

**Report of the Auditor General on Head 162 – Ministry of Megapolis and Western Development
– Year 2016**

Head 162 - The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Megapolis an Western Development for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 06 October 2017. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Finance and Administrative Regulations. The responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.30,159.85 million and out of that, Rs.13,151.30 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Ministry, amounted to Rs.17,008.55 million, representing 56.39 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	1,066.07	750.59	315.48	29.59
Capital	29,093.78	12,400.71	16,693.07	57.38
Total	30,159.85	13,151.30	17,008.55	56.39

2.2. Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under the Item No. 16201 of the Ministry, and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
8.50	6.38	3.50	3.54	30.00	15.94

2.3 Deposit Accounts

The balance of two deposit Accounts of the Ministry as at 31 December 2016 amounted to Rs.154.07 million. Details are shown below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.Millions
6000/0000/00/0016/0084/000	0.10
6000/0000/00/0020/0014/000	153.97

	154.07
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2.4 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Megapolis and Western Development for the year ended 31 December 2016 had been prepared subject to the Audit Observations included in the Management Audit Report referred to in paragraph 1.1 above. The material and significant audit observations out of the observations included in the Management Audit Report appear in paragraph 03.

3. Material and Important Audit Observations

3.1 Replay to the Audit Queries

The Replies had not been given to 03 audit queries issued to the Ministry relating to the year under review up to 10 December 2017. The value of quantifiable transactions relating to those queries amounted to Rs.332.89 million.

3.2 Appropriation Account

Budgetary Variations

An aggregate amount of Rs.3,327.70 million had been provided on 3 Objects. In order to utilize the provisions, imprest had not been adequately provided by the Treasury Operations Department. Hence, only a sum of Rs.1,378.02 million had been utilized, out of the provisions made on 3 Objects. Thus, Provisions ranging from 53.33 per cent to 78.16 per cent had been saved out of the allocated net provisions.

3.3 Good Governance and Accountability

3.3.1 Internal Audit

Actions had not been taken by the Ministry to rectify the deficiencies highlighted through 04 internal audit queries, issued by the Internal Audit Division during the year under review. A sum of Rs.1,530,650 had been inappropriately obtained by 2 officers of the Ministry and out of that, only a sum of Rs.1,340,650 had been recovered from the said officers. Actions had not been taken to recover the balance of Rs.190,000.

3.3.2 Audit and Management Committee

Four Audit and Management Committee Meetings had been held during the year under review. Although the committee had decided to recover an over payment of totalling Rs.1,906,200, actions had not been taken by the Secretary to the Ministry to recover that amount during the year under review.

3.3.3 Annual Performance Report

In terms of Public Finance Circular No.402, dated 12 September 2002, the performance Report should be tabled in parliament by the Ministry within 150 days since the lapse of the financial year. However, that reports relating to the years 2015 and 2016 had not been tabled in parliament even by 30 October 2017.

3.4 Assets Management

Annual Board of Survey

According to the Board of Survey conducted relating to the Metro Colombo Urban Development Project, a shortage in 4 items, mobile phones and computer monitors etc, belonging to 4 categories was observed. It was further observed that due to weak inventory management system of the Project, the Project had failed to appoint responsible officers to safeguard the high valued items.

3.5 Non-compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.million	
(a) Public Administration Circulars		
(i) Circular No.09/2009/01 dated 17 June 2009.	0.75	Even though a sum of Rs.749,216 had been paid to the Media Secretary of the Ministry as Salaries and allowances during the year under review, the arrival and departure times to the duties had not been confirmed through the Finger Print Machine.
(ii) Paragraph 2(iv) of the Circular No.05/2016 dated 09 March 2016.	0.75	Payment for fuel expenditure for the allocated vehicles for the Ministry officers, had been made contrary to the Circular instructions, from the Project funds of the Metro Colombo Urban Development Project and the Strategic Cities Development Project of which come under the Ministry.
(b) Management Services Circulars		
(i) Circular No.46 dated 24 December 2011.	10.83	Even though the staff released to Projects activities were not entitled to obtain 5 per cent and 15 per cent special allowance according to the Circular instructions the staff who had been released to the Metro Colombo Urban Development Project on full time and part time basis had been paid that allowance.

(ii) Circular No.01/2016 dated 24 March 2016.

- Even though the Project' steering Committees should be held once in two months, only one Project' steering committee meeting had been held by the Metro Colombo Urban Development Project for the year under review.

(iii) Circular No.01/2016 dated 24 March 2016.

Even though the Project steering committee meeting should be held once in two months, the steering committee meeting had not been held by the Strategic Cities Development Project for the year under review. As well, members from the related Urban Councils, the Urban Development Authority, the Department of Irrigation and the National Water Supply and Drainage Board had not been appointed to the above Committee on permanent basis. Thus, the Project had failed to make effective decision at the Committee meetings by fixing the responsibilities among the above Institutions.

3.6 Foreign Aided Projects

The Ministry had implemented 04 Projects under foreign finance in the year under review. According to the loan agreements, the estimated costs thereof totaled Rs.77,741 million and a sum of Rs.4,335.8 million had been utilized on those projects during the year under review. The following observations are made in connection with those foreign aided projects.

(a) The performance of the Metro Colombo Urban Development Project

The project had taken actions to implement 59 Programmes under 02 components of the flood and drainage management in Metro Colombo area and supporting the Local Authorities. The activities implemented under the components had shown slow progress during the year under review. The following observations are made thereon.

(i) Nine infrastructure rehabilitation activities, expected to be implemented under the component of flood and drainage management at an estimated cost of US\$ 43.03 million equivalent to Rs.5,636 million had remained at the planning stage due to several social and environment issues arised thereof.

- (ii) The Metro Colombo Urban Development Project, implemented by the Ministry, had been deposited and managed the daily collected solid waste in the Metro Colombo Region. An environmental impact assessment report and an Action Plan for solid waste management, scheduled to be prepared under the sub-component of that Project. The assistance had been obtained from the international consultancy firm for the above purpose and over Rs.65 million had been incurred by the Project thereon. However, the Ministry had not taken actions to handover the reports to the solid waste management Project or to coordinate the functions thereof in order to implement the pointed out matters and recommendations that highlighted through the reports, though it had been incurred considerable amount of money for that purpose. Thus, it was unable to implement the recommendations indicated in the Consultancy reports. Therefore, the payment made to consultancy firms amounting to Rs.65 million had been become fruitless expenditure.
- (iii) According to the information provided by the Project, 40 construction contracts and 11 consultancy services contracts had been awarded by the Project at the estimated cost of Rs.14,942 million and Rs.151 million respectively. The weaknesses in contract administration such as selection of contractors without considering their financial and technical capacities, inaccuracies in the designs prepared by the consultants, making the regular changes to the construction plan and designs, improper estimates etc. had directly influenced for very slow progress of the Project.
- (iv) Even though the construction of Bio-diversity Park Baddagana had been planned with a view to mitigate the flood risk of the area, an assessment had not been made relating to the possible flood risks and environmental effects. Further, the Bills of Quantities and Engineer's Estimates thereon had been prepared without conducting proper study. The completed construction activities had been certified by a retired Technical officer deployed by the project instead of being certified by a consultant. As a result, a sum of Rs.92 million had been over paid to the contractor, by way of made the payments for non-performed works and on the incorrect calculations of work done.
- (v) The agreement had been signed to awarded the construction of Beach Park at Mattakkuliya for an estimated cost of Rs.275 million on 23 September 2014 and according to the agreement, it had agreed to complete the construction work by July 2015. However, the contract activities had been suspended on 31 December 2016 due to failures of the contractor. Even though a sum of Rs.183 million had been paid at the end of the year under review, 47 items included in the Bills of Quantities of the contract had not been completed.
- (vi) The works under 17 contracts awarded at an estimated cost of Rs.4,553.75 million had been completed at a cost of Rs.3,657 million. Therefore, it was observed that the unrealistic cost estimations prepared by the Project. Further, it was revealed that other 30 contracts had been awarded to the contractors based on

the estimated value of Rs.9,017 million without evaluating their technical capacities and availability of resources. As a result, the period of the contracts had been extended for the period ranging from 01 month to 14 months.

- (vii) Even though the Project had awarded a contract at an estimated cost of US\$ 38,000 equivalent to Rs.4.98 million for the consultancy services for design and implementation of system for Time Integrated Flood Management, the progress reports relating to the completion works had not been made available for audit.
- (viii) The construction works of Liner Park (stage II) along Beria Lake, construction of canal nearby Devi Balika Vidyalaya, development of Madiwala Eastern Door (stage I) development of Kollonnawa Urban Council area (stage I) had reported slow progress of 05 per cent as at 31 December 2016, even though it was planned to achieve around 25 per cent of progress as at that date, due to delay in land acquisitions.
- (ix) Four key posts of the Project such as Project Director, Engineering Specialist and Senior Engineer (procurement) and Draftmen had remained vacant over throughout the year and shortage of the staff members with specialized knowledge had influenced for the smooth operation of the Project. In addition, 05 Technical officers and a Quantity Surveyor had been recruited to the Project without obtaining the approval of the Department of Management Services and remuneration aggregating to Rs.6 million had been paid during the year under review for those officers.

(b) Strategic Cities Development Project

The audit test check carried out relating to components of the Project, the following matters were observed.

- (i) The statement of Intermediate Result Indicators to be prepared by the Project, as required by paragraph 10 of the Project Appraisal Document had not been prepared. Further, the Procurement Administration Manual to be prepared as described in the paragraph 24 of the Project Appraisal Document had also not been prepared, as enable to evaluate the progress on procurement activities of the Project based on the Procurement Performance Indicators prepared under paragraph 33(f) of the Project Appraisal Document.
- (ii) Out of the total allocation of US\$ 147 million equivalent to Rs.19,257 million made by the Lending Agency, only a sum of US\$ 11 million equivalent to Rs.1,563.58 million representing 07 per cent of the total allocation had been utilized as at 31 December 2016 after lapse of 02 ½ years from the commencement of the activities of the project. Further, a comprehensive detailed action plan highlighting financial and physical targets in monthly, quarterly, biannually etc. covering entire project period with fixing responsibilities had not been prepared. Therefore, the progress of utilization of fund allocated was remained slow.

- (iii) Further, the detailed budget for the year under review based on the work schedule of the project, as required by the paragraph II of the Project Appraisal Document had not been prepared. Therefore, a sum of Rs.1,624 million had only been utilized, out of the allocation amounting to Rs.5,810 million made in the Budget Estimate for the year under review.
- (iv) According to the information provided, the Project had planned to implement several programmes to develop selected Urban services and Public Places in the cities of Kandy and Galle. However, the development activities in the Jaffna City that had been expected to implement under the additional finance Programme had not been commenced up to 31 December 2016.
- (v) The Construction works of Katugastota-Madawala-Digana Road and Dharmashoka Road in Kandy had been commenced in July 2016 and had shown slow progress of 27 per cent and 09 per cent respectively as at 31 December 2016 due to poor performance of the contractors. Further, the construction works of underground drainage system in Kandy city with the length of 02 Kilometers which scheduled to be completed as at 31 December 2016 was shown slow physical progress of 25 per cent as at that date.
- (vi) The activities to be carried out and the procurements to be made for the use of Galle Municipal Council under the institutional Strengthening and capacity Building component of the Project had not been implemented during the year under review.
- (vii) Even though 07 contracts had been carried out at an estimated cost of US\$ 4.07 million equivalent to Rs.609.72 million under the sub Projects implemented in the Kandy City which scheduled to be completed during the year under review, had not been completed even up to 31 March 2017 due to poor performance of the contractor.
- (viii) The other Sub-Projects which scheduled to be carried out in the Kandy City at a cost of US\$ 17.96 million equivalent to Rs.2,690.11 million had been cancelled, as the concurrence of the International Development Association was not received. 04 Sub-Projects introduced thereon and scheduled to be completed during the year under review at a cost of US\$ 5.73 million equivalent to Rs.858.26 million could not be implemented.
- (ix) According to the Progress reports, out of 76 contracts scheduled to be awarded during the year under review at an estimated cost of US\$ 147 million equivalent to Rs.22,020 million for rehabilitation works in Kandy and Galle Cities. 36 contracts valued at US\$ 34.65 million equivalent to Rs.5,190 million had been awarded to contractors as at 31 December 2016. As a common feature, the construction works implemented by the Project had reported slow progress due to deficiencies such as selection of contractors without considering their financial feasibility, inadequate technical staff deployed by the contractors, in accuracies in the designs prepared by the design consultants, delays in delivering of

instructions from the Project were affected to the poor performance of the construction works.

- (x) According to the contract agreement, the value of the interim bills should not be less than 5 per cent of the contract value. However, the bills related to rehabilitation work of Dharmashoka Road in Kandy and construction of gabion wall of Meda-Ela area which less than 5 per cent of the total contract values had been approved for payments without considering the conditions in the agreements.
- (xi) The consultant had reported the poor progress of contractors engaged in the construction works of Dunumadalawa Water Treatment Plant of the Project. Actions had not either been taken to expedite the performance of the contractor or terminate the contracts in terms of the contract agreement. Further, actions had not been taken to recover liquidated damages amounting to Rs.2.7 million from the contractor engaged in construction of Authors' Deck in Kandy City on delays in connection of works of 9 months.
- (xii) According to the initial plans of the project, 1,632 plots of land scheduled to be acquired at an estimated cost of Rs.662 million. Out of that 1,267 plots of land had been acquired up to end of the year under review. The delays in acquisition of lands caused slow progress in implementing of the activities of the Project.
- (xiii) The total compensation amounting to Rs.378.46 million had been paid by the Project during the year under review for the land acquisitions. A sum of Rs.83.08 million had been paid as the statutory payments to be made under the Section 17 of Land Acquisition Act No.9 of 1950. The balance amount of Rs.295.38 million had been paid based on the recommendations of the Land Acquisition Resettlement Committee. Further, additional payments amounting to Rs.188.88 million had also been made to the same land owners. However, the reasons for the additional payments made totalled Rs.188.88 million for those who received compensation on concessionary basis were not furnished to audit.

(c) Metro Colombo – Towards a Flood Resilient Urban Environment Trust Fund

The audit test check carried out relating to the components of this Project, the following deficiencies were observed.

- (i) About 4 years were lapsed since the commencement date of the Project, and the total allocation of US\$ 900,000 equivalent to Rs.118.30 million had been made for that period. Out of that allocation, only US\$ 250,827 equivalent to Rs.35.44 million had been utilized up to end of the year under review.
- (ii) The main functions of the Trust Fund, i.e. making Metro Colombo Integrated Flood Risk Assessment, preparation of flood risk mitigation strategies and making the recommendations, preparation of Action Plan for conservation of wetlands, testing of water quality and soil in morshy lands had scheduled to be completed as at end of the year under review. However, those functions had not been completed.

- (iii) The support for the implementing agencies of the project through the development of monitoring and evaluation system, expected to be completed up to end of August 2015. However, those functions had not been completed even up to end of the year under review. As a result, the Trust Fund had failed to support to the implementing agencies in the area of Project management, Procurement, Financial communication, Public awareness and operations.
- (iv) The consultancy contract for recommendation of flood controlling strategies and preparation of the Action Plan thereon, had been awarded on 31 May 2016 after delaying 18 months, due to improper Procurement Procedures. As a result, the completion period of the contract, according to the Procurement Pan, had been delayed for 21 months.

(d) Kadawatha, Kaduwela, Kottawa Cities Development Project (3K)

The following observations are made with regard to the audit test check carried out in this connection.

- (i) The loan agreement entered into under the Urban Development component of the Grater Colombo Transport Network Development Project, the above Project scheduled to be completed by 31 May 2015. Nevertheless, the project had failed to complete the planned activities within the scheduled time period. The gross monthly administration expenditure of the Project for the year under review amounted to Rs.1.4 million.
- (ii) The Project Director of this Project had also worked as the Project Director of an another Project. Obviously, it was revealed the Project activities could not been able to complete in an accelerated manner due to that reason. Despite the facts that the project Director had been appointed and work in 3K project too deviating the recruitment procedure.
- (iii) As cease of funds given by the Japan International Corporation Agency (JICA) in the year 2015, the project activities had to be continued using the Treasury Provisions. Accordingly, a sum of Rs.714.1 million had been allocated by the Treasury in the year under review and out of that a sum of Rs.525 million had been utilized.
- (iv) Construction of the Makubura multy purpose centre had been planned under 3rd Sub-component come under the Grater Colombo Transport Network Development component (SL-P-89). The following observations are made in this connection.
 - For the purposes of reduce the travel time of the passengers and to minimize the traffic congestion, train and bus terminals had been planned to establish in one location, and the construction contract awarded to a private company at an estimated cost of Rs.845 million on 07 May 2015. Although the construction works scheduled to be completed within 168 days, construction works had not been completed even up to 31 October 2017.

- A sum of Rs.18.3 million had been expended exceeding the allocated local find amounting to Rs.953 million up to 31 December 2016. However, 11 activities such as construction of Transport Centre, completion of remaining works, establishment of maintenance and management procedures and Planning of the transportation system had to be completed in future. Exceeding the estimated cost, a sum of Rs.431 million had been further estimated to incurred for those remaining activities.

(e) Abandonment of Certain Works included in the Foreign Aided Projects

The following Sub-components of the Projects had not been implemented.

(i) Strategic Cities Development Project

Seven contracts scheduled to be implement in the year 2016 at an estimated cost of Rs.2,690.22 million had been cancelled and 04 construction works at an estimated cost of Rs.858.29 million had not been implemented.

(ii) Metro Colombo Urban Development Project

The following observations are made in this connection.

- Six canal rehabilitation and development activities scheduled to be implemented at an estimated cost of US\$ 88.5 million equivalent to Rs.11,598 million had not been awarded due to delays in preparation of detailed designs and land acquisitions.
- The construction works of Bio Diversity Park at Kotte Rampart and Construction of Liner Park along the Beria Lake estimated at a cost of Rs.576.40 million equivalents to US\$ 4.4 million had not been commenced up to 31 December 2016.

3.7 Implementing of Projects through Domestic Financing

3.7.1 Abandonment of Projects without being commenced

The following observations are made.

(a) Land Reclamation and Development Corporation

The Corporation had planned to implement 13 Projects valued Rs.361.87 million in the year 2016. However, without being implemented those projects a sum of Rs.626.13 million had been incurred to implement 14 projects which had not been included in the Action Plan.

(b) Urban Development Authority

An aggregate amount of Rs.3,252.9 million had been allocated through the Ministry from Annual Budget to implement 22 Projects of the Urban Development Authority.

However, those 22 Projects had not been implemented. Due to the non implementation of the planned Urban development activities in various regions of the country, the expected benefits of the Projects that would have been delivered to the general public had been further delayed. The opportunity to implement another activities utilizing the funds allocated to non-implemented project, had also being lossed.

(c) Cleaning of drains for dengue control

In order to control the dengue, a sum of Rs.11.12 million had been allocated during the year under review through supplementary allocations to clean drains and canals. However, cleaning of drains and canals or carrying out of related activities had not been done during the year under review and allocated entire funds had been saved.

3.7.2 The Projects not making progress Despite fund being Released

The following observations are made in this regard.

(a) Grater Colombo solid waste management Project

To dispose and manage the daily collecting solid waste in the Metro Colombo region, the Ministry of Western Development and MegaPolis had implemented the above Project as sub-component of the Metro Colombo Urban Development Project. There after, it had been implemented as a separate Project under the Ministry of Western Development and MegaPolis. The following observations are made, with regard to the activities of the Project.

- (i) To assess the environmental impact that associated with the solid waste management and to prepare an action plan for solid waste management, assistance had been obtained from the international consultancy firms. A sum of Rs.65.92 million had been paid in that connection by the Metro Colombo Urban Development Project up to end of the year under review. Accordingly, further action had been taken to obtain additional consultancy reports from those firms. However, the Project had failed to eighter being implemented activities and recommendation that had been highlighted in the foreign consultancy reports or create a coordination with the Local Government Authorities.
- (ii) A sum of Rs.4,000 million had been allocated by the Treasury to the Ministry in the year under review and preceding year. The Ministry had not taken actions to carried out and continue this waste management programme. Hence, out of the allocated funds, 99.9 per cent of the allocation had not been utilized.
- (iii) To carry out the Projects activities, a Director for the Project had not been formally appointed up to end of the year under review. By appointing the Ministry officers to cover the duties, the Project activities had been carried out with very slow progress.

- (iv) To Carry out studies in foreign countries on solid waste management, a sum of Rs.546,778 had been incurred on behalf of the officers by the Project up to end of the year under review. However, none of the report had been furnished to audit relating to that studies.

(b) Improvement of 760 meters along Kottawa – Malabe Road under the Sukhitha Purawara Project

The following observations are made in this regard.

- (i) Under the contract package No.4 of the Kadawatha, Kaduwela and Kottawa Cities Development Project (3K Project), 1.35 Kilometers along the Kottawa-Malabe road, up to Kulasevana Housing Scheme, had been identified to develop as two track road using the local funds. Nevertheless, two cost estimates amounting to Rs.226 million had been prepared under the 3K Project to develop 0.76 Kilometers from Kottawa Boogaha Junction to Tuesday Fair. According to the estimate prepared by the Western Province Road Development Authority, an estimate amounting to Rs.24 million had been made to drain constructions. However, as per the estimate prepared by the 3K Project, estimated cost for the drain construction amounted to Rs.33 million. Thus, due to the lack of a coordination between those two institutions, the drains scheduled to be constructed by each institute could not be identified separately. Actions had not been taken by the Ministry relating to the risk for the making payment on two basis for a similar construction.
- (ii) A sum of Rs.66,046,981 had been paid to 05 state institutions under the Sukithapurawara Programme to acquire the infrastructure facilities and lands. But, any road construction work had not been done up to 11 July 2017. One hundred and Seventy two parts of precast drains and 274 drain covering slabs had been delivered and kept at the site insecuring manner, by the Western Provincial Road Development Authority.
- (iii) According to the Action Plan, the expected physical progress of this component of the project up to end of the year 2016 was 75 per cent. However, according to the performance report of the Ministry for the year 2016, acquisition of land in one of the planned area had only been completed.
- (iv) This road had been planned to construct with 2 tracks and further additional 2 tracks for vehicle parking the estimated cost for the widening and improvement activities of the road, a distance 760 meters or $\frac{3}{4}$ Kilometers amounted to Rs.346 million. However, according to the Base Estimation Rates of the Road Development Authority, maximum cost of this road works only about Rs.125 million. Thus, it was revealed that estimates had been prepared by applying of irrational basis.

3.8 Performance

According to the Annual Budget Estimate of the year 2016 and Action Plan, the following observations are made with regard to performance of the Ministry.

(a) Utilization of Provisions

A sum of Rs.2,360 million had been provided in the year 2016 for the Project of flood controlling activities in Metro Colombo area and improvement of environment, which should have been implemented by the Sri Lanka Land Reclamation and Development Corporation, and for the Projects implemented by the Ministry of Western Development and MegaPolis during the year 2016. Out of that provisions, only a sum of Rs.1,010.75 million had been utilized up to end of the year under review. Thus, 57 per cent of the provisions had not been utilized.

(b) Main Activities that had not been adequately performed

A sum of Rs.80 million had been allocated for the Projects in the Districts of Colombo, Kalutara and Gampaha under the Sukitha Purawara Special Project – 2016. However, 11 projects in Colombo District at an estimated cost of Rs.20.1 million and one project at an estimated cost of Rs.2 million, that should have been carried out in Ja-Ela Divisional Secretariat area in Gampaha District had been abandoned without being implemented. Further, at the audit test check carried out relating to those projects, it was observed that a feasibility study or adequate supervision had not been conducted relating to those projects. Details are as follows.

(i) Construction of a Boundary wall around the Rukmale Maha Vidyalaya

A sum of Rs.500,000 had been provided for the above purpose and a sum of Rs.402,855 had been expended as at 31 December 2016. The required Provisions for this work had not been provided and as a result the Project had been abandoned after completion of half of the work. As the Project was not accomplished the expected objectives, the expended amount thereon had become fruitless expenditure.

(ii) Development of Maharagama Horahena Canal at the Point of Residence No.171 to Residence No.175/7

An estimate of Rs.1,999,372 had been prepared for this Sub-Project and out of that a sum of Rs.1,941,689 had been expended as at 31 December 2016. Although that canal had been completed up to Kaduwela Divisional Secretariat area, the canal had not been connected to another canal in Kaduwela Divisional Secretariat area. Hence, the expected objective of the project had not been accomplished.

(c) Lack of a specific procedure to Identify the Projects

According to the performance reports prepared by the planning and Finance Divisions of the Ministry, the Projects had been identified in difference names by the each Division. Hence, difficulties were arisen when evaluate the financial and physical performances of the projects due to difference names that had been used by the above Divisions. Although the Financial Division had shown the performance of each of the Projects separately, the Planning Davison had shown the performance of the Project by amalgamating several projects as one Project.

3.9 Transactions of Contentions Nature

Certain transactions entered into by the Ministry had been contentions nature. Particulars of several such instances observed during the course of audit task checks appear below.

- (a) By misinterpreting the Circulars and contrary to the Treasury instructions a sum of Rs.1,906,200 had been paid as arrears of salaries to 10 officers of the Kadawatha, Kaduwela, Kottawa Town Development Project (3K Project). However, action had not been taken to recover those non-compliance payments up to end of the year under review.
- (b) The Government had decided to charged Rs.100,000 from the recipient of houses when handing over 5,203 units of houses to the recipients. However, according to the supplementary budget proposals of the year 2015, the Government had decided to incur that amount on behalf of the recipients of houses. As a result the Government had to incurred an additional expenditure thereon. The Ministry had not given advice to the Government thereof and had not paid the attention to the Business plan of the Project.

3.10 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

(a) Preparation of Western Regional Mega City Plan

The following observations are made in this regard.

- (i) A sum of Rs.79.85 million had been incurred during the period from the years 2003 to 2005 to the Western Regional Mega City Planning Project which had been prepared in the year 2004. As the Planning principles of that Project were not match with the current requirements, action had been taken to prepare a new plan. Hence, the expended amount of Rs.79.85 million incurred to prepare a Mega City Plan had been become a fruitless expenditure.
- (ii) Several Computers had been purchased for the Western Regional Mega Cities Development Project office by using the funds given by the Urban Development Authority. In addition, 3 Computers had been obtained on rental basis by paying Rs.25,000 per month. Further, a Lap Top Computer had also been obtained on rental basis by incurring Rs.9,500 per month and a sum of

Rs.721,450 had been incurred for the vehicle rentals for the period from the year 2015 to end of the year under review.

- (iii) Although the Project enable to allocate a motor vehicle to the officer who appointed as the additional Project Director of the Western Regional Mega Cities Development Project, for official and private use, a motor vehicle with a Driver had been provided by the Project. A sum of Rs.2,037,017 had been incurred by the project as vehicle rent, payment for Driver's over time and bata up to end of the year under review.
- (iv) An aggregate amount to Rs.9,454,858 had been expended as foreign travel expenditure under the Western Regional Cities Development Project. Instances of payments made violating Circular instructions, non-allowable and over payments etc had been disclosed by the Secretary Ministry of the from the letter No. MMWD/F/02/WRMO-II dated 28 October 2016. As well, purchase of business class air tickets for non-allowable officers, particulars not made available relating to the objectives of the travels and travelling benefits, not submitting of required reports after completing the foreign travels and deficiencies in computation of subsistences were observed.

3.11 Uneconomic transactions

A sum of Rs.7,844,183 had been incurred by the Project office only for the ceremony held to inaugurate the Mega Cities Plan in an uneconomical manner.

3.12 Management Weaknesses

The audit test check carried out relating to the transactions conducted by the Ministry, the following weaknesses were observed.

(a) Any Project had not been commenced for the Management of Solid Wastes

The allocations had been made under the Object of 162-02-03-2502 (16) for development of urban sub components and urban solid waste management of the Ministry of Western Development and MegaPolis in the year 2016. Due to inadequacy of the allocated funds, additional provisions amounting to Rs.4,350.2 million had been obtained through 14 warrants issued on supplementary provisions. Out of that provisions, a sum of Rs.3,330.8 million had incurred for the development of Urban facilities. However, no allocation had been expended for the top prioritized and immediate requirement of Solid Waste Management.

(b) Warasgaga Project

The Sri Lanka Land Reclamation and Development Corporation had decided to obtain a loan amounting to Rs.14,000 million from the National Savings Bank to implement the Warasgaga strom water drainage and environment improvement Project. Out of that loan, a sum of Rs.2,550 million had been obtained during the year under review. The Ministry had failed to made the payment of interest and installments of the loan for the

year under review, amounting to Rs.726.54 million according to the agreement. Hence, the bank had suspended release the remaining loan balance of Rs.11,429 million. The Cabinet of Ministers had decided that the future expenditure of the Projects to be managed according the provisions allocated through the Annual Budget. Accordingly, out of the allocated provision for the year under review amounting to Rs.1,000 million under the object 162-2-3-9-2502(II), only a sum of Rs.218 million or 22 per cent of the allocation had been utilized.

(c) The Beira Lake rehabilitation and redevelopment Project

According to the decision made by the Cabinet of Ministers on 28 October 2016, in order to implement the Beira Lake rehabilitation and redevelopment Project, the land release activities for the Project and urgent rehabilitation activities had to be carried out. For this purpose, the basic provision amounting to Rs.1,350 million had been given to the Ministry of Western Development and MegaPolis. Out of that provision, a sum of Rs.1,200 million had been given to the Urban Development Authority. After being conducted a formal survey and final review, the extract amount of entitled persons those who have right to claim for houses should have been identified and based on that, required provisions should have been claimed. However, without doing so, the provisions had been obtained on the information of the primary field survey and therefore, it was observed that excess provisions had been claimed.

(d) Preparation of Western Province Mega Cities Plan

After being prepared the Western Province Mega Cities Plan, it had been decided to establish the Western Regional Mega Cities Authority with a view to make required amendments to prevailing Acts and Ordinances, in order to mitigate the effects create due to the Mega Cities Plan. Accordingly, with a view to identify the structure of the Western Regional Mega Cities Authority, the draft of the establishment Act of said Authority would have been prepared. However, Acting upon so, activities such as preparation of regulations for buildings, planning of science and technology cities, preparation of the plan for Horana and Mhirigama Industrial cities etc had been done. According to the paragraph 1(II) of the Cabinet decision No.අමප/16/321/724/016 dated 10 March 2016, directions had been given to the Secretary to the Ministry of Western Development and MegaPolis to take immediate actions to establish the Western Regional Mega Cities Authority. Nevertheless, although it had lapsed even more than one year since the date of the Cabinet decision, the basic documents which need to be established the Western Regional Mega Cities Authority had not been prepared.

(e) Abandonment of Projects without being completed

An aggregate amount at Rs.409 million had been allocated to the Urban Development Authority to implement 04 Projects in the Central and Western Provinces. A sum of Rs.8.2 million had been expended for those projects during the year under review. However, due to cancellation of those projects during the year under review, the expended amount of Rs.8.2 million thereon had been become fruitless expenditure.

(f) Deviation from the Government Procurement Procedure

The bids had been called by the project management unite from the international consultancy firms for preparation of the strategic plan for wetland management and to measure the water quality of internal water canals and tanks in Colombo city and suburbs area. According to the criteria prepared by the Project Management Unit to select the consultants, the contract had been awarded to the second qualified bidder instead of being selected the first qualified bidder. The reasons for the rejection of the first qualified bidder had not been explained to audit.

3.13 Human Resource Management

The position on the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	31	25	06
(ii)	Tertiary Level	04	02	02
(iii)	Secondary Level	93	48	45
(iv)	Primary Level	43	34	09
(v)	Others	05	01	04
	Total	176	110	66
		=====	=====	=====

The following observations are made.

- (a) The following deficiencies were observed relating to determination of required cadre, required qualification for each of the post, and required recruitment procedure and remunerations for the staff of the Mega Cities Planning Project that come under the Ministry.
- (i) After computing the required cadre of the project, prior approval or covering approval where necessary had not been obtained.
 - (ii) General procedure had not been applied to recruit the staff for the posts.
 - (iii) Without applying a specific basis, the salary scales for various posts had been determined.
 - (iv) The officers who had not obtained required experience and professional qualifications had been recruited as Assistant Consultants and paid higher salaries.

- (v) The terms of references including condition of the services had not been prepared for the services obtained from the consultants. Some consultants had not furnished the reports, expected to be obtained as per the consultancy contracts. However, the consultancy contracts without considering that situation had been timely extended.
- (vi) According to the circular instructions, the officers over 60 years of age can not be recruited to the Projects. However, 04 officers over 60 years of age had been recruited to the above Projects.
- (vii) Sums of Rs.2,500 , Rs.4,000 Rs.10,000 and Rs.30,000 and so forth had been paid to the consultants and officers those who recruited to Mega Cities Planning Project. Further, the allowances had been paid in twice to some officers, considering morning and evening sessions of a meeting as two meetings. There was no basis to pay the difference kind of allowances and a proper approval had not been obtained to make the payments.