Loan Assistance		Project Duration		Utilization as at 2024/12/31		Progress as at 2024/12/31	
		US \$ Million	Rs. Million	Date/ Year of Commencement /	Project Duration	US \$ Million	Rs. Million	Financial Progres	Physical Progress
1	Colombo Suburban Railway Project.	11.3	1,654.54	From 2016.10.28 To 2023.06.30	years 06	9.34	1,700.08	83	100
2	Colombo Suburban Railway Efficiency Improvement Project.	147.7	47,215.8	From 2019.08.20 to 2024.12.31	05 Years.	61.99	18,093.47	38	%69

Sources- Agreements, Progress reports and Financial Statements of Projects

Colombo Suburban Railway Project.

Failure to Use the Reports of the Feasibility Studies and Detailed Plans

For the preparation of plans to develop the railway network, railway stations and the electrical systems, and facilities for the passengers in the suburban area of Colombo including the Maradana-Rambukkana line, Kalutara South, Kelany Valley line and the line from Ragama to Kochchikade, 93 per cent of the project cost equivalent to Rs. 1,446.95 million. Although a period of 04 years had elapsed since those reports had been handed over to the Ministry, they had not been made use of for any development project.

Delays in Resettlement Process

In order to purchase 1,244 housing units at a value of Rs. 5,412 million using local funds for the resettlement of families living in the reservation area of the Kelani Valley line (RoW), agreements had been entered into between the Urban Development Authority (UDA) and the Ministry of Transport (MOT) in the years 2017 and 2018. Although a total of 550 housing units — comprising 406 units under the Phase I housing complex, Nawala and 144 units under the Phase II housing complex, Nawala — were required to be constructed and handed over to the project within two years from the date of entering into the agreement, the progress of those

projects stood at 39 per cent and 89 per cent respectively. Although the contract period had been extended on several occasions and new agreements had been entered into, the development of the Kelani Valley Railway Line could not be carried out even by the end of the year 2024 due to the failure to resettle the families residing within the railway reservation.

Colombo Suburban Railway Efficiency Improvement Project

Financial Performance of the Project

The estimated cost of the project was US \$ 147.7 million, and as at the scheduled completion date of 31 December 2024, only US \$ 61.99 million had been utilized, resulting in a low financial progress of 38 per cent, while the physical progress of the project stood at 69 per cent. Furthermore, the estimated commitment charges of the project, which amounted to US \$ 0.35 million, had increased to US \$ 0.92 million by 31 December 2024. The slow progress of both the physical and financial performance of the project had attributed to this unfavorable situation.

Contract being abandoned Halfway

For the subproject implemented under this project using the loan from Asian Development Bank for the improvement of the Kandy suburban railway service, a foreign consortium had been selected as the service provider, with the approval of the Cabinet of Ministers, to obtain consultancy services for conducting the feasibility study and preparing the detailed engineering designs. Accordingly, the contract had been awarded to be completed within a period of 18 months from 28 November 2019, and by 31 December 2024, a sum of Rs. 694.35 million had been paid to the contractor. Despite a period of over 05 years since the date of awarding the contract, the contractor had suspended the contract with effect from 2023 without providing consultancy reports as per the agreements. As such, the expenses incurred under the project had become fruitless, but no action whatsoever had been taken in terms of the agreement to recover the losses sustained by the

Government due to delay in the project and follow the conditions of the agreement relating to the contractor suspending the contract.

Establishment of an Island-wide

Railway Communication System

Under the Asian Development Bank loan scheme, the Secretary to the Ministry of Transport had entered into an agreement with a local private company for the establishment and implementation of an island-wide railway communication system at a cost of US \$ 7.49 million. The project was expected to provide the public with a more efficient and safer railway service through the use of the new communication system. The project activities had been completed by September 2022 at a cost of Rs. 1,901.27 million. Although sums amounting to Rs. 73.2 million for maintenance and service activities and Rs. 50 million for additional equipment had been incurred as at the end of the year under review, the objectives of the project had not been achieved due to the system not being put into practical use. Furthermore, according to the agreement, a monthly payment obligation of Rs.3.5 million for the maintenance and service of the system had arisen for this unused system, extending until July 2031.

Smart Ticketing and Seat Reservation System

With the aim of further enhancing the efficiency of the Sri Lanka Railways, a contract agreement was entered into with a foreign joint venture for a value of US\$ 19.3 million using funds from the Asian Development Bank to establish a smart ticketing and seat reservation system for the Sri Lanka Railways in 16 tasks under 03 phases, and an advance of US\$ 1.6 million had been paid. Furthermore, an amount of Rs. 6.6 million had been paid to another party for consultancy services for the system, and Rs. 151.7 million had been spent to distribute 900 sets of devices to 344 railway stations to verify the validity of the smart tickets. Of the 16 tasks, only the task of establishing the web portal for issuing smart tickets had been completed by August 2024, but ticket sales through the web portal reached only about 1 per cent of total ticket sales, and

ticket verification using smart ticket validation devices remained as low as 0.6 percent of the number of smart tickets sold. Moreover, the remaining 15 tasks of the project should have been completed by May 2024 though, the physical progress of those tasks ranged 0-20 percent.

Projects in the Disaster Management Sector

Reduction of Landslide Vulnerability by Mitigation Measures Project (RLVMMP)

Contract Administration It was mentioned in the project performance report of the Asian Infrastructure Investment Bank, the lending agency that completed construction sites should be handed over to the relevant institutions to ensure their sustainability. However, the Project Implementation Unit took no action to handover the maintenance work at 13 construction sites worth Rs. 1,308.77 million.

Constructions at the Sites in Watawala

It was observed in field inspections that, for the completion of Construction No. 135 at Watwala, 30 railway loads of raw materials were scheduled to be brought in. However, due to the unavailability of trains on the requested days and the receipt of only 24 railway loads, it was not possible to complete the construction works within the scheduled period. Furthermore, it was observed that the surface of the culvert constructed at the Watwala worksite had not been finished smoothly to prevent rapid water flow and the washing away of concrete and stones. During the field inspection conducted near Tunnel No. 33, it was observed that construction works could not be commenced as scheduled due to delays in obtaining permission to enter the forest and in the removal of trees from work sites located adjacent to the forests reservations of the Department of Forest Conservation, resulting in delays of the project.

Projects in the Higher Education Sector

Science and Technology Human Resource Development (STHRD) Project

Construction of Buildings at the Faculty of Engineering of the University of Sri Jayewardenepura

The construction works for the Faculty of Engineering at the University of Sri Jayewardenepura were scheduled to be completed within 913 days from the date of commencement- 21 January 2021. However, due to the slow progress of the construction works, the project period had been extended six times, up to 31 May 2025. According to the progress reports of the contract, 04 years had elapsed since the date of commencement, and as at 31 December 2024, only about 81 per cent of the physical progress had been achieved. As such, the primary objective of constructing the Faculty of Engineering—to increase student intake from 120 to 400 for the 2024 academic year—could not be achieved. Due to delays in project completion, only 180 students have been enrolled at present, and the University had to pay Rs. 49.71 million as lease rents for the building obtained on lease for the period from July 2023 to March 2025.

Purchase of Library Books for Sabaragamuwa University

As for the purchase of books for the library of the Faculty of Technology of the Sabaragamuwa University in the year 2021 under this project, a supplier without prior experience had been selected contrary to the Procurement Guidelines, and 421 books under 118 categories had been purchased at a value of Rs. 20.20 million equivalent to 76 per cent of the total value of the procurement. A number of 114 of those books valued at Rs. 7.59 million belonging to 33 categories, were used ones. Similarly, 179 books of 69 categories irrelevant to the curriculum had also been purchased at an expenditure of Rs. 6.92 million. A financial loss of Rs. 12.12 million had been incurred in this procurement due to the purchase of 227 items of 63 types of books at a price higher than

the minimum price at which old and new books were sold in the international market.

Projects in the Irrigation Sector

Mahaweli Water Security Investment Program (MWSIP)

Expected Targets and Physical

Progress of the Programme The objective is to convey the excess water of the Mahaweli River basin to the water-scarce areas in the Northern, North Central, and North Western Provinces, thereby meeting the water requirements of those provinces.

Due to reasons such as the extension of the completion period of the contract packages related to the North Central Province Canal Project and the North Western Province Canal Project, which were scheduled to be completed in June 2025, the inclusion of additional works, and the need to pay higher consultancy fees, the project could not be completed within the expected timeframe. Furthermore, estimates had been prepared indicating that an additional Rs. 1,330 million would be required to complete the remaining packages, and it was observed in audit that if this estimated amount could not be financed, the total expenditure of Rs. 62,219 million incurred up to 31 December 2024 would become a sunk cost.

Furthermore, the following packages that had been completed, remained underutilized as at 31 December 2024, and the

Table No 2.46 - expected benefits of the projects

Package		Expenditure Rs. Million.
NWPCP-ICB2	Construction of the main canal from Naebadagahawatta to the Mahakirula access tunnel.	13,837
NWPCP-NCB 01	Construction of the canal up to Naebadagahawatta (Package including improvement and sluice gate installation)	1,133
UECP- ICB2B	Construction of the canal from Moragahakanda reservoir up to the location – 0+100, 6.225 Km	7,695
		<u>22,665</u>

According to the loan agreement related to the project, the loan funds should have been fully utilized by 30 June 2020. However, since the funds had not been utilized even up to the end of 2024, commitment charges amounting to Rs. 4.45 million had been incurred during the year under review, and the cumulative commitment charges amounted to Rs. 351.49 million as at 31 December 2024.

The overall progress of the programme expected as at 31 December 2024, (T1, T2, T3) was 91 per cent, whereas the actual progress stood at 19.6 per cent as at that date. Furthermore, the expected physical progress of the MLBCRP - Package 6 relating to the renovation of Minipe Canal, was 40 per cent, but the actual progress was indicated to be 10 per cent. Although a physical progress of 100 per cent was expected from the UECP- ICB-1 Package, the actual progress observed on that date was 64 per cent. Accordingly, a progress of 36 per cent could not be achieved as compared with the actual progress.

**Purchase of the Second
Tunnel Boring Machine for
the Construction of a
27.7 Km Long Tunnel**

Of the tunnel connecting the Moragahakanda Reservoir and Huruluwewa, stretching 27.7 km, it was planned to construct the span of 6.5 Km between 27+509 Km and 34 Km using Drill and Blasting method, construct the span of 20.5 Km between 34 Km and 54.5 Km using a Tunnel Boring Machine (TBM), and construct the span of 1.1 Km between 54.5 Km and 55+600 Km using Drill and Blasting method as per the agreement.

The sum paid to the contractor for the clearance at the Trincomalee harbor amounted to Rs. 6,691 million whereas the cost thereof amounted to Rs. 2,148 million as per the report of the Customs (CusDec Report). As such, no evidence was made available to the Audit to explain the additional expenses of Rs. 4,543 million.

Although it was planned to carry out the excavation work at the southern gate of the main canal using the second tunnel boring machine (TBM 2), it remained idle for a period of 8 months from March 2023.

Although the second TBM machine was purchased with the objective of improving the efficiency of the project, the project could not be completed within the targeted timeframe.

**Cracks on the Concrete Rings
Used in the Tunnel
Stretching 27.7 Km**

Concrete rings are installed in areas where the rocks are weak in strength inside the tunnel, and, the Project Operations Office had identified that 1,298 rings, or 44 percent, out of the 2,967 concrete rings installed in the tunnel were cracked at various locations as at 31 January 2024. According to the reports presented by the Project Operations Office in this connection on 05 January 2025, a number of 5,608 or 68 per cent out of 8,275 total number of rings had developed cracks. A number of 4,310 locations had been identified to have developed cracks during the period from 31 January 2024 to 05 January 2025, and the cracks increased at a rate of 52 per cent.

Furthermore, the quality of only 1,338 out of 8,275 concrete rings had been tested as at 31 December of the year under review. This represented 16 per cent of the total, and the procedure followed to test the quality of the remaining concrete rings was not satisfactory.

**Construction of the 02
reservoirs of Maha
Kithula and Maha Kirula**

A sum of Rs. 74.74 million had been paid to the contractor relating to preliminary requirements of the project plan and contractor's requirements (excluding Item No. 1.3.4) under the Contract, NWPCP ICB – 01 (Construction of the 02 reservoirs of Maha Kithula and Maha Kirula). It was observed that a sum of Rs. 72.47 million be recovered considering it a loss sustained by the project out of the sum of Rs. 74.71 million paid for preliminary

requirements of the contract that indicated a physical progress of 3 per cent at the time of terminating the agreement due to poor performance, and the sum of Rs. 139.11 million paid to the consultancy firm of this Package was a fruitless expenditure.

This contract was completed, and when settling the final bills, it was mentioned that the total loss computed by the contract engineer in terms of Section 15.4 of the Contract Agreement had been certified as Rs. 53.63 million. Nevertheless, no document showing how the loss had been calculated or how the computations had been made, was made available to the Audit. No action whatsoever has been taken thus far for the recovery of loss. Furthermore, the total expenditure incurred on security and maintenance of the abandoned and underutilized construction site, totaled Rs. 9.33 million which is believed to be a fruitless expenditure.

**Construction of the access
canal route from
Nabadagahawatta to
Mahakitula**

The contract pertaining to the construction of 17+050 km of the North Western Province Canal from Nabadagahawatta to the Mahakitula access tunnel should have been completed during the period 2018–2021. Nevertheless, due to a delay of 2½ years experienced in transferring the relevant plots of land in the construction areas, the contract period had been extended on 04 occasions up to 05 December 2023. Although the contract had not been entirely completed, Taking over Certificates had been issued on 13 occasions for sections completed. However, as the entire contract remained incomplete, the canal constructed under the project could not be taken into use. Accordingly, it was observed in audit that the Clauses 8.2 and 10.2 of the International Procurement Guidelines had not been complied with in this construction. Furthermore, since the canal construction was taken over in sections, the opportunity to recover liquidated damages under

Clause 8.7 of the contract agreement was lost, causing a financial loss of Rs. 722.46 million.

Construction of a beat office for the Department of Wildlife Conservation

According to the Wildlife Management Plan pertaining to the North Central Province Maha Ela Project, a proposal had been made to construct a beat office for the Department of Wildlife Conservation along the Bakamuna–Atthanakadawala supply route. A sum of Rs. 6 million had been allocated for this purpose under the said plan. However, during the selection of suppliers under local competitive bidding by the Mahaweli Water Security Investment Program for the above construction, it had been indicated that a wildlife range office and an official quarters would be constructed instead of the site beat office specified in the Wildlife Management Plan.

Assisting farmers to direct Them for agricultural Inputs

Since 2021, the country has experienced a severe economic downturn, during which construction activities encountered considerable difficulties due to factors such as the fuel crisis, the abnormal surge in commodity prices, and the depreciation of the rupee. Therefore, during the ADB Mission discussions held from 14 to 25 November 2022, it was agreed to provide an immediate allocation of USD 50 million from the financial provisions granted to the project, in addition to the original project objectives, to assist the farmers engaged in agricultural activities for their agricultural inputs. Accordingly, the Mahaweli Water Security Investment Program had purchased 41,876 metric tons of MOP fertilizer from a private company in Singapore for paddy cultivation during the 2022/23 Maha Season at a cost USD 39.78 million (approximately Rs. 14,202 million). Although the fertilizer stock was imported with the objective of distributing it to farmers for paddy cultivation during the 2022/23 Maha Season, a stock of 16,543.7 metric tons

remained in the stores of the National Fertilizer Secretariat even as at 31 January 2025.

Integrated Watershed and Water Resources Management Project

Construction of the break water and route of the Senanayake Reservoir in Ampara

It had been reported through the media that low-quality stones were being used as a base, over which high-quality stones were laid on the surface during the construction of the breakwater. An inquiry in this regard was conducted by the project and it was revealed that 282 cubes of two types of stones transported to the work site for the breakwater were not in conformity with the standard. Measures were taken to remove these stones from the site, including those already used in the breakwater, and to re-lay them according to the required specifications by the contractor. Irrigation officials also identified that the contractor had used substandard stones at certain sections of the breakwater. Although the contract was scheduled to be fully completed by 10 January 2025, the physical progress of the work was as low as 50 per cent even as of 31 December 2024.

A provision of Rs. 393.46 million had been allocated for the three main contracts executed under the project. Nevertheless, these contracts had not been implemented even by the end of the year under review.

The operations of the contract packages related to the development of the Walawa South Bank Canal had not been completed even by the expected date and the physical progress of the contract remained at a very low level, ranging between 5 per cent and 35 per cent even by 31 December 2024.

Climate Resilience Multi-Phase Programmatic Approach Project

Progress in meeting development goals

Despite having made an allocation of USD 92 million for the implementation and completion of Phase I of the project within the five-year period from 2021 to 2026, it was observed that only USD 9.655 million (10.49%) of the said amount had been utilized as of 31 December 2024. Accordingly, since the progress in achieving the development objectives of the project remained weak, the World Bank Mid-Term Review Mission (April 02, 2025) observed that action was being taken to remove the construction of the Ambatale Salinity Barrier, a part of Phase 01, from this phase and transfer it to the next phase (Phase II), and to reallocate up to USD 5 million from Component 02 to Component 05 of the project. Accordingly, this was also observed as a case where, a greater portion of the funds had been directed towards secondary objectives rather than the main objectives/purposes of the project due to the underutilization of project funds.

National Water Supply and Drainage Board

Table No.47 Project Implementing under National Water Supply and Drainage Board

S/ N	Name of the Project	Loan/grant amount		Project duration		As at 31.12.2024		As at 31.12. 2024	
		US\$ million	Rs. million	Starting date/year	Project duration	US\$ million	Rs. million	Financial progress %	Physical progress %
1	Jaffna Kilinochchi Water Supply and Sanitation Project								
	Foreign loans/aid	US\$198 million	26,906.00	2013 March	18 years after 14 years extension	US\$ 131.12 million	29,158	84	90
	Local funds	US\$56 million	7,586.00						
2	Ruwanwella Large-Scale Water Supply Project								
	Foreign loans/aid	US\$ 18,452 million	3,250.00	2019	6 years after granting a 3-year extension	US\$ 17.54 million	4,381.15	50	70
	Local funds	US\$ 17.21 million	3,041						
3	Anuradhapura Northern Water Supply Scheme - Phase 02								
	Foreign loans/aid	Japanese Yen 19,409 million	22,464.00	2016.11.17	15 years after 7-year extension	—	319.00	1.	13
	Local funds	Japanese Yen 4,089 million	4,315.00						
4	Kalu Ganga Water Supply Expansion Project								
	Foreign loans/aid	Japanese Yen 31,810 million	45,056.00	2017/7/7	9 Years	Japanese Yen 479 million	954	1	5
	Local funds	Japanese Yen 7,257 million	10,282.00						
5	Kandy City Wastewater Management Project								
	Foreign loans/aid	Japanese Yen 14,087 million	17,922.00	2010/03/26	17 years after 9-year extension	Japanese Yen 11,635 million	19,615	94	93
	Local funds	Japanese Yen 3.191 million	4,060						
6	Sanitation and Health Inauguration Program for Cities Phase 01								
	Foreign loans/aid	Euro 76 million	14,215.81	2016 ජූනි	7 years after granting a 4-year extension	Euro 4.92 million	1,890.04	10	12
	Grants	Euro 5.7 million							
	Local funds	Euro 26 million	4,524						
7	Ratmalana Moratuwa Wastewater Disposal Project Phase 2								
	Foreign loans/aid	Euro 75 million	15,414.00	2021/12/31	4 Years	Euro 8.5 million	2,067	47.	29
	Local funds	Euro 30 million	6,268.36						
8	Anamaduwa Water Supply Project								

Foreign Funded Projects		Foreign loans/aid	Euro 29.5 million	4,635.00	2016	6 years after granting a 3-year extension	–	–	–	78
		Local funds (HNB)	Euro 13.05 million	2,050.00						
	9	Greater Matale Water Supply Project				5 years after granting a 3-year extension (Completed February 2022)				
		Foreign loans/aid	Euro 123.73 million	20,129.00	April 2017		–	36,682.00	100	100
		Local funds	Euro 38.6 million	8,762.82						
	10	Water Supply and Sanitation Facilities Improvement Project	165	24,750	2015.12.07	Completed after 8 years after initial 5 year extensions.	159.06	55,574.79	100	100
	11	Water Supply and Sanitation Facilities Improvement Project - Additional Financing	40	12,000	2021.09.04	Initially 2 years, then 3 ½ years after extensions	36.21	11,284.37	96	96
	12	Greater Colombo Water and Wastewater Management Improvement Investment Program Project 01								
		Foreign loans/aid	US\$ 84.00 million	11,088.00	2013	4	US\$.82.92	13,461.11	100	100
		Local funds	US\$ 28.00	3,696.00			US\$ 18.98	3,901.68		
	13	Greater Colombo Water and Wastewater Management Improvement Investment Program Project 02								
		Foreign loans/aid	US\$ 79.95 million	10,394.0	2014	5	US\$77.03 million	16,431.63	84	99
		Local funds	US\$ 27.10 million	3,523.00			US\$9.33 million	4,087.07		
	14	Greater Colombo Water and Wastewater Management Improvement Investment Program Project 03								
		Foreign loans/aid	US\$ 38.00 million	4,940.00	2016	4	US\$38.70 million	10,601.33	89	
		Local funds	US\$ 17.63 million	2,291.90			US\$ 7.40 million	2,142.71		
	15	Anuradhapura North Water Supply Scheme Phase 1								
		Foreign loans/aid	Japanese Yen 5166.00	8,726.00	2013	5	Japanese Yen 4803.00	7,943.00	98	99
		Local funds	Japanese Yen 1,651.00	2,789.00			Japanese Yen 680.00	1,297.00		
	16	Ambatale Water Supply System Improvement and Energy Conversion Project								
		Foreign loans/aid	US\$ 70.00 million	9,100.00	2014	5	US\$ 42.53 million	9,942.75	83	91
		Local funds	US\$ 30.00 million	3,900.00			US\$ 14.53 million	3,997.16		

Source - National Water Supply and Drainage Project Division Financial and Progress Reports

Aanamaduwa Water Supply Project

The primary objective of the project was to provide 16,350 water connections to 81,740 individuals in the Kurunegala and Puttalam districts by completing the project activities, which had been initiated in 2017 with a foreign contracting firm, by February 2020.

Due to poor performance of the contractor, the employer had terminated his work on 26 May 2023, and the Board recovered a total of Rs. 2,527 million by encashing the contractor's advance and performance guarantees. Of this, Rs. 930 million from the advance guarantee was utilized for the remaining project work, while Rs. 1,597 million from the encashed performance guarantee had been kept deposited in an account of the Board for more than a period of two years.

It was observed that the stock of pipes and fittings valued at over Rs. 700 million purchased for the project had not been formally verified and taken over from the contractor, and that the quality of certain stock items had deteriorated to the extent that they could no longer be reused.

It was also observed that intermediate bills amounting to Rs. 25.5 million and EUR 0.5 million had remained unpaid for over two years, creating a risk of incurring late payment charges. Water from the newly constructed Nawagattegama water tower, which the contractor had built with 83% physical progress, was found to be leaking, whereas Rs. 58.3 million had already been paid to the contractor for its construction. There was also observed a risk of incurring an additional cost exceeding Rs. 8 million to rectify this water leakage. Although more than eight years had elapsed since the commencement of project activities as of December 2024 and Rs. 5,983 million had been spent, not a single water connection had been provided.

Jaffna Kilinochchi Water Supply and Sanitation Project

Although financial and physical progress had been approximately Rs. 35,121 million and 90 per cent, respectively as of 31 December 2024, the project activities had not been completed. Therefore, new water connections had not been provided.

The construction of the seawater recirculation unit, with a capacity of 24,000 cubic meters per day, had been completed by October 2024. However, although Rs. 3,694 million is required for seven years of operation and maintenance of this unit, the loan is scheduled to complete on 30 June 2026. Accordingly, it was observed that there is a need either to identify alternative measures to cover the remaining five years of operational costs or to extend the existing loan agreement period. Similarly, the Cabinet had provided directives to explore renewable energy alternatives to minimize the high energy costs associated with operating this unit, whereas no necessary actions had been taken as of 31 December 2024.

Supporting Electricity Supply Reliability Improvement Project

The project was in its final phase as of 31 December 2024, but only one of the four objectives identified as project goals had been achieved.

A seawater recirculation unit with a capacity of 150 cubic meters per day had been constructed by 2021 at a cost of Rs. 185 million to produce drinking water. However, as of 31 December 2024, daily water production remained at 85 cubic meters, which was observed to be insufficient to meet the minimum drinking water requirements of the population living on the three islands.

Ratmalana–Moratuwa Wastewater Disposal Phase 1, Stage 2 Project

Since the lending institution suspended the provision of the loan from 2022, a decision had been reached to utilize the advance

funds of EUR 4 million and Rs. 493 million provided to the contractor to implement the identified priority activities.

A contract valued at EUR 20.5 million and Rs. 3,869 million for the expansion of the drainage network was awarded to a contracting firm in December 2021 based on the recommendations of a Cabinet Appointed Standing Procurement Committee. However, as a variation from this contract, another unrelated contract valued at Rs. 474 million was awarded to the existing contractor without following the procurement process. For this contract, the Board had prepared an estimate of Rs. 403 million. However, an amount of Rs. 474 million, exceeding the estimated value by Rs. 71 million, was provided to the existing contractor.

Kandy Urban Wastewater Management Project

Although the project activities were scheduled for the completion in 2017 commencing from 2010, it had still not been completed even as of December 2024.

A wastewater treatment plant with a capacity of 14,000 cubic meters per day was constructed under package 01 and has been operational since 2020. However, since the contract for providing property connections had not been completed as of 31 December 2024, the plant was still operating at a low capacity of approximately 6,100 cubic meters per day.

The contractor of the Package 2 had, on two occasions, requested claims for associated costs and time extensions and the project engineer did not agree with this. Therefore, the matter was referred to a Dispute Adjudication Board. The decision issued by the Dispute Adjudication Board was not accepted by the employer, and he had issued a notice of disagreement. In this regard, the Board had sought legal advice on several occasions, and as of 31 December 2024, the claim was under consideration by the Standing High-Level Procurement Committee.

Water Supply and Sanitation**Improvement Project****– Additional Financing**

For the procurement of the contract for the construction of the Septage Treatment Plant in Attanagalla, Gampaha District, the National Procurement Agency had not conducted feasibility studies such as social impact and environmental impact assessments. As a result, approval from the Central Environmental Authority was not granted, and due to public opposition, the construction work at the site was halted, rendering the Rs. 4.7 million paid to the contractor an uneconomic expenditure.

For the Mallavi Water Supply Project, due to physical progress falling short of the planned 74 per cent target by the end of the year, the original target of 100 per cent completion by the end of the project period in June 2025 was revised to 80 per cent. Accordingly, there is a risk that the objectives of the contract may not be fully realized due to the inability to complete the contract within the financial limits after the project period.

By the end of May 2025, under the Mahaweligama Water Supply Project, only 30 per cent of the expected 1,580 connections, that is, approximately 430 connections, had been provided. Due to slow progress, only around Rs. 140 million, or 33 per cent of the estimated Rs. 427 million, had been spent. As of 20 May 2025, liquidated damages had not been claimed from the contractor for contract delay.

Water Supply and Sanitation**Improvement Project**

In terms of Sub-Section (a)(3) of Paragraph II of Schedule II of the financial agreement No. 5685-LK dated 06 November 2015, between the Democratic Socialist Republic of Sri Lanka and the International Development Association, and Clause 4.09(b) of the General Conditions of Loan and Grant of the International Development Association dated 31 July 2010, financial statements for a four-month period should be submitted as at 30 April 2024 for

audit purposes. However, the financial statements had not been submitted up to 30 July 2025.

**Greater Colombo Water and
Wastewater Management
Improvement Investment
Program Project**

Although originally planned for completion in 2016, 2019, and 2020, due to failure to completed the projects as planned, Project 01 was extended 30 until June 2021, and Projects 02 and 03 until 29 February 2024.

In order to reduce non-revenue water rate from 49 per cent to 18 per cent, the Colombo City was divided into 78 district metered areas (DMAs), and approximately Rs. 258 million was spent to install 78 DMA meters. However, 65 of these meters were defective and inactive by 31 December 2024. Accordingly, without accurate water flow data, the project failed to meet its target for non-revenue water (NRW) management.

**Ambathale Water Supply System
Improvement and Energy
Conservation Project**

The project had been extended four times by 31 December 2024 and the overall physical and financial progress stood at 91.46 per cent and 83.02 per cent, respectively.

The contract for project plan review and construction supervision consultancy services was awarded in 2015 for Rs. 343 million over 36 months. However, as of 9 July 2025, the contract period had been extended seven times, totaling 67 months, and the cost thereof had exceeded by 768 million. It was observed that the consultancy services continued without proper formal approval, and extensions of time and additional payments were granted by the management.

Due to weak project performance, only about 60 per cent of the total loan amount had been utilized by 31 December 2024, and the lending institution had suspended further disbursements of funds. Nevertheless, the government had to pay a total of Rs. 390.4 million in commitment charges on the unused portion of the loan.

Anuradhapura North Water Supply Project – Phase I

In the Medawachchiya and Rambawa Divisional Secretariat divisions of the Anuradhapura District, the consumption of unsafe groundwater has resulted in a significant incidence of dental and bone fluorosis, along with chronic kidney disease among the local population. Accordingly, with the objective of providing 25,000 drinking water connections to 115,000 consumers in these areas, the project was initiated in 2013 and was planned to be completed by the end of February 2018.

Despite having provided 7,978 water connections by 15 August 2025, the project management failed to deliver any water connections to consumers from the Rambawa East Central facility, which was constructed at a cost of Rs. 255.75 million.

Under the project, 06 electromagnetic flow meters worth approximately Rs. 16.1 million had been purchased and installed in 2020 to measure the flow of water in the installed pipelines. However, by August 2025, the meters that had been removed remained inactive and unused, stored at the Anuradhapura Support Services Center.

To operate the water purification center and water distribution activities more safely, efficiently, and productively and to facilitate proper monitoring, a SCADA system had been installed at a cost of Rs. 15.29 million and USD 1,500, designed to operate automatically, semi-automatically, and manually. However, discrepancies exist in the data and information provided by the system, and many water pumping operations that were intended to be carried out automatically continue to be performed manually.

Around three years after the commencement of the project's water distribution activities, while the physical progress had reached 99.28 per cent, the non-revenue water ratio remained significantly high at 50 per cent exceeding the expected target of 20 per cent.

Projects Implemented by the Treasury

Social Security Project

Social Security Management Information System

An agreement valued at Rs. 25 million had been entered into for the development of the IWMS system. However, by the end of the agreement period, only 8 out of the 12 expected modules had been developed. A sum of Rs. 15 million or 60 per cent of the contract value had been paid for this purpose. The remaining 4 modules, expected to be developed at an estimated cost of Rs. 10 million, had not been developed even by 31 December 2024.

Registered Beneficiaries

December 2024, payments amounting to Rs. 12,630 million had been made to 2,233,159 registered low-income and elderly allowance beneficiaries, while Rs. 2,389 million had been paid to 520,707 unregistered beneficiaries. The value of unregistered payments represented 16 per cent of the total payments, which was mainly due to the failure to register beneficiaries of the elderly allowance, disability allowance, and chronic kidney disease allowance.

Failure to conduct system audit

The system audit intended to identify weaknesses in the IWMS system and the improvements required in the future had not been carried out as planned in 2024.

Lack of facilities for Information Verification

A proper mechanism had not been established within the system to connect with the data systems of other relevant government institutions such as the Department of Inland Revenue, Department of Land Registration, Department of Motor Traffic, financial institutions, Credit Information Bureau of Sri Lanka, and the Department of Immigration and Emigration for the purpose of verifying beneficiary information.

Mechanism for resolving issues

By the end of the year under review, 40 per cent of the grievances received through the grievance redress mechanism had not been

resolved. Furthermore, since only 24 out of 341 Divisional Secretariats had submitted information to the Welfare Benefits Board for data updating and revision of beneficiary records, the process of selecting eligible beneficiaries had been delayed.

Financial Project for the Development of Small and Medium Scale Enterprises

Underutilized funds

Under the Financial Project for the Development of Small and Medium Scale Enterprises, an allocation of USD 50 million, equivalent to Rs. 14,839.96 million, had been made with the objective of enhancing financial access for small and medium enterprises and promoting economic stability. The total loan amount had been distributed in two phases among 13 participating financial institutions as at 31 December 2024, of which Rs. 6,826.38 million had been provided to 13 institutions under the first phase. Based on the progress of fund utilization, a total of Rs. 8,013.58 million had been provided on 11 November 2024, under the second phase to 10 participating financial institutions that had utilized more than 80 per cent of the funds granted under the first phase. However, three institutions had utilized less than 59 per cent of the funds provided under the first phase, and one of these institutions had not utilized any portion of the total loan amount as of 31 December 2024.

Reallocation of unutilized Fund

In accordance with the on-lending agreements entered into with the participating financial institutions under the 4441 – SRI (COL) Credit Agreement, more than 86 percent of the loan funds provided to 8 institutions had been utilized, while the utilization by two institutions had fallen below 60 percent. As stipulated in the Project Operational Guidelines, if the allocated funds are not utilized within one year from the date of disbursement, such funds should be reallocated by the Project Steering Committee to the participating financial institutions that have utilized the funds as prescribed. Nevertheless, the Project Steering Committee had not

taken necessary action to reallocate the unutilized funds even as of 25 June 2025.

Inadequacy supervision of fund utilization

Under the SMELoC2 Project, loans had been granted to a total of 1,273 small and medium-scale entrepreneurs through 13 participating financial institutions as of 21 May 2025. Although this project is implemented with the objective of expanding financial access for small and medium enterprises and enhancing their economic capacity, conducting field inspections to review the progress of loan utilization is essential. However, despite the disbursement of loans to 1,273 small and medium-scale enterprises during the project period, only 18 field inspections had been carried out as of 24 June 2025. Accordingly, it was observed during the audit that adequate supervision over the implementation of the project had not been conducted.

Food Security and Livelihood Recovery Emergency Assistance Project

Underutilization of Funds Out of the USD 200 million loan provided by the Asian Development Bank for this project, an allocation of USD 1.25 million equivalent to Rs. 365.20 million had been made in 2024 for capacity development of officials throughout the island under the livelihood improvement program for low-income families. However, only USD 0.03 million equivalent to Rs. 11.33 million had been utilized for implementing the relevant activities during the year 2024. Accordingly, it had been only about 3 percent of the estimated expenditure for the year.

Funds allocated for other systems

Although an amount of USD 2.65 million equivalent to Rs. 965.47 million had been estimated at the commencement of the project under the Asian Development Bank loan for improving the efficiency and effectiveness of social protection systems (development of the CRM system – Department of Agrarian Development and the Geogovia system – Department of Samurdhi

Development), by 31 December 2024, the said funds had remained unutilized for nearly a period of 02 years.

Furthermore, under the Asian Development Bank grant provided to the Ministry of Women, Child Affairs and Social Empowerment for emergency assistance to vulnerable groups (women, children, and persons with disabilities), an allocation of Rs. 448.33 million had been made for implementing the relevant activities. Nevertheless, only about Rs. 276.88 million had been utilized.

Underutilization of training opportunities

Although an allocation of Rs. 11.74 million had been made under the Asian Development Bank grant for agricultural training, only about Rs. 4.39 million had been utilized.

Public Financial Management Strengthening Project – e-GP Secretariat

Underutilization of Funds Out of the foreign fund allocation of Rs. 80 million provided for the Strengthening Public Financial Management Project for the period from July 2023 to 31 December 2023, a sum of Rs. 11.64 million had been spent, leaving a balance of Rs. 68.36 million representing 85 percent of the budgetary allocation.

Savings of Provisions in 2024

In relation to this project, allocations of Rs. 10 million under domestic funds and Rs. 410 million under foreign funds had been made for the year 2024. However, during the year 2024, only Rs. 0.67 million from domestic funds and Rs. 74.61million from foreign funds had been spent, leaving unutilized balances representing 93 percent and 82 percent of the total budgetary allocations.

Contract awarding for the development of the e-GP system

Although the contract for establishing the electronic processing system, valued at Rs. 71.50 million, had been awarded and an agreement was signed with the selected institution on 25 November 2019, the contractor had not demonstrated adequate performance even by 31 December 2021. Nevertheless, an addendum after a

period of two years original contract had been signed with the said contracting company on 22 March 2023 to develop the system within a period of 20 months at a contract value of Rs. 152.87 million, including Rs. 81.37 million for the creation of new versions of this system.

Deficiencies in the original contract agreement and development system

According to the observations made by the Sri Lanka Information and Communication Technology Agency and the World Bank, several shortcomings were identified in both the original agreement and the developed system, including failure to properly document the requirements as per the original agreement; lack of clear definition of the testing and deployment processes in the original agreement; considerable delays in accessing to version 3 of the system; restructuring of the system from a monolithic structure to a microservices architecture based on ICTA's feedback; pricing determined on a monthly rate basis for the personnel engaged by the selected institution; system improvements made as per the evaluation of international consultants; lack of a clearly defined project scope in the original contract; and the need to engage a larger number of specialists than initially agreed upon in the to the original contract.

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Utilization of the e-GP system

the selected institution; system improvements made as per the evaluation of international consultants; lack of a clearly defined project scope in the original contract; and the need to engage a larger number of specialists than initially agreed upon in the original agreement.

As of 31 March 2025, the system had been developed only for calling bids under the shopping method of procurement. As at the audit date of 17 June 2025, only about 753 institutions out of the expected 3,000 had registered in the e-GP system, and the institutions that had used the e-GP system for procurements under the shopping method had not used it for all procurements of their institutions.

Achievement of Targets

As per the Project Implementation schedule, the System Release submitted by the system developer for NCB/ICB Goods under Sprint 3 and Sprint 4 was still at the testing stage as of the audit date on 31 May 2025. Although it had been planned to complete Sprint 5 by March 2024, that work had not yet been completed even by 27 May 2025. Further, although it had been planned to complete the Works Procurement activities under Sprints 3, 4, and 5, as well as Sprints 6, 7, and 8 by December 2024, no action had been taken to commence these activities even as of 31 May 2025.

Banking sector projects

Table No2.48 - Achievement of Targets in Banking Sector

Implementing Agency of the Project	Name of the Project		Loan/Grant Amount		Project Duration		Utilization as of 31.12.2024		Progress as of 31.12.2024	
			US\$ Million	Rs. Million	Starting Date/Year	Project Duration	US\$ Million	Rs. Million	Financial Progress	Physical Progress
People's Bank	SMELOC I Project	3370 (Loan Agreement Number)	8.33	1,280.33	23.02.2016	2017-2018	8.33	1,280.33	100%	
		3640 (Loan Agreement Number)	4.03	734.50	16.02.2018	2019-2020	4.03	734.50	100%	
		4007 (Loan Agreement Number)	13.58	2,866.48	27.11.2020	2020-2023	13.58	2,866.48	100%	
		4007 Re-credit of recoveries		1,613.91		2023-2024	-	1,438.50	89%	

	SMELOC II Project	4441 (Loan Agreement Number)	3.92 (Approximately)	1,155.27	05.04.2024	2024-2025	-	615.10	53%
Bank of Ceylon	SMELOC I Project	3370 (Loan Agreement Number)	8.334	1,280.333	23.02.2016	2017-2018	8.334	1,280.333	100%
		3640 (Loan Agreement Number)	8.716	1,504.878	16.02.2018	2019-2020	8.716	1,504.878	100%
		4007 (Loan Agreement Number)	16.163	3,753.18	27.11.2020	2020-2023	16.163	3,753.18	100%
		4007 Re-credit of recoveries	-	1,795.041	-	2023-2024	-	1,671.32	93.1%
	SMELoC II Project	4441 (Loan Agreement Number)	4.107	1,219.00	05.04.2024	2024-2025		966.548	79.3%
Regional Development Bank	SMELoC I Project	3370 (Loan Agreement Number)	8.334	1,280.333	01-04-2017	2017-2018	8.334	1,280.333	100%
		3640 (Loan Agreement Number)	8.716	1,504.878	01-04-2019	2019-2020	8.716	1,504.878	100%
		4007 (Loan Agreement Number)	11.688	2,554.979	27-11-2020	2020-2023	11.688	2,554.979	100%
		4007 Re-credit of recoveries		1,503.232		2023 - 2024	3.735	1,503.232	100%
	SMELoC II Project	4441 (Loan Agreement Number)	2	1,920.6	01-05-2024	2024-2025	1.784	529.5	27.5%
	Regional Development Bank Strengthening Project		50	11,121.33	10-10-2019	2019-2031	50	11,121.33	100%
Central Bank of Sri Lanka	Financial Sector Safety Net Strengthening Project		150	47,612	2024	04 Years	100.02	30,015.55	66.68%

source - Bank Project Divisions and Progress Report

Central Bank of Sri Lanka

Financial Sector Safety Net Strengthening Project

The Government of Sri Lanka and the International Development Association entered into a Financing Agreement amounting to USD 150 million (including USD 112.8 million in Special Drawing Rights) as concessional financing for the Financial Sector Safety Net Strengthening Project on 31.01.2024. The objective of the project is to strengthen the financial and institutional capacity of Sri Lanka's financial sector safety net, with a particular focus on

the Deposit Insurance Scheme. The project consists of three components: capitalization, institutional capacity building of the Central Bank of Sri Lanka, and project implementation and supervision, which were to be implemented from 2024 onwards.

Financial Sector Safety Net Strengthening Project - Component 1

Project Delays

Performance-Based Conditions (PBCs) 5 - Although the Central Bank of Sri Lanka (CBSL) was required to issue the necessary instructions by April 2025 to publicly disclose the ability of member institutions to maintain their membership in SLDIS and access deposit insurance coverage (e.g., through their branches, websites, ATMs, smartphone applications, and advertisements), this had not been completed even by 30 June 2025.

Despite a reported delay of over five months, the preparation of the Performance Based Conditions (PBCs) 8 - a public communication strategy adopted by CBSL on how to carry out large or lump sum payment operations during times of crisis - had not even begun as of June 30, 2025.

Financial Sector Safety Net Strengthening Project - Component 2 and Component 3

Unused resources

An amount of USD 400,000 was received for Components 2 and 3 for the year 2024, of which USD 99,403.11 equivalent to Rs. 20.09 million was transferred to the project's Rupee account. However, during the year under review, only Rs. 4.55 million was spent on consultancy fees and publication expenses. Due to the non-implementation of any activities planned under Component 2, the remaining USD 300,000 was returned to the World Bank.

Projects of the Road Sector

Table No. 2.49 - Highways Sector Projects

Serial No.	Name of the Project	Loan/Grant Amount		Project Duration		Utilization as of 31.12.2024		Progress as of 31.12.2024	
		US\$ Million	Rs. Million	Starting Date/Year	Project Duration	US\$ Million	Rs. Million	Financial Progress	Physical Progress
1	Kohuwala Gatambe flyover construction project	Euro 52 million	10,102	2021.08.16	05 Years	Euro 13.8 million	3,411.09	Kohuwala Flyover 92.77	Kohuwala Flyover 99
								Gatambe flyover 13	Gatambe flyover 36
2	25 Bridges Reconstruction Project	Kuwait Dinar 10 million	5,500	2014.04.28	09 Years & 08 months	Kuwait Dinar 6.827	4,128.01	84.7	98
3.	Kandy Multimodal Transport Terminal Development Project	69.33	20,799	2021.05.06	06 Years	11.75	3,523.40	13.25	24.2
4.	Port Access Airway Project	293.48	46,319.95	2016 February	09 Years	211.00	60,780.31	58.43	72.7
5.	Western Province Road Project	17.00	2,209.84	2017.10.05	08 Years	14.87	3,039.01	99.95	100
6.	Colombo National Highway Rehabilitation and Improvement Project	50.00	6,499.57	2013.12.11	12 Years	43.16	7,849.3	86.52	93.09
7.	A-017 Road Rehabilitation and Improvement Project	40.00	5,497.9	2022.10.17	03 Years	14.26	4,207.68	75.9	81.08
8.	Central Expressway Project Part 01	989.44	134,628	Package 1	2020.09.15	02 Years & 06 months	51.57	32.3	39.77
				Package 2	2020.09.15	04 Years		33.98	35.57

Source- Highways Project Division Financial and Progress Reports

Kohuwala and Gatambe Flyover Construction Projects

In 2021, the Government of Sri Lanka, with loan assistance from the Republic of Hungary, commenced construction of the Kohuwala Junction flyover on the main road leading to Colombo and the Gatambe Junction flyover on the AB42 arterial road leading to Kandy city on 16 August 2021. The total financial value of this project was Rs.11,156.60 million, of which Rs.10,192 million was financed through foreign loan capital. The foreign funding agency (Hungarian EXIM Bank) suspended the disbursement of the loan from April 14, 2022. Accordingly, due to the inability to secure the financial facilities, the employer was

unable to pay the contractor Rs. 2,309.86 million, and the contractor had suspended work under the contract from 01 May 2023. As of 31 December 2024, a sum of Rs. 2,814.96 million remained payable to the contractor. The delay in settling this balance resulted in a financial cost of Rs. 311.57 million and the recovery of Rs. 2,192.24 million as mobilization advance. Accordingly, although the employer needed to identify alternative funding sources to complete the remaining work of the project, no such sources had been identified by the end of July 2025.

Receipt of foreign funds under the Reconstruction of 25 Bridges Project

The contract value was Kuwaiti Dinar 10 million, and due to the domestic economic crisis, the lending agency cancelled the loan agreement on 22 June 2022. The National Operations Room (NOR) approved the completion of the 05 bridges in unfinished Package No. 03 using local funds.

Harbour Access Expressway Project

The contract value for civil works under the Port Access Expressway Project increased by Rs. 40,335 million, from Rs.28,002 million to Rs.68,337 million. The delays in contract construction activities had contributed to this. The Cabinet granted approval for this on 28 October 2024, through a Cabinet Paper, based on the recommendation of the Cabinet Appointed Procurement Committee and with the concurrence of the Asian Development Bank.

Central Expressway

The 170 km Central Expressway from Kadawatha to Dambulla was planned to be constructed in four phases during the period 2016 – 2021. The second phase of the project, the 40.91 km Meerigama to Kurunegala section, was constructed at a cost of Rs. 151,510 million and opened to the public on January 15, 2022. The construction of the first phase of this project, from Kadawatha to Mirigama, which is 36.47 km long, was scheduled to be completed on September 14, 2024. Under that, 36.14 percent of the construction had been completed, spending Rs. 80,257.79 million.

However, the construction contract for this first section did not include the 500 meter section (Ch 0 + 000 to Ch 0 + 500) connecting to the Kadawatha Outer Circular Road. Detailed plans for that section had not been prepared by the end of 2024.

Projects implemented by the Ministry of Education

Table No2.49 Projects of the Education Sector

Serial No.	Name of the Project	Loan/ Grant Amount		Project Duration		Utilization as of 31.12.2024		Progress as of 31.12.2024	
		US\$ Million	Rs. Million	Starting Date/Year	Project Duration	US\$ Million	Rs. Million	Financial Progress	Physical Progress
01	General Education Modernization Program (GEMP)	*85	15,300	2018.07.25	2025 – 2018	** 17.595	**4,430	%70.38	
02	Secondary Education Sectoral Development Program (SESIP)	400	76,000	2020.12.01	2025 - 2020	254.20	48,298	%63.55	*** 33DLI's
03	Technical Education Development Program (TEDP)	50	7,650	2018.07.03	2025 - 2018	****	****	****	****

Source – Education Project Sector Financial and Progress Reports 2024

Construction of a multi-ethnic and trilingual school

A Cabinet decision had been received on 7th December 2016 to construct a new national school with multi-ethnic and trilingual education in the Polonnaruwa district with assistance from the Republic of India. It was planned to construct two buildings under this project. As of 31 December 2024, Rs. 227.22 million (including VAT) had been spent on the Phase 01 building, and with limited scope, only the roof and the first floor were completed and handed over to the Ministry by the contractor. For Phase 02 building, Rs. 111.43 million (including VAT) had been spent and about 42 per cent physical progress had been achieved. In addition, Rs. 67.92 million was spent on preparing the land for construction, bringing the total expenditure to Rs. 491.11 million. Although the school was planned to be launched as a trilingual national school, it could not be opened by 31 December 2024 due to the inability to complete the buildings to the expected standard.

Failure to complete foreign scholarships

Under the General Education Modernization Project (GEMP), a sum of Rs. 6.07 million had been paid as course fees for a lecturer to read for a Master of Education degree in New Zealand from 13 July 2020 to 30 November 2021 under the scholarship scheme corresponding to Disbursement-Linked Indicator 08. However, it was observed that the officer had discontinued the course midway. As a result, the entire amount paid as course fees became a fruitless expenditure. Although more than 3 years had passed since the completion of the course, the Ministry had not taken any action to recover the money spent from the relevant officer or to recover the loss incurred by the government due to dropping out of the course from the officer signing the relevant bond in accordance with Appendix XV of the Establishments Code.

Deficiencies in follow-up measures

Under the General Education Modernization Project, a sum of Rs. 593 million was disbursed from 2020 to 2024 to selected schools under the School Improvement Program (EPSI) for the qualitative development of schools, relating to Disbursement-Linked Indicator (DLI) 07 of Component I. However, as of 30 April 2025, the ministry had not obtained information on the financial and physical progress related to the utilization of these grants by the schools. Accordingly, the follow-up of the school grants provided by the ministry to achieve the relevant Disbursement-Linked Indicator (DLI) remained at a very weak level.

Losses incurred to the government due to termination of contracts

Under the Technical Education Development Program (TEDP), 36 technical laboratories with an estimated value of Rs. 2,243.61 million were planned for construction. Among these laboratories, the construction of the technical laboratory building at Hambantota Mahanaga National School, which was initiated in 2021 with an estimated value of Rs.39 million and subjected to audit test check, was discontinued midway by the contractor on 24 February 2024. According to Section 60.1 of the contract, the ministry was

required to recover Rs. 4.47 million, representing 25 per cent of the value of the remaining work at the time of discontinuation, along with an excess payment of Rs. 0.9 million. However, failure to take action to recover these amounts resulted in a loss of Rs.5.41 million to the government. Furthermore, the performance bond valued at Rs.1.95 million related to the contract had expired on 30 August 2022, and the responsible officers had not taken steps either to encash it or extend its validity before the date of expiry.

**Failure to rectify deficiencies in the
Structural design related to
laboratory constructions**

In the physical inspection conducted by the audit on the construction of technical laboratories at Mahanaga National School and Pallewela Central College, Mirigama, cracks were observed in the beams of the buildings. According to expert reports issued by the Universities of Ruhuna and Peradeniya, these defects had resulted from weaknesses in the structural design of the laboratories. Although 29 technical laboratories had been constructed based on a structural plan prepared by the ministry, no evidence was presented to the audit to confirm that the initial design had been corrected in accordance with the defects identified in the expert reports, and it could not be verified whether the technical defects in the 29 laboratories constructed throughout the island had been rectified.

Provincial Councils

Nine provincial councils have been established in Western, Central, Southern, Northwestern, North-Central, Uva, Eastern, Northern, and Sabaragamuwa provinces by Article 154A(1) added to the Constitution of the Democratic Socialist Republic of Sri Lanka through the 13th Amendment to the Constitution passed by Parliament in 1987.

A Provincial Council is under the control of the Governor and a Chief Secretary acts as the administrative officer. A Chief Minister acts as the head of the legislature and a Provincial Council consists of 05 Ministers including the Chief Minister.

The Provincial Councils Act, No. 42 of 1987, has been passed by Parliament to make provisions regarding the procedure to be followed in Provincial Councils, matters relating to the Provincial Council public service and matters connected therewith or incidental thereto. Since the term of office of the existing 09 Provincial Councils has expired, those Councils have been deemed to have been dissolved in terms of Article 154(e) of the Constitution. Accordingly, the Sabaragamuwa, Eastern and North Central Provincial Councils, since 2017, the North Western, Central and Northern Provincial Councils since 2018, Western, Uva and Southern Provincial Councils since 2019, have been running by the Governors of each Provincial Council in accordance with the provisions of Section 2(1) (a) of the Provincial Councils (Consequential Provisions) Act, No. 12 of 1989 without a Council.

Submission of Financial Statements of Provincial Councils

Audit of

Financial Statement

Every Provincial Council shall prepare and submit to the Auditor General financial statements reflecting the financial position and operating results of the Funds of the Council. The Auditor General shall audit the said financial statements in accordance with Article 154(3) of the Constitution and Section 23(1) of the Provincial Councils Act, No. 42 of 1987.

Failure to introduce a Uniform Accounting System

A uniform accounting system had not been introduced for the preparation of financial statements of Provincial Councils from the beginning until now and the 9 Provincial Councils had prepared financial statements following various methodologies in the years 2024 and 2025.

In preparing those financial statements, values were recorded using different formats, names and sources. A formal uniform guidelines or circulars had not been issued by the Government or the Provincial Councils for the preparation of the financial statements of the fund of the Provincial councils, and it was

impossible to make decisions by analyzing and using them comparatively.

It was observed that due to the lack of specific guidelines and the lack of regulation by the Ministry of Provincial Councils, Provincial Councils were able to conceal information, omit information or present information in a manner that misleads decision-makers.

Income and Expenditure of Provincial Councils

The reconciliation of the income and expenditure of the Provincial Councils was carried out subject to the fact that Provincial Councils have used the accrual basis, cash basis, and enhanced cash basis as alternatives and have not followed a uniform methodology.

Table No 2.50 - Details of the Income, Expenditure, Surplus/Deficit of the Provincial Councils for the year 2024

Provincial Council	Revenue collected (Rs. Mn)	As a percentage %	Total government grants (Rs. Mn)	Total Receipts (Rs. Mn)	Total Expenditure (Rs. Mn)	Excess (Deficit) (Rs. Mn)
Western Provincial Council	46,442	38.5	74,292	120,734	111,792	8,943
Central Provincial Council	7,015	11.3	55,296	62,311	61,700	611
Southern Provincial Council	9,752	13.7	59,262	69,014	64,910	4,104
North-western Provincial Council	10,186	19.3	42,658	52,844	50,183	2,661
North Central Province	4,143	10.8	34,295	38,439	37,607	831
Uva Provincial Council	3,303	19.6	38,996	42,299	44,140	(1,841)
Eastern Provincial Council	3,449	6.8	47,560	51,009	47,914	3,095
Northern Provincial Council	2,353	6.3	40,814	43,167	42,977	190
Sabaragamuwa Provincial Council	5,314	10.7	44,192	49,506	49,549	(43)
Total	91,957		437,365	529,323	510,772	18,551

Source: Financial Statements of Provincial Councils 2024

Provincial Council Revenues

The 9 Provincial Councils had collected a total revenue of Rs. 529,323 million in the year 2024. This revenue consisted of

tax, non-tax and other revenues. However, the total government grants provided by the government to the Provincial Councils had been Rs. 437,365 million. Accordingly, it is observed that since 83 per cent of the total revenue of the 9 Provincial Councils consisted of grants provided by the government, all the Provincial Councils are dependent on grants provided by the Treasury.

Although the Provincial Councils are run on Treasury allocations, it was observed that expenditure was incurred without economy by increasing fuel allowances of officers with the approval of the Provincial Council Governors, obtaining other types of unreasonable allowances and obtaining house rental allowances contrary to the Establishments Code, contrary to the accepted general circulars as shown in Table 2.38 .

Provincial Council Expenditures

Each Provincial Council incurs recurrent expenditure including private salaries, other goods and services maintenance expenses, and capital nature development expenses annually. The 9 Provincial Councils had spent a total of Rs. 510,772 million in the year 2024. Out of that expenditure, 96 per cent was recurrent expenditure and 4 per cent was spent as capital expenditure. Similarly, 77 per cent of the total recurrent expenditure was spent on paying personal emoluments of Provincial Councils .

Savings and Investments

Due to underutilization of grants received from the government by the Provincial Councils or over-allocation of funds from the Central Government without properly estimating the Provincial Council revenue, the remaining provisions at the end of the year, investments in fixed deposits had been increasing gradually year by year. The details of the money invested in fixed deposits are given below.

Table No. 2.51: Details of Provincial Councils' Cash and Bank Balances, Savings and Investments

Cash and Bank Balance as at 31 December 2024 (Rs. Mn)	Provincial Council	Investment balance as on 31 December (Rs. Mn.)	
		2024	2023
8,576	Western Provincial Council	40,000	35,000
11,519	Southern Provincial Council	53	2,505
2,506	North-western Provincial Council	11,679	11,679
2,730	Sabaragamuwa Provincial Council	4,769	3,967
2,227	Uva Provincial Council	428	372
1,224	Central Provincial Council	26	274
1,712	North Central Provincial Council	4,487	1983
2,282	Eastern Provincial Council	470	434
3,857	Northern Provincial Council	-	-
36,633	Total	61,912	56,214

Source: 2024 Provincial Council Financial Statements

As stated above, since the total investment and savings accounts, which was Rs. 56,214 million in 2023, increased to Rs. 61,912 million in 2024 the investments and savings had increased by almost 10 per cent. However, due to the lack of a uniform accounting system, the auditors were unable to obtain information on the investments of the Northern Provincial Council for the years 2023 and 2024.

Cash and Bank Balances

of the Provincial Councils It was revealed that each Provincial Council had a significant cash balance at the end of the year. These cash balances were not returned to the Treasury.

As shown in Table No.2.51 above, it was confirmed that 09 Provincial Councils had cash and bank balances of Rs. 36,633 million as at 31 December 2024. Accordingly, it was observed that while providing allocations to Provincial Councils, institutions such as the Treasury, Finance Commission, Ministry of Local Government and Provincial Councils were providing allocations without paying any attention to the amount of investments and savings held by the Provincial Councils.

Assets of Provincial Councils

The total assets of the Provincial Councils, which were identified as Rs. 517,046 million as at 31 December 2023, had increased by Rs.122,502 million or 24 per cent to Rs. 639,548 million as at 31 December 2024. Also, 95 per cent of the total assets of the Provincial Councils, out of Rs. 639,548 million, were non-financial assets in the year 2024. Further, it was observed that many Provincial Councils, including the Western Provincial Council, had not taken timely steps to assess and account for assets including lands and buildings, to revalue them in a timely manner, and to properly take over and account for the assets used.

Table No. 2.52: **Details of the Assets of Provincial Councils in the years 2023 and 2024**

Provincial Council	Non-financial Asset Balance as at 31 December 2024 (Rs. Mn.)	Total asset balance as at 31 December 2024 (Rs. Mn.)	Total asset balance as at 31 December, 2023 (Rs. Mn.)
Western Provincial Council	64,795	121,551	98,356
Central Provincial Council	17,389	20,283	13,756
Southern Provincial Council	56,906	69,931	60,745
North-western Provincial Council	114,158	117,749	106,380
North Central Provincial Council	30,203	38,269	35,864
Uva Provincial Council	80,312	84,025	85,386
Eastern Provincial Council	15,906	23,023	19,881
Northern Provincial Council	72,647	77,805	57,686
Sabaragamuwa Provincial Council	75,912	86,912	38,992
Total	608,025	639,548	517,046

Source: Provincial Council Financial Statements 2024

Liabilities of Provincial Councils

The total liabilities of the Provincial Councils, which were Rs. 11,257 million as at 31 December 2023, had slightly decreased to Rs. 16,083 million as at 31 December 2024.

Details of the liabilities of each Provincial Council are given below.

Table No. 2.53 - Liabilities of Provincial Councils

Provincial Council	Total Liability Balance as at 31 December 2024 (Rs. Mn.)	Total liability balance as at 31 December 2023 (Rs. Mn.)
Western Provincial Council	1,708	645
Central Provincial Council	594	679
Southern Provincial Council	2,893	2,212
North-western Provincial Council	1,641	984
North Central Provincial Council	1,998	1,118
Uva Provincial Council	1,094	867
Eastern Provincial Council	603	552
Northern Provincial Council	3,649	3,179
Sabaragamuwa Provincial Council	1,903	1,021
Total	16,083	11,257

Source: Provincial Council Financial Statements 2024

Western Provincial Council

Payment of Allowances for Official Quarters without Entitlement

Even though there is no way to pay a monthly housing allowance to government officers, a sum of Rs. 26.37 million had been paid as official quarters allowances to 25 officers as a temporary payment until the construction of official residences, Rs. 50,000 each to the former Chief Secretary and Rs. 30,000 each to the Deputy Chief Secretaries and Ministry Secretaries from the year 2011 to the year 2024 .

Construction of the Etthu kala Water Park Project

Even though more than 9 years had passed since the construction of the Etthu kala Water Park project, which cost

Rs. 185.55 million, had been completed and handed over to the Tourism Board, by the date of the audit, steps had not been taken to utilize the tourist attraction in a way that would generate income. The damage caused to the property of the Etthu kala Water Park owned by the Board due to the unrest situation that occurred in the country on 09 May 2022, had been estimated to be Rs. 3.48 million and although almost 3 years had elapsed since this damage was caused by a certain group by the date of the audit, the Board had not taken any necessary step regarding the damage to the property.

The Tourism Board had taken steps to approve provisions of Rs. 14.00 million for the Pilikuththu Sustainable Tourism Promotion Project in the years 2021 and 2023 without prioritizing tourism attractions in the Western Province and identifying unique places through which revenue flows and approving provisions for them. Accordingly, Rs. 3.77 million was spent to construct two small shops near the Pilikuththu Rajamaha Viharaya and public facilities near the temple had also been developed incurring an expense of Rs. 10.50 million by the end of 2023. Although the Ministry of Local Government had provided funds for these projects, monitoring or follow-up had not been carried out and no direct contribution had been made to tourism promotion.

Issuing Road Permits without calling for Tenders

Instead of the road permits for buses issued by the Western Province Road Passenger Transport Authority from time to time during the period 2016 – 2024 to operate on regular bus routes in the Western Province, road permits had been issued for operation on the expressway without calling for tenders. It was confirmed that 10 permits had been issued in this manner during the audit test check.

Failure to collect

outstanding Permit Fees

The revenue to be received from tendering the passenger service permits as at 31 December 2024 from 253 bus owners who had not paid the permit fee in full for the period from 2014 to 31 December 2024 was Rs. 43.79 million. Out of the above receivable balance, Rs. 23.39 million remains uncollected from 105 bus owners for the period from 2014 to 2019 and actions had not been taken to recover this money in the year 2024 also or to cancel the permits of the permit holders .

Resuming operations of the buses that were out of service

The road permit is revoked for the passenger service buses that have been out of service for more than 6 months and when renewing the passenger service permit for those buses, although the Authority is required to charge a fee of Rs. 30,000 if the permit holder uses the same old bus and a fee of Rs. 60,000 if a new bus is used, the Authority had given approval to add 182 buses to its fleet without charging the fares during the period 2018-2024. Accordingly, the outstanding revenue receivable from 182 bus owners as at 31 December 2024 had been Rs. 3.94 million.

Failure to charge the Prescribed Permit Transfer Fees

When the permit holders transfer the ownership of the road permits issued for operation by the Western Provincial Road Passenger Transport Authority to another party a fee of Rs.100,000 will be charged by the Authority . Thus, although the ownership of 102 permits had been transferred to another party during the period from 2018 to 31 December 2024, the Authority had taken actions to amend the rights for permits without collecting the fee of Rs. 5.37 million.

Failure to develop software as intended.

Although the installation of software systems had been identified as a key objective to enhance the service efficiency of the Provincial Council in accordance with the Western Province Information Technology Resources Authority Statute

No. 01 of 2017 dated 06 October 2017, activities had not been identified or adequate provisions had not been made for the implementation of software solutions.

**Failure to commence
Waste recycling**

The Authority transports waste to the Kerawalapitiya power plant for management of combustible waste and the expenditure incurred for the same in the years 2023 and 2024 had been Rs. 73.97 million and Rs. 42.36 million respectively. However, the Authority has so far failed to implement projects such as waste recycling, biogas production, electricity generation, etc.

**Failure to act regarding
Stock Shortages.**

At the audit conducted on 38 printing materials based on the physical stock held as at 08 August 2023 at Wespro Printing House, which operates under the Economic Promotion Bureau, the warehouse ledger maintained by the institution, the summary of work sheets and the purchase summary, a stock shortage valued at Rs. 41.50 million was observed. Although a special report by a committee appointed for the purpose had confirmed that the total value of the shortage incurred by Wespro Printing House in the years 2022 and 2023 alone was Rs. 69.10 million, the stock shortage in the financial statements for the year under review had been stated as Rs. 30.85 million. However, the stock shortage in the financial statements for the year 2023 was stated as Rs. 42.69 million. Accordingly, it was not possible to identify the actual value of the shortage and the persons involved in the fraud and take legal action until the date of the audit, 16 May 2025.

**Mihilak Agro-Products
Processing Project and
Canned Fish Processing
Project**

The machinery valued at Rs. 49.75 million and raw materials and finished goods valued at Rs. 8.78 million had been handed over to the Industrial Development Authority in September 2022 in order to maintain the Mihilak Agro-Production

Processing Project and the Canned Fish Processing Project implemented by the Provincial Ministry of Agriculture as a more profitable project. The total cost incurred for the project by the end of 2024 was Rs. 417.11 million. Nevertheless, due to the high production cost of the project, production without a market forecast and a marketing plan, large-scale product expiry that made it impossible to sell the products, selling goods at a price lower than cost, and uncollected product sales debts, the project had become loss-making by the year under review, recording a loss of Rs. 51.09 million.

Construction of Swimming Pool at Regie Ranatunga Model Primary School

The construction of the Swimming Pool at the Minuwangoda Reji Ranatunga Model Primary School was entrusted to the Western Provincial Road Development Authority without an agreement, based on the provisions of the Western Provincial Ministry of Education and Sports, and works on the project had been commenced on 24 August 2012. Although the pool had been constructed, due to reasons such as not laying tiles according to a prescribed plan and proper standards, the Western Provincial Ministry of Sports and Education had not been able to make it operational.

Construction of Ayurvedic Treatment Center

Construction of Ayurvedic Treatment Center at Meegoda Ayurvedic Hospital - under the Phase II project. Although the agreement was made to complete the project within a year by the Western Provincial Road Development Authority at an estimate of Rs. 111.20 million as per the instructions given by the Provincial Governor as per the Memorandum of Understanding signed on 21 November 2022, the project had not been completed even by the end of 2024.

Construction of a three-storied building at

Lenagala Primary School

Due to the construction of the building in an inappropriate location without a technical feasibility study under construction of a three-storied building measuring 70×25 feet at Lenagala Primary School - Phase I, an additional cost of Rs. 2.24 million had to be incurred for the additional works to be carried out according to the structural plans and the slab section of the first floor, completed in 2021, had been exposed to rainwater for nearly 02 years. Although 6 years had passed since the construction of this building commenced, the construction of the building was limited to only one floor.

**Construction of a three-
Storied building at Dharmasena
Attygalle Balika Vidyalaya**

An amount of Rs. 17.50 million was approved under the Provincial Development Grants for the programme to upgrade the single-storey building (110*20) of the, WP/Pili/Dharmasena Attygalle Balika Vidyalaya to a three-storey building (90*25) and, it had delayed by 4 months until 31 July 2024 to sign agreements with a suitable community-based organization for that purpose. Even though advance payments of Rs. 3.95 million had been made on 05 August 2024, only the basic works on the Bill of Quantities had been carried out as at 04 October 2024, and all construction and finishing works of this building were in an uncertain state of completion before the end of the year.

**Non-acquisition of
Lands**

Actions had not been taken to survey, acquire, assess and account for 136 hectares of land occupied by 98 schools belonging to the Homagama Zonal Education Office. Further, about 140 roods valued at Rs. 219.67 million of the lands occupied by 03 schools and the Zonal Education Office according to the value submitted to the audit, had been illegally occupied by outside parties for many years.

Utilization of the ground floor of the Provincial Council Building

Nearly 2,500 square feet of space on the ground floor of the old Western Provincial Council building was used for accommodation for officers of the Wespro Security Service, action had not been taken to charge any amount for the electricity, water and other facilities used by those officers. Although over Rs. 49 million is spent annually on the provision of security services and the Economic Promotion Bureau should be responsible for providing accommodation facilities for the officers engaged in those security services, apart from that, a part of the Provincial Council building itself had been used without making payment for several years.

Although the actions should be taken to obtain the recommendations of the National Salaries and Carder Commission and the Finance Commission when determining allowances paid in addition to salaries to officers in the Provincial Public Service, an amount of Rs. 4.52 million as a special allowance of 1/3 of the basic salary of 6 officers of the Budget Division and the Chief Secretary, Chief Secretary (Finance), Director (Budget) for the last 5 years for the performance of regular duties, and an amount of Rs. 0.40 million in the year 2024 for general duties to 12 officers of the Personnel and Training Unit, as well as an allowance of Rs. 0.44 million for the annual transfer review and appeals consideration committees had been paid in addition to the salary.

There were expired medicines valued at Rs. 8.48 million and quality failed medicines valued at Rs. 53.65 million had remained as at the last day of the year 2024 in 40 health institutions under the Provincial Health Services Directorate, and proper action had not been taken regarding the loss caused to the government due to this.

The Pradeshiya Sabha had paid an amount of Rs. 7.84 million to the property company as compensation as at 31 December 2022, as per the verdict in the case filed by a real estate company regarding the land adjacent to the Bulathsinhala Public Ground being subdivided in violation of Section 185 of the Pradeshiya Sabha Act. Even though more than 5 years had passed since this case ended, the Bulathsinhala Pradeshiya Sabha had not been able to recover the amount of Rs. 7.84 million paid as compensation from the relevant officials until 25 May 2025 due to the delay in submitting the investigation reports by the Local Government Commissioner's Office regarding the officials who did not follow the formal procedures regarding the subdivision of this land.

Despite it can be purchased for Rs.220 (including transportation) when purchasing more than 100 of 19 liter drinking water bottles per month, due to the fact that arrangements were made to procure a bottle of drinking water from the Economic Promotion Bureau at Rs.384 each without taking any procurement measures, an additional amount of Rs.18.15 million had been paid to an intermediary institution from 2021 to 2024 as Rs.164 for each bottle of water.

**Failure to use
Fingerprint Machines**

A sum of Rs. 19,985.50 million had been paid as at 31 December 2024 as salaries and allowances to 10,849 health staff employed under the Western Province Health Services Department. However, it was observed that the said allowances had been paid without proper inspection or control as no health service official recorded their attendance using fingerprint machines.

**Investments of Gampaha
Development Private
Company.**

An amount of Rs. 841.06 million had been invested in ordinary shares and preferred shares of the Gampaha Development

Private Company (GDC), by 24 Sanasa Societies including the District SANASA Society in the Gampaha District, between 1998 and 2016, without obtaining the approval of the Cooperative Development Commissioner in violation of the Charter which is not mentioned in the charter. Although more than 6 years had elapsed since the Gampaha Development Private Company failed to provide this invested money and the interest income receivable, formal measures have not been taken to recover the invested money and interest.

Providing Loans to Gampaha Development Private Company.

The Gampaha District Sanasa Society Ltd. had provided loans amounting Rs. 708.70 million and the Gampaha Sanasa City Bank had provided Rs. 540.15 million, totaling Rs. 1,248.85 million during the period 2011-2019 in contrary to Section 38 (1) of the Cooperative Charter, to Gampaha Development Private Company, which is not a member of the society. The loans were issued without obtaining legal collateral when granting the loans, and no legal action was taken to recover the loans and interest in respect of the failure of the company to pay the loans and interest.

Non- availability of Returns on investmentsof Sanasa.

Although prior approval of the Cooperative Commissioner is required when purchasing property in terms of Section 33(2) (b) of the Cooperatives Act, 06 Sanasa Societies in the Gampaha District had invested Rs. 485.52 million in property in Gampaha Development Private Company (GDC) during the period 2010-2019 without having prior approval so. Since the societies had not received any income from these property investments, the societies had suffered financial losses and the societies did not have any legal documents regarding these property investments. Due to failure of taking formal action in this regard and the lack of cooperative regulation, the

cooperative societies had suffered severe financial crises and the Sanasa societies had become inactive.

The collapse of the Sanasa Societies' Movement.

Due to the cooperative societies in the Gampaha District invested money without obtaining the approval of the Co-operative Commissioner in violation of the Cooperative Charter and rules, not receiving the invested funds and interest by the societies, providing loans in violation of the Charter, loans and loans were not subject to interest, and due to the failure to take proper action regarding the financial irregularities, financial fraud, corruption that occurred in the societies since 2018 and the lack of regulation of cooperative societies, the 36 Gampaha District Sanasa Society movement had collapsed, ceased operations and become inactive due to the inability to repay deposits of Rs. 14,759.41 million received from 79,246 member and non-member depositors, being faced in financial difficulties.

Non-implementation of the eRL - 02 system

The eRL-02 project had been initiated to provide a more effective and efficient service by using modern technology for issuing vehicle revenue licenses. For this, a Memorandum of Understanding (MoU) had been entered into with the Provincial Department Motor Vehicles and the Information and Communication Technology Agency of Sri Lanka (ICTA) on 05 March 2018 for an amount of Rs. 137.31 million. Although this eRL-02 system had been implemented in the remaining 08 provinces and Rs. 26,015,524 had been paid to ICTA by 31 December 2024, it had not been possible to implement this system in the Western Province since 2018.

Installation of a Central Air Conditioning System for Ketumathi Women's Hospital

A provision of Rs. 38.50 million had been approved under the 2018 Provincial Development Grants for the project to provide

and install a central air conditioning system for the operating theatre and intensive care units of Ketumathi Women's Hospital. Due to the lack of proper testing and evaluation, the system was subject to frequent breakdowns and although repairs were made, they were temporary solutions and as per the recommendation of the Chartered Mechanical Engineer on 07 October 2022, it had been mentioned that the Condenser Unit 04 should be replaced and a new one should be installed as there were production defects. It was observed during the physical inspection conducted on 07 March 2025 that the entire system had been inoperative for about a year due to the failure of the contractor to take actions.

Non-implementation of the Transfer System

A number of 2,110 officers Development Officers and Management Services Officers in the Western Province as at 28 April 2025 had remained at the same workplace without being transferred.

Southern Provincial Council

Idle Assets

In the construction of the Yashorapura Information Center, which was completed on 22 April 2019, at a cost of Rs. 25.46 million by the Southern Provincial Chief Ministry, although substandard ingredients had been used, a sum of Rs. 6.3 million had been overpaid to the contractor due to payments being made at the standard raw material price rates. Further, it was observed that the entire amount spent on the construction had been futile due to its inefficiency.

Supplying of Food at Nagoda

Regional Hospital

The raw food ingredients provided by the supplier to the junior staff and patients of the Nagoda Regional Hospital were provided to the home of the chef who works in the hospital kitchen. It was observed that the chef only brings in the daily required amount of raw food and prepares the food, and there is

no adequate supervision and quality control of the food to ensure that the food is provided to patients and hospital staff according to the ingredients provided by the supplier and the daily meal menu.

Illegal Administrative Actions

An officer working at the Matara District Health Services Directorate had gone abroad from 22 January 2023 to 19 February 2023 without obtaining permission and instead of taking disciplinary action in accordance with the Establishments Code, the officer was retired at his request. However, the officer in question had reported back to work on 27 February 2023 and reporting the withdrawal of his request for retirement by the letter dated 19 April 2023, and Rs. 0.1 million had been paid to the officer as salary for the period from 27 February 2023 to 30 June 2023. Further, according to the report of the Medical Examination Board appointed to approve the leave, although 27 days of vacation leave had been approved for this officer from 01 February 2023 to 27 February 2023, according to the information of the Department of Immigration and Emigration, it was observed that the said officer had gone abroad from 22 January 2023 to 19 February 2023. Since the medical report for 10 days issued by the Medical Officer in Charge of the Deiyandara Regional Hospital, indicating that he had been hospitalized in Sri Lanka during the period of his stay abroad, and the medical report for 17 days issued by the Medical Officer in Charge of the Nerawalpita Regional Hospital, were false reports and, actions had not been taken against the responsible officers in accordance with Section 31.1.12 of Chapter XLVIII of the Establishments Code.

Inaccurate Assessments

The valuation given for the asset by the committee appointed for the valuation task was Rs. 10.4 million during the auction of the asphalt machine installed at the Galagoda works yard of the

Southern Provincial Road Development Authority and the machine was sold at auction for Rs. 21.1 million. Accordingly, the valuation was incorrect and the Authority had incurred a loss of Rs. 3.27 million due to the fact that the 21,782 liters of tar and 4,028 liters of diesel in the machine were not taken into account during the valuation.

Fund for Agri-Entrepreneurship Development

A compost sifter and a shredder had been purchased at a cost of Rs.1 million under the Flexible Fund for Agri-Entrepreneurship Development under 50 per cent assistance. It was observed that a formal agreement with the beneficiary had not been entered into and no production activities were being carried out at present and since the compost sifter and the multi-purpose shredder were idle, the Rs. 1 million provided for the purpose had now become a futile expense.

Misuse of Vehicles

It was observed that the former Accounting Officer of the Southern Provincial Deputy Chief Secretary (Engineering Services) Office had taken pool vehicles for personal travel on weekends in the year 2024, in contrary to 4.2 of the National Budget Circular No. 01/2024 dated 10 January 2024 of the Ministry of Finance, Economic Stabilization and National Policies. Further, although he has driven and getting the drivers to record the daily driving records by them as driving to the office's work sites and affixing the signatures of an Assistant Engineer, and by using the pool vehicles of the institution on weekends while receiving official vehicle rights and fuel allowance, disciplinary action had not been taken the against said officer for the misconduct mentioned in Part II, 31.1.12 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

Central Provincial Council

Absence of Approved Charters

The balance according to the cash book amounting to Rs. 20.09 million as at 31 December 2024 of the Provincial Cooperative Development Fund, which is maintained without an approved charter or set of rules under the Central Provincial Cooperative Development Department and the transactions and events related to the loans of Rs. 40.00 provided by the Fund to the Cooperative Societies on that date had not been included in the annual financial statements.

Although there was a requirement for a charter for the departments established within the Provincial Council under the Provincial Council Act No. 42 of 1987, a charter had not been approved for the Central Provincial Department of Industrial Development and Business Promotion and the Provincial Tourism Department in accordance with the provisions of the Act.

Unaccounted Assets

Although 2366 GPS devices valued at Rs. 24.99 million have been provided to the Provincial Passenger Transport Service Authority through the Strategic City Development Project (SCDP) in connection with the Kandy Multimodal Transport Terminal construction project, actions had not been taken to account for the value of that machine.

Unavailability of Bills for Expenses

A sum of Rs. 1.14 million had been paid in 13 cases from the account of a school development society in a college in the Central Province without submitting bills or documents, and in 07 cases, relevant certificates had not been submitted to prove payments for goods valued Rs. 0.47 million purchased.

Contrary to the objectives of the Provincial Passenger Transport Services Authority, a sum of Rs. 3.53 million had been allocated as welfare programs and the entire provision had been utilized to provide dry rations to 11 members of the

Board of Directors including the Chairman of the Authority and 241 other officers/employees including all the officers at the executive level of the Authority on the occasion of the 2024 Sinhala-Hindu New Year. Likewise, although the total staff of the Authority including the Chairman was 218, since these bags of dry rations were provided to 241, no confirmation was submitted for audit as to whom provided the 23 bags of dry rations.

**Failure to use
Fingerprint Machines**

Fifteen officers of the Governor's personal staff did not use the fingerprint machine to record their daily arrival and departure from 15 May 2023 to 31 May 2024, and 09 of those officers had been paid overtime allowances of Rs. 1.57 million.

**Failure to collect
Contribution Money**

Contributions to the Cooperative Development Fund totalling to Rs. 262.49 million had remained uncollected as at the end of the year under review, consisting of Rs. 159.60 million from 229 Cooperative Societies in the Kandy District, Rs. 48.44 million from 92 Cooperative Societies in the Nuwara Eliya District, and Rs. 54.44 million from 159 Cooperative Societies in the Matale District.

**Payment before
Receiving Goods**

Although a contract was entered into with a private company in 2015 and 2018 for the implementation of the Provincial Passenger Transport Service Authority's computer network programmes and a sum of Rs. 0.93 million was paid to a private company in a manner that was not in accordance with the provincial financial rules, the relevant supply had not been provided as per the contract by the end of the year under review.

Performance

There are 2071 km of roads belonging to the Central Provincial Road Development Authority and out of these, 72 percent

had been carpeted by the end of the year under review, which was 1501 km. Accordingly, out of the 570 km (28 per cent) of roads that need to be carpeted, 166 km are in a very dilapidated condition, and 404 km are being maintained. According to the allocations received by the Provincial Roads Authority and the expenditure incurred during the last five (5) years, 46 percent of the allocations had not been utilized during those years. Details are given below.

Table No. 2.54 - Capital Investment Provisions and Utilization 2020 -2024

Year	Amount Receicved	Financial progress	Balance
	Rs. Million	Rs. Million	Rs. Million
2020	150.00	108.30	41.70
2021	548.00	377.00	171.00
2022	378.00	262.40	115.60
2023	429.00	16.80	412.20
2024	<u>619.00</u>	<u>388.87</u>	<u>230.13</u>
Total	<u>2,124.00</u>	<u>1,153.37</u>	<u>970.63</u>

Source: Information from the Central Provincial Road Development Authority

Overpayment for Laying of ABC

Although payments were made with an average thickness of 150 mm without calculating the flatness measurements during the laying of ABC on the Thalathuoya Kanda Keputhenna road and the Hagala Giriella Gomaraya road it was observed that Rs. 1.99 million had been overpaid to the contractors as the thickness of the paving was 111.3 mm and 126.3 mm respectively, as revealed during field inspections.

Overpaying for Asphalt Laying and purchases of Asphalt Binder

Although payments were made for thicknesses of 40 and 50 millimeters respectively without taking flat measurements, during the laying of asphalt on the Thalathuoya Kanda Keputhenna road and the Kolombissa Pattiyaagama road , thus the thickness of the asphalt laid on those roads was 33.12 millimeters and 42. 68 millimeters respectively, as revealed during a field inspection, an excess of Rs. 6.712 million had been paid for asphalt and asphalt binders on the Kolombissa-Pattiyaagama road.

Transactions in Contentious Nature

Arrangements were made during the year 2024, to provide 634 dry rations valued at Rs. 9,710 per bag to the employees of the Road Development Authority as welfare programmes for the Sinhala-Hindu New Year 2024, at a cost of Rs. 6.15 million. However, the distribution of goods valued at Rs. 0.16 million to 17 officials of the Provincial Road Development Ministry, the Chief Secretariat, the Governor's Office and the Board of Directors of the Authority, who are not employees of the Authority, is a matter of controversy. Similarly, although there are a total of 368 employees, the details of the distribution of the remaining goods valued at Rs. 5.99 million were not submitted to the audit.

Unsettled Advances

Actions had been taken to get settled the outstanding advance balance of Rs. 171.98 million from the Provincial Health Services Department, which has been remaining for 6 years at the Hatton Seeda Resource Center, even by 31 December of the year 2024.

Issuance of Surcharges for Recovery of Losses

Even though the Commissioner of Cooperative Development had issued surcharge certificates amounting to Rs. 344.44 million for 18 societies in the Districts of Kandy, Matale and Nuwara Eliya in relation to the 46 (1) inspections conducted by

the Department of Cooperative Development of the Central Province at the end of the year 2024, steps had not been taken to recover those losses.

Actions had not been taken even by the end of the year under review to recover the amount of Rs. 1.99 million in respect of 07 losses and damages charged in accordance with the recommendations of the F.R. 104(4) inspections conducted in relation to the losses identified in relation to the Central Provincial Education Department and in accordance with Financial Regulation 119 (Provincial Financial Rules 68) .

Issues in Cooperative Societies

Out of the cooperative societies registered with the Central Provincial Cooperative Development Department, a number of 43,657 customers of 09 cooperative societies identified as problematic/risky by the end of the reporting year had not been able to repay deposits valued at Rs. 1,468.59 million and the intervention of the Cooperative Development Department in settling these deposits was at a very weak level.

Failure to collect outstanding Land Lease amounts

The lease revenue collected by the Central Province Land Department in 2024 in relation to 38 Divisional Secretariat Divisions in the Central Province is Rs. 283.66 million and an outstanding lease revenue of Rs. 122.69 million was to be recovered in relation to 31 Divisional Secretariat Divisions of that year. Out of this, arrears of Rs. 115.30 million were to be collected from the lessees of 9 Divisional Secretariat Divisions, which was 94 per cent of the total arrears of lease revenue. According to the revenue age analysis submitted as at 31 December 2024, a 45 per cent of the total arrears of lease revenue, that is Rs. 54.97 million, had been outstanding for more than 3 years.

Failure to make Surcharges

Actions had not been taken even by the end of 2024 in respect of the recovery of surcharges of Rs. 9.52 million in terms of 14 surcharge certificates issued by the Auditor General in the Central Province between 2013 and 2022 regarding surcharges in Local Government Institutions .

Decline in the Number of Farms and Livestock

Although the total number of registered cattle and buffalo farms in the Kandy District was 24,126 as at 31 December 2023 and thus 6,480 out of that were active, a number of 17,646 farms that is 73 per cent was inactive. The number of cattle, buffalo, goat and sheep farms was 24,008, in the year 2022, and thus it was 11,112 in 2023, there was a decrease of 12,896 in 2023. Also, the number of cattle and buffalo farms, which make a major contribution to local milk production, was 11,338 in the year 2022 and thus it was 7,239 in 2023, there was decrease of 4,099 farms, equivalent to 36 per cent.

Expired Medicines

A number of 1,265,294 units of 426 types of medicines valued at Rs. 14.55 million had expired in 06 regional hospitals and regional medical supply units in 03 Districts under the Central Provincial Health Services Department.

Failed Pharmaceutical Stocks

There were 144,034 quality failed stocks of 66 types of pharmaceuticals valued at Rs. 5.02 million in the 02 regional hospitals and regional medical supply units in 02 Districts belonging to the Central Province Health Services Department.

Sighted Irregularities

Out of the Rs. 3.11 million that had been paid incorrectly for the painting of health equipment by the Kandy District Health Services Office, that had been recommended by the Chief Secretary of the Central Province on 09 May 2019 to recover from 14 relevant responsible officers , a sum of Rs. 1.43

million had not been recovered from 06 officers as at 31 December 2024.

The relevant authorities had not conducted a formal investigation in accordance with Financial Regulation 104 (4) regarding the salary fraud committed by two officers who performed salary duties in the Kandy Regional Health Services Directorate Office under the Central Province Provincial Health Services Department during the period from 2016 to 2021, by incorrectly remitting a total of Rs. 53.04 million, consisting of Rs. 51.96 million and Rs. 1.08 million not confirmed by bank account numbers, to 14 personal bank accounts of themselves and their relatives, and had not taken steps to recover Rs. 50.44 million of the fraudulent amount from the relevant responsible parties. Likewise, it had not been possible to accurately identify the total amount of fraud for that period due to reasons such as failure to submit a formal and complete backup of the files and documents related to the salary packages, forgetting passwords, and inability to access the backups of 02 computers due to technical errors.

Identified Losses

Due to the failure of the company to maintain the items by installing a solar power generator system in the Provincial Council complex as per the agreement and breach of the agreement, a loss of Rs. 6.29 million had occurred as at 28 February 2023 because of breach of agreement since it was unable to reduce the expected electricity bill and no steps had also been taken to calculate the loss incurred from that date to the last day of the year 2024.

Failed Projects

A Memorandum of Understanding was signed between the Metropolitan and Western Development Project and the Central Provincial Passenger Transport Service Authority under the World Bank assistance project for a sum of Rs. 128 million for the purpose of planning the operation and management of the

proposed multimodal transport terminal to be implemented centered around the Goodshed Bus Stand in Kandy city for a period of 03 years on 28 September 2018. As the second phase, the Central Provincial Passenger Transport Service Authority had entered into an agreement with the Road Development Authority for a sum of Rs. 303 million on 22 March 2024 and its activities had commenced on 01 April 2024.

Under the said two phases, it was expected to obtain information to provide quality passenger transport service to the public by monitoring bus traffic using GPS devices and subjecting buses to some regulation. This project, which was initiated with the aim of providing mobile phones to the Authority and those directly involved in transportation work, installing GPS devices in buses to provide the public with the opportunity to express their views live, and maintaining the bus depots at a very high level for the public, had failed to provide quality services to the public even by end of 2024 by installing GPS devices in the targeted buses, providing quality applications to the buses, and properly managing the bus depots. As a result, the Central Provincial Passenger Service Authority had impossible to use technology to provide quality passenger transport services to the passengers.

Idle/Underutilized Assets

With the aim of expanding veterinary services, although the Hatton Veterinary Office in the Ambagamuwa Divisional Secretariat Division was constructed by Oxfam Private Company in the year 2020 at a cost of Rs. 4.15 million in the 787.44 square feet building under the Gender-Integrated Socio-Economic Development Project (EGSD), steps had not been taken to maintain laboratory services even though it had taken 4 years. Further, although laboratory equipment and materials valued at Rs. 17.88 million had been provided to the Nalanda District Agricultural Research and Training Center under the

Department of Agriculture for an organic fertilizer production project in the year 2021, almost 03 years had passed without using those equipment and materials as at the year 2024.

Engaging of Officers not trained as teachers in teaching activities

Development officers serving in schools attached to the Central Province, are engaged in teaching activities in the primary sector without any teacher training in Sinhala medium, 446 in 11 zones and 21 in Tamil medium in 06 zones and 71 in 10 zones are engaged in teaching activities in Sinhala medium in Mathematics, 23 in Science and 11 in English and 06 Development Officers have been assigned to Mathematics in Tamil medium and one for English. Likewise, 108 Development Officers have been assigned to teaching exceeding the number of vacancies in 04 subjects in 05 zones.

Teacher Vacancies and Excesses

There were 504 Principal vacancies, 137 Deputy Principal vacancies and 10 excesses in the Central Provincial Staff under the Central Provincial Government and the Ministry of Education, and 11 Assistant Principal vacancies and 444 excesses in the Central Province. Likewise, a number of 420 Teaching Service Officers were acting as Principals in the Central Province, and 420 Principals and 454 Principal Grade Officers had been employed as excess in schools .

North- western Provincial Council

Non-payment of Leases on New Assessments

Despite it had mentioned that the undeveloped assessed value for the year 2014 for a 50-acre plot of land in the Ganewatta Divisional Secretariat to be Rs. 37 million, the current owner was enjoying the said 50-acre piece of land for an annual rent of Rs. 761 due to the fact that no steps had been taken to revise the rent.

Failure to pay Lease and Sub-lease on new Assessments

A 75-acre land in the Pothuwila Grama Niladhari Division of the Ganewatta Divisional Secretariat was leased out to a farming company for 30 years on 18 January 1999 and an annual lease of Rs. 1.5 million should be levied on the assessed value of the land of Rs. 37.6 million. However, by levying Rs. 0.3 million, the government had lost Rs. 30 million in lease revenue for 25 years from 1999 to 2024. Although, no sub-lease or sub-lease can be made without the consent of the Land Commissioner as per Clause 10 of the lease agreement, a sub-lease was granted to a private company for a period of 5 years from 22 May 2022 to 31 August 2026 on the condition of collecting monthly rent of Rs. 0.4 million each in the first and fourth years and Rs. 0.5 million each in the fifth year.

Failure to collect of Arrears of Lease

The arrears of lease as at 31 March 2025, from the lease estimate and arrears lease estimate for the year 2024 of the North-western Provincial Land Commissioner's Department, was Rs. 119 million and out of that amount, thus the outstanding lease amount that could not be collected due to judicial proceedings was Rs. 79 million, the outstanding lease amount that could be collected further was Rs. 40 million.

Lending and collection to Small and Medium Scale Mill Owners

The Ministry of Trade, Commerce and Food Security had provided Rs. 82 million under 04 phases to the Puttalam District Rice Producers' Cooperative Societies and Rs. 69 million, under the program to provide credit relief to small and medium scale paddy mill owners, under 06 phases to the Kurunegala District Rice Producers' Cooperative Societies as a revolving loan program for 02 cooperative societies in the North Western Province under the supervision and recommendations of the Provincial Cooperative Development Commissioner. Out of the loan amount thus provided to the

societies, an amount of Rs. 143 million had not been repaid by the end of the year 2024 from the Puttalam and Kurunegala societies. Furthermore, , the loan amount is liable to be paid before the expiry of 06 months from the date of disbursement in accordance with the agreements and obligations of the third party in the agreements entered into with the cooperative societies and a late fee of 1.5 per cent per month should be charged for overdue loans. However, due to failure to do so, actions had not been taken to charge a late fee of Rs. 4.9 million for the overdue loan of Rs. 25 million released to the Kurunegala District Society from December 2023 to 2024 and a late fee of Rs. 2.1 million for the amount of Rs. 22 million released to the Puttalam District Society, totaling Rs. 7 million.

Unentitled Principal Allowances

Although the allowance for acting in the post of Principal should be given only to the officers of the Sri Lanka Educational Administrative Service or the Sri Lanka Principal Service who are regularly serving in the post of Principal or are acting in that post and who hold the privileges of Class 1, 2 and 3, in contrary to this, allowances of Rs. 35.56 million had been paid to 199 teachers in the Acting Teaching Service of the 08 Zonal Education Offices of the North -western Province from the relevant appointment date.

Uneconomic Transactions The cost of Rs. 49 million spent on the purchase of 97 Huller machines by the Department of Agriculture had become a futile expense by now due to farmers not producing organic fertilizer because of the decrease in demand for compost fertilizer.

Sabaragamuwa Provincial Council

Failure to take actions for Losses and Damages

Due to the failure of the accounting officers to take necessary actions within the stipulated time limits, a value of Rs. 13.9

million was spent on repair works related to two vehicle accidents that occurred in the year 2020 and 2017 respectively at the Governor's Secretariat and the Chief Ministry. It was not possible to recover the insurance compensation from the relevant insurance company.

Not taking Advantage of Price Variations

Although the input prices, which increased rapidly in 2021 and 2022, have shown a downward trend since 2023, as the Office of the Deputy Chief Secretary (Engineering Services) had not taken steps to calculate, approving and adjusting the price variations to the bills within the stipulated time frames according to the equations introduced in the standard bid forms of the Construction Training and Development Institute approved by the National Procurement Agency, the total of Rs. 4 million, which was incurred for 12 projects implemented by the Chief ministry, could not be deducted from the bills.

Idle Assets

Although the Sabaragamuwa Provincial Chief Ministry had purchased 14 compactor machines in the year 2015 without conducting a proper necessity study and distributed them to 14 local government institutions in the Sabaragamuwa Province, spending Rs. 58 million, the machines were 10 feet wide, which was not suitable for the roads, and therefore remained unused. Further, although the Counseling Center building, which was constructed at a cost of Rs. 17.1 million for the Murutthettuwa Male Child Detention Center under the Department of Probation, Child Protection and Social Services, was opened on 26 September 2019, it had not been used until the end of 2024 due to the use of a part of the detention center itself for counseling activities.

Purchasing**without Identifying Needs**

Even though the Ministry had acquired 1,500 90-watt LED solar street lamps valued at Rs. 29.2 million with a warranty period of 2 years to provide to the local government institutions under the Solar Street Lamp Installation Project (Phase 01) of the Renewable Energy Street Lighting Project of the Department of Local Government which has a lifespan of about one hour and 20 minutes, the local government institutions had not properly identified the need in this regard prior to the purchase. Similarly, no formal inspection of the specifications had been carried out before accepting the goods, and although the street lamps were distributed to local government institutions after it was later reported that the battery capacity, solar street lamp panel capacity and wattage of the street lamps did not match the specifications, due to non-compliance with the requirements, those institutions had returned to the Ministry upon rejection and stored, and 10 months of the warranty period had elapsed by May 2025 .

Further, the said amount had not been paid to the relevant supplier and the said street lamps, which did not comply with the specifications, had not been returned to the supplier. The supplier had complained to the Kandy Regional Office of the Human Rights Commission of Sri Lanka on 26 September 2024 regarding the non-payment.

Direct Awarding of Contracts**without following****Procurement Procedures**

The Sabaragamuwa Provincial Council Ministry of Education and the Chief Ministry, had awarded 41 construction contracts valued at Rs. 472.8 million to the Development Construction Machinery Authority during the year 2024 without carrying out procurement activities in accordance with the Procurement Guidelines and contrary to them, with the approval of the Governor.

Failure to Purchase Equipment for Children Homes

Even though Rs. 7 million had been allocated for the year 2024, for the purchase of essential equipment for children's homes and detention centers registered under the Department of Probation, Childcare and Social Services, a sum of Rs. 0.97 million had been spent As at 31 December 2024, and Rs. 6 million, or 86 per cent, had been saved.

Inefficiencies in long-term land lease collection

394 lessees who have defaulted on paying leases for a period of between 1 and 17 years without renewing their annual permits in the 4 Divisional Secretariat Divisions of Balangoda, Ratnapura, Eheliyagoda and Imbulpe, the lease defaulted amount was Rs. 37.3 million and the fine calculated on it was Rs. 3.6 million as at 31 December 2024 .

Failure to collect Long-term Lease

The Ratnapura Divisional Secretary had released 20 perches of land called Mirishena Mukalana in Samagipura 182 C Grama Niladhari Division, Muwagama Pothgul Kanda, Ratnapura Divisional Secretariat Division to a private company for the construction of a communication centre on 03 January 1995, subject to obtaining long-term lease approval. However, although 30 years had elapsed since the release of the land, long-term lease had not been levied, it was confirmed that a private company was generating income by using that plot of land for commercial purposes.

Even though a 2.161 hectare piece of land from the government land shown as Plot No. 05 in the මු.පි.කැ.2868, in Yatiyanthota Divisional Secretariat Division had been leased out to the Rupavahini Ltd. since 22 March 2002 for the construction of a broadcasting centre, Rupavahini had defaulted on the payment

of the lease since 2008, resulting in an arrears of Rs. 10.2 million as at 31 December 2024 .

**Payment of Benefits
From the Social Services
Fund**

Although it had been stated during the release of funds that money could be released to provide assistance for nutrition, health and education to needy and disabled children, Divisional Secretariat had not provided educational assistance in the year 2024 and only two Divisional Secretariats had provided nutritional assistance to two beneficiaries.

Likewise, although assistance can be provided to families in extremely poor conditions who have not received assistance or subsidies from any other aid scheme as per Regulation 24 of the Fund, steps had not been taken over the years to identify such families by conducting a survey of families not receiving any assistance through the Social Service Officers of the province.

However, there was a quantitative cash balance of Rs. 176.6 million in the Social Service Fund, as at 31 December 2024 .

**Additional Payments for
Projects**

The work subject of laying piled soil, which was covered by a payment item for 21 playground development projects implemented under the supervision of the Kolonna Pradeshiya Sabha in the years 2016 and 2017, under the provisions of the Provincial Roads Ministry, was included as an additional work item and a total of Rs. 5.9 million was overestimated and paid for 38,872 cubic meters of soil. However actions had not been taken to recover the overpayments and to finalize disciplinary proceedings against the responsible officers, even up to the end of the year 2024. Similarly, the Provincial Roads Ministry had paid a sum of 17.87 million inaccurately in the year 2017 for the projects performed by Embilipitiya Pradeshiya Sabha and Rs. 4.16 million had been spent unnecessarily on 03 projects, and no steps had been taken to

recover the incorrect payments and to complete the disciplinary proceedings even by the year 2024 .

Providing Official Vehicle Facilities Informally

Although the Chairman of the Provincial Public Service Commission and the Chairman of the Cooperative Employees Commission are not included under the title of having an official vehicle in terms of Paragraph 01 of the Public Administration Circular No. 22/99 dated 08 October 1999, they had been provided official vehicles with fuel.

Eastern Provincial Council

Non-remittance of Stamp Duty to Local Government Institutions

Although the value of stamp duty collected from the Registrar General between 2010 and 2024 was Rs. 6,475.26 million , only Rs. 3,988.4 million had been remitted to the local government institutions. Accordingly, a stamp duty revenue of Rs. 1,435.80 million had been credited to the Provincial Council Fund Account without being remitted to the local government institutions during the period from 01 to 14 years and another amount of Rs. 1,051.04 million had been retained in the revenue account.

Unrecorded Arrears of Income

The arrears of revenue receivable from 25 sources of revenue had not been assessed, calculated and reported in the financial statements for 10 years as per Section 08 of the Fiscal Policy Circular No. 01/2015 dated 20 July 2015, and therefore, 97 per cent of the total tax evaded or Rs. 55.71 million in defaulted stamp duty and penalty had been allowed to remain uncollected from 1,135 defaulters during the period from 01 to 10 years as per Financial Regulation No. 128 (2) (c) .

Defaulting of Refunding of Advances

Out of the funds received from the Food Commissioner between 2021 and 2024, Rs. 129.70 million had been paid as advances for purchasing paddy to 32 rice producers' cooperative societies in Trincomalee, Batticaloa and Ampara districts with the aim of uplifting rice mill owners and the money was to be recovered from the income from the sale of rice within 06 months. An amount of Rs. 101.64 million, including Rs. 16 million paid on 07 March 2024, to 10 rice producers in Ampara District who had defaulted on repayments, as per the agreement entered into by the Co-operative Development Commissioner of the Eastern Province on 15 December 2021 had remained outstanding for a period of 10 months to 03 years as at 30 April 2025 without any action being taken to recover the amount.

Payment of Incentives that

are not Formally Approved Without establishing the Revenue Incentive Fund in terms of Section 102A (01) of the Eastern Provincial Finance Charter No. 01 of 2008, the Chief Secretary had approved and paid an incentive allowance of Rs. 63.88 Million to 98 different officers belonging to 14 different categories of posts from the Eastern Provincial Council Fund Account during the period from 01 January 2018 to 31 December 2024. Similarly, although the said officers could not be paid other allowances for the same work such as overtime and holiday pay, without taking that situation into account, a sum of Rs. 4.28 million had been paid for overtime/holiday work in relation to various activities of the Revenue Unit during a period of 06 years..

Payment of Staff Allowances

A sum of Rs. 20.55 million had been paid from the Eastern Provincial Council Fund as salaries and other employee benefits for 08 different staff categories of the 02 Provincial Council statutory authorities from 1 January 2019 to 31

December 2024 without obtaining the approval for that staff for 5 years.

Uva Provincial Council

Failure to use Official Residences

According to information provided by the Uva Provincial Education Department, only 586 official quarters are being used out of a total of 1,025 official quarters belonging to 09 educational zones in the Uva Province for residence and 408 official quarters that were not used for residence had remained in idle.

Idle Assets

It was observed that Card Printers and Barcode Readers valued at Rs. 1.11 million purchased by the Badulla Regional Health Services Office had remained in idle and underutilized in the hospital warehouses for a long time without being used for the intended purpose. Surgical medical supplies valued at Rs. 18.835 million purchased by the Badulla Regional Health Services Office had remained in idle in the warehouse as AT 22 August 2024, the date of audit, without being used for the intended purpose.

Failure to Achieve the Desired Outcome

Although the Uva Provincial Ministry of Road Development, Housing, Water Supply, Estate Infrastructure and Cooperative Affairs and the Uva Provincial Cooperative Development Department jointly established the Wellassa Rice Processing Center in 2011 at a cost of Rs. 8.148 million on a land belonging to the Monaragala Mountainous Various Services Cooperative Society, it has been closed and idle since 2018. Similarly, the Cooperative Development Department had provided a loan of Rs. 5.06 million to the Chairman of the Monaragala Various Services Cooperative Society in 2015 to implement this project and had entered into an agreement to

recover it in 60 installments (in 5 years) after a grace period of one year. Although the agreement period had expired, not a single installment of that amount had been recovered.

Failure to purchase equipment and seeds

Due to the failure to purchase equipment and seeds planned to be purchased with Provincial Specific Development Grants and 50 per cent farmer contribution funds in 2022 and 2023 by the Monaragala and Badulla Deputy Directorates of Agriculture, it had not been possible to provide benefits to those farmers and a sum of Rs. 1.036 million of the 50 per cent contribution amount collected from the farmers had been retained in the general deposit account without being released to the farmers.

Deploying of Excess Staff

In addition to deploying two teachers for teaching at Mo/Weherabedithenna Primary School, which has only two students, 04 development officers had also been appointed and a sum of Rs. 3.234 million was paid as salaries from January to October 2024 .

Non-utilization of Funds Received for Projects

From the school-based grants provided to schools on 05 January 2022 amounted to Rs. 0.3 million each for the purchase of depreciable and consumables under the Secondary Education Sector Development Program (SESIP) to improve the quality of secondary education under the assistance of the Asian Development Bank , grants totalling to Rs. 1.090 million had been retained in idle without making the relevant purchases in the School Development Account by 08 schools inspected on a sample basis. Further, although the total amount of Rs. 6.29 million allocated for the development of targeted subjects was to be utilized by 31 October 2024, as per the circular No. ED/01/103/02/06(IV) dated 01 July 2024 of the Additional Secretary (Educational Quality Development - ජ.අ.ප.) of the Ministry of Education, a total of Rs. 2.704 million

in grants had been left unutilized in 22 schools even by 01 November 2024 .

Excesses and Shortages of Teachers

According to information provided by the Uva Provincial Education Department, due to the lack of a formal teacher evaluation in the Uva Province, maintaining an excess of 338 teachers in 145 schools in 02 education zones in a context where there is a shortage of 2828 teachers in 605 schools in 08 education zones by the end of June 2024, a total of Rs. 446.741 million had been paid as salaries to the said excess staff from January 2023 to June 2024. It was observed that although there was a surplus of teachers in 02 zones, there was a shortage of 622 teachers in 178 schools due to the lack of teacher evaluation .

Delay in Construction of Dormitory Building

A contract agreement had been entered into with a private construction company for the construction of a three-storied student hostel at Kuda Kusum Balika Vidyalaya, Bandarawela, in the year 2017 for a value of Rs. 47.09 million and although the work was scheduled to be completed on 04 August 2018, as per the said agreement, construction works had not been completed even by 06 December 2024.

Solar Power Project

The Uva Provincial Council had specified the project to utilize the roofs of buildings owned by the Uva Provincial Council to generate solar energy as a Public Private Partnership (PPP) Project and as a Turnkey project as per Paragraph 01 of the bidding documents as per the letter of the Deputy Principal Secretary (Finance) No. 2/PVC/ACP/06/Solar dated 24 November 2024. Although the approval of the Cabinet of Ministers was required for such procurements as per Paragraph 03.10 of the Government Procurement Guidelines, such approval had not been obtained. Further although the approval of a Cabinet Appointed Procurement Committee and a

Technical Evaluation Committee appointed by the Cabinet of Ministers was required for the implementation of such a project, as per Paragraph 04 of the Public Finance Circular No. 02/2019 dated 26 March 2019 addressed to the Chief Secretaries of the Provincial Councils, such action had not been taken. Although a performance document of Rs. 2.5 million had been requested to be provided according to clause 03 of the Condition of Contract of the procurement documents, the value of the performance security that should have been obtained according to the contract value of the project was Rs. 292.82 million. Although the project was to be completed by 31 December 2022 as per the agreement, it had not been carried out accordingly. Also, although the extension letter for the project was not submitted for audit, the contractor company had extended the performance security period of Rs. 2.5 million from 22 June 2022 to 22 December 2022. The project had not been completed or extended as per the agreement, and the performance guarantee had not been cashed. Also, the agreement signed with the contractor did not include any clause regarding the performance guarantee.

Although the installation of solar panels with a capacity of 46.35 megawatts was to be completed within a period of 12 months from the date of the agreement as stated in Paragraph 6(xvi) of the agreement relating to the project, only 450 out of 879 contracted rooftops had solar panels installed as at 30 November 2024 and the electricity generated from them was 20 megawatts. Accordingly, due to the delay in this Project, the Uva Provincial Council had lost about Rs. 73.26 million in revenue in the years 2023 and 2024 .

Payments of Allowances

Allowances amounting to Rs. 7.36 million had been paid to 14 officers from 03 November 2021 to 29 November 2024, without obtaining the approval of the Department of

Management Services of the Treasury, but only with the approval of the Governor.

Northern Provincial Council

Arrears of Lease Rent

The Northern Province Government lands were given for long-term lease and business purposes and, after they became income-generating, the total arrears of Rs. 20.20 million for the period from 2019 to 16 April 2025 remained uncollected by the Rent Department and appropriate measures had not been taken to recover them.

Idle Assets

The Mannar Security/Safe House, which was constructed in 2019 with a cost of Rs. 17.14 million from the Provincial Specific Development Grant (PSDG) Fund, has been unused for the past 03 years and the Provincial Probation and Child Care Services Department had paid a total of Rs. 1.64 million as salaries of the security officers related to that building.

Provision of Irrigation

Water Facilities

Despite 240 acres of Yala season paddy cultivation had been carried out by providing irrigation facilities through the Wanerikulam Road, a sum of Rs. 93.66 million had been spent on the renovation program for the Yala season cultivation of 800 acres. Although the deadline for completion of the work had passed, the relevant work had not been completed and the project had not achieved the expected level of completion.

Retaining of Reservoir Water

Due to the Spill Structure project for the Kalmadukulam Dam was not included in the estimate and not being implemented, although Rs.522.82 million had been spent, it was not possible to retain much rainwater.

Non-compliance to Procurement Guidelines

The Road Development Department in the year under review had selected and executed capital works valued at Rs. 397.45 million in the Northern Province by selecting contractors who were not registered in the list of contractors for the year 2024 in contrary to the Procurement Guidelines , without considering previous work experience, etc.

Further, the Road Development Department had selected the contractor by inviting bids under the shopping method for 02 new capital works valued at Rs. 24.91 million in the year under review, in contrary to the Procurement Guidelines.

North Central Province

Loss of Land Lease Income

Due to the granting of lease concessions by the Land Commissioner contrary to the Circular No. 2020/06 (i) dated 01 February 2021 and Cabinet Decision No. 20/1622/322/004, the Provincial Council had lost Rs. 73.4 million in lease revenue. Further, the long-term land license fee receivable in respect of 22 Divisional Secretariat Divisions of the Province was Rs. 673.7 million, and within that the balance, the receivable between 1-3 years was Rs. 469.7 million, and the balance for more than 03 years was Rs. 204 million.

Getting confirmed Arrival and Departure through Fingerprint Machines.

Overtime payments had been made during the year under review in the two Regional Health Services Directorates and the Provincial Education Department amounting to Rs. 1677.3 million and Rs. 0.37 million respectively without getting confirmed arrival and departure through fingerprint machines.

Lack of Sanitation Facilities

There are 495 schools in the 3 Zonal Education Offices in the Polonnaruwa District that need toilets and lavatories, and 1008 schools need to have their toilets repaired. Also, although the drinking water needs of 92 schools need to be met, steps had not been taken to meet those needs in the year 2024 .

Shortcomings in Contract Administration

In making payments in respect of 07 construction projects of 07 local government institutions under the Regional Development Assistance Project, a sum of Rs. 2.9 million was paid for 27 uncompleted work units in 03 projects, Rs. 31.2 million had been paid for over-the-counter work and exceeding the estimate in respect of 06 projects, and Rs. 15.9 million had been paid for price variations in 03 projects and the price variation was between 21 per cent and 35 per cent. Also, payments had been made for 41 items valued at Rs. 4.9 million without submitting warranty certificates.

Not functioning of Solar Power Systems

The solar power systems had been installed on the roof of the North Central Provincial Administration Complex and the Provincial Rural Development Department office building, and due to these systems not generating electricity as expected, an income of Rs. 21 million and Rs. 9 million respectively had been lost from the year to 2019 to 2024 .

Idle / Underutilized Assets

Due to lack of facilities for locating medical equipment, lack of spare parts and malfunctions in the radiation unit valued at Rs. 9.6 million at the Kahatagasdigiliya Base Hospital, an ECG machine valued at Rs. 0.3 million at the Medirigiriya Base Hospital, a multi-para monitor valued at Rs. 0.58 million at the Aralaganwila Regional Hospital, and equipment at 01 base hospital, 10 regional hospitals and 05 primary medical care units, 46 medical devices were idle for a period of between 3

months and 10 years. Further, 26 boats valued at Rs. 4 million purchased on 24 April 2023 and 18 July 2023 for revenue generation of Padaviya Pradeshiya Sabha under the L.D.S.P project of the Department of Local Government had been piled up on the Pradeshiya Sabha land without being put to use.

Inability to Repair Broken Computers

A number of 293 computers in 14 computer labs in the Dimbulagala and Polonnaruwa Zonal Education Offices were inactive. Although it is the duty of the officers responsible in the Provincial Education Department and Zonal Education Offices to maintain the data systems of inactive computers in the laboratories of the schools in the province and provide services to the schools, such actions had not been taken.

Analysis of North Central Province children's Exam Results

When analyzing the results of children from the North Central Province who sat for the examinations conducted for school students at the national level, the North Central Province, which was in 6th place until 2017, has been ranked 9th (last) for the past 3 consecutive years according to the results of the G.C.E. (O/L) examination. According to the results of the G.C.E (A/L) examination, the North Central Province, which was ranked 8th in 2017, has been ranked 9th (last) for the past 3 consecutive years.

Local Authorities

Provincial administrative functions in Sri Lanka are carried out by 341 local government institutions, which include 28 municipal councils operating under Section 252 of the Municipal Councils Ordinance, 37 urban councils operating under Section 255 of the Urban Councils Ordinance, and 276 local councils operating under the Provincial Councils Act No. 15 of 1987. A summary of the submission of financial statements of these local government institutions for the year 2024 and the Auditor General's opinions on these financial statements is presented in the table below.

Table No 2.55 - Submission of Financial Statements and Audit Opinions

Category of Local Government	Number of Councils which are financial statements should be presented	Number of boards that submitted financial statements as of February 28, 2025	Number of councils that issued audit reports	Audit opinion according to the report issued on August 15, 2025			
				Unqualified opinion	Qualified opinion	Disclaimer of opinion	Advers opinion
Minuciple Councils	28	19	25	-	20	1	4
Urban Councils	37	31	37	-	35	0	2
Local Councils	276	247	275	4	257	3	11
Total	<u>341</u>	<u>297</u>	<u>337</u>	<u>04</u>	<u>312</u>	<u>4</u>	<u>17</u>

Sources - Annual financial statements of provincial administrative institutions - 2024

(The financial statements for the year 2024 were not submitted for audit by the Kalutara, Puttalam, and Vavuniya Municipal Councils and the Kalutara Pradeshiya Sabha.)

Table No 2.56 - Collection of excise duty, rent, license fees, and other revenues

Category of Local Government	Rent & Rates (Rs. Million)	Leases (Rs. Million)	Licen Fees (Rs. Million)	Other Income (Rs. Million)	Total Income (Rs. Million)
Minuciple Councils	10,535	2,125	449	4,663	17,772
Urban Councils	1,660	991	157	1,829	4,637
Local Councils	3,953	3,532	763	10,638	18,886
Total	<u>16,148</u>	<u>6,648</u>	<u>1,369</u>	<u>17,130</u>	<u>41,296</u>

Source - Annual Financial Statements-2024

Arrears of Revenue

The arrears of revenue that remained receivable to local authorities as at 31 December 2024 amounted to Rs.20,826 million. Due to the failure to take actions in accordance with provisions in Acts for the collection of Assessment tax and taxes, delays in the assessment of Assessment tax over a period of 5 to 10 years of the local authorities, the failure to recover the Assessment tax by identifying developed areas and the non-revision of taxes after issuing certificates of compliance following the granting of development permits, a significant amount of Assessment tax due to local authorities has remained uncollected. Non-compliance with the conditions of lease agreements for the collection of rental income, the failure to reassess rentals in a timely manner, delays in collecting assessed rental taxes and the lack of renewal of rental agreements have caused many local authorities to lose substantial rental income. Also, the failure to file lawsuits for the recovery of outstanding trade license fees and the failure to collect other revenue in line with the provisions in the Acts, by-laws, and agreements had caused that situation.

Failure to collect receivable court fines and stamp duties

According to the financial statements of the local authorities as at 31 December 2024, the court fines amounting to a total of Rs.2,623 million and the stamp duties of Rs.9,034 million remained receivable from the Provincial Councils. The details are as follows.

Table No. 2.57 – Outstanding Court Fines and Stamp Duty -2024

Type of Local Authority	Court Fines Rs.Million	Stamp Duties Rs.Million	Total Rs.Million
Municipal Councils	309	927	1,236
Urban Councils	159	567	726
Pradeshiya Sabhas	2,155	7,540	9,695
Total	<u>2,623</u>	<u>9,034</u>	<u>11,657</u>

Source: Annual Financial Statements of Local Government Institution - 2024

Assets and Liabilities Lands and Buildings

The Provincial Councils had failed to provide the court fines and stamp duties to the local authorities as required and it adversely affected the budget and planning processes of the local authorities.

A significant portion of the country's high-value commercial lands and buildings is owned by the local authorities. According to the financial statements, the value of these assets amounts to Rs.300,852 million. The details are as given below.

Table No.2.58 - Lands and Buildings of the Local Government Authorities

Type of Local Authority	Value Rs.Million
Municipal Councils	123,049
Urban Councils	42,032
Pradeshiya Sabhas	135,771
Total	<u>300,852</u>

Source: Annual Financial Statements of Local Government Authorities - 2024

Among the lands and buildings included in the value of the above lands and buildings, only those belonging to the local authorities in the Western Province and the North Central Province have been revalued at the current market price and recorded in the accounts as per the Sri Lanka Public Sector Accounting Standards for Local Authorities.

Motor Vehicles

The number of motor vehicles owned by the local authorities as at 31 December 2024 amounted to 10,798 and their total value stood at Rs. 29,500 million. The details are given below.

Table No2.59 – Motor Vehicles owned by the Local Government Authorities

Type of Local Authority	No. of Vehicles	Investment Rs.Million
Municipal Councils	3,544	12,579
Urban Councils	1,173	2,420
Pradeshiya Sabhas	6,081	14,501
Total	<u>10,798</u>	<u>29,500</u>

Source: Annual Financial Statements of Local Government Authorities - 2024

Investments

Since the main objective of local authorities is to carry out the tasks assigned by Act, they must plan expenditure and prepare budget statements in line with the authorities' income. However, many local authorities have not properly prepared their budgets and supplementary estimates, resulting in savings of funds being invested in fixed deposits and other deposits with the aim of generating income. The details are given below.

Table No. 2.60 – Investment in Local Government Authorities

Type of Local Authority	Investment Rs. Million
Municipal Councils	17,218
Urban Councils	3,417
Pradeshiya Sabha	15,291
Total	<u>35,926</u>

Source: Annual Financial Statements of Local Government Authorities - 2024

When local authorities failed to properly carry out public health, public utility services, public thoroughfare activities and public welfare tasks assigned to them, the practice of maintaining their funds as fixed deposits became a problematic situation.

Cash and Bank Accounts

The balance of funds in the bank accounts and the cash on hand of local authorities as at 31 December 2024 was Rs. 15,677 million. The details are given below.

Table No. 2.61 – Bank balance and Cash on hand of the Local Government Authorities as at 31 December 2024

Type of Local Authority	Cash and Bank Balances Rs. Million
Municipal Councils	1,864
Urban Councils	2,042
Pradeshiya Sabha	11,770
Total	<u>15,676</u>

Source: Annual Financial Statements of Local Government Authorities - 2024

Loans of local Authorities

According to the financial statements presented, the amount of loans obtained by local authorities from the Local Loan Development Fund (LLDF) and other institutions was Rs. 50,263 million. The details are given below.

Table No.2.62 - Loans of Local Authorities

Type of Local Authority	Loan obtained from Local Loan Development Fund. Rs.Million	Other Loans Rs.Million	Total Rs.Million
Municipal Councils	2,166	4058	6,224
Urban Councils	961	68	1,029
Pradeshiya Sabhas	661	42,349	43,010
Total	<u>3,788</u>	<u>46,475</u>	<u>50,263</u>

Source: Annual Financial Statements of Local Government Authorities - 2024

Audit Observations

Western Province - Colombo District

Colombo Municipal Council

About 20 locations that would be flooded during normal rainfall condition had been identified by the Colombo Municipal Council, and out of the 13 locations for which contracts had been awarded for development, only 3 contracts had been completed during the year 2024. The actions had not been taken in relation to 7 locations until now.

37 Multi-Purpose Development Assistants had been attached to the Colombo Municipal Council as Labourers with effect from 01 June 2023. However, they had not been employed by the Colombo Municipal Council and however had been attached to other offices of the Western Provincial Council and a total of Rs.17.9 million had been paid as salaries by the Colombo Municipal Council as at 31 December 2024.

Dehiwala - Mount Lavinia Municipal Council

As the Council had entered into a cable TV project without an agreement, an outstanding tax rental income of Rs.4.5 million that was due from the that project and not disclosed in the financial statements as of 31 December 2024, could not be recovered.

The opening assessment tax balance for the year 2024 was Rs.763.7 million, a sum of Rs.191.2 million had been collected during the year and Rs.572.5 million or 75 percent had could not be collected. Further, there was an assessment deficit of Rs. 900.5 million on 45,685 Rate units properties as at 31 December 2024.

Out of 683 institutions not obtained the trade license in the year 2024, the steps had been prosecuted for only 47 institutions even as at February 2025 and no actions had been taken against the remaining 636 institutions.

Rs.2.4 million remained to be recovered as at 31 December 2024 from the responsible parties for surcharges imposed by the Auditor General between the period from 1995 and 2015 in terms of the provisions of the Municipal Councils Ordinance.

Although a project of selling leaving waste was implemented in the year 2024, 19,284 tons of leaving waste had been disposed at the Karadiyana landfill at a cost of Rs.19.3 million during the year. Even if a sum of Rs.43.5 million had been allocated from the budget for the total capital cost of leaving waste management, the steps had not been taken to carry out solid waste management activities systematically and efficiently, except the purchasing of office equipment at a cost of Rs.2.6 million.

**Sri Jayawardhanapura
Kotte Municipal
Council**

There was uncertainty regarding the recovery of Rs.70 million receivable out of the billings amounted to Rs.84 million for shop rents related to the new assessment from 01 January 2024 remained uncertain.

**Moratuwa Municipal
Council**

As the steps were not taken to collect the assessments taxes, the outstanding assessment tax balance as at 31 December 2024 was Rs.290.73 million, it included a value of Rs.87.91 million due from 318 assessment units with outstanding assessment value exceeding Rs.50,000 and the amount due from 10 public institutions with outstanding assessments exceeding Rs.1 million was Rs.40.48 million.

Due to the delay in sending reports and contributions to the Employees' Trust Fund from the year 2003 to 2015, the steps had not been taken to recover the surcharge of Rs.1.55 million from the responsible parties.

In the case filed against the Council regarding the approval of the Financial Plan No. 1329. During the year 2024, the Council had not recovered the amount of Rs.11.60 million from the

responsible parties as compensation and legal fees to the plaintiffs as per the court order issued on 20 July 2018.

Maharagama Urban Council

Out of the outstanding assessment tax balance of Rs.243.2 million at the end of the previous year, only Rs.78.6 million had been collected and a sum of Rs.164.6 million or 67 percent could not be collected according to the revenue progress reports as at 31 December 2024.

Kolonnawa Urban Council

As at the end of the year 2024, the outstanding assessment was Rs.80.1 million and the balance of rent receivable from 164 shops owned by the council as at the said date was Rs.7.8 million.

Homagama Pradeshiya Sabha

The total amount of Rs.189 million as rents amounted to Rs.6 million and the fines amounted to Rs.183 million that had been incorrectly billed for the Meegoda Economic Center had been written off from the income of the year 2024 by obtaining the approval only from the Steering Committee without the correcting the agreement and without obtaining the approval of the Governor.

The contract for the construction of the Jalthara Crematorium had been awarded to an institution in the year 2019 and the recommendation of the Central Environmental Authority for the construction of the crematorium had not been received even as at that time. An amount of Rs.3.5 million had been paid under the first phase and an advance of Rs.3.36 million had been paid under the second phase. However, the project had been stopped midway and the contractor had withdrawn from the construction activities and the performance security of the contract had also expired on 10 May 2024.

Gampaha District

Gampaha Urban Council

Although 2 years have passed after giving the verdict of the case filed regarding the outstanding entertainment tax balance of Rs.3.85 million between 5 to 10 years to be collected from a Cinema Hall within the limits of the Gampaha Municipal Council, the said amount had not been collected even as at 15 March 2025.

Although an order had been given by the District Court on 12 December 2024 to pay the compensation and interest amounted to Rs.4.62 million to the Council in respect of the case filed regarding the acquisition of a piece of land from the Yakkala Sub-office by the Road Development Authority for the widening of the Colombo-Kandy Road in the Gampaha Municipal Council, the compensation and interest had not been received as at 15 May 2025.

The community hall valued at Rs.6 million located on a 15-perches land lot in the center of Gampaha Town was not being used for community activities and the unauthorized persons were residing therein. In the auditorium worth Rs.3.96 million located in the Municipal Council playground, 3 out of 4 rooms had been closed by outside parties placing bodybuilding equipment and other equipment inside without having permission. Even if the electricity and water bills were paid by the Municipal Council, its control had gone out from the Municipal Council.

Negombo Urban Council

The project for the construction of the Talahena sub-office building located on the land where the Talahena Maternity Clinic is situated, had paid a total of Rs.3.81 million as consultation fees and soil testing fees, without obtaining the governor's approval or carrying out any construction from 10 December 2022 to 30 May 2025.

The contracts had been cancelled due to the poor performance of the initial contractor who was responsible for the construction of a two-story library building with commercial facilities. However, as the performance bond of Rs.7.85 million was not converted into cash, the amount of Rs.7.85 million, which should have been received for the council fund, had been lost along with the benefits thereon from 20 November 2019. Further, although this construction was scheduled to be completed on 23 June 2017 at a cost of Rs.157 million, due to the stoppage of the construction, a sum of Rs.313 million; with Rs. 206 million including price fluctuations due to high inflation had to be paid to the contractor, who completed the remaining parts on 09 September 2024, for the construction of the entire two-storey building.

The Municipal Council had entered into a contract on 18 January 2023 for the construction of the Dudley Senanayaka Central Market Building in Kamachchodiya with 4 storeys at a cost of Rs.479 million and to complete the construction on 12 October 2023. Despite the fact that the contract was limited to 50 percent, an advance of Rs.99 million had been paid based on the total contract value of Rs.479 million. Consequently, there was an overpayment of Rs. 51 million.

Katunayaka Urban Council

While the minimum auction value of the land with an extent of 88.82 perches bearing number 1443 which was registered on 10 February 2023 was Rs.111 million, the said land had been registered at a value of Rs.100,000. Consequently, the stamp duty revenue of Rs.2.2 million to be received by the Council Fund for Rs.110 million at the rate of 2 percent in accordance with the Stamp Duty Act No. 12 of 2006 (Special Provisions) had been lost.

25 tractor loads of degradable waste and non-degradable food packs such as polythene packs collected daily from 75 percent of the council area had been dumped since many years on a 10-

acre swampy land in Ambalammulla belonging to the Land Reforms Commission and the council had provided an opportunity for external parties to separate and sell the annual gross collection of 12,000 kilograms of iron, 18,000 kilograms of plastic and 6,000 kilograms of glass.

Ja-Ela Urban Council

The Urban Development Authority Planning and Building Regulations No. 22 published in the Gazette No. 392/9 dated 10 March 1986 has specified that when subdividing lands exceeding 01 hectare, a suitable area of not less than 10 percent of the remaining land area excluding roads should be given for community, sports and recreational purposes. However, the Ja-Ela Urban Council, in violation of this section, had subdivided the Lake City land into 05 plots, which could not be used for the purpose specified above and a tank of 01 acre 03 roods 0.26 perches and a triangular-shaped portion remaining after the subdivision which could not be sold by the property auctioneer amounting to a total of 03 acres 01 roods 20.98 perches had been intentionally provided as a public land plot.

Even if waste is segregated into biodegradable and non-biodegradable, due to the failure to classify and sort as resellable polythene, glass, iron, plastic and building materials, an income that could have been earned by the Ja-Ela Municipal Council were being received by other parties and when the Suduwella Garbage Yard, located on an area of about 11 acres, was inspected on 13 September 2024, it was observed that non-biodegradable food packaging materials and mixed waste as polythene bags had been disposed irregularly throughout the entire land.

Peliyagoda Urban Council

The Peliyagoda Urban Council had decided in the year 2021 to construct a 4-storey building to be used as a parlor and accordingly, the estimates had been prepared and a consultancy firm has also been selected as well as the preliminary works

Aththanagalla Pradeshiya Sabha

had been started and a sum of Rs.28 million had been paid. However, in the year 2022, the project was stopped, and as a result the council had lost Rs.8 million while there was a possibility to recover Rs. 19.9 million from the contractor.

An amount of Rs.30.86 million that had been given in the year 2019 by the Water Supply and Drainage Board and an amount of Rs.1.88 million given in the year 2023 for concreting two damaged roads using water pipes in the Aththanagalla Pradeshiya Sabha had not been used for the intended purpose, and in the year 2021, a sum of Rs.10 million had been deposited in a fixed deposit and the rest had been used to reimburse the expenses of the Pradeshiya Sabha. In the year 2023 and 2024, Rs.28.81 million had been paid for the development of those two roads and due to non-implementation of development activities in the years in which the money was received, about 1400 meters of works could not be completed. In the Attanagalla Pradeshiya Sabha, 2 completed buildings worth Rs.0.99 million and 6 partially completed buildings worth Rs.5.91 million remained idle and only the slab roofs had been used for 8 buildings worth Rs.8.39 million.

Biyagama Pradeshiya Sabha

Rs.38.75 million had been spent from the Pradeshiya Sabha funds up to the year 2023 for the renovation of the Ayurveda building owned by the Biyagama Pradeshiya Sabha. However, it had not been put into use for its intended purpose even as at 29 January 2025 due to the flooding of the building even though 4 years had passed since its construction.

Although the construction of the Makola Multipurpose Building of the Biyagama Pradeshiya Sabha started in the year 2002 and had been completed 23 years later in the year 2025, the building, with furniture and fixtures worth Rs. 479.09 million, still remained idle as at 18 June 2025.

The drinking water project, constructed on the Pradeshiya Sabha land in the year 2019 at a cost of Rs.26.76 million under the Pura Neguma project with the Asian Development Bank loan assistance, had been unsuccessful due to the drying up of the water source before the expiry of 5 years upon the completion. It was observed that the water bowser of the Pradeshiya Sabha had incurred a fuel cost of Rs.1 million from January to December 2024 to supply water to the project, the billed water charges had been Rs.0.99 million and the revenue collected from it had been Rs.0.63 million and the water bowser could not be used for other services due to the aforesaid situation.

**Diwulapitiya
Pradeshiya Sabha**

The actions had not been taken even as at the end of the year 2024 to verify the ownership of 281 properties including lands, public wells and public cemeteries having a total value of Rs.493 million.

Ja-Ela Pradeshiya Sabha

As per the Asset Management and Revaluation Committee report dated 10 July 2023 of the Ja-Ela Pradeshiya Sabha, out of a total of 176 properties, 18 properties with plan and the deeds should be prepared, 20 properties with deeds and the plans should be prepared, 76 properties that deed and plans should be prepared and 19 properties with complications had been identified. However, no necessary actions had been taken in that connection even as at 31 December 2024.

**Kelaniya Pradeshiya
Sabha**

In a new two-storey building with 36 shops built on a land lot of 47.85 perches belonging to the Kelaniya Pradeshiya Sabha, 14 shops on the ground floor and the upper floor had been closed violating the agreements.

**Wattala Pradeshiya
Sabha**

Although a sum of Rs.68 million was to be recovered from a Management Services Officer who worked at the Wattala

Pradeshiya Sabha as per a disciplinary order, the said amount had not been recovered even by the end of the year 2024.

It was observed that out of the 164 lands used by the Wattala Pradeshiya Sabha, there is a risk of unauthorized use of those lands by other parties due to the lack of deeds for 75 lands and plans for 63 lands.

Kalutara District

Kalutara Urban Council

The two-storey building of the supermarket complex, constructed at a cost of Rs.241 million in the year 2020, remained idle until the year 2024 and the ceiling on the upper floor was broken at some places. The two-storey building, constructed at a cost of Rs.14.46 million in the year 2019 for a bodybuilding center, remained idle in the year 2024 as well.

Beruwla Urban Council

Out of the 10 employees recruited to the Council on a multi-task basis, 07 employees had been attached to other government institutions as per the orders of the Chief Secretary of the Western Province and a sum of Rs.0.65 million had been paid by the Council as salaries for the year 2024.

Although the Beruwala Urban Council had purchased 28 computer software systems from a private company on 26 August 2019, 13 January 2020 and 03 June 2020, at a cost of Rs.4.59 million, Rs.2.99 million and Rs.4.35 million respectively, amounting to a total of Rs.11.94 million, the software system for the online booking of playgrounds and town halls spending Rs.0.45 million each totalling Rs.0.9 million could not be implemented.

Horana Urban Council

The expected results could not be achieved from the 06-computer software systems purchased from a private company on 22 December 2019 at a cost of Rs.4.0 million without conducting a cost-benefit analysis and feasibility study.

Palindanuwara Pradeshiya Sabha

The Female Health Worker, who had been appointed to the post of Health Worker, had been deployed to the

Palindanuwara Medical Officer of Health (MOH) Office from 07 July 2023 and a sum of Rs.0.57 million had been paid by the Pradeshiya Sabha as salary for the year 2024.

Although a total of Rs.5.99 million had been spent on laying pipes and constructing tanks in the year 2024 for the water project of laying pipes in Uduwankanda Kapugedara area for which a sum of Rs.2.99 million had been spent in the year 2023, the drinking water needs of the people had not been met even by the end of the year 2024.

Walallawita Pradeshiya Sabha

A cab and a JCB machine owned by the Pradeshiya Sabha had remained idle for 4 years without being repaired and 2 other tractors for over 7 years remained the same, as well as the compactor vehicle worth Rs.1.6 million, received as a donation from the Ministry of Local Government on 06 March 2015, had remained idle in the Pradeshiya Sabha premises without being used by the Pradeshiya Sabha since the said date.

Dodangoda Pradeshiya Sabha

02 parties had built permanent houses and were cultivating pepper in an area of about one acre since 10 years ago in G.P.A.166 Lot No. 02 of Katukurudugalpotha land, with an extent of 03 acres and 26 perches in the Grama Niladhari Division No. 808 - Thudugala West; which had been transferred to the Dodangoda Pradeshiya Sabha as a cemetery by a transfer order dated 09 April 1970 and no steps had been taken to settle that matter and take its possession to the Pradeshiya Sabha even as at 31 December 2024.

Horana Pradeshiya Sabha

As the Pradeshiya Sabha did not take actions regarding the excessive smoke emission from the garbage incinerator which was completed on 01 April 2021 at a cost of Rs.85 million, it remained idle since the year 2023. Although a large amount of non-biodegradable garbage had been collected without being sorted in the premises where the garbage incinerator was built, a system had not been implemented to bale the garbage.

Bandaragama Pradeshiya Sabha

Out of the 25 cemeteries under the administration of the Bandaragama Pradeshiya Sabha, the ownership of 16 cemeteries had not been taken to the Pradeshiya Sabha.

Madurawala Pradeshiya Sabha

Although a sum of Rs.1.16 million had been spent by the Pradeshiya Sabha to repair the damage caused to the engine of a Cab on 31 December 2016, no steps had been taken to identify the responsible parties and recover the relevant amount of money.

Bulathsinhala Pradeshiya Sabha

The Bulathsinhala Pradeshiya Sabha Stadium, which was developed at a total cost of Rs.2.49 million in the year 2023, had not been taken over by the Pradeshiya Sabha even by the end of the year 2024.

The auditorium, with seating capacity between 450 and 500 spectators at a time, located in the Egaloya Multi-Task Center building, had been idle since the year 2019.

Millaniya Pradeshiya Sabha

Although the compost fertilizer production machine installed in the year 2021 at a cost of Rs.7.69 million for the production of compost fertilizer by the Pradeshiya Sabha was with a fertilizer production capacity of 01 ton per hour, the fertilizer production had not been carried out utilizing that maximum capacity.

Mathugama Pradeshiya Sabha

41 stalls, 4 central compound stalls and 6 fish stalls in the Mathugama Public Market had been operating for over 6 years without renewing the agreements and 89 stalls and 11 fish stalls owned by the Pradeshiya Sabha and 34 stalls in the Welipenna Sub-Office had been allowed to be operated without entering into an agreement with the Pradeshiya Sabha and without taking legal actions.

Without taking legal actions regarding 11 unauthorized houses built by a group who are not employees of the Pradeshiya

Sabha on the Mathugama Estate of 07 acres 01 rood 11.4 perches owned by the Pradeshiya Sabha which had a book value of Rs.20.5 million, the Pradeshiya Sabha had collected the assessment taxes from those homeowners.

The Pradeshiya Sabha had not taken legal actions against the construction of 19 stalls by an outside party in the year 2022 on premises owned by the Pradeshiya Sabha and operating stalls without paying rent until the end of the year 2024 and the actions had not been taken in accordance with Financial Regulation 156 against the responsible party who had taken steps to cause a loss of an income to the Pradeshiya Sabha during the year 2024.

Beruwala Pradeshiya Sabha

By-laws had not been prepared in accordance with Section 122 of the Provincial Councils Ordinance No. 15 of 1987 mentioning the requirements to be fulfilled for the issuance of trade licenses to institutions that had not obtained the environmental licences, and the steps had not been taken to adopt a by-law regarding the collection of license fees in relation to the hotels used for the purposes of the Tourism Development Act in accordance with Section 149 of the Pradeshiya Sabha Act.

As a long-term and systematic plan was not in place for the disposal of large amount of garbage accumulated in the Beruwala Pradeshiya Sabha, Rs.10.86 million had been spent on garbage management during the year 2024.

30 workers attached to the Pradeshiya Sabha since June 2023 had been working in other government offices until the end of the year 2024 and a sum of Rs.17.38 million had been paid as salaries from the Pradeshiya Sabha fund.

As per the agreement entered into by the Beruwala Pradeshiya Sabha with a private company in March 2018 for the purchase of 17 software systems required for the head office and sub-

offices, the salary management system worth Rs.0.49 million and the website system of online payment for reservation worth Rs.0.27 million had not been installed in the computer system by 31 December 2024. Also, although a sum of Rs.0.49 million, a sum of Rs.0.29 million and Rs.0.69 million had been paid for the all account management system, human resource management system and warehouse management system respectively, the said software had not been put into use by the Pradeshiya Sabha until the end of the year 2024.

Although the Auditor General had imposed surcharges through surcharge certificates in accordance with sub-section 172(3) of the Pradeshiya Sabha Act No. 15 of 1987, which had caused a loss of Rs.0.86 million to the Pradeshiya Sabha Fund, the steps had not been taken by the Local Government Commissioner to recover the surcharge by the end of the year 2024 and the Pradeshiya Sabha had also not taken steps to recover the losses for the Pradeshiya Sabha fund by sending reminders regarding this matter.

Southern Province

Galle Municipal Council

The Kawashima Compost Production Project, which had been initiated by the Galle Municipal Council in the year 2023 with the provision of Rs.244.19 million from the Ministry of Provincial Councils and Local Governments, was not in the operational status by the end of the year 2024 and it was observed that the waste management was not being carried out properly.

Weliwitiya Diwithura Pradeshiya Sabha

It was observed that the elevator installed for the access of disabled persons to the two-storey building constructed by the Diwithura Pradeshiya Sabha in Weliwitiya under the Pura Neguma Project with a provision of Rs.34.77 million in the year 2017, did not have sufficient space for the access of disabled persons and was remaining idle without being used.

Hambanthota Municipal Council

As the assessment activities of the special property located at the Hambantota Port, which falls under Hambantota Municipal Council area, was delayed for a period of 07 years from the year 2017 to the end of the year 2024. Consequently, the assessment tax revenue was delayed. As per the assessment reports of the government in the year 2025, it was observed that the annual value of the property in the year 2017 was Rs.2,030.77 million, resulting in an annual assessment tax revenue of Rs.142.15 million.

Lunugamwehera Pradeshiya Sabha

Although 03 years have passed since the Pradeshiya Sabha and the Road Passengers' Transport Authority of Southern Province entered into a Memorandum of Understanding in the year 2022 regarding the transfer of the right of use to the Pradeshiya Sabha to operate a cafeteria in the Lunugamwehera Bus Stand building, which was constructed in the year 2019 at a cost of Rs.18 million, the proceedings had not been so accordingly and the new Lunugamwehera Bus Stand building had been idle for 06 years.

Thissamaharama Pradeshiya Sabha

Although the lump sums of Rs.96.15 million had been collected from the lessees in the year 2023 for 41 out of the 48 shops located in the multipurpose building handed over to the Thissamaharama Pradeshiya Sabha by the Urban Development Authority in the year 2019, the steps had not been taken to hand over those shops to the lessees by the end of the year 2024.

Tangalle Urban Council

In violation of Section 227(1) of the Urban Council Ordinance, a person who served as a member of the Tangalle Urban Council from the year 2008 to 18 March 2023 had served as the lessee of the shop bearing number S-01 in the bus stand belonging to the Pradeshiya Sabha and the value of the allowances paid to him for the said period totaling Rs.1.86 million and the rent and fines receivable to the Pradeshiya

Sabha in terms of that shop amounting to Rs.1.01 million had not been recovered until the end of the year 2024.

Although the construction of an open yard for the waste piling activities at the Pattiyapola Waste Management Center of the Urban Council was started in the year 2020 at a cost of Rs.1.55 million, the works had been stopped midway by the end of the year 2024. Therefore, the money spent on it had become an idle expenditure.

Katuwana Pradeshiya Sabha

As the Katuwana Pradeshiya Sabha had not taken steps to lease the upper floor of the Kirama Bus Stand building with shops valued at Rs.36.34 million for a period of 5 years, the assets remained underutilized without generating any income.

Dewinuwara Pradeshiya Sabha

In the procurement of 20,200 books worth Rs. 4.70 million for the book distribution program for the children from low-income families, Dewinuwara Pradeshiya Sabha had acted outside the tender procedure without being complied with the provisions of Provincial Council (Finance and Administration) Rules 177 of 1988 and the Government Procurement Guidelines of 2006. Also, the books purchased were below the prescribed GSM value and remained idle in the warehouse even at the end of the year 2024.

Pitabeddara Pradeshiya Sabha

Even if water in the two tube wells constructed by the National Water Supply and Drainage Board at the Morawaka market premises in the year 2017 was in an unsuitable status for consumption, the water storage tank constructed by the Pitabeddara Pradeshiya Sabha at a cost of Rs.1.03 million using province specific allocations had remained idle even as at the end of the year 2024 without preparing a plan to treat water.

Central Province - Kandy District

Ududumbara Pradeshiya Sabha

While the market price of 50 kg of cement was Rs.1,800 in the year 2024, a sum of Rs.1.1 million had been overpaid as the contractors had been given a special price of Rs.2,200 for 01 cement bag of 50 kg in the construction of roads and drains in 33 projects carried out by the Kandurata Dashakaya, Province Specific and Pradeshiya Sabha Fund. Further, a total of Rs.1.1 million had been overpaid for the transportation of sand.

Kudasale Pradeshiya Sabha

An agreement had been entered into between the Pradeshiya Sabha and a private company on 28 January 2021 for a pilot project to produce fuel from polythene and plastic in the Aluthwatta solid waste project. However, the project had to be stopped midway due to a dispute within the company and the Pradeshiya Sabha land had been prepared excavating soil at a cost of Rs. 29.8 million to install the machine.

Panwila Pradeshiya Sabha

A contract worth Rs.13.1 million has been made to construct a hospitality house at the Knuckles Tourist Centre and the contractor had completed the works at a value of Rs.5.9 million as at 04 April 2022 and however, due to non-disbursement of funds by the Ministry of Local Government, the remaining work of the project had to be stopped.

Further, the Knuckles Resort, which was built in the year 2015 at a cost of Rs.4.4 million, remained idle and underutilized even by the end of the year 2024.

Pathahewaheta Pradeshiya Sabha

The Ankelipitiya Moragolla Water Project, started in the year 2017 at an estimated cost of Rs.70.39 million covering 09 Grama Niladhari Divisions in the Pradeshiya Sabha area, had been stopped midway since the year 2018 after incurring an expenditure of Rs.51.16 million. There is an acute water shortage in the council area and the public has been facing

severe hardship due to the non-implementation of the project. Even 4 water motors worth Rs.3.6 million purchased for this project had remained idle.

Matale District

Dambulla Municipal Council

Although the administrative building constructed by the Municipal Council at the Digampathaha Waste Management Center at a cost of Rs.27.69 million was opened in the year 2022, the said building had been left to decay without being used for its intended purpose even as at 31 December 2024. The thermal incinerator constructed at a cost of Rs.20.98 million in the year 2020 for the incineration of non-degradable waste was inoperative and the expected benefits had not been obtained from the relevant machine due to the incineration of non-degradable waste in the open environment.

Eastern Province - Batticaloa District

Arrears of rental income The total value of rental income arrears to be collected by the 10 local government authorities in the Batticaloa District by the end of 2024 was Rs.45.8 million.

Idle or underutilized Assets

The total value of idle or underutilized assets in the 06 Local Government Authorities in Batticaloa District at the end of the year 2024 was Rs.138 million.

Ampara District

Arrears of rental income The total value of rental income arrears to be collected by the 19 local government authorities in the Ampara district as at the end of 2024 was Rs.163.6 million.

Idle or underutilized Assets

The total value of idle or underutilized assets in the 07 Local Government Authorities in Ampara District as at the end of the year 2024 was Rs.50.2 million.

Trincomalee District

Arrears of rental income The total value of the revenue to be collected from rental income arrears by the 13 local government authorities in the Trincomalee District as at the end of 2024 was Rs.174.9 million.

Idle or underutilized Assets The total amount of unused or underutilized assets in the 13 Local Government Authorities in Trincomalee District is Rs.105.1 Million.

Northern Province

Arrears of Revenues The arrears of assessment and rental income of 34 local government authorities in Northern Province amounting to a total of Rs.493.34 million as at 31 December 2022, had not been recovered.

Abandoned Projects The project for tourists in Manalkadu area, accomplished by the Point Pedro Pradeshiya Sabha in 2016 at a cost of Rs.2.80 million, and the Mudalaikuli Drinking Water Project, accomplished by the Vadamarachchi South West Pradeshiya Sabha in 2014 at a cost of Rs.2.99 million, had been completely abandoned.

Non-recovery of Insurance compensation Any action had not been taken for over 4 years to recover the compensation amount of Rs.4.19 million receivable from the Sri Lanka Insurance Corporation in terms of the accident occurred to a fire engine of the Jaffna Municipal Council in the year 2020.

Fee for extending the period of License In contrast to the paragraph 11 of the Urban Development Authority Gazette No. 2235/54 dated 21 July 2021, the total amount of Rs.32.54 million for the extension of the license period of 5,309 buildings in 17 Local Government

Authorities in Northern Province had not been collected from the building owners for the period from 2022 to 2024.

Further, the Vavuniya South Sinhala Pradeshiya Sabha had given 02 commercial properties on a 99-year lease basis without obtaining the prior approval of the Minister of Local Government in accordance with Section 19(XII) of the Pradeshiya Sabha Act of 1987.

Constructions in the lands not belonged to Pradeshiya Sabha

In contrast to the paragraph 1.1 of the Government Finance Circular No. 2016/01 dated 30 December 2015, Valvettithurai Urban Council, Vadamarachchi South West Pradeshiya Sabha, Chavakachcheri Pradeshiya Sabha and Valikamam North Pradeshiya Sabha, had constructed 40 buildings on lands not belonging to those Pradeshiya Sabha, at a total cost of Rs.146.28 million.

Further, even if 761 lands and buildings, 17 parks, 188 cemeteries, 240 wells, 27 playgrounds, 16 libraries and 04 garbage-dumping places are being used by 22 Northern Local Government Authorities, the ownership of these had not been taken to the Pradeshiya Sabha.

Slaughterhouse and Vehicle Park

The slaughterhouse and vehicle parking place constructed by the Valikamam North Pradeshiya Sabha at a cost of Rs.6.70 million, had not been used until now.

Child and Sport Equipment

The children's sports equipment purchased by the Delft Pradeshiya Sabha at a cost of Rs.4.47 million had not been used for the intended purposes for the past 02 years.

Idle Machines

The oil mill, laminating machine, Canon camera, printing machine, field cash collection machine, plastic crushing machine, electricity generator, gully bowser and 17 G.P.S. machines of Vavuniya South Sinhala Pradeshiya Sabha worth Rs.11.25 million had remained idle for 03 years.

Idle Machines

Any step had been taken to use the Nedunkeni Bus Stand and the stop related to the bus stand, constructed in the year 2011 at a cost of Rs.26.14 million under the Northern Rapid Rehabilitation Project and the Water Filter and Water Treatment Center, constructed in the year 2022 at a cost of Rs.4.5 million.

Sabaragamuwa Province**Rathnapura Municipal Council**

In accordance with the term No. 03 of the agreement entered into on 13 March 2002 regarding the lease of the Old Bus Stand Shopping Complex, the rent was to be amended every 05 years. However, this had not been done until the year 2022. Although the Valuation Department had later assessed the monthly market rent in the year 2022 as Rs.460,000, a loss of Rs.6.16 million had been incurred for the Pradeshiya Sabha fund due to the non-collection of new assessed rent even as at December 2024.

Rathnapura Pradeshiya Sabha

Since all the functions of the Pradeshiya Sabha, from supplying fuel to vehicles up to the preparation of payment vouchers had been assigned to one female officer, the internal control related thereto was at a very weak level. The officer had committed financial irregularities of about Rs.2.23 million during the period from May 2023 to 19 January 2024 by preparing fraudulent documents at the time of settling fuel bills.

Kuruwita Pradeshiya Sabha

The conference hall, which was built at a cost of Rs.34.79 million in the year 2022, remained idle as at April 2025 due to the lack of basic facilities such as sanitary facilities, electric fans and furniture.

Ayagama Pradeshiya Sabha

The steps had not been taken to use the new shopping complex, which had been completed in August 2023 obtaining a loan of

Imbulpe Pradeshiya Sabha

Rs.17.75 million from the Local Loans and Development Fund/ Local Credit Development Fund, for its intended purpose and to generate income thereby even as at April 2025.

Weligepola Pradeshiya Sabha

The Galagama Multipurpose Building, constructed at a cost of Rs.42 million under the Puraneguma Project, had not been used for its intended purpose since the year 2016.

Pelmadulla Pradeshiya Sabha

The compost production activities at the garbage yard, of which the works had been completed on 31 December 2022 at a cost of Rs.4.41 million, had not commenced even by the end date of the year 2024.

Embilipitiya Urban Council

A person; who had obtained a permit to start a gem mine near the land where the Pradeshiya Sabha crematorium is located, had constructed a tunnel through the mine and entered the crematorium land to obtain the reef soil. Despite being aware of having such a risk, the actions had not been taken in that regard until the land was accessed through the tunnel and the reef soil was obtained.

Embilipitiya Pradeshiya Sabha

About 72.8 perches of the 118.6 perch-land received from the Mahaweli Authority on the transfer order dated 11 June 2002 for garbage collection had been acquired by unauthorized persons.

Balangoda Pradeshiya Sabha

The non-biodegradable waste being collected within the Pradeshiya Sabha area was being disposed on a land near the Chandrika Lake irregularly and not adhering to an environmentally friendly procedure.

Although the Welipathayaya Garbage Yard had been constructed in the year 2022 at a cost of Rs.5.64 million to collect the bio-degradable waste being collected in the

Pradeshiya Sabha area and to start a compost project, it remained idle even as at the end of the year 2024.

Mawanella Pradeshiya Sabha

A new two-storey building with a weekly market and stalls had been constructed by Mawanella Pradeshiya Sabha at a cost of Rs.9.37 million in the years 2008/2009. Due to the problems in respect of locating the weekly market, 143 of the 217 permanent stalls that had been constructed, remained unused and idle.

Kegalle Municipal Council

A part of a three-storey building behind the Municipal Council office had been constructed under 02 phases in the year 2014 and 2015 at a cost of Rs.13.7 million. Although the Municipal Council had a fixed deposit balance exceeding Rs. 388 million, the remaining works on the building had not been completed even as at the end of the year 2024.

Kegalle Pradeshiya Sabha

A bio-gas unit had been constructed adjacent to the Moronthota weekly market site at a cost of Rs.5.82 million in the year 2021. According to the project proposal, it was intended to provide electricity to the Moronthota Multipurpose Building, weekly fair and shops through the biogas unit using biodegradable waste and sewage gully waste and however gully wastes had not been used for the biogas unit and no electricity had been provided.

The 10-acre land purchased for Rs.4.00 million in the year 2014 for the construction of a waste management center, and 9 lots worth Rs.8.03 million with an extent of 12 acres, 02 roods and 30 perches, owned by the council, had remained idle.

North Central Province – Anuradhapura District

Anuradhapura Municipal Council

Although the Municipal Council had sent a notice to terminate the residence lease on 11 September 2023 regarding the outstanding amount of Rs.2.0 million as at 31 December 2024

due to non-payment of any installments for a period of almost 10 years related to the shop bearing No. 43 in the Market Place, the necessary further actions had not been taken regarding that matter.

The steps had not been taken even as at the end of the year 2024 to recover a balance of Rs. 4.82 million for fraud and losses occurred in the previous years in relation to the Municipal Council.

It had been revealed by an audit inspection that a sum of Rs. 40.85 million had been fraudulently deposited into the bank accounts of 11 individuals, including the employees of the Municipal Council, during the period from January 2014 to July 2018 and the actions had not been taken to recover the said loss from the responsible parties even until the end of the year 2024.

Rambewa Pradeshiya Sabha

The legal measures had not been taken for the recovery of Rs.2.1 million of vehicle rent arrears existing from the year 2019.

Even if the officer who served in the post of Shroff had been interdicted for committing fraud by not crediting the daily funds received in December and October 2023 to the Pradeshiya Sabha fund, a sum of Rs.0.37 million was to be recovered for the Pradeshiya Sabha. However, the said amount had not been recovered.

Medawachchiya Pradeshiya Sabha

The water bowser bearing number LP 3229, worth Rs.14 million, given to the Pradeshiya Sabha by the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government as per its letter dated 26 September 2022, remained idle as at December 2024 without being used for any

purpose and the running charts of the said vehicle had not been presented for the audit.

Thalawa Pradeshiya Sabha

As the slab for the upper roof of the Pradeshiya Sabha building is filled with water during rainy days and the water has been leaking to the lower floor for many years, the authorities have not taken any steps to solve this matter. If this situation is not solved immediately, it will also be a threat to the safety of the officers in the building and if this situation continues for a few more years, there is a risk about the collapse of the building.

Although the weekly fair buildings, constructed in the year 2017 at a cost of Rs.9 million for the weekly fair (Sathi Pola) of Thambuththegama, remain idle, the steps have not been taken to shift the weekly fair to a new location.

Palagala Pradeshiya Sabha

Although an amount of more than Rs.10 million had been spent on the purified drinking water bottle project from the year 2020 to 2023, the resources used for the project remained idle without being utilized in a way of generating income for the Pradeshiya Sabha.

The Interlock Project, which had been initiated in the year 2022 at a cost of Rs. 8.69 million to increase the revenue of Pradeshiya Sabha, remained idle without being utilized to achieve the desired objectives.

Although the Pradeshiya Sabha had spent a sum of Rs. 16.86 million in the year 2021 on a project of manufacturing and selling compost fertilizer, the project was stopped due to public protests against the implementation of the project and consequently, those assets had remained idle and some of the constructions completed under the project were being destroyed.

Even if a sum of Rs.37.74 million had been spent between the year 2022 and 2024 on the Coconut related Production Project, which had been implemented to achieve the objectives of introducing new coconut-related products, encouraging coconut farmers in the area, creating employment opportunities for the people of the area, introducing local products to the market and generating additional income for the Pradeshiya Sabha, it remained idle without being utilized to achieve the desired objectives of the project.

Welikanda Pradeshiya Sabha

As the wild elephants frequently walk up to the Ruhunuketha Water Project site, the attention of the Pradeshiya Sabha had not been given about the safety measures that should be taken to safeguard the lives and property of workers working in the water projects.

As the sand used for the water filtration tanks had not been used for several years, the water obtained from those tanks was very muddy. Consequently, the mud had piled up on the sand and the water filtration had stopped. Even if only the mud had been removed, the sand had not been removed for a considerable period. As a result, consumers had to consume unpurified water.

Dimbulagala Pradeshiya Sabha

Although more than 37 years have passed since the establishment of the Pradeshiya Sabha, 196 land lots with an estimated value of Rs.196.6 million belonging to the Sri Lanka Mahaweli Authority, which are being used by the Pradeshiya Sabha and disclosed in the financial statements, had not been formally transferred to the Pradeshiya Sabha during the year 2024.

Although the financial loss caused by the Revenue Administrator of the Dimbulagala Pradeshiya Sabha in the year 2011 was identified as Rs.1.4 million and disciplinary orders

had been imposed on 27 December 2021, the actions had not been taken in this regard even by the year 2024.

Hingurakgoda Pradeshiya Sabha

The steps had not been taken to recover the Rs.3.1 million from the rental of machines for the Pibidemu Polonnaruwa Development Project even though 2 years had passed since the completion of the relevant project.

The Pradeshiya Sabha had not taken necessary legal actions regarding not opening 35 out of the 65 stalls of the Hingurakgoda Public Market constructed under the Pibidemu Polonnaruwa project by the contracted beneficiaries by even as at the date of audit, 31 December 2024.

A land lot with an extent of 25 acres had been allocated to the Pradeshiya Sabha by the Divisional Secretary, Hingurakgoda from the Rotawewa Grama Niladhari Division in the year 2019 for the management of waste generated in the area. but, no action had been taken in the year 2024 to settle the land in coordination with the relevant government institutions and to establish a formal solid waste management system.

03 buildings and 07 vehicles and machines worth Rs.79.8 million owned by the Pradeshiya Sabha, had remained idle for more than 05 years.

Due to the delay in renting out the Hingurakgoda Public Market, which was built in the year 2019 at a cost of Rs.27.15 million under the Polonnaruwa District Development Program caused by the decisions taken by the Chairman and the Pradeshiya Sabha outside the tender procedure in renting out the Hingurakgoda Public Market, the revenue lost by Pradeshiya Sabha since the year 2022 was Rs.37.3 million as it remained idle for a period about 05 years.

Polonnaruwa Municipal Council

The project to construct 03 e-libraries implemented in the year 2021 under the Local Authority Strengthening Program had incurred an expense of Rs.3.1 million for 02 libraries, and 05 projects had been abandoned. Consequently those could not be utilized for the intended purpose.

As the proceedings were not done competitively in awarding the contract for the construction of the new shopping complex and car park in Kaduruwela and the payments were not done according to the contract awarding rates for the variation works and additional works, an additional amount of Rs.11.4 million had been allowed to be gained by the contractor due to using rates higher than the BOQ rates for variations as revealed by examining the 5th bill submitted by the contractor.

Polonnaruwa Pradeshiya Sabha

The actions had not been taken to transfer the ownership of 35 lands, which are being used by the Pradeshiya Sabha for offices, libraries, cemeteries and playgrounds, worth Rs.27.3 million, to the Pradeshiya Sabha.

Lankapura Pradeshiya Sabha

13 items of assets, including 08 items of assets worth Rs.179.9 million and 05 items of assets of which the value was not estimated, owned by the Pradeshiya Sabha, remained idle for a period of 02 to 08 years without being utilized due to various reasons.

As the Kawshima machine at the Sungawila Waste Management Center, which was built with a provision of Rs.167.5 million from the Ministry of Provincial Councils and Local Government was not operated due to the non-receipt of sufficient waste, the compost manufacturing had been done using human labor.

Uva Province – Badulla District

Bandarawela Pradeshiya Sabha

The Bandarawela Heel Oya Pradeshiya Sabha building, library, weekly fair and toilet system, which had been completed in the year 2016 by the Ministry of Provincial Councils and Local Government under the financial support of the Asian Development Fund together with the Pura Neguma Project at a cost of Rs. 400 million, were still underutilized at the end of the year 2024.

Ella Pradeshiya Sabha

The by-laws had not been formulated and implemented to monitor 19 massage centres operating within the Ella Pradeshiya Sabha area.

Although revenue of Rs.3.55 million had been collected as at 31 December 2024 from two car parks near the Ravana Ella and the railway station operated within the Pradeshiya Sabha limits, the by-laws had not been imposed.

The Environmental Protection License for the Waste Management Center operated by the Pradeshiya Sabha had been unable to be obtained as the criteria set by the Central Environmental Authority were not fulfilled.

There was no formal procedure for the disposal of sewage in the Pradeshiya Sabha area, where over 586 hotels and lodges have been located with a view to developing tourist facilities.

Bandarawela Municipal Council

According to the counterfoil register, 04 assessment tax, shop rents, sub-receipt books that had been issued to four officers for the collection of revenue in the field during the period from 2019 to 09 October 2024 had not been returned to the store.

Welimada Pradeshiya Sabha

02 surcharges totalling Rs.0.29 million imposed by the Auditor General in the year 2019 as per Section 172 (3) of the

Pradeshiya Sabha Act had not been collected even as at 31 December of the year 2024.

A balance of Rs.201.37 million had been retained in the fixed deposits as at 31 December 2024 without making any provision by the budget to perform the powers and functions assigned to the Pradeshiya Sabha.

The sewage discharged from the fish markets and commercial places belonging to the Pradeshiya Sabha and located near the public bus stand in Welimada town had been directed into the Uma Oya canal flowing through the center of the town.

Uva Paranagama Pradeshiya Sabha

In contrast to the Rule No. 02 of the Extraordinary Gazette No. 2122/29 dated 08 May 2019, a former Chairman of the Pradeshiya Sabha had obtained an amount of Rs.0.19 million as a combined allowance for 224 days during which he was not engaged in official duties in the Pradeshiya Sabha area and a sum of Rs.0.10 million had been paid to the driver as combined allowances from the Pradeshiya Sabha fund.

Passara Pradeshiya Sabha

The new shopping complex building, completed in the year 2023 at an expense of the financial provision of Rs.26.08 million from the Local Development Assistance Project and handed over to the Pradeshiya Sabha, was at risk of being subject to landslide.

North Western Province – Kurunegala District

Kurunegala Municipal Council

The Pradeshiya Sabha is paying the interest on the loan of Rs.700 million obtained from the Bank of Ceylon, and although the relevant loan amount should be fully paid and finished before 08 August 2025, any loan installment had not been paid as at 31 March 2025.

Although the Government Valuation Department had valued an annual rent of Rs.1.14 million on 06 July 2023 as the rental of

the land where the Pradeshiya Sabha toilet in front of the hospital is located, the ground rent had been charged at a monthly provisional assessment of Rs.25,000 made by the Revenue Inspector according to a written order of the Mayor and the Municipal Commissioner.

Mawathagama Pradeshiya Sabha

Although the Pradeshiya Sabha had spent Rs.5.15 million in the year 2017 to construct a gully treatment center, the center had not been used and the gully wastes had been discharged into an excavated pit.

Giribawa Pradeshiya Sabha

As the proceedings were done without a feasibility study, the compost fertilizer unit of the Niraviya Solid Waste Management Center, which was built at a cost of Rs.15.06 million, had been idle since the year 2019 without any use.

Galgamuwa Pradeshiya Sabha & Narammala Pradeshiya Sabha

It was observed that there was a risk of heavy metals being mixed into the water sources and to groundwater of the area as the wastes from hospitals in the area were irregularly dumped on a land and the electronic wastes collected from 200 solid waste collection centers of Narammala Pradeshiya Sabha were irregularly disposed and burned.



Part III

Non Financial Audit

Performance and Environmental Audit Division

The Auditor General has been empowered the mandate to conduct the performance audits in terms of the Article 154 of the Constitution and the National Audit Act, No.19 of 2018. In the year 2011, a Performance Audit Division had been established in the institution and since then, nearly a hundred performance audit reports have been tabled in Parliament until the end of the year 2024 under various topics of national importance. Performance audit evaluates the economy, efficiency and effectiveness of a government institution, programme, project or unit of expenditure in selected areas. More attention is being drawn by the Supreme Audit Institutions of the International Organization of Supreme Audit Institutions (INTOSAI) member countries to performance auditing and in our country too, more attention has been paid to performance audit reports among the public and other parties.

While paying attention to the standards updated by INTOSAI when conducting audit activities, performance audits are currently conducted based on the performance audit standards issued and published by the National Audit Office.

Audit activities are being carried out by the Performance Audit Division established in the National Audit Office as well as at the branch level. Participation in the collaborative audits conducted by the Supreme Audit Institutions of the International Organization of Supreme Audit Institutions is also done by the Performance Audit Division established in the National Audit Office.

The summary reports containing the main points of the performance audit reports tabled in Parliament by the National Audit Office in the year 2024 are as follows.

Special Audit Report on the Food Security and Livelihood Recovery Emergency Assistance Project carried out on the Loan Assistance of the Asian Development Bank

Background of the Issuance

Since the second quarter of the year 2022, the food security and the livelihoods in Sri Lanka continuously deteriorated and the emergency aids had been requested by the Government from the Asian Development Bank in order to secure the food and the livelihoods of the poor and vulnerable persons under those circumstances. Accordingly, the agreement in relation to the loan of US \$ 200 million received had been signed on 09 September 2022 and the objective of this audit is to evaluate the performance of the Food Security and Livelihood Recovery Emergency Assistance Project on which the loan received had been expected to be utilized. The attention had been paid to the allowances paid to the Samurdhi beneficiaries, low income disabled and elderly persons, and kidney patients and pregnant and lactating mothers who had received the allowances in months of March and April 2023 and the farmers who had cultivated paddy in Maha season in 2022 under the loan aids from September to November 2022. Similarly, Kurunegala, Hambanthota, Moneragala, Anuradhapura and Baticoloa districts were selected as the samples for the audit.

The report was issued to the following institutions.

Ministry of Finance, Economic Stabilization and National Policies, Ministry of Women, Children's Affairs and Social Empowerment, Ministry of Agriculture and Plantation Industries, Department of Samurdhi Development, Department of Agrarian Development

Recommendations given in brief

- Implementation of all welfare programs as per the powers of the Commissioner of Welfare Benefits according to the Gazette Notification issued in October 2022 as per the Welfare Benefits Act No. 24 of 2002.
- Providing an efficient service to the beneficiaries by modernizing the Computer System (CRM system) of Samurdhi Banks.
- Providing human and physical resources required for Samurdhi Banks to provide an efficient service to the beneficiaries and to perform the duties of the officers satisfactorily.

- Designing and implementing the programs with special attention in giving benefits for the easily vulnerable people (low income earners, elderly and disabled persons, patients, children. and women).
- Entering the surveyed land areas into the Geo-Goviya computer system being maintained by the Department of Agrarian Development in relation to the farmers, improving the computer system so as to do the necessary corrections quickly according to the information provided by the farmers during the farming seasons.
- Upgrading the computer system so that the details about the payments can be obtained quickly by the responsible officers including the District Agrarian - Development Commissioner and the Regional Officer on the required date.
- Establishing an agreement with State Banks to actively maintain the Govi Diriya Bank Accounts maintained by State Banks in order to encourage farmers and using Govi Diriya Bank Accounts for the payment of subsidies.
- Referring written circular instructions to the concerned officers through modern technological methods on time and taking relevant actions in the payment of emergency benefits.
- Identifying the existing gaps to reach the sustainable development goals by the year 2030 and taking actions for it by the relevant responsible institutions.

Performance Audit on contribution of Tourism Development Areas and Tourism Development Projects to the Tourism Industry

Background of the Issuance

The foreign exchange that Sri Lanka receives from the tourism industry is more important with the current economic crisis, and in order to increase the foreign exchange earnings, the role of policy planning related to the tourism industry and other related industries, facilitation for implementation, formularization of the industry, regulation, recognition of tourism development areas and promoting facilities and services are carried out by the Tourism Development Authority as per the Tourism Act No.38 of 2005.

The primary objective of this audit was to evaluate the performance of the development projects implemented by the Tourism Development Authority to boost the tourism industry, where the performance of 14 tourism development areas at various times from 1987 to 2019 announced by the Authority and tourism development projects in Yala, Kalpitiya, Kutchchaveli, Dedduwa and Pasikuda areas were evaluated

The report was issued to the following institution.

Tourism Development Authority of Sri Lanka

Recommendations given in brief

- In accordance with Section 26 (1) of the Tourism Act No. 38 of 2005, the actions should be taken to adhere on the recommendations of the Authority when declaring a tourism development area and include the attractive places that attract the tourists.
- New tourism development areas should be identified and announced.
- According to Section 26 (3) of the Tourism Act No. 38 of 2005, the orders should be made specifying the tourism, commercial and other activities that can be carried out within a tourism development area
- Close monitoring of the development projects carried out on the Authority's direct funding and jointly with the relevant institutions and to implement them effectively and pay sufficient attention to establish new facilities or improve existing facilities in relation to tourism development areas
- The investors should be selected according to a formal method when leasing lands under tourism development projects and the authority should make adequate intervention for the problems faced by the investors.
- Adequate planning and feasibility studies should be done regarding investment properties, efforts should be made to reserve investment properties for tourism development projects and to prevent unauthorized access to land and sufficient supervision should be done regarding development activities carried out by investors on leased properties and the maintenance of those, and necessary activities should be carried out to deploy the underutilized investment properties for investment activities soon.

- Enhancement of the facilities and attractions for tourists by maintaining good coordination with other government agencies.
- Obtaining performance guarantees in accordance with the agreements, taking proper and prompt actions to collect the arrears.
- Cancellation of investment property contract agreements that have not been properly dealt with and taking legal actions and recovering the damages.
- Monitoring the investors on whether the relevant environment certificates have been obtained and whether the construction is in line with green concept.

Evaluation of the Performance of the Private Health Service Regulatory Process in Sri Lanka

Background of the Issuance

As defined by the World Health Organization, health is a state of complete physical, mental and social well-being. Health is not merely the nonexistence of disease or a certain infirmity, and it is a resource for a day-to-day life and a positive concept that analyses the social and individual resources. Due to this, all the countries of the world give more priority to the health of their people. Since the past, all Sri Lankans have been entitled to free health service, and due to the significant contribution made by all the governments to improve the health of the people, Sri Lanka had surpassed all the countries in South Asia in the year 2022 in achieving a higher Human Capital Index of 0.782.

Even though a free health service was established in Sri Lanka, private medical institutions have been established all over the island at present, and they provide a high contribution to the health sector. Therefore, the Parliament had passed the Private Medical Institutions (Registration) Act, No. 21 of 2006 as an Act to provide for the registration, regulation, monitoring and inspection of Private Medical Institutions; and to foster the development of, Private Medical Institutions; and to provide for matters connected therewith or incidental thereto. The Private Health Services Regulatory Council had been established for its purposes in the year 2007 and the Ministry of Health has established a separate division called the Private Health Sector Development Division for the development of the private health sector.

There has been an increase in the number of patients, who seek the services of the private sector, as overcrowding in the public hospital system, have to be on the waiting lists for a long time for surgeries and tests, the inability of the government to make a high contribution to the health sector due to the economic crisis, and the media advertises that low-quality medicines are being used in the

Government hospitals. At the same time, there has been an increase in receiving complaints against private medical institutions, and therefore, this performance audit was conducted to evaluate the legal background of private medical institutions and the performance of the relevant government institutions in relation to their operation and regulation.

The report was issued to the following institutions.

Ministry of Health, Private Health Service Regulatory Council, Consumer Affairs Authority, Central Environmental Authority, National Medicines Regulatory Authority

Recommendations given in brief

- To pass and implement a new Parliamentary Act with a governing body which can take required decisions for implementation a regulation which ensures a safety and efficient health service under affordable charges with fair and responsible to the people by the overall institutions system which render the private health services implemented in the country or amend the composition of Private Medical Services Regulatory Council established by Private Medical Institutions (Registration) Act No. 21 of 2006 to be increased the possibility of the public sector for decision making for the regulation of the private health institutions
- To make precise provisions after carrying out a suitable evaluation on that, since the provisions in relation to audit of Private Health Services Regulatory Council had not been exactly indicated in Private Medical Institutions (Registration) Act No. 21 of 2006.
- To present the regulations prepared so far in terms of the powers conferred to formulation of the regulations by the Private Medical Institutions (Registration) Act No.21 of 2006 to the Parliament and convert it to a law and immediately formulate the regulations which had not been prepared by the minister in charge of subject so far, publish in the government gazette and present to the Parliament and convert it to a law.
- To prepare the rules with regard to the facts provided for the preparation of rules by the Private Medical Institutions (Registration) Act No.21 of 2006 and approve by the minister in charge of the subject and publish in the government gazette and empower them.
- Giving urgent attention on formulating and enforcing laws regarding a reasonable fee system affordable to the public by classifying all private medical institutions in the country.

To pay the immediate attention on the facts such as mentioning what are the compulsory duties of the private medical institutions in the amendment of the existing Act or formulation of a new Act, indicating precisely the steps to be taken by the Regulatory Council if a private medical institution

had breached a regulation or a rule, assessment and regulation of the technology and address on the ethical issues related thereto.

- To develop, legalize and implement a formal system to develop, monitor and evaluate standards to be maintained by registered private medical institutions in a manner that achieves the objectives of the Act, to ensure that minimum qualifications and minimum standards are followed in recruiting employees, to ensure the quality of patient care services, and ensure that the national recruitment criteria are adhered to in recruiting professionals.
- To revise the registration fees determined in 2007 to suit the current regulations.
- To draw attention to the possibility of making registration with the Private Health Services Regulatory Council a mandatory condition when registering or renewing a private medical institution under the Companies Act or any other provision.
- To introduce a program to provide early registration to institutions submitted for registration, provide a specific time frame for private medical institutions that do not meet the minimum requirements for registration to meet the same minimum requirements and take legal action promptly against institutions that do not meet the relevant minimum requirements within that specific time frame.
- To use the powers granted by the Act, take immediate legal action against all private medical institutions operating in the country without being registered with the Private Health Services Regulatory Council.
- To Prepare a registration certificate issued by the Private Health Services Regulatory Council to be valid for a specific period and prepare and implement a system for charging appropriate fines upon registration after the expiry of the validity period.
- To make it mandatory to have obtained a license issued after annual inspection by the Sri Lanka Accreditation Board to ensure that the laboratories are in accordance with the prescribed standards when registering laboratories.
- To make it mandatory for private medical institutions to register to have fulfilled the legal requirement of obtaining the Environmental Protection License (EPL) and Schedule Waste Management License (SWML), which are mandatory for the disposal of clinical waste

- As stated in the Health Master Plan (2016-2025) and as stated in Section 14 of the Private Medical Institutions (Registration) Act No. 21 of 2006, to define "Authorized Officers" more accurately and to take urgent actions to address the shortcomings identified in the Health Master Plan regarding the regulation of private health services.
- To place the Private medical institutions under the coordination of an officer serving in the Medical Officer of Health offices to regulate them at the regional level. To appoint Field officers at the Regional Health Officer office level and collect data on human resource data, employee qualifications and fees of private health institutions on a quarterly basis through them.
- Establishment of a separate unit in all Provincial Health Services Directorate offices, consisting of a separate staff with powers to carry out regulatory activities related to the registration of the Private Health Services Regulatory Council.

Performance of institutions involved in disaster management due to natural disasters in Sri Lanka

Background of the Issuance

The main natural disasters affecting Sri Lanka are landslides, cyclones, floods, bush fires, earthquakes, droughts and tsunamis. Natural events that threaten human life, property and the environment are considered natural disasters. Disaster management is the process of preparing for natural disasters and minimizing the impact of their consequences on the people or the lives of the people, property and the natural environment of the country. The Disaster Management Division of the Ministry of Defence, which is a line Ministry, as well as the Department of Meteorology under it, the Disaster Management Centre, the National Building Research Organization and the National Disaster Relief Services Centre are currently operating to achieve this national task.

According to the annual report of the Disaster Management Center for the year 2021, a number of 1,253,476 persons had been affected by drought, landslides, collapse of bunds, cyclones, fire, and lightning whilst 184 persons had died and 90 people had been injured. Floods had caused damages on 3,791 houses whereas 96 houses had been fully damaged. As such, the people being affected and damages caused to properties due to natural disasters are on the increase in Sri Lanka. Increased risk

of landslides in central highlands had been attributed by environmental impact due to development initiatives and human activities. It is the objective of this performance audit to evaluate the performance of Line Ministry and the related institutions responsible for the management of natural disasters in Sri Lanka. Performance of the Line Ministry and the institutions functioning thereunder with respect to floods, drought, landslides, and cyclones happened from the year 2019 to 2021, in terms of preparedness, responding to such disasters, and post-disaster management, is examined in this audit.

The institutions that issued the report are as follows:

Disaster Management Division (Ministry of Defense), National Disaster Relief Services Center, Disaster Management Center, National Building Research Organization (NBRO), Department of Meteorology

Recommendations given in brief

1. Disaster Management Center

- The Sri Lanka Disaster Management Act, No. 13 of 2005, provides for the appointment of members of the National Council for Disaster Management, the appointment of an Industrial Advisory Committee, the making of provisions for matters connected therewith or incidental thereto, the enforcement of the National Council for Disaster Management and taking actions to carry out of the objectives and functions in accordance with the provisions of this Act.
- Preparation of the National Disaster Management Plan in accordance with the Sri Lanka Disaster Management Act No. 13 of 2005 and the Sendai Framework on Disaster Management, finalization of the National Disaster Management Plan and submission of relevant amendments to the Act for approval by Parliament.
- To prepare the 2014 National Disaster Management Policy by identifying new requirements, updating the risk index to be prepared according to the policy as required, and take suitable actions to study its variables
- To manage human resources properly by preparing a human resource plan.
- To minimize disaster risk through a study of disaster-prone areas when selecting projects related to disaster mitigation

- To increase progress in taking action against climatic changes and its impacts under Target 3 of the 13 Sustainable Development Goals under the 2030 Agenda for Sustainable Development and achieving the relevant goals.

2. National Building Research Organization

- To pay urgent attention to the need to prepare a bill to provide a stronger legal status for the National Building Research Organization.
- To expedite mapping activities at a scale of 1:10,000 to identify the earth-slip prone areas and take steps to identify existing buildings in areas where mapping activities have been completed.
- To take steps should be taken to identify the landslide risk level of the location as high, medium and low in mapping.
- To increase the accuracy of automatic rain gauges, testing and rain gauge maintenance should be assigned to district offices.

3. Disaster Management Division of the Ministry of Defense

- To improve the information communication system related to disaster management in the institutions such as the Department of Meteorology, the National Building Research Organization and the Disaster Management Center under the Disaster Management Division of the Ministry of Defense.
- Development of sanitation facilities in places identified as potential safe havens.
- To follow-up on the optimal and timely utilization of tractor bowsers, lorry bowsers and water tanks provided to the District Secretariat divisions to meet drinking water needs.
- To expedite construction of houses under construction and houses to be constructed under resettlement projects.

4. Department of Meteorology

- To conduct a study on the environmental impacts of the Puttalam site where new radar systems are expected to be installed and take steps to implement the project.
- To maintain meteorological instruments Properly and use them efficiently and effectively for accurate forecasting.
- To prepare relevant tasks according to the 5-year corporate plan from 2021 to 2025 and prepare action plans in accordance with the corporate plan.

The contribution of the Consumer Affairs Authority in protecting consumers

Background of the Issuance

The Consumer Affairs Authority was established by the Consumer Affairs Authority Act No.9 of 2003 with the objectives of fulfilling the requirements to protect consumers against the marketing of goods or the provision of services which are hazardous to life and property of consumers ,to protect consumers against unfair trade practices and guarantee that consumers interest shall be given due consideration , to ensure that wherever possible consumers have adequate access to goods and services at competitive prices , and to seek redress against unfair trade practices, restrictive trade practices or any other forms of exploitation of consumers by traders

The role of the Consumer Affairs Authority is very important in protecting consumers against the provision of goods and services that pose a danger to the lives and property of consumers, protecting consumers against unfair trade practices and giving due consideration to consumer rights, ensuring that consumers have adequate access to goods and services at competitive prices whenever possible and providing relief against consumer exploitation by traders. Provisions have been made for this purpose by the Consumer Affairs Authority Act. Accordingly, this performance audit was conducted to evaluate the way in which the Authority has acted in implementing the provisions of the Act and achieving the objectives stated in the Act. Accordingly, the objective of this audit is to evaluate the performance of the role of the Consumer Affairs Authority in protecting consumer rights.

The institutions that issued the report are as follows:

Consumer Affairs Authority

Recommendations given in brief

- To take action on the proposals made by the Committee appointed to update the directives issued under the repealed Consumer Protection Act No. 1 of 1979, in accordance with Section 73 of the Consumer Affairs Authority Act No. 09 of 2003, recognizing the need for the time being.
- Expedition of the amendment of the Consumer Affairs Authority Act No. 9 of 2003
- To identify the types of goods that require the issuance of maximum retail price certificates for imported goods and issue a new directive with broad coverage, including the types of goods imported into the country in a manner that is appropriate to the present.
- To expand raids to cover all districts of the market to check whether the goods are being sold at the maximum retail price declared by importers to the Consumer Affairs Authority when issuing maximum retail price certificates for imported goods.
- To conduct market raids and take legal action against importers who do not submit information to the Authority to obtain maximum retail price certificates
- The Consumer Affairs Authority shall physically inspect the prices submitted by importers for obtaining Maximum Retail Price Certificates before granting approval to those prices.
- To follow up to see if the problem of the consumer has been resolved through those complaints after Referring the complaints received by the Complaints Division, which cannot be resolved by the Authority, to the relevant institutions
- To refer the complaints that cannot be resolved by the Complaints Division to the legal department and take steps to resolve those complaints in a short time and provide relief to the consumer

- To include rules in the Act to resolve complaints received regarding agricultural equipment
- To prescribe the relevant standards and regulations for imported machinery in agreement with the Standards Institution.
- Registration of vendors should be initiated in accordance with the Act. A systematic data system should be established for this purpose.
- Legal action should be taken against vendors and manufacturers without delay in case of samples found to be unfit for consumption or not of the prescribed standard during sample testing
- Preparation of the 1977 service in a way that enables the consumer to know the market prices and establishment of a mechanism to inform the complainant that the complaints made through it have been recorded
- To enter information in the same way in every district when entering information into the data system
- Entering information into the data system so that separate data can be obtained regarding raids conducted according to the directive number
- To establish a method to enter information into the data system so that it can be identified whether the fine amount collected has been collected for the relevant case during raids
- To supervise the reasons for not instituting actions in respect of raids that have been conducted but not prosecuted
- To take relevant action in matters for which action has not been taken so far under various sections of the Act
- To take actions to provide solutions to complaints within one month of receiving them in accordance with the Consumer Affairs Authority Act No. 9 of 2003

Evaluation of the role of the Department of Educational Publications

Background of the Issuance

The Department of Educational Publications under the purview of the Ministry of Education carries out the national task of providing free school textbooks and related supplementary reading books and learning aids to students studying in government and government-affiliated schools and Pirivenas.

The main objective of this audit is to evaluate the performance of the textbook printing and distribution process, which is the main function of the Department of Educational Publications.

The report was issued to the following institutions:

Ministry of Education, Department of Educational Publications

The main recommendations given are as follows.

- To obtain as accurate data as possible on the number of undistributed books in distribution centers and schools when determining the number of books to be printed.
- To maintain accurate stock balances by maintaining a computer information system to maintain regular stocks.
- To provide as many old books as possible that are suitable for use for additional book requests.
- To encourage children to reuse books for grades 6,7,8 and 9 and take actions to provide instructions to principals through provincial directors.
- To make arrangements to return books to the best of the ability for grade 10 and 11 children when they move to another school for Advanced Level or if they remain in the same school.
- To make arrangements to accurately determine the number of students studying each subject in collaboration with the Ministry of Education. To obtain information from the school level and maintain a formal computer system up to date for that purpose.
- To take measures to minimize delays in placing orders for textbooks.
- To take steps to carry out procurement activities promptly related to the printing of textbooks carried out annually and distributing textbooks without delay.

- The Department of Educational Publications shall take actions to provide school textbooks to children before the start of the first term and shall provide necessary instructions to principals to collect the textbooks from the children and distribute them in a formal manner.
- To take measures to ensure the security of the stores and maintain the stores systematically.
- To take actions to urgently recruit a Braille printer for the Braille printing press. To discuss with the Ministry of Education about making the printing press operations more efficient or preparing formal methods to suit the modern world and take immediate actions.
- To take actions to call for information from the responsible officers who spent funds without formal plans under the General Education Modernization Project and obtain recommendations in this regard.
- To take actions to transfer the legal ownership of the land on which the Pitipana Textbook Storage Complex is located to the Department of Educational Publications having discussed with the Urban Development Authority.

Environmental Audit Report tabled in the year 2024

Environmental Audit Report on the Evaluation of Grassland Conservation Process in National Parks of Sri Lanka - ENV/2024/01 (05.03.2024)

National Parks, managed by the Department of Wildlife Conservation under the Fauna and Flora Ordinance (Chapter 469), are protected forest resources in Sri Lanka and these areas play a major role in maintaining the balance of the environment and the survival of wildlife. The grasslands in these national parks are of high ecological importance and provide many benefits such as being a habitat for a large number of herbivorous animals, being rich in biodiversity, maintaining the balance of plants and animals, preserving soil quality, adding an attractive beauty to nature by being beautifully spread out in open areas without vegetation cover, attracting a large number of tourists to see animals such as wild elephants, deer, and elk that live in the grasslands, attracting tourism, generating a large amount of income for the country, and thereby developing the economy. The Department of Wildlife Conservation has currently declared 26 national parks. The existence of these parks has been challenged due to recent issues that have arisen regarding their existence. Accordingly, the attention was paid to 09 national parks and 02 sanctuaries to evaluate the role of the public institutions

responsible for them and to assess the impact of these ecosystems on the environment. As the importance of these grasslands belonging to national parks has not been paid attention to so far, there has been an increase in the threats to the existence of grasslands. The purpose of this audit was to evaluate whether the relevant institutions with the relevant authority have fulfilled their duties to conserve grasslands, as these ecologically important grassland areas are at risk of destruction and to discuss existing problems.

Recommendations

1. To prepare and implement a national policy on grassland management and conservation and to prepare, implement and follow up on the management plan and action plan in this regard.
2. To implement and follow up on the National Policy and Action Plan on the Control of Invasive Alien Species, identify invasive plants at the initial stage, take necessary measures to continuously control the spread of plants and provide the necessary financial facilities for this.
3. To take necessary steps to conserve and improve existing grasslands and to provide the necessary financial resources for the grassland conservation process at the appropriate times.
4. To take necessary measures to minimize the disruption to the natural existence of grasslands in the tank fields and pay more attention to the implementation of such projects, as the continuous filling of the tanks throughout the year has hindered the growth of grasslands in the tank fields when discharging water into new water projects and irrigation activities.
5. To take necessary actions to manage grasslands in national parks properly as the lack of proper management and conservation of grasslands is a major cause of wild elephant attacks to villages. [Paragraph No. 3.5.5 (c) (ii)]
6. To take steps to maintain a data system (monthly reports) on environmental conditions in national parks.

Special Reports Division

The Auditor General is empowered to conduct a special audit in terms of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 13 of the National Audit Act, No.19 of 2018. In addition, requests made by the Committee on Public Enterprises, the Committee on Public Accounts and the Committee on Public Finance, as well as specific matters arising from media exposures or public representations of national and timely importance, are also taken into account for the issuance of special reports. The specialty of these reports is the issuance of a special report that includes corrective measures along with these observations. 06 special reports have been issued in the year 2024 as follows.

The special reports are on the Value Added Tax (VAT) not collected in relation to sources relevant to the Inland Revenue Department, the top 25 non-performing loan clients of state banks, the scheme for importing and licensing fully electric vehicles based on remittances from Sri Lankans employed abroad, the requirement, procurement, supply, distribution of medicines, the management of various funds available at Sri Lanka Customs and the Special Audit Report on the administrative and operational activities of the Sri Lanka Karate Federation for the period from January 2017 to March 2022.

Out of these, the report on the top 25 non-performing loan clients of state banks was submitted to Parliament as a confidential report, while the special audit report on the administrative and operational activities of the Sri Lanka Karate Do Federation during the period from January 2017 to March 2022 was not made public due to statutory and factual reasons.

01. Special audit report on the value added tax that should be collected by the government according to the sources of the Inland Revenue Department but has not yet been collected

Background of the Issuance

The primary objective was to conduct a formal investigation into the failure to promptly recover the arrears of value-added taxes and fines of Rs. 114,293.74 million to be recovered in relation to 2 tax administration systems by the Inland Revenue Department, strengthen the internal controls related thereto and identify the causes and possible irregularities related thereto.

This report was issued by including the facts observed during the formal inspections regarding the following: the risk of misappropriation and/or loss to the government of a large amount of revenue that has already been paid as revenue by the public as a sacrifice due to the failure of the Inland Revenue Department to collect the Value Added Tax (VAT) within the stipulated time, the uncertainty of continuing the legal proceedings related to the collection of arrears of taxes due to the failure to take the necessary steps to collect the taxes within the prescribed period and resolving them in a favorable manner for the Department, the issues raised by the media and public representations on various occasions regarding the existing issues related to arrears of value added tax and the inefficiency of the two computerized tax administration systems maintained by the Inland Revenue Department for tax administration, etc.

The report was issued to the following institution.

Inland Revenue Department

Recommendations given in brief

- To identify the reasons for the long-standing unpaid taxes, slow-to-collect taxes and taxes that may be subject to time limits and expedite their collection and implement an appropriate program for unpaid taxes that are at risk of non-collection based on the individual loan balance of the outstanding taxes identified as recoverable (without hindrance).
- To examine the individual loan balances related to the tax arrears for which collection has been temporarily suspended in relation to both tax administration systems, to accurately identify the disputed tax and penalty balances included in those balances and to take appropriate measures/steps to promptly recover them if there is an agreed upon and justifiable tax burden and to emphasize the need to optimally utilize the existing data systems.
- To conduct an investigation at the institutional level or higher regulatory level as to whether there are any officers who have fraudulently, negligently or intentionally failed to take steps to collect recoverable arrears of taxes and fines, who are acting in a manner that hinders the efficiency of collection and who are acting in a manner that is prejudicial to the statutory rights of the Auditor General and to take appropriate action against the responsible officers in accordance with the Establishments Code of the Democratic Socialist Republic of Sri Lanka and other relevant laws.

- To emphasize the need for the Department to take timely and adequate measures as per the provisions of the Act and to regulate the relevant systems so that non-compliance can be immediately identified.
- To focus on the need to minimize the ability of registered tax collectors to withhold the VAT they have collected for a long period of time, beyond the period allowed by the Act, without paying the correct amount to the government on time and to introduce methods that will discourage such actions with malicious intention.
- Although efforts are being made to recover outstanding tax balances through judicial proceedings, since there are no outstanding balances in the Department's computer system that can be recovered in relation to such existing cases, further checks should be carried out in this regard and the system should be updated accordingly or appropriate steps should be taken regarding the existing judicial proceedings.

02. Special Audit Report on the Management/Administration of Various Funds in Sri Lanka Customs

Background of the Issuance

As per the Customs Ordinance, Sri Lanka Customs collects revenue for the government by levying taxes and penalties and a larger percentage of the money collected is credited to three funds maintained by Sri Lanka Customs for distribution among Customs officers under certain methods. This special audit report was issued with the following objectives: to assess whether the maintenance of these funds is making a sufficient contribution to strengthening government revenue, to examine the strength of the internal control over the funds and to evaluate whether the three priorities of increasing government revenue, minimizing customs offences and ensuring that officials receive personal benefits are being managed optimally.

The report was issued to the following institution.

Sri Lanka Customs

Recommendations given in brief

- Take urgent steps to amend certain provisions/penalties in the Customs Ordinance regarding these funds to suit the present day and to provide greater economic benefits to the government.

- Since the Department has been paying rewards solely on the basis of internal orders prepared at its discretion since 1988, as it is a violation of the provisions of the Act, the Departmental Orders should be reviewed and amended only with the consent of the Minister to comply with the provisions of the Act.
- To identify, after a proper study, what are the duties and responsibilities that Customs officers should normally perform as per the Public Administration Circular and what are the duties and opportunities that should qualify for the award of rewards and take steps to formalize the recording of the attendance and departure of the staff during overtime payment and prepare a methodology for overtime payment.
- To amend the criteria/conditions relating to the administration and management of the fund to increase the percentage credited to the Consolidated Fund and increase government revenue.
- To increase government revenue by levying the minimum tax due to the government by mitigating penalties only on the specific provisions provided by the Act.

03. Special Audit Report on the Scheme implemented from 01 May 2022 to 15 September 2023, in relation to granting licenses for the import of fully electric vehicles to Sri Lankans employed abroad on the basis of remittances

Background of the Issuance

This report was issued taking into account the factors underlying the issuance of licenses for fully electric vehicles, the discussions among various parties regarding its methodology and the irregularity of its implementation, the legal issues related to the issuance of licenses and the policy amendments made from time to time for the process and the factors related to the efficiency and effectiveness of this licensing process.

The report was issued to the following institutions

Department of Imports and Exports Control

Department of Immigration and Emigration

Department of Motor Traffic

Recommendations given in brief

- To take disciplinary actions against the relevant authorities for issuing Circular No. 2/2022 dated 31 August 2022 relating to the import of electric vehicles, in violation of the basic policy points set out in the report of the Cabinet-approved Committee on the policies and procedures to be followed for issuing vehicle import permits for Sri Lankans employed abroad.
- To conduct further investigations regarding the issuance of permits to individuals who were not specifically confirmed as expatriate workers during the relevant period and who had been abroad for very short periods of time and if any irregularities have occurred/have been made, to take legal action against the responsible parties and take actions to recover the losses incurred by the government.
- To carry out major policy tasks such as planning such schemes, obtaining Cabinet approval and issuing circulars, which are directly related to the public financial policies implemented to provide benefits to selected parties under the direct supervision of the Treasury in accordance with specific and transparent procedures.
- To establish a systemic relationship between the related institutions, as there were problems with the transparency of transactions due to the lack of proper coordination between the related institutions in the vehicle import process.

04. Special Audit Report on the Administrative and Operational Activities of the Sri Lanka Karate Do Federation for the period from January 2017 to March 2022

Background of the Issuance

The Karate Association was renamed as the Sri Lanka Karate Do Federation in 1988 and its activities were continued and this special report was issued by including the facts revealed during the examination regarding the nature of its operations, the transactions and events that took place between January 2017 and March 2022 and the holding of the Federation's elections between 2017 and 2022.

The report was issued to the following institution

Ministry of Youth Affairs and Sports

Department of Sports

Recommendations given in brief

- To take steps to elect officers subject to the legal provisions provided by the Act, to make amendments to the constitution based on the provisions and regulations legally provided by the constitution approved by the Federation and to conduct the affairs of the Congress in accordance with the relevant constitution.
- Since certain decisions taken by the governing body of the federation were contrary to the existing rules and important decisions taken were fraudulently changed, a formal mechanism should be developed by the Ministry of Sports and/or the Department of Sports Development to monitor the activities of the federation in order to prevent such situations and take necessary steps to expedite the disciplinary actions currently being taken against the legal officer of the Ministry of Sports who had taken steps to prepare fraudulent documents.
- To take necessary steps to conduct investigation in respect of the emergence of a problematic situation as to whether certain payments made by the Federation were received by the parties entitled to receive those payments, the audit observation that certain bills were fraudulent bills and the allegations against the Federation regarding financial fraud and irregularities by the Criminal Investigation Department.
- To take all necessary steps to deploy the most suitable teams for the selection of players for the upcoming international tournaments by the Sri Lanka Karate Do Federation and to present the highest talented players that can be deployed from Sri Lanka for the relevant tournaments.

05. Special Audit Report on the requirement, Procurement, Supply, Distribution and Regulation of Medicines for the Years 2022 and 2023

Background of the Issuance

The rapid depreciation of the rupee against the dollar due to the rapid depletion of foreign exchange reserves in the country due to the Covid pandemic in 2020 and the economic crisis in the last quarter of 2021 had also adversely affected the health sector. This report was issued in

response to the fact that there was a shortage of medicines in the country and accordingly, upon the approval of the Cabinet Memorandum submitted by the Minister of Health for emergency purchases, the Ministry of Finance introduced procurement guidelines with relaxed conditions under the method of calling for proposals of intent and unsolicited proposals, which resulted in the medicines issued to patients not meeting the prescribed standards and the rapid increase in the prices of medicines.

The report was issued to the following institution

National Medicines Regulatory Authority

Recommendations given in brief

- It is recommended that the then Chief Executive Officer of the Authority, who recommended the above special pathway, and the Governing Board that approved it, be investigated and legal action taken against them as the National Medicines Regulatory Authority, in issuing exemption certificates from registration, deviated from the minimum procedure then in force and issued exemption certificates under a special pathway and thereby allowing the import of medicines into the country without checking the quality of the medicines and putting the sick population at risk.
- It is recommended that the National Medicines Regulatory Authority prepare a systematic program to ensure that the registration of medicines is carried out promptly and systematically and a system be developed to monitor whether those procedures are being implemented properly.
- It is recommended that the Secretary to the Ministry of Finance, the Registrar of Companies and the Procurement Commission take urgent steps to blacklist companies/institutions that have provided substandard medical supplies using documents that verify the identity of the individuals who own those institutions, such as their National Identity Cards or passports.
- It is recommended that mechanisms be developed and implemented to ensure that medicines are provided to the public at a reasonable price through pricing and regulation of medicines.
- It is recommended that before resorting to emergency purchases for medicines in short supply, the remaining stocks indicated by the systems, the order quantities to be received from suppliers and the probability of receiving them, the monthly usage of the medicine and other factors as appropriate, maximum efforts should be made to obtain the order

quantities to be received from suppliers, necessary measures should be taken to promptly complete the general annual orders that have not been completed and if the negligence or inefficiency of the officers is the reason for resorting to emergency purchases, disciplinary action should be taken against those officers and the loss incurred by the government due to emergency purchases should be recovered from the responsible officers.

- It is recommended that Investigations be conducted regarding the procurement process of medicines, the overriding of Cabinet decisions in the process of calling for proposals of intent and conducting them on an unsolicited basis, the failure to conduct technical evaluations properly, the giving of recommendations that were beneficial to suppliers, and the prioritization of payments for substandard medicines and legal actions be taken following a formal investigation into the persons responsible and the serious risk to patient lives due to the fraudulent actions taken by the supplier in supplying the medicines.

Special Investigation Division

The audit staff is attached under various subject related audit divisions for ease and systematic of the implementation of the statutory powers vested me related to the state audit as Auditor General and assigned the specific functions for that. A Special Investigation and Forensic Audit Division had been established consisting with the officers with trainings and experience on special investigation and forensic audit employed in the National Audit Office for carrying out such investigation audit activities when a necessity arises to perform an investigation audit in relation to a certain transaction or an incident with regard to an audit entity and giving assistance to such audits carried out by other divisions.

As per section 04 of the National Audit Act No.19 of 2018, the transactions and matters decided by me are appropriate subject to a special audit investigation based on public representations received to me, requests of Committee on Public Accounts and Committee on Public Enterprises as well as stated facts by heads of public institutions and media, economic and social facts with timely importance and other professional requirements considered by me are subject the audit of this Investigation Division. The special investigation is carried out by temporarily attaching the officers in this division to other audit branch/unit in certain occasions.

The observations which are materially important from the transactions and matters to be subject to the special investigation in that manner in 2024 are mentioned below.

01. 396 schools out of schools in Sri Lanka had been identified as National Schools up to 2022 at the audit examination on students admission for intermediate grades of National Schools from 01 January 2020 to 31 May 2022

It was observed the incidents where the students had been admitted to the schools by directly issuing letters to the principals by the Sectary of Ministry of Education on the conditions deemed as requests, recommendations/appeals/orders of various parties deviation from the specified procedure for admission students to an intermediate grade for admission to that school as popular schools .It had been disclosed that the students had been admitted to the schools by using 4,775 letters issued by the Secretary of Ministry of Education from 2020 to 31 May 2022.

02. A special audit had been carried out on the scheme implemented for Sri Lankans employed abroad (under Cabinet Decision No. CP/23/0843/625/018 dated 23 May 2023) who had sent the foreign remittances only from 01 May 2022 to 15 September 2023 in relation to providing the permits for import of fully electric vehicles to the Sri Lankans employed abroad on foreign remittances. There,
- (i) A scheme for providing a permit for import of an electric vehicle with a CIF value up to maximum 50 percent from such remittances based on the remittances sent with an objective of increasing the remittances sent to Sri Lanka by Sri Lankans employed abroad had been commenced in 2022 by Ministry of Labour and Foreign Employment. Accordingly, under this scheme, the opportunity had been provided to import an electric vehicle with an objective of encouraging the migrant employees when the vehicle import had been suspended and the luxury tax threshold charged on the vehicles imported had increased from Rs.6 million to Rs.12 million. As per the information received from Ministry of Labour and Foreign employment, 1,077 permits had been issued under the scheme from 22 September 2022 to 30 June 2024 and 77 permits out of that had been cancelled. The relevant permit holders had taken action to import vehicles in relation to only 510 permits out of 1,000 valid permits by 30 June 2024 and only 375 out of that had been registered in Department of Motor Traffic. No action had been taken to register the balance vehicles. The foreign remittance of US\$ 24,100,757 had been received to the banks of the permit holders under the scheme by 30 June 2024 and US\$ 24,100,757 had been remitted to the abroad for 510 vehicles imported.
 - (ii) It had been disclosed the facts that the transparency had been severely breached in the implementation of the scheme due to non-adherence of a documentation methodology as accepted the preliminary and essential information in relation to the permit issuance process under formal internal control methods by ministry of Labour and Foreign Employment and carrying out the all activities such as acknowledgement of applications, inspection, issuance of permits, and cancellations with regard to issuance of permits by several officers of Ministry of Labour and Foreign employment in an informal manner.

- (iii) Furthermore, it had been disclosed the facts that the authority had been misused by taking the responsibility by the Secretary of Ministry of Labour and Foreign Employment without assigning such activities to Department of Trade and investment Policy of Treasury which is the government authorized institute functioning presently in relation to issuance of concessionary duty permits or Export Import Controller to whom the approval of the Cabinet of Ministers had been granted to issue the permits implementation of this scheme and favorable internal control systems to be existed had been neglected.
- (iv) Even though the condition of employment in a foreign country during the period from 01 May 2022 to 15 September 2023 should be fulfilled to obtain permit under this scheme, the ministry had not followed a method for verification in that manner. It was observed in the audit that the ministry had taken measures to issue permits for import fully electric vehicles without considering the relevant laws and regulations for 04 persons who had not been verified being abroad in independent audit examinations. The foreign remittance of US\$ 445,942 had been received to the bank accounts of these 04 persons within the year under review and no step had been taken to verify that this foreign remittance received to the bank accounts of the persons not employed abroad is not the money earned by laundering or other illegal manner. The minimum specified period of time for abroad for entitlement of an electric vehicle permit had not been determined by relevant Circular and the Ministry of Labour and Foreign Employment had taken measures to grant the permits under this scheme to the persons who had employed abroad for a short period from 03 days to 03 months and gone aboard time to time. Accordingly, it had been disclosed the facts that they had only paid the attention on the remittance received to the accounts whatever manner within the period considered.
- (v) The Ministry of Labour and Foreign Employment had taken action to register the institutions which facilitate the import of vehicles for permit holders under the scheme without an approval of Cabinet of Ministers or a recommendation of Ministry of Finance. Even though two institutions registered in that manner had acted as the import facilitator for 640 permit holders, the vehicle import activities had been performed by the other parties. Therefore, it had been

disclosed the facts that an intermediate business opportunity had been created for these registered institutions under this scheme.

- (vi) It was observed that a tax revenue of Rs.1, 384 million recoverable as per the audit calculations had lost to the Government due to increase of Luxury Tax threshold from Rs.6 million to Rs.12 million only for 510 vehicles imported under the scheme. Further, the opportunity had been given to transfer a vehicle imported on this permit to a other party by paying a tax 10 percent from CIF value, it had not been verified to the audit that transfer tax of Rs.12.8 million had been paid for 06 vehicles transferred to the other parties as per the information obtained from Department of Motor Traffic.

The some observations revealed by this Special Investigation and Forensic Audit Division are included in the special reports issued in terms of the section 13 of the National Audit Act No.19 of 2018, reports tabled in the Parliament in terms of the Article 154(6) of the Constitution of Democratic Socialist Republic of Sri Lanka and reports issued to the management.

However, the observations of the investigation audits carried out in each year are included in the above-mentioned reports in the ensuing years most probably owing to the facts such as temporary and permanent attachment of the staff attached to the division to other division/branch as applicable, taking much time for the investigation audits as compared, taking considerable period of time for providing answers to the audit observations as well as review the answers again and again.